

GIBRALTAR

HOUSE OF ASSEMBLY



HANSARD

24 MARCH, 1986
VOL. II - BUDGET

THURSDAY THE 17TH APRIL, 1986

The House resumed at 10.45 am.

PRESENT:

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

GOVERNMENT:

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

J L Ballantine Esq, RD - Clerk of the House of Assembly (Acting)

PRAYER

Mr Speaker recited the prayer.

SUSPENSION OF STANDING ORDERS

HON ATTORNEY-GENERAL:

Mr Speaker, I beg to move the Suspension of Standing Order

7(3) to enable Members to lay on the table various documents.

Mr Speaker then put the question which was resolved in the affirmative and Standing Order 7(3) was accordingly suspended.

HON J BOSSANO:

Mr Speaker, I would like to say something on the suspension of Standing Orders.

MR SPEAKER:

Certainly.

HON J BOSSANO:

I think that it has to be understood that we attach a lot of importance to the material that we get in these Surveys and that it enables us to assess the picture presented by the Government to the House at Budget time particularly when we have seen a picture that changes so dramatically from one year to the next. We have had a situation, Mr Speaker, where the Abstract of Statistics for statistics up to December of last year was made available two days ago; where the 1984/85 Audited Accounts were made available to us just over a week ago; where the Employment Survey for last October was made available to us on Thursday of last week; and where the insurance records of people employed was made available to me this morning from last December. In that situation, I think I have to say that although we welcome, belated though it is, this material being made available to us, it may mean that when we listen to what the Government has to tell us in its opening remarks on the state of the economy, we may require more time than we have usually asked for to contrast their picture of the economy with the picture that we make ourselves from these figures. Because what we normally do when we have these figures, in anticipation, is to make our own assessment of what is happening to the economy and we are ready for the Government when they come forward with their version of events. This year we are not in a position to do that.

MR SPEAKER:

I would like to say that the suspension of Standing Order 7(3) exclusively relates to taking business out of its order and not the circulation of papers but, of course, the point is taken.

HON CHIEF MINISTER:

Perhaps I might make it clear that it is not that it is done near the Budget but it is done as soon as possible and we try to make sure that it is before the Budget.

HON DR R G VALARINO:

The only thing I would like to say is what he mentioned about the return of employment cards. I think you said you had asked for them from last December. In fact, the date you asked for them, I think, was March and they were produced.

HON J BOSSANO:

Mr Speaker, if I may clarify the point. The position is that I usually get them shortly after December, which is when the cards are handed in, without having to ask. Since this year by March I still hadn't had them, I wrote in asking for them in March and I got them today. That is what I am saying.

DOCUMENTS LAID

The Hon the Minister for Tourism laid on the table the following documents:

- (1) The Hotel Occupancy Survey, 1985.
- (2) The Air Traffic Survey, 1985.

Ordered to lie.

The Hon the Minister for Labour and Social Security laid on the table the following document.

The Employment Survey Report - October, 1985.

Ordered to lie.

The Hon the Financial and Development Secretary laid on the table the following documents:

- (1) The Draft Estimates of Revenue and Expenditure for 1986/87.
- (2) The Accounts of the Government of Gibraltar for the year ended 31st March, 1985, together with the Report of the Principal Auditor thereon.

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 1986/87 Appropriation Ordinance, 1986.

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

THE APPROPRIATION (1986/87) ORDINANCE, 1986

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I have the honour to move that a Bill for an Ordinance to appropriate an amount not exceeding £59,205,043 to the service of the year ending with the 31st day of March, 1987, 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, 1986.

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, 1986

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I have the honour to move that a Bill for an Ordinance to amend the Building Societies Ordinance, the Development Aid Ordinance, the Estate Duties Ordinance, the Imports and Exports Ordinance, the Income Tax Ordinance, the Licensing and Fees Ordinance, the Public Health Ordinance 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 have the honour to move that the Bill be now read a second time.

As on this occasion last year, Mr Speaker, I would like to begin by saying a little about International Economic Developments, something about the UK economy, and then turn to domestic Gibraltar matters.

In general, 1985 was a good year for world trade amongst the developed countries, although growth, at 4 per cent, was substantially lower than in 1984. Amongst OECD countries, inflation averaged 4½ per cent. Despite the fall in the value of the dollar, the US economy continued to provide the motive force for growth in the economies of the West. The US deficit on current account, however, widened from \$107 billion in 1984 to a record \$117 billion in 1985. By the end of the year there was pressure on Japan reinforced by an increase in the value of the yen, to stimulate demand in the domestic economy.

The terms of trade moved against oil and other primary products during the year and OPEC output was down by about 14 per cent, the purchasing power of many developing countries being thus reduced. The problems encountered by debtor nations in maintaining levels of domestic activity and meeting import bills were in sharp contrast to the fortunate position of the United States, able to maintain growth notwithstanding the widening deficit on current account because of the sheer size and strength of its economy relative to the rest of the world.

The widely predicted fall in the value of the dollar did not gather momentum until after a series of signals from the US Federal Reserve Bank to the market accompanied by concerted action on the part of the Central Banks of the group of five. In the event, the dollar has depreciated by about 20 per cent against a basket of major currencies.

There was a general expectation that interest rates would fall in the wake of the depreciating dollar. However, markets in both the US and UK were slow to respond, and it is only recently that signs of a possibly long term fall in interest rates have really emerged.

In the UK, growth in 1985 was under 3 per cent, rather less than in 1984 after adjusting for the effects of the miners' strike; growth in service industries was at twice the rate for manufacturing industry. Sterling appreciated against the dollar by almost 30 per cent and, notwithstanding some depreciation against other currencies, exports declined during the final quarter of 1985. Despite unemployment in excess of three million, and a marginal increase over 1984. Average earnings for those in employment at just under 9 per cent were uncomfortably ahead of inflation at 5.5 per cent. The structural problems of the British economy thus persist, with an increase in both unemployment and vacancies during 1985. There is some pessimism about the prospect of excessive wage increases in 1986 and 1987 in the UK.

It remains to be seen what effect the recent fall in oil prices will have on the UK economy. Oil prices, whether in the short or long term, are now back to the levels of 1973 in real terms. It will be recalled that the oil price rise in the early 1970's was one of the major contributory factors in the hyper-inflation which followed as the re-cycled surpluses of the oil-producing countries, especially in the Middle East, sloshed around world money markets. This led in turn to the hike in interest rates and to low levels of investment in real assets as markets adjusted to the new situation; in a word, to the 'stag-flation' of the 1970's. Although the loss of North Sea oil revenues will be bad for the UK Treasury and diminishes the prospect of further cuts in direct taxation, the economic impact should on balance be beneficial. If markets are convinced that oil prices are unlikely to rise to their former levels for the foreseeable future and, secondly, that inflation rates are likely to remain at levels similar to those in the 1950's and the 1960's, the likelihood is that interest rates will make a similar adjustment. This would stimulate real investment, especially in the UK, where interest rates normally carry an extra risk premium anyway because of higher rates of inflation than those in other OECD countries.

However, a rather less optimistic scenario for the UK (which would be depressingly familiar) is that the pressure of domestic demand would aggravate the UK's propensity to import more than it exports. With diminishing oil revenues and a manufacturing base much reduced because of high wages and low productivity during the 1970's, this would revive the UK's chronic balance of payment difficulties, lead to further depreciation of the pound and to the all too familiar inflationary spiral. Fortunately, Mr Speaker, despite every encouragement, history has the habit of not repeating itself.

Turning to domestic matters, 1985 was the year in which Gibraltar emerged from economic siege and the tourist and trade sectors began to adjust to an influx of 2.4m visitors. The vast majority of these, 2.2m, crossed the land frontier. However, there was a significant increase in arrivals by air, from 48,000 in 1984 to 74,000 in 1985, although the latter figure includes 15,000 passengers in transit to Spain. Hotel occupancy rates were the highest since 1979 with a 25 per cent increase in guest nights sold.

Overall, there was a 60 per cent increase in the value of imports, excluding petroleum products. The figures are to some extent exaggerated by high levels of imports for Gibrepair, the North Mole and other projects, but they are nevertheless indicative of a tourist-related boom in sales of a variety of consumer goods and also imported foodstuffs. There was a 50 per cent increase in import duties collected by the Government in 1985.

While the UK still provided approximately 50 per cent of Gibraltar's imports, imports from Spain also rose substantially. Spain has overtaken Japan as the second largest source of imports, accounting for some 10 per cent of non-petroleum products imported in 1985.

Imports of petroleum products increased by more than 90 per cent. Domestic consumption accounts for a relatively small proportion of this - no more than £5m out of total petroleum imports of £42m. The bulk of petroleum products are re-exported, mainly as bunkers for shipping. The number of ships calling for bunkers increased by 84 per cent and the number of calls by deep sea vessels at the Port by nearly 30 per cent during 1985.

Overall, total expenditure by visitors to Gibraltar during 1985 is estimated at about £20m compared with £12m in 1984. However, while there was a substantial inflow of tourists and visitors, there was a substantial outflow of expenditure in Spain. Frontier crossings by Gibraltar residents, at over 1.3m, showed an increase of 80 per cent on numbers for the previous year. Rough estimates of this expenditure suggest that it was of the order of £12m to £15m, indicative of per capita spending of £400-£500 by Gibraltar residents in Spain annually.

The increased spending in Spain was accompanied by two thousand new private vehicle registrations, more than double the figure for the two previous years. About 40 per cent of these were by owners of cars formerly garaged in Spain or registered as GG, and about 60 per cent were sales of new cars to the domestic market.

The high import content of retail sales, on the one hand, and on the other the high level of spending in Spain, meant that the increase in gross domestic product was rather less than the figure of more than two million tourists might suggest. Unfortunately firm estimates of the growth in national income in 1985 are not yet available, but the probability is that, in real terms, it was no more than 2 or 3 per cent. However, this increase was against the background of a contraction in employment by the MOD and PSA which has continued for several years. Compared with 1978, when the MOD and PSA provided employment for about one-third of the working population, and either directly or indirectly accounted for about 55 per cent of national income, the current proportions are approximately one-fifth and 35 per cent respectively - figures which are, nevertheless, still high as a proportion of the total.

This prompts me to sound a cautionary note about prospects for 1986. It would be unrealistic to expect further expansion on the scale of 1985. Indeed, to ensure that 1985 levels are maintained, let alone increased, will require further investment and possibly some restructuring in the retail and distributive trades. Gibraltar still has many of the characteristics of a village economy and there is some way to go before it is in a position to compete adequately as an international shopping centre. The problem is not one which can be solved simply by the Government reducing import duties. Fortunately, there are indications that private capital for further development will be available.

As the latest employment survey now laid before the House reveals, there was an upward trend in employment and this was maintained throughout 1985. Unemployment amongst Gibraltarians has fallen to negligible proportions in statistical terms, and fears expressed in the not too distant past about employment prospects have been replaced by signs of pressure on the labour market. There is a shortage of skilled personnel in a number of sectors. The problems of Gibrepair have been well publicized but there is also a shortage of qualified personnel in the Financial Sector, in banking, insurance, accountancy and other finance-related services. This carries with it implications for the future direction of academic and technical education and career advisory services.

As the Employment Survey also indicates, the falling trend of real incomes in recent years was reversed. Average weekly earnings of £134 for full-time adult males in October 1985 compare with £122 in October 1983 - a rise of just under 10 per cent. Of particular significance is the conversion of the 23 per cent lead in average earnings by the Official Sector of the Private Sector in October 1983 into a 7 per

cent lead by Private Sector over the Official Sector in October 1985. As the survey points out, this is largely due to the inclusion of Gibrepair as part of the Private Sector, but the figures also show significant increases in the tourist-related industries, the Financial Sector and for monthly paid staff.

To conclude this review of 1985, Mr Speaker, I should add that inflation is now running at 3.2 per cent, the lowest annual rate since 1968. The increase in food prices was the lowest since 1970. There were no increases in municipal charges or Government rents during the year. The price of electricity has fallen steadily and there are prospects of further reductions in the months ahead. The reductions in charges for potable water that I shall be announcing shortly will further relieve household budgets and reduce costs to commercial consumers. With the possibility of reductions in interest rates in the near future, the conditions are favourable for the further development of the economy in 1986 and a further improvement in living standards.

I turn now to Government Estimates. The revised estimates of Government expenditure for 1985-86 reveal an increase of less than £½m over the original budget of a year ago, mainly as a result of reductions in fuel costs and social security payments, although some expenditure has been deferred until 1986-87. As a result of the increased yield in direct and indirect taxation and sales of Government debentures, there was a surplus of Government revenue over expenditure of £3m after taking into account budgetary contributions to the electricity and housing funds. The deficit in the Telephone Service was reduced to £166,000 which will be carried forward and converted to a surplus in 1986-87. The potable water fund is also in surplus for the year. Consolidated fund reserves increased to an estimated £9.3m at the end of 1985-86.

The Draft Estimates for 1986-87 assume a more modest increase in revenue from direct and indirect taxation. Provision has been made for further borrowing of £2m and for a contribution of £1.5m to the Improvement and Development Fund. IDF receipts from all sources, including sales of Crown Properties, and the balance of ODA Funds from the 1981-86 Development Aid Programme, are estimated at about £5½m.

The framing of the estimates for the Improvement and Development Fund presented difficulties because of uncertainty about the response from Her Majesty's Government to the Gibraltar Government's request for aid funds in connection with the Development Programme. The Estimates include those projects on which the Government believes an early start would be desirable. However, a number have been given a 'reserved'

status and a decision whether to make a start in this Financial Year will be taken in the light of the response from Her Majesty's Government on Development Aid and the financial implications of this.

The Estimates of Expenditure for 1986-87 show an increase of nearly £6m over 1985-86, but I should hasten to add that this apparent increase disguises a number of items for which there are either corresponding and compensating adjustments in revenue or which have no effect on the Consolidated Fund reserves. The most important of these are as follows:-

- (i) Provision is made in the Estimates of Revenue and Expenditure in connection with the re-financing of Tranche 'A' - amounting to £4m - of the Midland Bank Loan arranged under the Loans Empowering Ordinance of 1980, repayments on which are due in 1986, 1987 and 1988. Tenders were invited from Banks in Gibraltar in connection with this and a new loan agreement will shortly be concluded with the Indosuez Bank for a Floating Rate Loan facility at an interest rate of ¼ per cent above Libor. The net effect of this will be to reduce debt charges by £1.7m in 1986-87 and 1987-88 and improve the shape of the Government's future debt profile. In view of the attractive terms offered, by comparison with those of the original loan, the Government will be giving consideration to the possibility of refinancing other outstanding loans.
- (ii) As Honourable Members will be aware, Section 279(h) of the Public Health Ordinance exempts former City Council properties from the payment of rates. There is perhaps an argument for exempting all Government-owned property but the grounds for exempting some are no longer considered valid. It is proposed therefore that all Government property should be rated in future. The effect, as with the decision on amortisation of Housing Expenditure last year, will be to make the finances of the Funded Services more closely reflect the true costs. This represents a total additional charge of £446,000. Together with the increase in rates on other Government property following the recent revaluation, this accounts for the increase of £1m in the Crown Lands Vote for which a compensating amount is included in the Revenue Estimates.

These changes apart, the main increases in Departmental Expenditure are in Education, Medical and Health Services and in the Public Works Department. In the case of Education, the Estimate for 1986-87 provides for the delayed effect of payments to teaching staff for which Budgetary provision was made in 1985-86. The increases in Public Works Expenditure are mainly in connection with the maintenance and repair of highways, collection of refuse, the cleaning of beaches and other facilities with a view to enhancing the tourist product. In the Treasury Vote the main increase is, first, a provision for rate rebates in 1986-87 following the recent revaluation of commercial property; and, secondly, for a Government Subvention of £200,000 to the Gibraltar Quarry Company to pay off the existing overdraft and provide a margin of working capital for company operations in 1986-87.

Now I would like to turn to the Revenue measures, Mr Speaker.

The Government does not propose any major reductions in import duties at this stage. As Hon Members will be aware, a number of constructive proposals have been made by representative trade bodies. The Government has given careful consideration to these and will continue to monitor developments in consultation with the representative bodies concerned. Import duties can be lowered at any time if the case is compelling without waiting for a Finance Bill.

The opportunity will, however, be taken in the Finance Bill to correct one or two anomalies in existing import duties. Cider, Perry and Mead will no longer be classified as 'malt liquors' and will be shown separately from beer and lager with a duty of 14p per litre. A new category of 'low alcohol beverages made from malt with an alcohol strength not exceeding 1.2 per cent by volume' will be introduced to cater for shandy and alcohol-free beer with a rate of duty of 14p per litre.

A reduction from 5 per cent to 2 per cent in the fees for duty-free goods (other than spirits, wine or cigarettes) sold at the Air Terminal will be made - aligning these fees with the 2 per cent rate of duty charged on items sold from Bond.

Duty on car seat covers will be reduced from 30 per cent to 12 per cent.

Regulations will be published shortly relaxing import licensing control on diamonds, other precious stones and manufactured gold. However, gold bullion and, additionally,

gold coins will remain subject to import licensing control.

The Government proposes a number of changes in levels of personal taxation which, as Hon Members will be aware, have been unchanged since the 1981 Budget. The single persons' allowance will be increased with effect from 1 July from £850 to £1,100 and the married couples' allowance from £1,700 to £2,200. The children's allowance will be increased from £300 to £400. Existing rates of tax will remain unchanged, but the band of assessable income taxed at 20 per cent will be widened from £700 to £1,000. Thereafter, the 30 per cent and 35 per cent tax bands will both be widened to £4,500 in each case; the 40 per cent and 45 per cent tax bands will be widened to £3,000; above those levels assessable income will be taxed at 50 per cent. To assist Hon Members, a comparative table of tax payable at present and proposed levels, analysed by income groups and family composition, will be circulated after the contribution by the Chief Minister to this debate.

These changes will mean an increase in net take-home pay of 5.4 per cent for those on average earnings as shown in table 17 of the Employment Survey for October 1985; that is, an increase in take-home pay from £104.33 to £110 per week or £5.67. Compared with October 1982, taking the increases in average earnings since then and reductions in tax together, they represent an increase in take-home pay of over 18 per cent, which compares with an increase in the index of retail prices of 17.4 per cent during this period. However, these comparisons do not take account of the boost to household expenditure and disposable income of the cheaper prices available in Spain for a number of goods and services throughout this period.

A number of minor amendments which are consequential upon the increases in personal and children's allowance are included in the Finance Bill which also provides for a more tax-effective method of assessing the amounts payable by permitted persons and persons leaving Gibraltar - that is where less than 12 months income is earned.

The relief for first-time home-buyers of £1,000 introduced in the 1984 Budget will be increased to £2,000 as a further fiscal encouragement to home-ownership in Gibraltar. This will be effective for the tax year 1985-86.

It is also proposed to enlarge on the existing tax concessions given to non-residents with no income earned in or deriving from Gibraltar. At present, there is no provision in the Income Tax Ordinance for such individuals to be taxed on their

passive income remitted from abroad as there is, for example, in UK Tax Legislation. In future, an individual who is neither ordinarily resident nor domiciled in Gibraltar (that is to say, it is not his permanent home) but who lives in Gibraltar at one or more times for a period of not less than 30 days in any year of assessment, and who is in receipt of assessable income remitted to Gibraltar of not less than £20,000, will be regarded as resident and assessed for tax on this income. To qualify as a resident individual for this purpose he will be required to purchase a house or flat in Gibraltar for his residential occupation. The necessary amendments to the Income Tax Ordinance to give effect to this, which are necessarily complicated, will be introduced at the next session of the House of Assembly in time for the changes to take effect in the 1986-87 Tax Year.

With effect from the 1986-87 year of assessment, the rate of Corporation Tax will be reduced from 40 per cent to 35 per cent.

It is estimated that the revenue loss from changes in personal and corporate tax outlined above will be £2.4m in the Financial Year 1986-87 and £3.3m in a full year.

A highly technical amendment will be made to the Estate Duties Ordinance to clarify the position of a non-resident beneficiary under a Gibraltar Trust set up by a non-resident settler in respect of property situate outside Gibraltar. There are circumstances under which a 'chase in action' could arise against the Gibraltar Trustees of a fund as a result of the death of a person enjoying a life interest in the Trust Fund. The concepts are not easy for a layman to understand and there is some confusion on the point amongst non-residents. It is therefore proposed to amend the Ordinance to exclude from the definition of property passing on death a 'chase in action' in Gibraltar against Trustees when the deceased was not domiciled in Gibraltar and the property subject to the Trust or Settlement is situate outside Gibraltar or is property otherwise exempted under the Ordinance from liability to Estate Duty.

Secondly, Section 10A of the Ordinance at present exempts from Estate Duty any property held on deposit by non-residents with a bank in Gibraltar. This section allows for a very general interpretation of 'any property' and, as it stands, could be held to include, for example, share certificates in a Gibraltar company; this would be contrary to what is intended by the provisions of the Ordinance and it is accordingly proposed to qualify the exemption by excluding property in the form of securities or other documents of title relating to property otherwise situate in Gibraltar, not being shares or

debentures held in a tax-exempt company or Government securities or debentures exempted from Estate Duty.

The amount of qualifying expenditure for the granting of a Development Aid Licence under the Development Aid Ordinance is to be increased from £75,000 to £150,000 following the general increase in property values and to ensure that the relief granted is for projects which are consistent with the aims of the Ordinance.

From 1st November, the Airport Departure Tax will be increased from £1 to £2. Short haul flights will continue to be exempt.

As a result of the continuing increase in the cost of drugs and pharmaceutical supplies there will be an increase, from 1st July, of 20p from £1 to £1.20 on each item dispensed under the Group Practice Medical Scheme. Prescription charges were last increased in May 1984.

A number of amendments will be made to the Building Societies Ordinance, which, as it now stands, would prevent the Registrar from registering in Gibraltar foreign Building Societies of repute who wish to establish branches in Gibraltar unless the rules of the societies explicitly provide for this. A general updating of the provisions of the Ordinance may be required in due course. However, it has been decided to make this change now in view of the intention by one or two leading Building Societies in the United Kingdom to establish themselves in Gibraltar following recent changes in UK Legislation which now permit this.

I now have something to say about the Funded Services, Mr Speaker. As I have already mentioned, as a result of the improvement in the finances of the potable water service, it is proposed to make reductions in charges with effect from 1 June. The present primary rate for domestic consumers will be reduced from 22p per unit to 18p and the secondary rate from 50p to 45p. The rates for hotels and for shipping will be reduced to 35p, but the existing subsidy of 6p per unit for hotels will be withdrawn. The rates for other industrial and commercial consumers will be reduced to 40p and the rates for MOD and Gibraltar Government Departments from 56p to 50p.

The reductions will result in a decrease of £235,000 in the estimated revenue of the Potable Water Fund in 1986-87 assuming no change in the assumptions about water consumptions which underlie the estimates included in the Draft Estimates before the House. However, a further examination of these figures since the Draft Estimates were prepared suggests that they may understate the likely consumption of water in 1986-87. Having regard to this, and to the possibility that the reduction in

charges will also stimulate consumption, although probably only to a marginal extent, the Revised Estimate for the potable water account, which will be circulated to Hon Members in due course, will provide for a net decrease in revenue of only £172,000 as a result of these changes.

No change is proposed in the basic electricity tariff. However, the Estimates of Fuel Costs and Revenue are both based on the price of fuel obtaining in March. There has been a further reduction since the Estimates were prepared. Indeed, there has been a reduction in the FCA more or less continuously from the peak of 4.06p per unit in April 1985 to 2.09p per unit in April of this year and, as I have suggested, the prospect of further reductions in the near future. In view of this, and the general improvement in business conditions, the Government will be withdrawing from June 1986 onwards the subsidy payable to hotels for electricity on prompt payment of bills.

It is proposed to eliminate the projected deficits in the Electricity and Housing Funds by making contributions from the Consolidated Fund of £1,550,600 and £1,552,100 respectively.

After consideration of the representations made following the recent increases in rates for commercial premises, a rebate of 40 per cent (in the first year) and 20 per cent (in the following year) of the amount of the increase in rates will be given to non-Government rate-payers. Relief will be limited to those rate-payers whose accounts are not in arrears, and will take the form of a credit to the following quarter's account. The increase in rates which would otherwise be payable by the Commercial Sector in 1986-87 is approximately £1.4m. This should be reduced, as a result of the rebate, by £400,000 in 1986-87 and, as I have already mentioned, provision for this has been made in the Estimate of Expenditure for the Treasury Vote (Head 25 - Sub-head 23).

In addition to the table showing the effect of tax changes, Mr Speaker, I shall, after the Chief Minister's speech, be circulating to Hon Members a revised Financial Statement (page 5 of the Estimates) and other statements showing the changes in revenue and for the Funded Services.

I regret that this year's speech does not include, Mr Speaker, the statutory quotation from Shakespeare.

MR SPEAKER:

I was waiting for it.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

As this has, obviously, been remarked upon, I think I will have to improvise by saying that 'there is a tide in the affairs of men which when taken at the flood leads on to fortune'.

It only remains for me to thank Hon Members for their forbearance in listening to me and commend the proposals to the House.

MR SPEAKER:

In accordance with the Standing Orders on Procedure I will now call on the Hon Chief Minister to make his contribution to the Budget.

HON CHIEF MINISTER:

Mr Speaker, I think I can only muster sufficient voice to request, with the consent of Members, that my statement be read by my colleague Mr Canepa.

MR SPEAKER:

As I mentioned to the Hon the Leader of the Opposition before we came into the House, the Hon and Learned Chief Minister is suffering from a loss of voice. As we have established the procedure before, and since the statement which is going to be made is a written one as it is usually at this time, it has been decided that the Hon Mr Canepa will read the statement for the Chief Minister.

HON A J CANEPA:

Mr Speaker, I wish to make clear that I will be later on exercising my right to make my contribution.

MR SPEAKER:

Have no fear that you will not lose your right. You are acting now as the attorney, let's put it this way, of the Chief Minister.

HON A J CANEPA: (FOR HON CHIEF MINISTER)

Thank you Sir. Mr Speaker, before I turn to the more specific issues which arise from this year's budget, I would like to set the scene, so to speak, by commenting in wide policy terms. It is normally at Budget time when a Government takes the opportunity to explain what are its financial and economic

policies and in what direction it proposes to pursue these. Since the 1982 Budget it has proved difficult to do so and I have emphasised the need for caution, prudence and consolidation. The underlying need for this was closely tied to the uncertainty which surrounded the announcement of dockyard closure and the aborted attempts towards normalisation at the frontier. Gibraltar as a whole has had to pay a price for all this, over and above that which beleaguered our economy ever since the imposition of restrictions by Spain in the early 1960's. But we have survived. The testimony of internal political stability and sustained economic well-being in the face of adversity is a tribute to the resilience of the people of Gibraltar. We must never forget that. Nor must we forget that, in what some observers described as a cocooned or sheltered existence, Gibraltar saw an acceleration in the development of its social and educational standards, its political maturity, its trade unionism and commercial entrepreneurship, and above everything else, its identity as a people. This is not simply reminiscence, Mr Speaker. It is meant to describe what has basically woven the new fabric of a society or community which is now facing a new challenge in both political and economic terms.

I will pause for a moment, Mr Speaker, to refresh the economy. I have just plagiarised, Mr Speaker, something that Winston Churchill said in 1925 when he presented his first Budget, the only difference is that he drew from the contents of a flask containing brandy and not just water.

Today's Budget has partly been formulated in an attempt to recognise, and strengthen, this background of the past and proposes to give a lead for the future. Today, the Government can see, and can exercise, greater scope in using its fiscal policies to give a sense of direction to the economy. The purpose of this Budget is to begin to redress the imbalance of taxation which has largely been shouldered by the working man and the honest trader. Our aim is to shift the burden of taxation, not by a straight switch from direct to indirect tax levels, but by tapping and developing a wider revenue base to an extent which allows a shift in the burden of personal income taxes and, where justified, other charges whilst maintaining financial buoyancy and price competitiveness. In more general terms, we intend to promote the expansion of the economy and the creation and redistribution of wealth by removing disincentives to employment and investment. We also aim to further develop the role of the Gibraltar economy as a service economy through the growth of tourism and the financial services, the consolidation of shiprepairing together with the complementary activities of the commercial port, and the promotion of existing or new ancillary industries, however small, which can prosper within the ambit of our advantageous geographical

location, language, laws and climate on the one hand and the constraints posed by our limited land and infrastructural resources on the other. In all this, we continue to look to the defence presence as a vital sector contributing significantly to our economic and political stability in return for the valuable commitment which Gibraltar has always guaranteed. We also continue to place a high priority on tackling the housing problem despite our limited capital resources, with an increasing emphasis on home ownership schemes and the incentives necessary to promote these. The Government does not underestimate the difficulties in pursuing these objectives. There is some way to go before we can overcome some of the distortions in our cost structures, some of the problems related to industrial relations and productivity and some of the diseconomies which may expose our public budget as disproportionate to our size. Whatever the difficulties, we expect to follow a strategy which can secure an economic future. We have already laid some of the foundations in recent years by providing incentives for private sector development generally and for home ownership in particular. We also reduced import duties and restructured Municipal charges. We have been successful in mobilising domestic savings through the issue of debentures. This year we intend to go further by concentrating on the need to reduce direct taxation.

In presenting the political side to the Budget, I am also conscious, Mr Speaker, of the wider dimension which applies in today's circumstances, namely the much talked about threat of 'osmosis', erosion, or in effect what could be described as a social and economic absorption of Gibraltar into Spain, paving the way for its political integration. I wish to make it clear that we see our economic future directly in line with our continuing political and constitutional independence from Spain. This is not to say that we cannot continue to see inter-action between the economies of Gibraltar and the neighbouring Spanish mainland, particularly in those areas which are of mutual benefit. That is a natural phenomenon, and not necessarily an absorptive process. We have already seen how, in general, both traders and consumers on both sides have benefitted. It is to the foundations which guarantee our political and economic sovereignty that we must look to and protect - our stand on the issue of the future use of the airport, for example, speaks for itself. We will also persevere to maintain our infrastructural independence by securing our basic capability. By setting ourselves these fundamental political and economic objectives, I hope it will be understood that we are not guided by euphoria or electioneering but by a clear commitment to map out an economic framework within which the economy can develop and expand for the benefit of all, taxpayer or consumer, investor or saver, without

prejudicing our wishes and interests as a people and a territory in our own right.

The Financial and Development Secretary has dealt with the economic and financial scenario to the Budget and I am sure that the House will join me in thanking him for his eloquence and detail, as well as his staff who have helped to put it all together. Mr Speaker, we are looking at an improved and overdue economic and financial outlook. There is evidence of a reversal of the economic down-turn which has afflicted Gibraltar since late 1981. There are a number of contributory factors. Firstly I would like to deal with the Commercial Dockyard. The process of dockyard commercialisation has so far succeeded in cushioning the impact of closure, partly as a result of the employment build-up, but also with the initial injection of substantial capital investment. The yard's potential, in market terms, though never assured, is good. The next two years, however, will be crucial in testing Gibraltar Shiprepair's ability to realise that potential and achieve viability. I consider that test to be as crucial for the company and its workforce, as it is for the economy as a whole. Perhaps it is one of the most difficult yet to be overcome. Despite the significant contribution committed by Her Majesty's Government towards this project, the company has had to cope with unforeseen problems posed by a neglected infrastructure and the inevitable re-programming of naval work consequent on the operational requirements of the fleet. It is principally for these reasons that the company requires further funding. That is one side to it. The other, which I would group as the management and industrial relations aspect, is even more important. Unfortunately, the last six months, in particular, have seen a deterioration in the industrial climate in the yard. I do not intend to apportion blame or label responsibility, nor do I propose to pursue a debate on this matter. We are aware of the sense of frustration and the tensions which have built up among the workforce and its managers. It would appear that the underlying problems rest as much with attitudes, proper communication and consultation, as with the substance of any particular claim or dispute. That has to be put right and we have impressed this upon the company's Chairman and its Board.

I attach importance to this because we are also aware of the extent to which many people in the yard, workers, foremen and others have shown a willingness to accept change and a determination to make the yard succeed. That is the spirit which must pull through to ensure that confrontation is avoided and consensus is gained if Gibraltar Shiprepair Limited as Gibraltar's largest private commercial employer is to continue making an important contribution to the stability and development of our economy. That contribution is even more important

if we view it as packaging the role of Gibraltar as a centre for shipping. The improvement in the Bunkering Trade and in Port activity generally, as the Financial and Development Secretary has explained, is particularly encouraging. The House will also see from the draft Estimates of Expenditure that we propose to provide the resources for the establishment of Gibraltar as a full Shipping Registry.

I would now like to turn to another factor, or situation, which represents an important facet of our economic way of life. Frontier normalisation has produced an economic fillip which has largely boosted the Private Sector and to a much lesser extent, contributed to an improvement in Government finances. At the time of the 1981 and 1982 Budgets, Mr Speaker, I said that if, in fact, Gibraltar's economic prospects improved as a result of the restoration of communications with Spain and of the consequent development of normal economic activity in the Private Sector, it would be a bonus. The Government has not viewed the frontier opening as the solution to our economic ills, but purely as a return to the normality which should prevail between all neighbouring countries. Obviously, it involves, among other things, an economic adjustment, notably in commercial terms. From a recent economic analysis, it could be seen that the short-term effects have been of benefit to both sides, with a more visible impact here but a larger, and progressively propitious one on the other side. For the Private Sector in Gibraltar, it has spurred a new dynamism, as is evident by the growth in tourism and trade, the expansion of Banking and Finance Centre operations and the revival of Private Sector development and construction activity. This has already had an impact on incomes and employment and augurs well for the future. Greater emphasis will be given to training the Gibraltarian in the skills needed by these growth areas of the economy.

Whilst we have entertained some prospects for growth in the past year, it is regrettable to see that, once again, the Ministry of Defence proposes to make further manpower reductions in the year ahead. Most will have taken some comfort from the fact that the real size of the cut is likely to be less than may have been feared originally. For its own part, the Government has noted the firm commitment given by the MOD as to the continuing importance of Gibraltar to Britain's defence interests. The new investment works for the reorganisation of the Naval Base and the MOD housing build help translate the intent of that commitment. The MOD contribution to the economy remains substantial and the Gibraltar Government will continue to recognise this in relation to both its commensurate value and its political significance.

It is reassuring, Mr Speaker, to see that other factors have helped to restore a better economic climate. I would highlight the effect of lower inflation and, as it now appears, lower interest rates. For how long this pattern will be sustained is perhaps speculative, but for as long as it persists, it will have a beneficial effect on Government expenditures and on the financial position generally. We are looking at an improved financial picture better than we had expected, amidst the forecasting uncertainties at the time. The Financial and Development Secretary has already explained the reasons for this. I would only wish to comment briefly. Firstly, recurrent expenditure last year stayed virtually on target and I would credit the financial stewardship of the Treasury in improving the framework within which Government Departments exercise control, even through some of this, for example, reflects, as with the Electricity Department, lower fuel costs. Revenues have improved. The position of the Funded Services, taken as a whole, was kept in check. The end result has been a sizeable increase in reserves. The Government is therefore in a position to approach this year's Budget with some confidence and with sufficient flexibility to be able to redress the burden of personal taxation. It will also make a contribution to the Improvement and Development Fund to enable priority projects planned under the 1986/90 Development programme to proceed as quickly as possible. I will have something more to say on this latter aspect later.

The Financial and Development Secretary has already announced the changes which we are introducing to reduce income tax. I would like to deal with two aspects of this, ie the comparison of income taxes between Gibraltar and the UK and what in effect our measures represent to the ordinary man in the street. Parity of taxation was at one time the political aim of the integrationist movement. In the build-up to this year's Budget, the TGWU has made representations asking for income tax to be brought into line with that of the UK, essentially, as I read it, to restore the earnings position established for employees in 1978 when parity of wages with UK was introduced. Let me say clearly, Mr Speaker, that this Government does not support parity of taxation with the UK. Setting aside the cost, today estimated at around £8m, parity of taxation cannot be looked at in isolation. The equation extends to the levels of other forms of taxes, including social insurance which is much higher in the UK and to taxes on expenditure, many of which, if brought to the UK level, would destroy our price competitiveness and our service industries with it. This Government does not aspire to the tax regime of the UK Government with all the consequences that that has meant for those who are unemployed or have borne the brunt of lower standards of service in the social sector. I am sure, Mr Speaker, that there is unanimity in this House on this. If I

may, I would like to recall the Hon the Leader of the Opposition's contribution in the 1981 Budget when, at a time when UK income tax was already lower than in Gibraltar, he said 'the income tax structure in the UK has been a vicious attack on the standard of living of working people, a transfer of income in the wrong direction, and he went on to say: 'I will resist any attempt to emulate that in Gibraltar'. The reference Mr Speaker, is page 193 of the Hansard of the 22nd April 1981. I am not trying to play politics on this, Mr Speaker, but I feel that it is wrong for some to raise expectations when both this Government and the Opposition have spelt out their views on this matter clearly and repeatedly in the past. I must also repeat what I said last year when I explained that the Government accepted that there was a strong case for reducing income tax. We could not move on this last year. This year we have. Which brings me to the essence of the argument. What do these tax cuts represent? Will people be better off today compared to, say last year, or to the parity start date of 1978? For the individual on average earnings, it represents a tax cut of around £4 per week if single, £5 per week if married and just under £5.50 per week if married with one or more children. At today's prices, this would represent an improvement in the net take-home pay of the average wage earner of around 10% compared to October 1978; by the time the tax reductions take effect next July, this real improvement should be maintained. I hope that the increase in the child allowance will also be seen in the context of assisting those who do not benefit from family allowances. The tax changes moreover provide further relief for those contemplating home ownership.

The Financial and Development Secretary has also announced other changes, notably the reduction in water charges which represents a drop of just under £2 in the average household's monthly bill. The industrial and commercial sectors will also benefit from a 15% drop. The reduction in the rate of Corporation Tax together with other amendments to Financial Legislation is intended to stimulate the commercial climate and enhance Gibraltar's appeal as a Finance Centre. Important too is what he has not had to announce. No increases in rents or telephones, and with falling oil prices, self-adjusting falling electricity prices.

Before I complete my contribution this year, Mr Speaker, I would like to comment on the one unknown factor in the Draft Estimates before this House. When preparing and finalising the Budget, the Government had still not received a reply from Her Majesty's Government on the aid submission and the funding request for Gibraltar Shiprepair Limited. The Improvement and Development Fund Estimates for this coming Financial Year therefore reflect a minimum planned expenditure

level to meet the cost of on-going projects and some new urgent works. As the House may know from a question answered in the House of Commons yesterday, Her Majesty's Government has agreed to provide a total of £8.4 million towards Gibraltar's next Development Programme, including a contribution of £2.4 million specifically for Gibraltar Shiprepair Ltd. I hope the House will understand that I am unable to make a considered statement to a reply that was only received a couple of days ago. The Government as a whole obviously needs some time to study the contents of that reply, and, quite frankly the timing of the announcement. I say this because we may wish to revert to Her Majesty's Government on the question of the size of the contribution and the allocation towards specific projects. Also, I have to add that it is regrettable, to say the least, that a public announcement should have been made in such an unprecedented manner without awaiting a considered reply from the Gibraltar Government, particularly after the delays we have experienced on this matter.

To sum up, Mr Speaker, I would just like to express the hope that this year's Budget will be welcomed not so much for what it offers the man in the street in terms of lower taxation but, as I have tried to explain at the beginning, in terms of what it is aiming for as part of a strategy to help stimulate and expand the economy and secure its stability, so crucial to our political and constitutional strength.

MR SPEAKER:

In accordance with Standing Orders and Practice we now have to recess for a minimum period of two hours. It is now about three minutes to twelve, I would assume that the Opposition would have plenty of time to consider until this afternoon.

HON J BOSSANO:

Mr Speaker, as I said when we moved the suspension of Standing Orders, and I think has been borne out by the contributions of, particularly the Financial Secretary where he has made a lot of references to statistical indicators which have been available to us in some cases only twenty-four hours, in other cases only a week, and certainly this year we will not be able to reply to many of the things that he has said in two hours, we will need more than that. Certainly, I would say, at least three hours to make any kind of assessment of what he has said because, for example, one of the things we feel it is important for us to do is to make our own calculations of the changes in the economic situation to which he has made reference and which we have not been able to do in the time that we have had the information available to us.

MR SPEAKER:

What do you propose then?

HON J BOSSANO:

If we can come at, say, 4 pm to 4.30 pm this would be very useful.

MR SPEAKER:

Then I think it is acceptable that we should now recess until 4.30 this afternoon.

The House recessed at 12 noon.

The House resumed at 4.30 pm.

MR SPEAKER:

I will remind the House that we are on the Second Reading of the Finance Bill. Before I put the question to the House does any Hon Member wish to speak on the general principles and merits of the Bill?

HON J BOSSANO:

Yes, Mr Speaker, I think there are a few things we wish to say on the subject. Mr Speaker, as I mentioned earlier in analysing the scenario painted by the Government in this year's Budget, we have been constrained by not being able to do a great deal of the preparatory work ourselves by virtue of the fact that we have been provided with Government Reports and Government Statistics very late in the day. And therefore I will be concentrating to a lesser extent than in other years on the technical side of analysing the figures as presented by the Financial and Development Secretary and putting forward some thoughts on the contents and the exposition of the statement of the Hon and Learned the Chief Minister.

I think we can say that the approach in the Hon and Learned Member's speech this year is unexpected because it includes so many references, although not acknowledged, to CSLP thinking. Certainly I will not be able to say to him this year that he is once again saying we have to be cautious because for the first time, I think, almost since 1972, the word 'cautious' does not appear in his speech. In the speech, in fact, he says that it was since 1982 that the references to having to be cautious and prudent and the need for consolidation had appeared, but they have appeared, specifically,

certainly from the 1981 Budget, and by inference for as long as I have been in this House. Therefore, we will be pointing out to specific policy shifts on the part of the Government in the body of the Estimates. But in the context of the overall approach of the speech we find that there is a reflection in Government thinking on the need to come to the House at Budget time with a programme which is concerned with the management of the economy and not merely with what I have criticised so often in the past, the balancing of the books at the end of the day. We have, of course, before we become too enthusiastic about the idea, to see how that is translated into practice because at the moment there is just a reflection of the thinking that we think is the kind of thinking that Gibraltar requires if it is going to move forward. Even though some elements in that thinking might be different, the basic approach must be one of economic management.

In that respect there have been not just two speeches, of course, which have relevance to the Budget, but three, because on Thursday of last week, Mr Speaker, there was a Party Political Broadcast given by the Hon Mr Perez which also was an indicator of thinking on the Budget. An indicator which, in fact, reflected much of what the Government Statistician has to say in the Employment Survey that has been tabled in this House, and I question the propriety of that being used in a Party Political Broadcast before we have had the suspension of Standing Orders before it has been tabled in the House and an hour after the Opposition was provided with it. Perhaps the next time the Government will wait a little longer before they make use of it, at least to give us a chance to look at it. And there I think, in that context, one important element was that Mr Perez was asking what was clearly a rhetorical question in relation to the statement by the Statistician that there had been 450 jobs generated in the Gibraltar economy from October, 1984, to October, 1985, and he asked 'That surely is not a bad record?' Well, our response to that is that whether it is good, bad or indifferent can only be assessed by contrasting the achievement with the objective. And, of course, in last year's Budget we were told that 700 new jobs had been created in two months, and by contrast with 700 new jobs in two months, 450 in twelve months is abysmal. We were very sceptical about the 700 new jobs over and above GSL in last year's Budget, because we argued that certainly from our knowledge of the membership of the Trade Union Movement there didn't appear to be an increase of 700 members in two months. And from the estimates of the Financial and Development Secretary he certainly didn't expect these 700 to be paying income tax because there was no reflection of it in the estimated yield. I think the Government took it very badly, they almost accused us of sour grapes, as if we didn't want the 700 jobs to exist, not that we just

couldn't believe it. But, of course, the emphasis on more jobs has been absent so far in the contributions in the House both from the Financial and Development Secretary and from the Hon and Learned Chief Minister. And last year we thought we detected, although not reflected in the estimates, we thought we detected a policy from the contributions of the Minister for Labour, the Hon and Learned the Chief Minister and the Minister for Economic Development, of a policy which basically said 'There are going to be thousands of new jobs which means thousands of extra tax payers, and because many more people will be paying tax, we will be able to tax each person less and get the same amount of money by spreading the tax net wider'.

That seemed to be what they were saying last year, Mr Speaker. Mr Speaker, I am prepared to go back and quote the references in last year's Hansard if there is any doubt about it, but I think we were told 'what is wrong with so many thousands of jobs being created? And that seemed to be the way the Government was expecting the economy of Gibraltar to progress. We ourselves question the wisdom of this and have questioned it since in the light of the liability that has been created in respect of former Spanish workers who have had to be paid pensions at current rates; of the future liability, which may be less now than it is in the future, for the payment of family allowances, and we have argued that in looking towards the development of the Gibraltar economy we cannot simply say, 'because we are going to get X people in 1986 paying tax which may make the thing easier for the Government in terms of balancing its books, that is necessarily a good thing in the long term for Gibraltar, because we may be creating problems for the community in the future which future generations of Gibraltarians will have to meet. In looking, therefore, at what the Government is doing with the economy we don't just look at what they are doing now and how that is going to affect taxpayers in July this year or the performance of the economy in the next twelve months, but where is this direction? Where is the sense of economic direction that the Government is giving the economy of Gibraltar? It is in that context that we have to say, Mr Speaker, that the Estimates of Expenditure presented by the Government reflect a situation which the Government has made no attempt to explain or to defend. The Hon Financial and Development Secretary, of course, I believe, is presenting his last Budget to the House since he is due to leave us in 1986, or is it in 1987?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No!

HON J BOSSANO:

Does that mean then, Mr Speaker, that we are going to have him for the next forty years like the Chief Minister?

Be that as it may, Mr Speaker, I thought it was, when he arrived, in one of his early contributions, he said that he had been warned prior to arrival that I had a reputation for chewing Financial Secretaries for breakfast and spitting out the pips. I think I pointed out at the time that I didn't spit out the pips!

But what we have experienced in the House for a very long time is that the Financial Secretary has tended to be put in the front line, and we have certainly experienced that in March of last year in his having to answer questions from my colleague on the question of Gibrepair, to the extent that the statement by the Hon Financial and Development Secretary today is a more balanced part of the Government's exposition of the Budget because there is a substantial contribution from the Hon and Learned the Chief Minister on what has been described as the political side, but which, I think, also contains a lot of technical work on the economy, I think that is a move in the right direction. But I suppose I must still address myself to the Hon Financial and Development Secretary and ask him to explain to us how it is that he can defend a situation where a year ago, Mr Speaker, we were told that there were going to be £1m less in the Consolidated Fund, that we find there was in March, 1985. Because one can understand that the revised figures should then be subject to fine tuning when it comes to the final figures, and we have had this before, we have had situations where the figures from the revised estimates to the final audited figures have been out by £50,000 and sometimes as much as £100,000, but I think £1m is too much, requires an explanation, and he has not attempted to give us an explanation.

We find it difficult to understand how he didn't know that he had collected in April of last year £½m more in income tax than he told the House that he had. And, of course, when the Government was presenting the Estimates last year to the House and we were reacting to those Estimates the prophets of doom, to which the Hon Mr Brian Perez referred in his broadcast last Thursday, were clearly the Financial Secretary and the Hon and Learned the Chief Minister, because they were the ones who were prophesying a colossal deficit this year: reserves of £1.7m and the need to borrow £2m. I mean, if that is not a prophecy of doom I don't know what it is. But, of course, the doom has not materialised, either because they got the figures all wrong twelve months ago, or because really there were two sets of books. We have all heard of two sets of books before in

Gibraltar, Mr Speaker, in the context of the way certain sectors of the economy operate, but I think that if we are going to have that operating as well in the Estimates and in the House of Assembly it is a bit too much. We have to assume that the picture presented to the House was, in fact, a realistic assessment. I think I used the words in my reply to the Finance Bill last year that the Government seemed to be saying to us that they were, if anything, 'erring on the side of caution rather than optimism and if there were going to be revisions, the revisions were more likely to be upwards rather than downwards'. Whilst one accepts a certain margin of latitude, because one cannot expect that anybody on that side of the House should have a crystal ball and be able to tell us down to the last penny how much money is going to come in or how much money they are going to spend, one expects a better performance, Mr Speaker, than to be starting the financial year by being told that we are facing a £3½m deficit, which leaves us with £1.7m in reserve, and we get told twelve months later that instead of that we have a £3m surplus and £9m in reserve.

Of course, within the £3m surplus, and within the £9m in reserve, we have an unusual innovation, one that certainly is not a reflection of GSLP thinking and one which we certainly are dead against. Last year for the first time and I thought from the way that it was put forward by the Hon and Learned Chief Minister with a certain amount of regret, I thought, we were being told that £2m were going to be borrowed for recurrent expenditure. I think the Hon and Learned Chief Minister in making reference to this was using it on the basis of it being an indicator of how tight the Government's finances were that they were going to do something that had never been done before. He said: 'For the first time ever to borrow £2m this year for recurrent expenditure', that is what they had decided. That to me is an indication that it isn't a policy that they are entirely happy about but a policy that has been forced on them by circumstances. Well, if the circumstances have changed as dramatically as they have, why instead of borrowing £2m for recurrent expenditure they borrow £2.3m? That needs explanation, and that has not been explained. And now we have a situation where instead of the borrowing requirement being shown below the line at the end of the exposition on page 5, as was done for the first time last year, they have gone even worse and they have shown it as recurrent revenue. So not only have we reluctantly moved into borrowing for recurrent expenditure, we have now made it a permanent feature of life. It is now recurrent revenue to have loan income. I think that is a misleading picture of the situation, I don't understand why they are doing it and I don't understand why they haven't explained it in introducing the Budget, Mr Speaker, because it is in contrast to the relatively rosy picture otherwise presented.

We also see that the Hon Financial and Development Secretary, in fact, as he did last year, in estimating revenue yield from income tax before the changes proposed, upped the figure by £14m. Last year we thought that there was an inconsistency between the estimate of the extra jobs that were going to be created in the economy and the estimate of the extra yield of income tax. This year we cannot say the same thing because they have not produced an estimate of the extra jobs in the economy, so we don't know to what extent that should be reflected in there, but I think the trend that has been shown in the Employment Survey on earnings, the fact that we have been told quite inaccurately, I believe, that the movement in earnings in the private sector is due to the inclusion of Gibrepair, which hasn't had a pay increase since 1983, would suggest that when and if pay scales in Gibrepair eventually do get increased there will be a reflection of that in the revenue yield to the Government, and that, therefore, the figure put in the Estimates is highly conservative on that basis. The importance of that is that the Hon and Learned Chief Minister has made a reference to the request that they have had from the Trade Union Movement for bringing taxation into line with UK, and he has quoted what I had to say, or part of what I had to say, in the 1981 Budget to show that neither Government nor Opposition approve Mrs Thatcher's economic policy. I am very glad to hear that he doesn't approve of Mrs Thatcher's economic policy, Mr Speaker.

MR SPEAKER:

Not quite. That is not part of the Chief Minister's statement.

HON J BOSSANO:

Well, he said that in 1981 I had said we should not follow....

MR SPEAKER:

Parity on income tax.

HON J BOSSANO:

Yes, that we should not follow the changes that had been introduced in the UK on income tax because they penalised working people, and they did, I said that in 1981 because in 1981, Mr Speaker, we were talking about a shift of the burden of taxation from direct to indirect which generally speaking takes a bigger cut of income from people on lower income and that is what has happened in UK. He doesn't need to go back as far as 1981 to establish what the GSP policy is on the subject of taxation, because we came out with a Press Release a fortnight ago saying, Mr Speaker, that we would support the

Government if they came along with improvement on tax allowances, not because we thought it was the right thing to do, but because it was the most that we could expect them to do. We didn't think they would do anything else and, in fact, they haven't done anything else. But we said a fortnight ago, and we said in last year's Budget, that what we thought was required in Gibraltar was a totally fresh look at the tax system, because we have got a tax system that has been operating in a closed economy with a closed frontier and what we require is to devise a tax system which is suitable for the current economic environment in which Gibraltar is operating. And that doesn't mean higher taxes, it means collecting taxes in a different way and giving incentives, as the Government has mentioned that it intends to do, but which we still have to see translated into action, incentives which effectively help to generate wealth instead of inhibit it. We don't think the UK tax system is suitable for Gibraltar because the UK economy is totally different from the Gibraltar economy, but, of course, we also agree with the people who complain that we shouldn't pay more than in UK. The fact that we collect tax in a different way and we give allowances for different things like, for example, the Government is doing to some extent in this Budget, and they did before. In UK you don't get £1,000 allowance for home ownership against the capital cost of the house, but that is something that reduces the tax burden but it does it in a way which is important in Gibraltar if we want to particularly encourage home ownership. So clearly you can have different ways of doing things and still achieve at the end of the day a result which is different from the ones that we have got now. Because if the Government is telling us now that simply to produce in Gibraltar a mirror image of the UK tax structure would reduce the yield from income tax by £8m, it necessarily follows that we are paying £8m more than in UK for equivalent incomes. There is no other way of looking at it. That is what people complain about and that is an element in the economy that of necessity fuels a demand for levels of earnings and levels of wages which will leave people with take-home pay which is reasonably sufficient to meet their needs, given the amount that is taken off them before they even receive their pay packet. It is in that context that we feel that the Government needs to do what they have said before they would do and they haven't done. The last time they said they were going to take a look in depth at the tax structure was in 1979, and they came back and they said they had been studying it, and all they did in 1979, Mr Speaker, was to mess around with personal allowances and raise a bit here and take a bit somewhere else. That is all they did and that is all they are doing now and that is not enough. That is not enough if they are going to achieve anything like what Gibraltar requires in terms of a sense of economic direction and what is reflected in the speech of the Hon and Learned Member as a realisation at long last on the part of the Government.

It is therefore, Mr. Speaker, against that background, that we must say to the Government: if they have found that last year they didn't have to take this drastic and undesirable step of borrowing £2m, why did they borrow £2.3m? We questioned this last year, Mr. Speaker. I said: if the Government is saying, as they did at the time, that perhaps they might not need it, why borrow it anyway? Why borrow money that you are not going to spend, and have the problem of paying interest? What is the sense of that? You have got a situation where you have got a borrowing capacity and you use that borrowing capacity because you need to spend the money, but you are no better off, Mr. Speaker, was our analysis last year, if you borrow £2m and you put your £2m in reserve. You are not £2m richer, because your liabilities have gone up by £2m and your assets have gone up by £2m, and you are exactly the same except that you are probably earning less interest on the £2m you have got in reserve than you are paying on the £2m that you have borrowed. And we find that this year, notwithstanding the fact that the Chief Minister has not said this year, as he said last year, that they were being forced to take this regrettable step of borrowing for recurrent expenditure, that they are borrowing for recurrent expenditure again. Because they have got a situation where they have shown in the Estimates that they are borrowing £4m to refinance existing loans - and we will support that. The explanation given by the Financial and Development Secretary is enough to convince us. If that is going to reduce borrowing costs then that is a good move. We have questioned in the past, I think, a couple of years ago, the structure of the debt, because it appeared to us at the time that the maturities of some of those loans were coming too close together in some financial years, and I think the Hon Financial and Development Secretary took the point and said he would look into that and see whether he could be, in fact, shifted into lengthening the times of repayment. And if that is happening and the result is going to be that the Government is going to have to spend less money in servicing the National Debt, then that is fine, because we will have more money for other things which are either social improvements or reducing the burden of taxation. But the other £2m which is shown as local debentures, and is shown as part of recurrent revenue, as far as we can tell from the Estimates is going to be used, £1½m for the Improvement and Development Fund, and £½m for recurrent expenditure, because that is what the law provides. The law gives the Government power, and we oppose that law, to borrow for recurrent expenditure. So now we have got a situation where the Government has borrowed £2.3m and is borrowing an extra £½m and they have now borrowed a total of £2.8m for recurrent expenditure which forms part of what is shown in page 5 as part of the Estimates of £10.8m, and in the revised page 5, as part of the Estimate of £8.458m. If we

look at page 5, if page 5 had been presented according to the convention adopted by every previous Financial and Development Secretary, Mr. Speaker, and there is no explanation or defence so far - the Hon Member will have the opportunity when he replies - of why the change, then what we would see would be that page 5 would show that the surplus for 1985/86 would be £685,000, because the £2.3m would not have been shown as recurrent revenue, it is a total misrepresentation to say that the £2.3m that he borrowed last year is recurrent revenue, unless he has got a queue of people waiting to lend him £2.3m every year. That would mean then that the reserves would be shown as £7.9m. We would then come down and instead of the deficit for the forthcoming year being shown as £800,000, the deficit would be shown as £1.3m because he wouldn't have borrowed the £½m and then, presumably, they would have an explanation before as to why he is borrowing £2.9m which in normal circumstances, on the basis of past Government policies since 1972, which is the time that I have been here and presumably before my arrival, would have been money that the Government was raising to invest in capital projects which I have, in fact, supported the Government on in the past, because there is a logic. And the logic is that if you are, in fact, investing money in a Desalination Plant or in a Generating Set then if you use it out of recurrent expenditure and recurrent revenue you are putting the total cost of that onto the consumers in that particular year, or the taxpayers in that particular year. So the logic of borrowing or obtaining supply on finance or any other way of financing capital investment is that you finance the cost over the life of the assets. That is why Governments and why private companies borrow, for that purpose. The Government is not doing it, has not said it is doing it, and does not explain why it is not doing it. But on the surface it would appear as if the Government is telling us this year, 'the goodies that we promised you last year are now materialising, we are now in a position to carry out changes in income tax allowances which are going to reduce our revenue by £2.4m, and we have borrowed £2.8m to do that'. Is that what we are doing, borrowing money to reduce taxation? If that is what we are doing then we want to be told that that is what we are doing because it is certainly a novel innovation in fiscal policy which no doubt the Financial and Development Secretary will want to tell me is very prevalent in America, because last year he kept on telling me how big the deficits were in the United States, and I remember that I asked him whether he was trying to say to us that if it is good for the Americans it is good for the Gibraltarians, or that the Americans were copying the Gibraltarians because we have been having deficits longer than they were. But perhaps he might like to know that there is a thing called 'the Graham Ratman Act' now in the United States which is designed to preclude that continuing.

In looking, therefore, at the Estimates this year, and after the experience of the Estimates of last year, perhaps an alternative explanation of this unorthodox behaviour might be that the Government does not really expect that any of the figures in their Estimates are going to be what is really going to happen at all. If that is the case then I think it would be better if the Government told us what they really expect to be the outcome for 1986/87, Mr Speaker. Do they really expect to collect only £21.6m in income tax? Have they really only collected £22.7m, or will we find that the final adjustment figure is not £22.7m but it is £½m up as it was last year? I can understand that these figures might have been prepared a few months ago, but it is not the first time that we have had that kind of situation in the House of Assembly and in the course of the Budget, I think it was when Mr Collings was here as Financial Secretary, that he came along and he said: "We have now got a situation where the figure that we have put in the Estimates is out by £400,000 on income tax" and they told us and they gave us a better and more realistic and more up-to-date picture in the course of the Budget, and I think if the Government expects, as they often do, that the Opposition should respond to their statements in the House objectively by doing the work of studying the validity of those arguments conscientiously, then we are entitled to expect in return accuracy.

We were told last year in the approved estimates that the Government was budgetting for a £400,000 increase in import duty: an increase from £5.6m to £6m, Mr Speaker. I would have thought that the import figure for March, 1985, was a sufficient indicator that that figure was widely out. But in the Estimates today, in the Financial and Development Secretary's speech, we have been told about the 2,000 cars in the import figures, and we have been told about the inclusion of the equipment for GSL, which presumably has not paid import duty. We have looked at the import figures in the Abstract of Statistics which we received yesterday and which we have had twenty-four hours to look at, and in that twenty-four hours it is not enough time for us to be able to dissect those figures and make some kind of judgement as to whether we are likely to be finishing the year with £9m in indirect taxation, or £10m in indirect taxation, or £8m in indirect taxation. But we are certainly more cautious this year, unlike the Hon and Learned the Chief Minister, about accepting the credibility of the figures in front of us, because we have never, I think, experienced such a dramatic turnaround in estimating on the part of Government as we have seen in the course of the current financial year.

In looking at the bottom line of the estimated Consolidated Fund Balance, we also have to question, as we did last year, and again we have had no information volunteered by the Government; what is Government policy as regards the prudent level of reserves. I think in my contribution in last year's Finance Bill I said that if we looked over the years at the different Budgets, Mr Speaker, it appeared as if the prudent level of reserves was the level that was there. So one year there was £12m the Government defended that £12m was necessary because it was the right level to have. And if the next year they had less than £1m then they argued that less than £1m was the right level to have. We have had two years in succession where the Government has been telling the House that they were targetting a Consolidated Fund Balance of £3.7m. That is the figure they produced for 1985/86 and it is the figure they produced for 1984/85. So they thought in 1984/85 that £3.7m in the Consolidated Fund Balance was enough, and it turned out that they exceeded the figure: instead of having £3.7m in 1985 they now have £6m in 1985; and if they told us in last year's Budget that £3.7m this year was enough and now they are telling us that instead of £3.7m they have got £9.2m, can they tell us why they need £8.4m for March next year? Why was £3.7m enough last year and the year before? Why do we need to have £8.4m by having borrowed £2.8m, when even without the £2.8m they would have been able to introduce the changes in taxation that they have produced for this Budget, and still be left with £6.6m, which is more than what they aimed for in the two Budgets since the last election. If we were given explanations for these changes we wouldn't need to ask for the explanations, and I would have thought that the Government would of its own initiative consider that it is necessary to do that because it isn't something that we are saying here for the first time, it is something that we have said before in the absence of previous explanations.

In looking at the body of the estimates, Mr Speaker, I mentioned before that there have been a number of changes which reflects arguments that have been put before by the GSLP and rejected by the Government. If I can mention just two of them: we have a situation where the Financial and Development Secretary has told us that the rates on ex-City Council properties are being included in the Valuation List, and that the rates on the buildings used by the Funded Services are reflected in the Funded Accounts. We said that this should be done because it would give a more accurate picture of the cost of operating those services and we were told by the Government it couldn't be done at the time in answer to a question in the House. We are glad to see that not only can it be done but it is being done. We also raised, I think it was my colleague, Mr Feetham, who raised the question of the income derived from the unspent balances in the Improvement and Development Fund, from the

interest on the unspent balances in the Improvement and Development Fund. Again we were told that there was no need to have that money shown as income for the Improvement and Development Fund, that it was quite alright for that money to go into the Consolidated Fund because it was part of the Government's overall liquidity, and yet we see that this year the interest income is, in our view, properly shown as being income for the Improvement and Development Fund. I think if the money is being put there for that purpose then it is only right that any income that it earns should also be used for further capital investment. Of course, when we see a change of this nature, such as the amendments to the Public Health Ordinance which will include former City Council properties, and which we will vote in favour of, Mr Speaker, the Government can hardly expect us to be over enthusiastic in our congratulations to them because after all they are doing in 1986 what according to the Auditor's Report of 1977 was going to be done as a matter of urgency. I know that in Government parlance 'urgency' meaning nine years is not too unusual. After all we are still waiting for the part-time pensions to actually materialise and that has been going on since 1977. Of course, the City Council did disappear in 1968, Mr Speaker, and we are still talking about City Council properties!

MR SPEAKER:

1969 wasn't it?

HON J BOSSANO:

Yes, it was as a result of the 1969 Constitution. And, therefore, it is good that at long last it is happening but, of course, I think it points to one of the elements which the Government omitted from its exposition of the difficulties that still remain in the process of transition of the Gibraltar economy, one of the difficulties that still remain to be tackled. And I think that that is that the history of Government performance is, to put a generous view on it, a path of inactivity paved with good intentions, Mr Speaker. The situation is that one now actually stops believing anymore that they are going to do any of the things they say they do, because they keep on saying they are going to do it but they don't actually do it.

We have had a situation where the home ownership thing has been going round, again, since 1977, and in the 1984 election it featured very prominently, and they were going to make a start on it very soon, and here we are now in 1986 and now we are providing some money, I believe, for the unit that is going to push this thing along. But I think there is an enormous time lag between the announcement of the policy and the translation

of that policy into reality. And clearly that is something that the Government itself has got to tackle, and it has to tackle it because that is one of the obstacles in the system as it exists at the moment which makes the Gibraltar economy vulnerable. Because I think the Hon and Learned Chief Minister is wrong in approaching this year's Budget on the basis that Gibraltar faces less uncertainty now than in the past. I think the converse is true. I think the situation is that perhaps the possibilities of what could or might be done might have widened in the new circumstances facing the economy of Gibraltar, but the uncertainties have increased, they have not declined. The kind of economy that the Financial and Development Secretary was describing which was so dependent on MOD was vulnerable to one thing, and that was a policy decision by the UK Government to cut MOD. But a kind of economy that depends on tourism, or depends on shiprepairing, is vulnerable to many other factors; changes in exchange rates, international conflicts, Americans staying at home instead of going to Libya for their holidays, all sorts of things, Mr Speaker. And, therefore, in that situation I don't think the Chief Minister can say that he is now able to spell out more clearly the kind of direction that we are going in and he wasn't able to do so before because there were more uncertainties before. I think that it is not that there were more uncertainties before, it is that before perhaps we didn't have an opportunity to do certain things which he might have wanted to do, or his Government might have wanted to do, but today, I think, the situation is that Gibraltar needs to have a rapid reaction to situations, because, in fact, we live in a more uncertain world, and we need to respond quickly to changes in competition, if we are moving into a more competitive environment. And we certainly will not be able to do that if the machinery of Government is one that has such a slow decision-making process, and that it takes so long between the time a decision is taken and that decision appears as a concrete response to the situation.

The other element, I think, which was mentioned in passing is the problems of industrial relations, which other Members of the House will be making references to, Mr Speaker. But clearly it isn't enough to make a passing reference at Budget time. I think the Government needs itself to have a coherent policy not just on the economy but on a whole range of factors which affect the performance of the economy and without which whatever incentives they give in one direction could well be nullified by what is happening in another direction.

Another unusual element in the Budget this year, Mr Speaker, is the performance amongst the Funds, of the Potable Water Fund. I think the Hon and Learned Chief Minister said last year: "In order to balance the books it will be necessary to increase

electricity by 19%, water by 8%, telephones by 26% and rents by 75%", this was twelve months ago. We now find that water makes a £600,000 profit without any need to increase it; that telephones are running at a profit; that rents don't have to be increased; and that electricity is coming down thanks to our Arab friends. I don't know how the Hon and Learned Member could have been so wrong twelve months ago, Mr Speaker. I can only suppose that he was saying what he was saying then because, as I mentioned at the time, there was already an expectation by the public at large that we would see a very swift reflection of the movement of people up and down Main Street into cheaper water and cheaper electricity and lower telephones and lower rents and less income tax. That is, I suppose, a natural expectation. If people get the feeling that there is a lot of movement and a lot of money being made they all expect to share in that, and I mentioned last year that there would be a great many disappointed people because this is what the comment in the streets was in anticipation of the Budget. I don't think that the Government this year, in the changes that it has introduced in the income tax structure, which are undoubtedly substantial. They are substantial changes compared to the situation we have had, where for many years we have had hidden tax increases because we have kept our tax system unchanged while everything else has been changing, and one of the worst features about this has been that whereas in 1979/80 when the Government introduced the different bandings it was defended then as a policy where people would be making a bigger contribution the wealthier they were, by the time we have come to 1986 the reality of it is that anybody on the minimum wage is already paying 35%, and that people move very swiftly from one bracket to the other, and that, therefore, the disincentive effect now works throughout the economy. The reality of it is, I think the Chamber of Commerce pointed this out, that in some areas when people work out what they get by working overtime on a Sunday after tax they just say to themselves: "It is not worth being away from my family and it is not worth sacrificing my leisure". I don't think that was the intention of the Government when they introduced the system in 1979/80 because at that time, against what was then the level of wages, the 50% rate was pitched at people who would have high incomes per se, and not at the result of a worker who was doing an average of ten hours overtime or whatever. But time has been pushing more and more people into that higher tax bracket, and, therefore, I think the Government this year has made a substantial move to remedy that situation. Clearly not as much as they were being asked to do but nevertheless a substantial one and we don't want to take any merit from the move that they have made. But that isn't what we think is required in terms of looking at Gibraltar's economic needs. It meets a social need, but it leaves the system as it was, except that you are just shifting it further up the scale and, of course, unless you

keep on doing that, unless the Government comes back next year and does another exercise of that nature, and the year after that, and the year after that, the reality is that if they just stand still for a few years they will find themselves back again where they were initially, because wages will push people back again into the higher brackets.

I think, perhaps, therefore, the action that we recommend to the Government in response to their proposals, which, as we have said publicly already we will support because we think that they are better than doing nothing, which is the experience of the last four or five Budgets, is that they should take into account the view that is being put forward by the Opposition, and when they come back next year to look again at the tax structure, they should do so on the basis of looking more at what can be done to reform the system than simply to reevaluate the system in order to keep it in tune with inflation or with increases in wage levels or whatever.

And, therefore, coming back to the Funded Services, Mr Speaker, we find that the situation is that the Government has sold much more water than they thought they were going to sell. They have sold £1m more which is a 50% increase. The year before that we were told by the Hon Financial and Development Secretary that consumption of water had gone down because the price had gone up, although the year before that we were told that the price was not going up. I remember, I think, last year I referred to it as an example of what he had called - he remembers, Mr Speaker - 'Orwellian obfuscation'. In this year's Budget the extra £1m is expected to more or less continue. In fact, the Budget for 1986/87 is for water sales to be £2.8m. We expected, when we were looking at the Estimates last year, that the movement of people, the extra use of hotels and so forth, would be reflected not just in extra imports but also in extra consumption of water and electricity, and, in fact, it was because of that, and because we were somewhat sceptical of the projections being made by the Government, that we asked the Government to provide us with quarterly figures showing the trend during the year which, in fact, they have been kindly doing although not very much on date. Nevertheless perhaps they can improve on their performance in 1986/87. But we have had the figures and we have been looking at the movement and it was difficult to see why that fairly regular trend would suddenly be materialised in an extra sale of £1m, which is 50% more, and that that should be continuing to 1986/87. We know that the Government has been assisting PSA because of difficulties that they have had with their own equipment which has not been producing. Is the explanation for that that the Government expects that to continue in 1986/87? If that is the case, Mr Speaker, then, in looking towards the longer term, how confident can we be then that we are not going to be facing, say, in two

years time or whatever, an increase back in water because the PSA is now able to produce their own and is no longer a customer? We would like to know whether, in fact, we are talking about a situation where the Fund is now on a better footing and, therefore, can be made to balance with less charges, which is a good thing. I don't think the Government anymore than us believes in running a potable water service as a profit-making enterprise. If we look at the situation where the increase in sales has gone up by £1m and the increase in profits has gone up by £2m, the implications of that, Mr Speaker, is that they have sold water for four times what it has cost them to produce, and I don't think that even the people who sell whisky make that kind of profit never mind the ones who sell water. Certainly we won't expect that to be the aim of Government policy to penalise those who slake their thirst because they talk too much like myself, Mr Speaker, by charging them 400% for their water.

Mr Speaker, I am being asked to get away and I am not sure that I am quite ready to round up. I need at least another fifteen minutes. I have had a number of messages telling me that I am required to be elsewhere so I wonder if we could recess at this point and I will come back and spend another fifteen minutes.

MR SPEAKER:

I had been given an indication that it was going to be at six, is that right?

HON J BOSSANO:

Yes, but it is something else that has turned up, Mr Speaker.

MR SPEAKER:

May I be completely and utterly clear. Are you telling me that you will be also committed at 6 o'clock?

HON J BOSSANO:

No, I am telling you that I will be able to come back fairly soon.

MR SPEAKER:

If the House is quite happy that the Hon the Leader of the Opposition should continue his address and we have other contributions and then he can renew it? I have asked the Usher whether tea is available but it can be available fairly quickly, we might recess now.

HON A J CANEPA:

Mr Speaker, I intend to take part in the debate and one thing that I could do is to confine the earlier part of my intervention, if it is a case of as between tea and somebody taking part in the debate, to matters where I would not be answering what the Leader of the Opposition has said. I wouldn't like to deal with any of the points in answer while he is away, obviously. That is the difficulty that my intervention is likely to involve a part where I am answering the Leader of the Opposition and a part where I am dealing with other matters which I had intended to say in any case. This is the difficulty.

MR SPEAKER:

Perhaps in the circumstances it might be better if we do recess for tea now. Will you be available at 6 o'clock?

HON J BOSSANO:

I expect to be, Mr Speaker.

MR SPEAKER:

Then I think it might be better if we recess now and we will be away for just over half an hour.

The House recessed at 5.33 pm.

The House resumed at 6.26 pm.

HON J BOSSANO:

Mr Speaker, there is another aspect, the kind of policy we would be expecting the Government to develop, which is fundamental to the direction that Gibraltar requires, and it is something which, again, surfaced in last year's Budget when I had an exchange with the Hon and Learned the Chief Minister where he interrupted me after I had quoted him in saying that the Government did not have a policy to either encourage or discourage people from moving into Spain to live and commuting back to work in Gibraltar. If you will recall, Mr Speaker, nobody could remember whether the quotation was accurate and, in fact, the Chief Minister thought I was misquoting him. What I said at the time was - this is page 163 of last year's Hansard, Mr Speaker - that they didn't have a policy and that they were neither encouraging people to go or discouraging people from going and that that was the answer he had given me in a previous question. The Hon Member said that he thought I had misconstrued what he had said because he was saying it in respect of people visiting

Spain at the time when there was discrimination at the frontier and that it was doing Gibraltar's economy harm. That is to say, he I think was mistaking my reference to the statement that he had made when he had urged people not to go across and spend their money there because the flow of money was just one way. And I said that I would either produce the Hansard or withdraw the statement that I had made, and I was able to produce the Hansard subsequently, and that is reflected on pages 192 and 193 where I was able to quote the reply that the Chief Minister had given me on the 17th March, 1982: Question No.94, where the Chief Minister had said in answer to a question: 'Is it Government's policy to discourage Gibraltarians from settling in Spain and commuting to work in Gibraltar?' He had answered: 'The Gibraltar Government will neither discourage nor encourage Gibraltarians from settling in Spain and commuting to work in Gibraltar. The Government considers that it is up to each individual to decide this for himself in the light of the circumstances prevailing once the frontier has been reopened and of the opportunities that might exist'. That is exactly what I had said he had said and that is what he had said and that is what he said in 1981 to the Foreign Affairs Committee when he told them in answer to Question No.12, that access to the hinterland for recreational purposes and some possible relief of the acute housing problem in Gibraltar were some of the benefits: and when he had told them in submission No.24 of his submission to the Committee: 'Perhaps Gibraltar's greatest problem today is housing. This could be relieved to some extent by some Gibraltarians especially, perhaps, the newly married, renting accommodation in the adjacent area. This would be of help to Gibraltar and the adjacent area will benefit economically'. I don't agree that this should be of help to Gibraltar, it might be of help to Gibraltar as a short term safety valve to take pressure off the Government to produce more houses, but I think in the long term it is a disaster for Gibraltar. And this is happening already, and it is totally unreflected in the Government's Employment Survey and the Government must know that. The Government must know that it is complete nonsense to suggest, as the Minister for Labour has suggested before, that the figures that are shown in the Employment Surveys of commuting frontier workers are, in fact, a true reflection. I am sure each one of us in this House, Mr Speaker, knows more people than are shown in the Survey who are living over there. I can certainly tell the Ministers on the other side who are shaking heads that I know more people than the forty-five who are living there. It is not too difficult to find out, Mr Speaker. All the Hon Member needs to do is to take a walk down to the frontier at eight o'clock tomorrow morning.

HON A J CANEPA:

Is that what you do?

HON J BOSSANO:

No, I don't need to do it, but I know what the situation is. I don't need to do it to satisfy myself of that because I know the people who are there who are unhappy about being there and that has been the theme we have put before to the Government. If people want to go to live there there is no way we can keep them here against their will, but people feel less secure there, it is not that they like it and, in fact, they lie about it because they are worried that if they tell the truth then not only will they have problems with remaining on the waiting list, which some of them still are, but they will have problems with their children going to school and they will have problems with their families getting medical services. It is a problem that is real and a problem that is there and it is a problem that runs totally across and negates the sentiment in the contribution of the Hon and Learned the Chief Minister about the Government having, as an aim of policy, 'our continuing political and constitutional independence from Spain'. We are grateful to the Hon and Learned Member that he has spelt it out like that because that is exactly how we feel. And it is good to identify the areas where both sides of the House are in agreement, like we identified it in the case of the airport, although I think, Mr Speaker, that it doesn't do justice to the situation for the Hon and Learned Member to say 'our stand on the issue of the future use of the airport, for example, speaks for itself'. I went out of my way when that motion was passed to say that as far as I was concerned it was not an AACR stand or a GSLP stand, it was a Gibraltarian stand and it reflected how Gibraltarians felt. I don't think it is their stand on the issue that speaks for itself. We are quite happy to share, Mr Speaker, the sentiment with them, but we are not too happy that they should pinch the sentiment and make it all their own and leave us out of it. And, therefore, as far as I am concerned, anything that we identify as being areas where the thinking of the party in Government and the thinking of the party in Opposition is the same is good for Gibraltar, and if the Government is now clear that it is against osmosis and against any erosion or anything that would affect us and could be described as social and economic absorption, which is all the Lisbon Agreement and all the Brussels Agreement was designed to do, and we all know that, but if they are now clear that we have to resist that, then, Mr Speaker, the Government's Budget must be designed to achieve not only economic growth per se, but economic growth designed to give us the weapons with which to defend ourselves economically. And we certainly don't want

to finish up with a Gibraltar, as I have said on previous occasions, where all of us are living on the other side and coming in on a daily basis to clean the flats for the rich tourists or whatever in the Water Gardens. We certainly don't want that kind of Gibraltar. I think when we look at development, and when we look at what it is doing to Gibraltar, and what we are encouraging and what we are discouraging, we must look beyond the next Budget and beyond the next election. And if the Hon and Learned Chief Minister has said that his contribution here is designed to show us that it is not a Budget proposal brought to the House looking simply to an election in 1988, then we need to see that reflected in what they are doing to discourage people from going to live over the other side. And we shall certainly be developing that theme, Mr Speaker, when it comes to the Improvement and Development Fund and when other Members of this side speak on the subject because we have been looking for it and we cannot see it. We cannot see the encouragement that is needed. We need to be told certainly as a matter of political statement whether the Government agrees with us that that should be a policy objective. That is to say, that they no longer subscribe to what they said in 1981 and what they said in 1982 about being neutral on the subject, that they agree with us that it is important to keep people here. It is important for Gibraltar's political survival, and that, therefore, when we are looking at how we run the economy we have got to have that at the back of our minds all the time, that we are running the economy for Gibraltarians, very much like when we look at Gibrepare, which my colleague will follow up, we want to see who we are developing Gibrepare for. And that, I think, Mr Speaker, is something else that is absent from the Hon and Learned Member's contribution in presenting the Estimates of Expenditure which is a disappointment to us. We would have expected, it is not something new it is something we have raised before, it is clear to us that in looking to the Estimates in 1985/86, and in the contribution of the Hon and Learned Member, a number of points that have been raised before by us the Government has taken the trouble to look at and provide us with an answer. But we don't think that the answer that we have got goes far enough in addressing itself to the problems that we can identify as facing our community. And I am not talking, as I said, about what is going to happen in the 1987 Budget or what is going to happen in the 1988 election. I think we are clearly moving into a situation, if we were not there before, and this is where when I mentioned before my disagreement with the analysis about whether we have got less certainty or more certainty about the future now.

When we had a closed economy to some extent, although I never agreed with the approach, the annual housekeeping operation could suffice. That is to say, the Government was able to weather the storm, as it were, from one Budget to the next simply by making sure that they have enough money coming in to be able to pay for the services that they were providing in a situation where, as the Hon Member has recognised, the MOD played a bigger role than it does today, and, therefore, the stability in the economy was that since the Government was not expecting any change from one year to the next in levels of employment you could almost do your sums on the back of a cigarette packet and know how much money was going to come in from each source. In the new situation where the Government is required now, not simply to do that but to do what they said they were going to do in 1983, Mr Speaker. I know that they have now got three pillars since last Thursday, but when they had two, until Wednesday of last week, Mr Speaker, what we have been expecting them to show us, and what still remains to be seen, is what the Hon and Learned Member said on the 14th November, 1983, in the press release that was issued here giving us the text of his speech to the Royal Institute of International Affairs. I think that was an important speech in terms of economic policy because, as I have said, my criticism over the years of the Government had been that they hadn't made a statement on economic policy and that was a statement on economic policy, and, in fact, it was a statement that in some respects contradicted things that had been said before and is contradicted by things that we have been told subsequently. Last year we were being told that the Irene Fantasy was coming out of dry dock with scratches all over the place, but in 1983 what the Chief Minister told the Royal Institute of International Affairs was that our economy had become stronger and prospered during the years of siege because of the Development Aid Programme, and that the economy, if anything, had improved, and that now the Government was embarked on a situation where they were determined to ensure that Gibraltar could stand on its own feet, take on a two-pronged approach, which was the development of shiprepair and tourism with or without an open frontier or normal communications, and that they were confident that this could be done. This was in 1983: we are now in 1986, the Government in 1985 tells us that they are now able to speak with more confidence and that things are now clearer and that they don't have to keep on harping on caution as in the past. We haven't seen anything more than the minutest glimmer of something more concrete materialising so far, Mr Speaker, and we are still awaiting, and perhaps with the contribution of other Members, we shall see exactly what it is that this new direction and this sound economic basis which is being created by the Budget of 1986, where this is to be found, whether it is one pillar or two

pillars or three pillars or however many pillars they want to come out with because now that at long last after having scoffed for so many years at the context of having an economic plan, they have now been persuaded that it is desirable to have one, then we want to start seeing us moving in that direction. Therefore, Mr Speaker, with those closing remarks I sit down in anticipation of all the additional information that is going to be forthcoming from the Government benches.

HON A J CANEPA:

Yes, Mr Speaker, I think that it is highly desirable to have an economic plan which is based on three pillars that we can see rather than one which is based on heaven knows how many pillars that one hears a great deal of talk about but which apparently appears to be in the realm of fantasy. I hadn't realized, I must confess, Mr Speaker, during the weeks that we have spent putting the Budget package together, nor this morning listening to the Financial and Development Secretary and to myself reading the Chief Minister's speech, that there was so little content in this year's Budget that the Hon the Leader of the Opposition would, in fact, spend more time speaking about last year's Budget than what he has done about this year's Budget, because he has really said very little this afternoon about this year's Budget. At the time of last year's Budget, Mr Speaker, what had clearly and manifestly happened was that the frontier restrictions had only just been lifted two months previously and the Government was advocating a wait and see approach to what many were already describing as the answer to all our economic ills. A view that I certainly have never shared in such stark terms. But what has happened in the last twelve months, and I say this in the context of the assertions that the Hon the Leader of the Opposition has made this afternoon about the inaccuracy of the figures of the Government, what has happened is that the forecasts that were being made at this time last year were being made against the background of a closed frontier situation, and we had no idea, or very little indication, as to what the outturn for the year was going to be. In fact, the outturn for 1985/86 has been much better than we might have hoped, but it was difficult then to put a figure on it. No doubt the Financial and Development Secretary, when he exercises his right to reply, will be dealing with the question of the accuracy of the figures, but just to take one case in point.

Mr Bossano remarked about the indications that there were regarding the level of import duties in March, 1985. Of course, in March, 1985, the level of import duties was much better than in February, 1985, or than in March, 1984. What was the Government to do? Was the Government to project that

figure as being the one for the whole of 1985/86? You cannot do that, Mr Speaker, not when you are in Government anyhow. That is totally irresponsible because if you get it wrong, if the situation for the year as a whole does not prove to be as good as for that one month of March, 1985, then well before the end of the financial year 1985/86 you are going to be in trouble because revenue will not be coming in as projected and you are going to have difficulties with cash flows, and you are going to have difficulties at the end of the year in balancing your books. Not that that should be the end—all be—all of any budget, but it is a fact of life. You need more time. In fact, I would say that even to think in terms of three or four months may not necessarily be enough because if the frontier opening had happened in January, 1986, and not in February, 1985, I very much doubt whether the Government would have today brought the Budget that it has brought, because on the basis of three months we would not have dared to put together this sort of Budget. It is based on the experience of over a year when we have seen how things can work, how things can develop as a whole, that you are able when you are in Government to take the plunge.

The level of the reserves. Of late, the last few years we have been hearing Mr Bossano say a great deal about this, and year after year different Financial and Development Secretaries, certainly the last two, Brian Traynor and certainly Reg Wallace, I cannot remember about Alan Collings and certainly Alistair McKay would not have done so, but the last two I think have said something to the effect that it is a matter of judgement and that there is nothing magic about the level of reserves. When as a youngster I used to come to hear the Financial and Development Secretary every year at Budget time, the late Mr Hayward, Charles Gomez, Sir Howard Davis, Mr McKay during the days of the IWBP, when it was and they used to start off their Budget speeches by saying that the management of the finances of the Government was like a household budget, they always started with those words. Then I remember that they used to say that the prudent level of reserves was judged to be six months and that certainly was sacrosanct for many years and it was sacrosanct when we came into office in 1972. It was so sacrosanct that it landed us in a general strike because when we asked the Treasury: 'Where is the money put by for the biennial review of wages and salaries?' We were told: 'There has been no provision made by the IWBP in the March Budget'. So we said: 'What about reserves? There is £1½m in reserves, cannot we draw from that to meet the wages increases?' 'Ah no! you must not touch the reserves, you have got to have six months of reserves', and that was sacrosanct and in those days the Treasury had a much greater stranglehold over the business of Government than what they have now.

When we came into office in 1972 and we started to bring many measures to the House the IWBP who were then in Opposition, and I am sure the Hon the Leader of the Opposition must remember, must have heard his colleagues say, how on earth were we getting this thing through. Mr Xiberras couldn't get any money for a relative to accompany a sponsored patient to UK, the Treasury said: 'You cannot do that', and here was Adolfo Canepa ten months later doing precisely that. And the Treasury won't allow family allowances to be increased, and they won't allow this and they won't allow that. How is the AACR doing it? This was the position then, but there is nothing magic about the question of the reserves. What happens is that when you are tight, when you are in a corner, against the wall, as we were in 1979/80, when Mr Isola made fun of us because he worked out that we only had five days working capital, then you make do with £1m or £2m or £3m, but when the situation improves you try to have a better level of reserves, perhaps against a rainy day or, as in my estimation in this year, to meet the problem of the unknown, as it was then, of the United Kingdom contribution to the Improvement and Development Fund. Because if we have a reasonable level of reserves we can transfer from the Consolidated Fund into the Improvement and Development Fund; we can get going a housing programme which ODA will not fund, we can do something on housing because we recognise that it needs to be done and there are proposals in the Improvement and Development Fund about which we shall be saying more later on in the Appropriation Bill. This is why we try, if you are able to, to have a reasonable level of reserves, but what the figures should be there is nothing magic about it. It can be £7m this year and alright, we could have given away another £1m in income tax to make it a bit lower, but I don't think that that is how it should be done. But there was a time when there was fear of having too high a level in the Consolidated Fund because that would generate demand for increases in wages and salaries. Happily we are not in that position today.

I am going to deal with one or two other points that the Leader of the Opposition made, Mr Speaker, but I am going to leave it until a bit later to break up, as it were, the monotony of the address. What can undoubtedly be said today, Mr Speaker, even if it couldn't be said with one's hand on one's heart twelve months ago, is that the lifting of the restrictions has certainly injected new life into many sectors of the economy, and it is, of course, one of the Government's prime objectives to maximise the benefits to the economy of Gibraltar which the fully opened frontier will afford. And today we are seeing some of the first steps in ensuring that the ordinary man in the street, the ordinary worker, will begin to see some of that benefit because people will naturally ask themselves: 'Well, if trade is doing well, if the economy is thriving,

what is there in it for me other than just inconvenience and the fact that I can spend my leisure time in Spain? There must be something more to it', and we are seeing the beginnings of that today. I don't think I need to go into the figures, Mr Speaker, I think they speak eloquently for themselves but let it suffice to say that Gibraltar's export income has received not only a significant but probably an unparalleled boost over the last year. The tourist industry has not experienced a better year since 1969 with arrivals by land and sea the highest since then. Activity in the financial sector is also very much on the increase and who can doubt that this sector is bound to play an even more prominent role in the economy in the years to come.

The reason why this is now becoming a third pillar of the economy, and that could not have been foreseen a year or two ago, is that when the Dockyard closure was announced we had a consultancy on diversification of the economy and in that study the point that was made was that the financial sector could make a significant contribution to the economy in that it could create an additional 150 or 160 white collar jobs. But that study was made at the time when the frontier was closed and what perhaps could not have been foreseen was the enormous impetus that the opening of the frontier has given the financial sector. I think it has certainly exceeded the expectations of 1978 and that is why I say today that it isn't just a case of describing it as a significant contribution but an important contribution to the economy. An important contribution where earnings are very high, where there is demand for certain qualifications and a lot of jobs are being created which are already beginning to poach from other areas of employment in the economy, where the pace is being set, people are able to demand certain levels of earnings from the financial sector. And some of the brain drain that Gibraltar has been experiencing in the last ten years or so, where we have been training a lot of young people, sending them to universities and a lot of them have not been able to return to Gibraltar because there is a limit to what we can absorb, some of those, I think, now have distinct prospects of employment in this important sector. This is the reason why we attach today much more importance to this particular sector than we have done previously.

The commercial yard, Mr Speaker, in spite of all its industrial relations problems also continues to be an important source of employment and I think it should continue to do so. It is vital that these three pillars: tourism, the commercial shiprepair yard and the financial sector should continue to generate income and employment opportunities more so having regard to the recently announced reduction in personnel by the Ministry of Defence. But we are not blind, Mr Speaker, in the Government

to the fact that the general buoyancy of the economy had not so far been of benefit to all and sundry, and we are trying to make a start today to ensure that there will be a fairer distribution of income and wealth. A challenge, in my view, that cannot and must not just be faced by the Government alone, by the administration alone, but in which other sectors in Gibraltar have an important role to play. Although the Government, Sir, is now in a much stronger position than over the past two years, we have had to meet increased recurrent and capital expenditure, but the fiscal incentives that have been studied and are being introduced now will also continue to be the subject of further consideration.

We have seen the reduction in the levels of import duty, mainly with respect to tobacco and spirits and, if necessary, in an effort to maintain Gibraltar's price competitiveness with Spain, this is an area that over the next few months we shall keep under close review. And if further remedial measures are required then it is a very straightforward business to enact the necessary legislation, Mr Speaker. It only has to be done by Regulation and there is no need even for a mini-budget. But now that Spain has become a member of the Community the effects of the introduction of IVA, their equivalent of VAT, has been that the overall price levels, as far as we can ascertain so far, the overall effect has been fairly marginal. But we need to keep a careful check on this, Mr Speaker, because fluctuations in Spain which can arise either from that or because of changes in exchange rates have got to be constantly monitored to ensure that Gibraltar doesn't come off worse in this respect. The Chamber of Commerce have put a number of proposals in this respect. They have suggested that the present system of indirect taxation should be re-structured, but there are aspects in their proposals that I think are dangerous, Mr Speaker, and this is where they involve the imposition of duty on certain basic commodities and luxury goods. Luxury goods is not a problem but basic commodities like foodstuffs I think would be a very dangerous step to take. In fact, I hold the view personally that for the Government to put import duty on foodstuffs could even undermine the whole basis on which parity of wages, with all the swings and roundabouts, is accepted by the Trade Union Movement, and I think it is against that background, for that reason alone, and because I firmly believe that in Gibraltar we shouldn't take that step of putting import duty on a basic thing like foodstuffs, that I have never been myself agreeable to that proposal. But they are being considered and I have arranged for regular meetings with the Chamber of Commerce, on the basis of a monthly meeting, and they should complement useful consultations that I have with members of my Think Tank where new ideas do emerge, nothing too earth shattering, but new ideas emerge, a useful forum for an exchange of views for

discussions, and as new ideas emerge I am confident that the competitiveness of Gibraltar vis-a-vis Spain cannot only be maintained but, in fact, developed to the maximum potential.

Much has been said in recent weeks, Mr Speaker, about the need to lower income tax and the Government has, therefore, been particularly pleased to be able to announce these reductions in the level of both personal and corporation tax. They are the first changes in the structure since July, 1981, and this new structure for personal taxation does, in my view, go some way towards reducing the disparity between the UK and Gibraltar though, as explained by the Chief Minister this morning, the Government would never seek to apply the UK structure to Gibraltar.

The Hon the Leader of the Opposition made some reference to the question of fiscal tax and its effect on the lower income groups. Again, this has been a feature of the last five years and because allowances and the progressive rates of taxation have remained constant while gross incomes have risen in money terms, tax payments have, in fact, effectively increased and take-home pay has been much lower in the last five years, and certainly much lower than during the halcyon days of 1978 when take-home pay had increased dramatically because we were catching up with parity and because both in 1978 and in 1979 there were very high percentage levels of settlement in the United Kingdom of the order of 50%. By late 1978 or late 1979 the acquisitive power of the ordinary man in the street had increased to an unheard of amount in a very short period of time. I think we are beginning now, Mr Speaker, to take some steps to redress the situation whereby people were jumping from one tax bracket to another very rapidly.

Since 1981 inflation has, in fact, outpaced the increase in net take-home pay even though inflation has been extremely low, and this has been an instance where parity of wages with the United Kingdom, because of the policies of the UK Government has, in fact, worked very much to the benefit of the private sector, because the public sector has set the norm and the private sector, in a situation in which they were going through very difficult times, were able to benefit from very low annual wage increases. Again, parity has been of benefit on both occasions because the boom of 1978 and 1979 lead to considerable expenditure in consumer goods within Gibraltar and the difficult years, the extent of the difficulties have been attenuated by the way that parity has worked during the time of the Conservative Government.

I think, Mr Speaker, that the reduction in the level of personal taxation may lead to some extent to increased expenditure in Spain, but on the other hand I don't think that this

leakage is likely to be as high in the lower income groups where the effect of fiscal drag have been more harshly felt. But there is, of course, another important benefit to the economy of Gibraltar by the reduction in taxation, and that is the promotion of Gibraltar's aspirations as a financial centre.

As I think Hon Members may know, other financial centres already are enjoying much lower levels of personal and corporation tax, and with this in mind that was the reason for our finally considering and agreeing to reduce corporation tax to the same level as in the UK. If it was ever to be lowered, Mr Speaker, this was the year to do it. I don't think it will be a particularly popular measure in Town Range, but it may be less unpopular this year than what it would have been otherwise, but it is consistent with the Government's fiscal strategy of shifting from taxes on income to taxes on expenditure at a relatively low cost to the Exchequer.

I come now, Mr Speaker, to the rates issue about which there has been much controversy. I think it has to be accepted that rates are an important and growing source of Government revenue. The year 1985 witnessed a general revaluation of all business premises but after a lapse of seven years. Formal objections, verbal representations were made of general complaints about the increases which affected mainly owner occupiers and leaseholders who were on ground rents which were well below market levels. And the main reason for the substantial increase was in fact due to the fact that it had been deferred on two occasions and it had been deferred because the Government was in sympathy with the difficulties that the trade was generally experiencing but because it is required by law that the Government should take existing market levels into account in a revaluation then the revaluation led to increases in rates that were fairly dramatic in many instances. But the pace had been set by the increases in rent in the private sector round about 1982 and 1983, and I myself as Minister for Trade complained about that. In the days when there were indications that the frontier was going to open in the wake of the Lisbon Agreement, rents went up very, very sharply in the private sector and the Government continued to be a very good landlord and continued to try to keep the rents of the commercial premises which it rents at a reasonable level but it was this factor that really fuelled the increases in rates. As the House knows, we have agreed to a certain level of relief which is being given legislative effect in connection with this Budget. But I would say, Mr Speaker, if the controversy is going to continue, that the Hayfield Report which has been commissioned by the United Kingdom Government, in fact does recommend that business premises should continue to be assessed on the basis of their annual rental reviews

and we are also, in the Government, of this view. Mr Speaker, the Government is fully apprised and aware of the role, which is going to become an increasingly important one, which the private sector has to play in the economy of Gibraltar, and it has been very encouraging, in the last few months, to see the rate at which development is on the increase. The House may therefore be sure that as part of our overall strategy we are going to continue with further fiscal incentives as we are now doing with home ownership, not only to ensure that momentum isn't lost but, in fact, in order to maximise the rate of economic growth. The second part of my address, Mr Speaker, is going to be devoted to, in fact, outlining developments in the private sector and the impact that that is likely to have on revenues and on the economy.

I think at this juncture I could do well to deal with one or two points that I wanted to answer which the Leader of the Opposition had brought up. Again, on the question of figures he queried what the Financial and Development Secretary had said about the fact that the level of earnings in Gibrepair had contributed to the higher figure of earnings for the private sector. There hasn't been a pay increase in Gibrepair since November, 1983, but is it not a fact, Mr Speaker, that in the non-binding arbitration that the union and GSL agreed to, the findings of the arbitrator have been that at least for 1985 there is no case for an increase in basic wages because basic wages in the yard were, in 1985, appreciably higher than in the rest of the private sector. And if that is true then, obviously, that fact, in spite of there having been no increase since November, 1983, that fact has worked its way through and is reflected in the latest Employment Survey available to us. This must be a fact of life.

Yes, I will give way to the Hon Member.

HON J BOSSANO:

The Hon Member has asked if that is true, the answer is no, it isn't true.

HON A J CANEPA:

It is not true, what is not true?

HON J BOSSANO:

What the Hon Member has just said, that the arbitrator came to the conclusion that earnings in GSL were appreciably higher than in the rest of the private sector. What the arbitrator accepted, Mr Speaker, was that the commercial yard was right in comparing a Grade B in the yard with a Band 2 labourer in

the Government whereas the union was arguing that a Grade B in the yard who was required to drive a crane, who is required to operate a computer should more properly be equated to a Band 6 in the Government who is a driver, and depending who you compare it with he is either overpaid or underpaid but there was no comparison with anybody in the private sector at all.

HON A J CANEPA:

I am grateful for that information, Mr Speaker. I hope that the media will take note because the Hon the Leader of the Opposition has got inside information on this matter which I don't and I just go by what the media says. I am sorry that I have been misled.

The Leader of the Opposition spoke about the reduction in the water charges. The reduction in the water charges, and I think the Financial and Development Secretary mentioned a figure of about £4m, that figure is closely related to the estimated savings as a result of the use of waste heat by the boilers in the desalination plant, the waste heat from the Generating Station. At the moment, as far as the indications are, that is going to be slightly less than that, in fact, but is going to be roughly the order of savings. And therefore regardless of what happens about sales to the MOD, our reductions are not linked to that but to the question of the waste heat. I think it is an important point that has to be made because one swallow doesn't announce the arrival of summer.

The time lapse in the implementation of Government policies. This is very much a feature of the Government bureaucracy and the machinery. For instance, I can mention a case in point, the question of home ownership. What happens is that with the tremendous interest and momentum in development in the private sector in the last year, the Director of Crown Lands and the other people in Crown Lands, are completely snowed under with work on development and, therefore, unless one creates a separate unit to deal with home ownership you cannot expect the same people to be doing that work. And the situation is going to get worse. The situation is going to get worse because some of the key civil servants, some of our most able people are going to leave the civil service. There is going to be a lot of poaching by the private sector which was a feature twenty years ago. That is going to happen again. And the Director of Crown Lands probably feels that if he is having to work till seven or eight in the evening on Government work and not being remunerated for that, if he works those extra hours for himself he is going to be making much more money. That is a feature. The other feature is that sometimes decisions are taken and implementation can be blocked by the Trade Unions and Staff Associations because

they don't see eye to eye with Government. There may be a dispute about a job description. We want to employ people in the home ownership unit, there is a dispute about the job description so we cannot employ them. If we cannot employ them we cannot sell the houses, if we don't sell the houses the revenue doesn't come in. Another case in point, we need more graduates in the civil service. If the GCCA doesn't agree they block you and the thing drags and you don't employ the graduates. And if you don't employ the graduates, in a civil service that has been expanding and that requires, with the complexity of life today, people who have proved that they have got the brains and, hopefully, the confidence to do certain jobs, well they just don't come into the service. These are realities of life. Sometimes you can find a way around it by reaching an amicable settlement, but sometimes matters can be delayed for months on end. It is that, added to the inherent inertia in the system that obviously makes for difficulties.

Mr Speaker, the Hon the Leader of the Opposition will recall that a few years ago, I think it must have been in 1982, I said during the Budget debate that I was a frustrated Minister for Economic Development and that was because the projects were all on the drawing board but I just couldn't get them off the ground. I think he may remember that Major Peliza made fun of me on that occasion and went on to attack me for lacking imagination and so on. I don't know what I have done now to bring all these projects to realisation: what has happened? The main thing is that I just plodded on with these projects, continued to do my best, the economic climate has changed dramatically, it has improved and all that I did to bring that about, of course, was to stick my neck out together with my colleagues when we agreed to the Brussels Agreement because that meant that we gained the momentum of ten months or otherwise the development that we now see beginning to get off the ground all around us would have been delayed. That is all that one has done. Conditions have changed and now they are conducive to the actual implementation of these development schemes. For instance, the old Revenue Stores at Waterport. They have recently been demolished to make way for a substantial development Marina waterfront. This development was awarded for a tender of £300,000; it is £300,000 revenue on a once and for all basis, but it is very welcome. It will consist of 135 apartments in three blocks with a commercial podium at ground and first floor level. The project is estimated at £5m, it is an injection of £5m into the economy over a period of two and a half years. A short distance away, across Waterport Basin can already be seen the rapid progress on the second phase of the Marina Bay, something which was in abeyance for five years because there was no incentive, no inducement. Now, again, under new ownership, it is becoming a reality. Again a mixed

development - apartments, offices and commercial accommodation. And once phase two is completed later this year there is going to be further reclamation to the south to see the culmination of this important touristic complex in a few years time. In fact, I think it is no exaggeration to say that together with Sheppard's Marina, who are commencing the second phase of their development and whose pioneering efforts were the first to recognise Gibraltar's unique position as a yachting centre, Waterport Basin, taken as a whole, is today recognised as one of the most important yacht marinas in the Mediterranean. And I say that not because Bayside Marina can compare, say, with Banus, no, but because that Marina, together with Sheppard's Marina provides for the real yacht owner. Sheppard's Marina provides a requirement, a need for people who live on yachts, not who own luxury yachts on which they spend some time occasionally but who live and who make of yachting a way of life, and Sheppard's Marina is geared to this kind of people and that is why it is very popular and it has got very good services provided and a very good shop as well. Taken together, Waterport Basin is a very, very important element in the development of the yachting business and naturally further developments to come at Queensway. And, hopefully, the East side reclamation will also contribute in this respect.

Another project, Mr Speaker, which is also worth about £5m of capital investment is the controversial Casemates Multi-Storey Car Park. I think it will go some way towards alleviating the serious parking problems but it is also going to provide a centre for shopping and business activity at the very doorstep of Main Street. But perhaps the most important touristic complex which we have recently awarded by tender is Queensway, the Queensway development.

In the case of Queensway, Mr Speaker, we are talking of an estimated development of about £30m. Already the tender sum, £1.5m for the land, again it is more revenue for the Government and this development is intended to consist of a five star international hotel; it will incorporate conference facilities, a casino; a 350 berth marina; 143 luxury apartments; recreational and sporting facilities; a quayside pedestrian shopping area which will incorporate shops, boutiques, cafes and restaurants; and also parking for about 300 cars. Two years ago Major Pelizza would have stood up and said: 'It is all pie in the sky', but having regard to what one sees around Gibraltar today, I think the prospects of something like this happening are today very, very real. The scheme, Sir, is also being very sensitively treated from an architectural point of view. It is going to be an impressive tourist amenity adjacent to our waterfront that Gibraltar can be justly proud of and will merge very well with the traditional style of architecture that one sees, particularly, in the south district, Naval Hospital,

South Barracks and so on. I don't know whether this will be a little bit of a sop, Mr Speaker, to the conservationist lobby, I hope it will. It is an impressive development and one that will help to mould Gibraltar into a first class touristic centre of unique character.

Related to this one, Mr Speaker, because it was part of the Dockyard commercialisation package, is the Rosia Bay development. The position there is that two parties who were originally interested in tendering got together, they have made a joint submission which has not yet met with our full approval, and it is now going to be the subject of a six month option. A crucial part from the Government's point of view for this development is that they should provide a hotel on Engineer Battery. If this is found acceptable the company will be allowed to proceed with the development, which will be a 150 bedroom hotel and 155 apartments at Rosia Parade, with a 60 bedroom aparthotel on the escarpment of Parson's Lodge Battery. I have no doubt that the conservationist lobby will really go to town on this one. But what we are trying to do, Mr Speaker, is to, on the one hand we know that there are extreme conservationists, there are also extreme Philistines on the other, but we are interested in the future and in the welfare of the average man in the street. That is what we are ultimately concerned about, to ensure that people have got jobs, to ensure that people have got houses to live in: the well being and the quality of life of people. We are very conscious of the need to do this, and, therefore, the need is for a balance, to strike a correct balance in the public interest.

The rapid growth, Mr Speaker, that I mentioned earlier in the Finance Centre activities is, of course, creating a demand for more office accommodation and there are a number of important redevelopment projects which have already received planning approval and some others are under consideration. There is one clearly now getting off the ground, and that is the old Christian Brothers School at Line Wall Road. Mr Speaker, it is with this philosophy in mind that we are shortly going to be considering tenders that have been received in the last two weeks for the Command Education Centre. This particular development is intended to consist of a mix of shops, offices and residential accommodation. We very much hope that it will revitalise the area by providing a high class shopping arcade near to Main Street. I think it should serve to draw the daily visitors off Main Street into the side streets, improve trade in these secondary areas where the Chamber of Commerce keeps on complaining that people are not doing as well as in Main Street. I think, Mr Speaker, that these projects together are going to attract further investment of even greater magnitude.

We have recently received a feasibility study on the East side reclamation project and there are indications that that can now become a reality. A revised scheme is going to be shortly considered by the Development and Planning Commission and the difficulty, at one time, Mr Speaker, was that with the situation on land, scarcity being such, the danger was that it was going to be so costly to reclaim 38 acres that it might have been too costly to develop. But now land values have increased to such an extent that we are more confident that the high cost of reclamation can, in fact, be absorbed within a development of that magnitude. If this development were to get off the ground I estimate, Mr Speaker, that the total capital investment over the next few years could be a staggering figure of about £200m, between the East side reclamation and the other development. If it doesn't get off the ground the other developments together could amount to the not inconsiderable figure of about £100m. I sound almost like television on a certain channel, Mr Speaker. I feel embarrassed speaking about so many millions.

Mr Speaker, I have so far concentrated on the major development projects but, of course, much closer to home and closer to one's heart is the Vineyard Housing Scheme which has now commenced and will soon be providing reasonably priced accommodation for young Gibraltarian families. The interest in this has been staggering and I think it will make a very considerable contribution towards ameliorating the very serious problem there is, housing. The lack of public funds have constrained the Government's ability to build more houses, but I think if all the millions that I am talking about begin to find their way in the recycling process into the Government coffers I am sure that the Government should be able itself to fund a reasonable modicum of public housing for many years to come.

In conclusion, Mr Speaker, the message from this year's Budget, as far as I can see, is to the effect that the economy has now turned a corner. Whilst we are not experiencing a boom, we are certainly experiencing growth, and the prospects of continuing growth. I think these prospects appear to be genuinely good. The foundations have been laid for sound, realistic, economic planning, something very close to the heart of the Hon Mr Bossano, to be seen as a permanent and an assured feature of Gibraltar politics.

MR SPEAKER:

Perhaps we shall recess now until tomorrow morning at 10.30.

The House recessed at 7.28 pm.

FRIDAY THE 18TH APRIL, 1986

The House resumed at 10.40 am.

MR SPEAKER:

I will remind Members that we are on the debate of the Second Reading of the general principles and merits of the Finance Bill. Last night Mr Canepa finished his contribution.

HON MISS M I MONTEGRIFFO:

Mr Speaker, I will be making a short contribution on the Finance Bill. My main contribution will be on the Appropriation Bill.

On prescription charges, Mr Speaker, the Government are increasing it by 20%. Can they confirm, since their explanation is that they need to do this as a result of the continuing increase in the cost of drugs and pharmaceutical supplies, that the cost has actually gone up by 20% this year? If this is not the case then, obviously, Mr Speaker, the Government will be burdening those people who are ill by making them pay a bigger proportion. It seems strange, Mr Speaker, that they should decide to penalise the older people who are, in fact, those who will be requiring more prescriptions, some of whom are on very low incomes.

Also, Mr Speaker, we cannot understand when already they are having so much pressure from the Diabetic Association to do away with prescription charges for chronic patients, that they should put a further burden on them. I find it unfair, Mr Speaker, in a Budget where they haven't increased anything, in fact, there are tax cuts, that the Government should have introduced this measure. I think, therefore, that an explanation is warranted from the Government on this.

HON J L BALDACHINO:

Mr Speaker, touching upon a few comments on the Budget speech of the Hon Financial Secretary, the Hon and Learned Chief Minister and some reference of what Mr Canepa had to say, I will be speaking exclusively on housing and how I think the measures will affect the housing situation in Gibraltar as a whole. If I may, first, make a few comments on what the Hon Member had to say on the question of amortisation on certain projects on the housing side Mr Speaker.

I am glad to see that the Government has now departed from their past policy of amortising certain projects for a 60 year period. I am referring to other things than this.

Even though this is more in our way of thinking and which we have previously brought in other Budgets to the House, we still think that it doesn't go far enough. I would like to have an explanation, Mr Speaker, how they arrive, for the different periods in years, to amortise different things like painting and the repairs of properties and things like that. How do they arrive at the years, because we still think that the true cost, which is the whole essence of the exercise, is to have a truer cost reflected in the Housing Fund. I would like to have an explanation on that one, Mr Speaker.

The other question, Mr Speaker, of the Hon and Learned Chief Minister, on the question of where they have increased the tax relief for first-time home owner-buyers, we don't think that this will create any major incentive, even though we will be voting in favour of it. Mr Speaker, we don't think that this will create any incentive because this is in isolation and the way that we see how the housing problem should be tackled should be by a comprehensive policy as a whole and not just in isolation, because no way will you ever get a solution to the problem in that way. It is all very well to have, Mr Speaker, or to create incentives, and this is where I am going to comment on what Mr Canepa said, Mr Canepa mentioned - and I am glad for the Hon Member that he is no longer a frustrated Minister for Development - because he said that probably there will be, and he mentioned the figure £100m, on development in Gibraltar as a whole, but the true fact of it, Mr Speaker, is that there will still be frustrated Gibraltarians who are in need of housing because very little of that £100m that are floating about will go to build more housing for Gibraltarians.

He also mentioned - and keeping to the private sector and the incentive of the Government - he mentioned the Vineyard Housing Project. The way I saw that he was trying to put it across, Mr Speaker, was that everything was going very smoothly. The truth of the matter, Mr Speaker, is that the contrary is happening. If we look at the opposition that the future buyers of the Vineyard Project are having with the developers, and if we start off by the letter that the solicitors for the developers sent to the buyers, and I quote, Mr Speaker: "We enclose an agreement for your approval. We would be grateful if the agreement would be returned duly approved as soon as possible since our client wishes our exchange of contract to take place prior to the end of this month". This was dated the 9th April. And the second paragraph, Mr Speaker, of that letter is very important, I think: 'If the exchange does not take place prior to the said date we reserve the rights of our clients to withdraw the same', Mr Speaker, in essence, in 1984 when the Government brought to this House and announced what they intended to do in the Vineyard Project, and which we supported, Mr Speaker, we did not support it in the spirit that it is now

taking place between the developers and the future buyers. Because if we look also at the contract, Mr Speaker, that has been sent to the future buyers, there are a lot of things that could go well with what the Hon Mr Canepa said for the Queensway Project, for the Water Gardens and luxury flats, in effect, but not to try to impose this on people who are buying a house because of the failure of the Government to provide houses in Gibraltar, Mr Speaker. In actual fact what is happening is that these buyers are doing them a favour and not the other way round. What is happening in the Vineyard Project, Mr Speaker, that it has become a business operation like any other and this was not in the spirit that we supported it at the time of the announcement of the Vineyard Project.

If we look at the agreement, Mr Speaker, first of all, the developers or the lessors will get a 150 year lease but in turn, Mr Speaker, the future buyers will only get 99 years, and if this is a housing project for people who would normally get a house and who cannot afford it and it is already a financial constraint on them why should the advantage be given solely and exclusively to the developers and not share that advantage with the ones who are going to buy the houses? I am only going to touch on a few points on what the agreement really says, Mr Speaker, but there are many more and I think that the Government should look at them once I point out what I think are important issues in that contract. One of the things is, Mr Speaker, if the purchaser does not pay the instalments within fourteen days of the payment date he is charged by the company an interest rate at the base rate of Barclays Bank. That is to say, it could well be 90% above what the instalment is, whilst if the company does not fulfil its commitment, Mr Speaker, they only pay 1% of whatever the purchaser has paid. I think equally the two things should go together. If the purchaser has to pay 3% above the basic rate, if the company does not fulfil its commitment it should also be the same, or the other way round; the company should pay 1% and the purchaser should pay 1%.

An important issue on the agreement, Mr Speaker, is the Management Company, a Management Company which will be set up by the developers and solely they will have the discretion of what has to be done. Mr Speaker, in this case they will not be like buyers but more like tenants in their own homes, in a home which they have to buy. And on top of that, Mr Speaker, whatever maintenance is carried out, at the sole discretion of the developers, they will have to pay 10% above that maintenance charge. This is a business for life, Mr Speaker, for the developers. Also in that contract, Mr Speaker, on the maintenance the developers can ask the buyers to pay an advance payment of the maintenance; that is to say, that they can ask for payment before any maintenance. One

could look at it and say: 'But there is nothing wrong with that if at the end of the year the money is returned'. Mr Speaker, this is another business because the developers can ask for an advance payment, put it in the bank, leave it there and collect the interest, at the end of the year carry out a maintenance, and even if there is any money back, any money that had to go back to the owners of the house, will go back without the interest. How can Government start creating incentives for home ownership and have these things included in an agreement? Agree to it, Mr Speaker, without having any say whatsoever? And apart from that, Mr Speaker, the developers got the ground, I think it was for £100, and you know what they are doing in that agreement, Mr Speaker, they are charging £10 per year per unit for the first fourteen years. That is, they are making money on ground that the Government has given nearly, we can say, for a peppercorn fee, they are making money on that and taking away the whole spirit of what this announcement and what the Vineyard Project should have been. And after the fourteen years it will then be revised, and ten years thereafter, in other words, every ten years after the fourteen years it will be revised: something that the Government has given free or almost free to the developers. Putting a burden again on the buyers.

There is also a service charge of £6.5 per week up to £85 per metre, in some cases it could even reach to the £500 mark a year. Also eligibility to buy, Mr Speaker. The eligibility to buy is solely that the person has to be in the Housing Waiting List or eligible for Government housing. It does not stop anybody who already owns a house of buying a house and then renting it out to other people who are in need of housing. I think that should also be looked into, Mr Speaker. In this way, Mr Speaker, I think that the Government really should have a say on what should be the agreement between the developers and the purchasers because this will be a model for future home ownership buyers. It does not protect a first-time buyer because of what I have said that anybody who is eligible can buy a house and then rent it out, that for a start, and then all the constraints there are in the agreement - I have only gone through a few but there are more - will not create the incentive that was in the spirit of the original announcement by the Hon and Learned Chief Minister in 1984. In this way the Government will not create an incentive. If this gets around Gibraltar very quickly, whatever idea they have to sell to sitting tenants, and if that is anything to go by they will not have any major impact and now, Mr Speaker, I understand why the Shorthorn Estate tenants or their solicitors put so much pressure or would not agree with the Government on the leases because if this is anything to go by then I am in favour of whatever their solicitors had to say because I am sure that the solicitors of the Shorthorn Estate tenants would not have agreed. As I said,

Mr Speaker, these conditions or these agreements are all very well for luxury flats but that is not the essence in this case. I hope that the Government realises this and take a more positive position and have talks with the developers so that they can reach an agreement which should be beneficial to both the developers and also take into consideration those who are going to buy. In any case, if we had known this at the time, Mr Speaker, we would most certainly not have supported this because as far as we know, as it stands now, it is another Landlord and Tenant Ordinance. On the question of Government financing housing, Mr Speaker, as a matter of fact there is very little provision in the Estimates to provide any Government development for housing and therefore for renting to people. The Government are not going to get any money whatsoever from ODA for housing and therefore if we look at the Estimates all the reserve votes which are there will not become a reality and we are talking about the Laguna Estate additional storeys, that will not be done because that was in the expectation that ODA money was going to be given. If I can just take a quick look at the Estimates because there are others. There is the Castle Ramp/Road to the Lines Phase II, there will be nothing done because that was also a reserve vote, there will be no external painting of pre-war buildings because that was a reserve vote and the Laguna Estate additional storeys. That was the only thing that one could consider could have any major impact on housing in Gibraltar which is the Laguna Estate project and when I say 'major' it is compared to what they have been building through the years and this will now not take place because it was a reserve vote and they are not going to get any money from ODA. Even though they have nearly £4m by borrowing and it is shown as reserves in the Consolidated Fund, it has been the normal practice and I think I criticised it before, Mr Speaker, when they borrowed £2m, I think it was in 1985, that borrowed money should go to development and I think that the priority is that development and borrowed money should go into the Improvement and Development Fund and that priority should be given to housing but they are not doing this. In answer to Question No.112 of 1985 the Hon Minister for Housing said that at least 700 units were needed and they have provided very little in this Budget to go anywhere near that figure especially after the ODA decision. I think that instead of having borrowed money shown in the Consolidated Fund it should go into the Improvement and Development Fund and at least they could build some housing. Last year, Mr Speaker, if you go by the statistics available, only 25 houses were built and according to the expert advice they have had, at least 50 houses have to be built yearly to maintain the present position. To maintain the chronic situation that we have in housing today, at least 50 houses have to be built yearly and they only built 25 last year.

Apart from the £4½m borrowed they have already sold a number of properties, Mr Speaker, which is not going to housing and the essence of selling properties and selling the houses was that the money should go into the Housing Fund to build more houses but they are not doing that. We would like them to explain that. My Hon Colleague, the Leader of the Opposition, touched on the need to provide housing in Gibraltar today. It is no longer a question, Mr Speaker, of having adequate housing, we have gone beyond that, it is a question that Gibraltar does not become with all these projects of Queensway, the Water Gardens, etc a retirement paradise for outsiders whilst the Gibraltarians have to go and live in Spain and with the passage of time and lack of housing this could very well happen and then we will have Gibraltarians commuting to work in Gibraltar when everybody else enjoys our little piece of land. Housing, as I said, Mr Speaker, has become more than just providing adequate accommodation. It is essential if we are to keep the community together so that we can preserve our identity. I am in a good position to see how many people cross the frontier daily because I see them and they are much more than the figures shown in the Employment Survey. I think that they should look at this very closely because this will be a political danger in the future especially with the thinking of what Gibraltar should be by the Government at the moment which nearly coincides to our way of thinking. I criticised them last year and I said that they didn't have a basic policy. The Minister said they had a policy and the policy was to build more houses. Well, they have the money now. If they have the money now why don't they start building houses? Why don't the Estimates show that they are going to build more houses? The Government is now in a position, Mr Speaker, because they have the funds, to put their money where their mouth is and start delivering the 450 units that the Hon Mr Canepa said that they were going to build unless it is no longer their policy to build houses, unless they have gone back to the 1981 policy that the Hon and Learned Chief Minister put to the House of Commons Foreign Affairs Committee which was that there was nothing wrong with Gibraltarians living in Spain because that would be one of the solutions to the housing problem, don't do anything with the expectation that Gibraltarians will go and live in Spain and therefore find a solution in that way. If that is their solution then I think the Government should come up clearly and say that that is the way they intend to find a solution to the housing problem in Gibraltar today.

HON M A FEETHAM:

Mr Speaker, both the Hon Minister for Economic Development and previously the Hon Mr Perez in a television broadcast gave some indication that the Government had an economic plan for Gibraltar and, in fact, said that the two pillars of the economy

on which they went to the last election was the commercial yard and tourism but now they had other things which they wanted to bring to the fore which they couldn't before for a variety of reasons. When one listens to statements made by Ministers in the House on the Budget, one gets the distinct impression that we are listening to the hopes of the Ministers for the economic wellbeing of Gibraltar but yet when one looks at the stark realities of what is presented to us in the Budget, one sees clearly that Government continue to make the same classical mistake that they have been making in the past because the Hon the Chief Minister in his statement on page 2 said: 'Today's Budget has been partly formulated in an attempt to recognise and strengthen this background of the past and proposes to give a lead for the future. Today the Government can see and can exercise greater scope in using its fiscal policies to give a sense of direction to the economy'. What I ask in looking at these Estimates is, where is this lead for the future and where is this sense of direction? Because it is precisely in that particular sentence where we begin to see whether, in fact, if there is a lead and if there is a sense of direction for the future. On the other hand, the Hon Minister for Economic Development admits that Government has an economic plan which would suggest that they intend to do a number of things. One of the things which the Hon the Chief Minister said in his statement is: 'Our aim is to shift the burden of taxation, not by a straight switch from direct to indirect tax levels, but by tapping and developing a wider revenue base to an extent which allows a shift in the burden of personal income tax'. What do the Estimates project? What does this Budget project? In fact, it projects nothing new. The Government are borrowing and this is nothing new, they have been doing so for the last few years. Where is this wider revenue base that Government intends to tap? For example, in the Estimates we see that new cars registered in Gibraltar in 1985 went up by 100% but yet where is this reflected in the licence revenue accumulated? I ask, is it being underestimated? Is this the wider revenue base that the Government are saying they will tap? Where is this wider revenue base, I would ask? Can Government give us an indication in this Budget of where is this wider revenue base? The Minister for Economic Development has talked in the past about thousands of jobs. I ask the Ministers opposite, how many jobs are expected as a result of this Budget? Is job creation still the policy of the Government? That is what needs to be answered. Where in this Budget is reflected that they intend to do something about the few jobs that are required in terms of training and education, where? Where in this Budget does it say that they intend to promote training and apprenticeships with the different sectors that today are gaining in terms of financial improvement to their particular growth? Where in this Budget does it say that Government intends to do something about it? Because now is

the time, in this Budget, now is the time that you ought to be starting talking and doing something positive about this. But, of course, that is not their policy. The unfortunate policy of the Government is that they continue to do things piecemeal and resolve things as the problem occurs. What is now happening is that they are actually encouraging hump employment and hump employment for those who may not know what it is means that you are actually pushing in an awful lot of workers into different industries in Gibraltar, particularly in the construction industry in a mad rush to get development off the ground where lots of people are going to make a lot of money and where the taxpayer in the end pays because we are going to be faced with a great deal of cost in the social security benefits which the working class are going to pay for at the end of the day. That is the sort of Budget that the Government is presenting. It is a Budget which can be welcomed by a very few people who are going to be making a lot of money in Gibraltar. But then we get the Hon Financial Secretary talking about self sufficiency and self reliance. Well, let me tell the Hon Member opposite that that is something that I have continuously for many, many years spoken in favour of. Gibraltar needs to be self sufficient, it is nothing new, it is a policy which has been there for many, many years and if we go back to the time of Lord Beeching coming to Gibraltar, Lord Beeching at the time when the Spanish labour was withdrawn, let us recall the event because it is very good to recall the question of the general strike and that it was prudent at the time to have so much reserves so therefore workers couldn't get more than a 60p offer. Let us also recall, Mr Speaker, that at the time of the Spanish labour withdrawal the Transport and General Workers Union said: 'Let us not bring into Gibraltar large numbers of employees and talk in terms of increasing productivity by submitting a claim of 30% increase in productivity and have less workers coming into Gibraltar' and Lord Beeching as one of his recommendations actually formulated a policy to work towards self reliance and self sufficiency in labour. It is nothing new because that was a segment of a policy in a wider policy for Gibraltar's economic benefit. Of course, it simply shows that that was not the case because there were other considerations as far as the British Government was concerned and because we were faced with the defence economy in Gibraltar but it is nothing new to talk about self sufficiency and, in fact, that is one of the reasons why we set up a Productivity and Management Services Department. That is one of the reasons why that Department was set up, precisely to look at that. It turned itself into a semi negotiating department for Government employees but the purpose of that was to look at all the wider issues and that is why we set up the Manpower Planning Committee as another part of that policy. We find that all that the Government is doing is rushing about and not thinking things out, that is what Government is doing. Let us be clear about one

thing and it is a statement of fact, it is nothing new, that a sound economy is an economy which creates full employment for the resident population and we are facing in Gibraltar today a situation of 40% to 50% of the industrial labour force being imported. That is a problem that in terms of cash is a costly situation in the long term, effectively in the narrow base that we will have in Gibraltar long-term. It is only a policy that you can survive for as long as the non-resident labour subsidises the resident labour and we cannot accept that situation if at the end of the day non-resident labour are going to subsidise resident labour to make a few people very rich in Gibraltar and making us pay in the long-term. That is a bankrupt policy, Mr Speaker. What will happen is that the non-resident labour will become a liability, unfortunately, with the consequent weather flowing in the other direction far greater perhaps in the long-term than the short-term consequences of the partial opening of the frontier. That is what they have got to be careful about. And yet, Mr Speaker, talking about other things which are referred in this Budget, we find that as regards the changes in the income tax, the reduction from 40% to 35% in corporation tax has not been explained by the Government either in terms of an incentive to encourage businesses nor has Government said what is the revenue loss arising out of this change. It needs to be said, we need to know. We can only assume it is included in the £2.4m but we would like to know how much is accounted by this change and we also need to know in future in the estimates of revenue, in this new wealth climate that we are building for Gibraltar, we want to know how much yield comes from personal income tax and how much yield comes from company tax so that we know the true picture and we will know who is paying for Gibraltar's upkeep. We will want to know that in separate subheads so that we know how much each respective contributor is making for Gibraltar. In terms of trade, Mr Speaker, again we have conflicting viewpoints. We have had the Chamber submitting proposals to Government and let us put to one side the normal opportunism which is so inherent in Mr Serruya's political history, let us put to one side the question of the income tax submission by the Chamber, that is not an initiative of the Chamber that is an initiative of the TGWU, let us forget that bit. But let us look at the things which the Chamber is an expert in the area of trade. They are saying that the EEC is making Gibraltar less competitive, they are saying this now, and it needed a change in the leadership of the Chamber for that sort of statement to come out. Previously, with Mr Risso everything was OK, everything that the Government said was OK. As far as I am concerned that reflected that there was a link between the past President of the Chamber and the Government and it is a natural thing, he may well agree with the Government, it is his prerogative, but there is a distinct policy change on the part of the Chamber and it is again something which has to be reflected in this Budget because if the Government is serious talking about laying the base for the future now is the time for

this to be reflected. We have been saying since 1980 that EEC membership unless we do something about it will work towards the detriment of trade in Gibraltar and this was reflected in the EEC Committee and we said so all along. It doesn't take an intelligent person to recognise that Spain's trade has followed a protectionist policy, they have protected their own trade. That trade is wide open now but it is not only wide open to competition, it is also wide open to imports of European goods which we import in Gibraltar as well. What the Chamber is saying is that they are already faced with competition, that they are already having problems or will have problems and what we are saying on this side is that from medium to long-term there is going to be more problems in the trading community. Spain today, from the statistics, is our biggest trading partner and I ask myself, the moment they get their hands on British goods how much of an incentive will Gibraltar be when, in the long-term, as the Hon Financial Secretary said, we are trying to develop Gibraltar as an international shopping centre. Does Government agree with the Chamber or does it not agree with the Chamber? That is what we need to know today if you are laying those foundations that you are talking about. We need to know today where we are going and I think that side of the House needs to say something about that.' The Government has just announced that the value of a project to qualify for development aid is being increased from £75,000 to £150,000. In the 1984 Budget the Government announced the opposite, they reduced it from £150,000 to £75,000. Very little was said then and very little has been said now to justify this policy. This does not encourage us to believe that they have got any fiscal policy in this respect or at least any clearcut policy in this respect. Perhaps they can explain how many projects of £75,000 to £150,000 have been approved in the last two years so that we can judge the implications of this policy change. Mr Speaker, on matters of development, as far as we are concerned, against the scenario which the Hon Minister for Economic Development very ably put over when he explained the question of MOD expenditure in capital investment in Gibraltar and at the same time explained the private sector investment, in explaining that one recalls, Mr Speaker, that at one stage in a previous debate the same Minister was talking in terms of overheating in the economy, that is the word he used I believe, 'overheating' in the economy. We would like to know, Mr Speaker, what is Government intending to spend against this background? Not what other people are doing, what is Government intending to spend against this background which can, at best, be explained as an overheating situation. What we want to know on this side is what is the desirable level in the Improvement and Development Fund that Government considers to be prudent. What Government is saying is that the amount in the Improvement and Development Fund, Mr Speaker, is the minimum expenditure because the aid talks have not been finalised with the UK. What we want to

know, Mr Speaker, is what is the desirable level to have in the Improvement and Development Fund for the next twelve months? The answers to these things and the answers to what I have said about the sort of picture which is emerging, will clearly allow us to judge in real terms, not just us but the people of Gibraltar what is the real lead and the real sense of direction that the Government is giving to the economy in this Budget, Mr Speaker.

HON J E PILCHER:

Mr Speaker, in tackling the Finance Bill I will be tackling not only the Finance Bill but more specifically the contributions made particularly in the two areas which I shadow. I would like to start off, Mr Speaker, by looking at the contribution of the Financial and Development Secretary for last year when he referred to Gibraltar Shiprepair Limited. As the Hon Leader of the Opposition said, this year the Hon Financial and Development Secretary has not tackled GSL. This is a point that we welcome because I think it is about time that the Government decided to take Ministerial responsibility for Gibraltar Shiprepair Limited and therefore I reckon that it is about time that the matters related to GSL were tackled by the Government and not by the technical side of the Government which is the Financial and Development Secretary. However, in so doing I would like to read from the contribution of the Financial and Development Secretary last year. He was referring to the employment by Gibraltar Shiprepair Limited which currently employed - I am talking about March/April, 1985 - around 600 employees. 'Of these some 450 are Gibraltarians and approximately 400 were previously employed by the Ministry of Defence'. I would also like to read, Mr Speaker, my contribution at the time where I said: 'But in some instances a lot of people from the public sector actually moved into areas which are non-specialist, non-specialist in the field that they were accustomed to. They moved into the Police and they moved into the Security Police, etc. Nevertheless, we don't have 600 or 700 workers being made redundant by the Naval Base to actually employ in the Gibraltar Shiprepair Ltd'. So obviously the option that we are saying then - and what I was referring to was to the elections - Mr Speaker, the option that we were referring to then is that we should be able to curtail expenditure of the £28m, create a smaller shiprepair yard and use the rest of the money to create the badly needed infrastructure that Gibraltar needed for the new situation. Mr Speaker, looking at the figures of employment in GSL this year, we see that although the Financial and Development Secretary then said: 'The company expects to build up to around 850 employees by the middle of the year increasing to over 1,000 by mid-1986', these figures have not materialised and they have not materialised specifically because of what I said last year. The base is not there, the people who have been made redundant,

in fact, are not looking for employment in GSL but are looking for employment elsewhere and the reality is that they cannot reach the figure of 1,000 employees and even if they had, Mr Speaker, this would have produced an even worse scenario for GSL in their losses because if they employ 800 workers and they cannot meet their commitment, with 1,000 workers it would certainly be even worse. The second point that I would like to make is the point that surfaced yesterday, although we already knew about it, that Gibrepair is going to get £2.4m extra. This has to be seen, Mr Speaker, against the picture painted by the AACR during the election campaign of a very generous package of £28m, the most that could be obtained from the British Government at the time. This was the way that the AACR painted the issue at the time. Well, it wasn't such a generous offer, it wasn't such a generous package because today we have had to go back and ask for an extra £2.4m. Today, Mr Speaker, and because the £2.4m is being given from the aid granted to Gibraltar, we can no longer say that the £28m that the Gibraltar Shiprepair Limited is getting is UK money. Today we have to say that those £2.4m is Gibraltarian money and I think we have to stop pumping money into GSL and start looking and taking Ministerial responsibility into GSL to see exactly what is happening inside GSL. The third point is the breakdown of the increase, from 600 employees to roughly about 800 this year. We are putting £2.4m extra over and above the £28m and are we realising exactly what we are doing? There have been 200 extra posts created in GSL but the reality is that the turnover in GSL, a turnover which normally would be between 2% or 5% in an ordinary company, is as high as about 60% to 70% in Gibraltar Shiprepair Ltd. I have a letter here of an appointment, obviously, I will not mention any names, of a person who has craft papers as a latrine attendant. We have people employed as drivers, we have people employed as labourers, not that there is anything wrong with being a latrine attendant or a driver or a labourer, it is as honest employment as anything else but to see a craftsman leaving his craft and going to work in the non-specialist field certainly is a highlight of the type of situation that we have in GSL at the moment. A situation where obviously the treatment that the Gibraltarians are getting in GSL is certainly something which the Government should look into.

HON A J CANEPA:

If the Hon Member will give way. Could he clarify, a turnover of 60% or 70% of the labour force. In other words, there is only about 30% or 40% of the labour force left there who were there at the beginning.

HON J E PILCHER:

We have from January to October, those are the latest figures that we have, somewhere in the region of 300 people left and something in the region of 400 people were employed. The 300 that left were, in fact, the people that Gibrepair Ltd was initially created for, that is, the Dockyard redundant workers. As the days go by there are less and less Dockyard redundant workers in GSL and more and more immigrant workers. Do we want to continue to ask for money from ODA to pump it into a GSL which is not employing Gibraltarian workers? I think this is a point that the Government should tackle and should look at unless, of course, the Government want to say otherwise, that the £2.4m is part of the aid given to Gibraltar in general. In March, for example, 14 people left and 17 were employed. The 14 people that left were Gibraltarians, of the 17 people that were employed only 3 or 4 were Gibraltarians. If that is the pattern we will certainly find that by the end of this year the percentage of Gibraltarians in GSL might be 5% or 10%. Should we continue to ask ODA for money to pump it into a shiprepair that is employing Englishmen, Portuguese, Spanish and all nationalities except Gibraltarians? Is that money not better spent elsewhere in the Gibraltar economy? The Financial and Development Secretary said last year: 'This, of course' - and he was referring to the difficulty in getting labour - 'reflects the structural nature of the employment problem created by the conversion from the naval to the commercial shiprepair work'. I think today the Hon Financial and Development Secretary must realise that what he said then was a load of nonsense. The reality is that people do not want to work in Gibraltar Shiprepair Ltd, the conditions are such and the problems are such that people just don't want to know. They prefer to give up their craft grade and do labouring works because it is just absolutely impossible to work in Gibraltar Shiprepair Ltd. I would like to look at the contribution this year of the Hon and Learned Chief Minister in his reference particularly to GSL and what certainly surfaces in everything, in every area of Government, is their verbosity: 'The yard's potential in market terms, though never assured, is good'. I am quite prepared to sit down and have the Hon and Learned Chief Minister explain to me what that means: 'The yard's potential in market terms, though never assured, is good'. Fine, the reality is that the yard's potential in realistic terms, though never assured, is bad, that is the reality and if the AACR Government is not aware of this then they are cocooned, they have this syndrome of putting their head in a hole because everybody in Gibraltar, particularly the workers there, could tell the Gibraltar Government that the potential is not good. The potential as regards ships passing by might be good but the reality is that the potential is going from bad to worse because the potential of the yard is the work

that the yard can do and the work that the yard can do is reflected in the relationship between the management and the workforce which is what produces the goods. The Chief Minister is talking about the relations between management and the workers - 'Unfortunately, the last six months, in particular, have seen a deterioration in the industrial climate in the yard. I do not intend to apportion blame or label responsibility', I am very happy to hear that statement because it is in direct contrast to a statement made on television by a Member of the Government but I accept that this is the position of the Government officially as is being voiced here in the House of Assembly. It shows the complete divorce of the AACR with reality. Even as the Chief Minister was speaking here in the House of Assembly, Gibrepair were issuing a letter to the TGWU informing them that they were taking away payroll deductions from their employees, union subscriptions, so as the Chief Minister was saying here: 'That has to be put right and we have impressed this upon the company's Chairman and its Board'. As the Hon and Learned Chief Minister was saying this here, Gibraltar Shiprepair was issuing a letter to the TGWU removing union subscriptions. Is this conducive to good industrial relations?

HON CHIEF MINISTER:

Did they give any reason for that?

HON J E PILCHER:

Yes, the reason is, as you well know.

HON CHIEF MINISTER:

No, I don't.

HON J E PILCHER:

Well, the reason is that obviously they have an impending claim and in pursuance of that claim they have removed flexibility and what the company is saying is because they now have to pay cash, this is the problem of having to pay cash instead of paying by cheque, as a result of having to pay cash they are withdrawing the payroll subscriptions but, of course, the Hon and Learned Chief Minister will understand and know that one thing has nothing to do with the other.

HON A J CANEPA:

I don't know, I am not very certain, doesn't the Government pay its industrial employees in cash and doesn't it have payroll deductions?

HON J E PILCHER:

Yes, Mr Speaker, so does everybody else, virtually 100% of the public sector have cash payments and deduct subscriptions because the reality is, Mr Speaker, that the taking away of subscriptions of the trade union has nothing to do with cash or cheque payment. That is something that is done by a computer and at the end you get a result, a computer that works because GSL doesn't have a computer that works. The reality is that this is only a move to hit back at the Trade Union Movement and certainly a move that is not conducive to what the Chief Minister was saying, good industrial relations. It is all very well for the Hon and Learned Chief Minister as in some cases the Hon Financial and Development Secretary, to get up here in the House to try to appease the Trade Union Movement and try to bring them together and then to be smacked in the face by Mr Abbott or Gibrepair because he is doing something completely different. It is particularly interesting to find that payroll deductions and the negotiations between the TGWU and Gibrepair came as a result of the Hon and Learned Chief Minister's speech in the 1984 Budget when he particularly asked for the two sides to join together and to try to work out their relations which they did and shortly after his speech in trying to create even better relationship this is the answer. This is intolerable and completely and utterly unacceptable and obviously the Trade Union Movement today will react to that and this will be made even worse. Coming back to the ODA's grant to GSL, we have here: 'Despite the significant contribution committed by Her Majesty's Government towards this project, the company has had to cope with unforeseen problems posed by a neglected infrastructure and the inevitable re-programming of naval work consequent on the operational requirements of the Fleet'. Well, the neglected infrastructure, Mr Speaker, GSL had months and months to look at the infrastructure, they put in tender proposals, they said everything that was needed and certainly the infrastructure in the yard is far in excess of anything that Gibrepair might need now or in the future. I think they have gone overboard but be that as it may, the infrastructure is owned by the Gibraltar Government and therefore, I suppose, it is in their interest that this is being done. The re-programming of naval work is something that we cannot comment on because throughout 1985 we tried to get information from the Government to try and get how many RFA ships were going to be repaired in the yard to see what type of money was going to be given by the MOD in the subvention of the yard through naval work and we didn't get any answers. We didn't get any answers because I think they didn't even know themselves so this re-programming of naval work I don't think that even they know what a re-programming of naval work means. It is a very good excuse but we want to know what the £2.4m is for, whether it is for capital projects which will be owned by the Gibraltar

Government, whether it is for running the expenses of the yard. We want to know what it is for and we want to know whether it is for the re-programming of naval work, we want to know what the shortfall was in naval work for last year. I suppose the Government can run to Mr Abbott and ask him to get that information because I am sure they don't have the information but I may be wrong. There are two points on Gibraltar Shiprepair Ltd, one again shows the complete and utter unrealistic position of the Government. 'Fantasy', the Hon Mr Canepa calls our economic development programme yesterday, fantasy is the position of the Gibraltar Government and Gibraltar Shiprepair Ltd: 'If Gibraltar Shiprepair Limited as Gibraltar's largest private commercial employer is to continue making an important contribution to the stability and development of our economy'. I know these are high falutin words that sound very nice but in fact, GSL is today our most unstable element in the economy because it could collapse tomorrow because they are nearly bankrupt, because we are having to ask for more money, because if ODA had said no to us GSL would have collapsed. What is stable in that? That is unstable. Development would be an appropriate word if we were moving towards a situation of profit-making by Gibrepair but there is no sign of that happening so I cannot let the Hon and Learned Chief Minister's words go without making a comment because I do not agree that Gibrepair is stable or is moving towards development. It is ticking over and ticking over badly. I think there is one point, only in passing, because I would like to get a feedback perhaps in the contributions by the Hon Financial and Development Secretary and the Hon and Learned Chief Minister. The point is the role of Gibraltar as a centre for shipping and this brought to my mind the fact that under Port on the revenue side, page 11, berthing fees where approved estimates for last year was £165,000, revised estimate was £190,000, berthing fees for 1986/87 is £165,000. It seems to me that we are now berthing many more ships than we were before. Are the ships berthed inside Gibraltar Shiprepair Limited, is that money going to the Gibraltar Shiprepair Limited because that has nothing to do with Gibrepair. When the Cunard liners come in who is actually getting the money, is the Gibraltar Government getting the money, the ships that have been repaired by GSL are allowed to sit by the South Mole are obviously paying berthing fees, is that money going to the GSL or is it going to the Government and if it is going to the Government under what subhead is the money being shown because there must be a massive increase because working in the Naval Base as I do, I see the amount of ships just berthed there. The quay belongs to the Gibraltar Government as part of the land so if anybody is getting that money it should be the Gibraltar Government, if not it is another subsidy that we are giving GSL and we would like to assess the viability accurately of the Gibrepair side. I will leave the Gibraltar Shiprepair Limited alone for a moment, Mr Speaker, and I would like to tackle the other side of the area that I shadow which is tourism. I heard the contribution of the Hon Financial Secretary and was

awaiting the contribution of the Hon and Learned Chief Minister in his exposition of what the Government is going to do about tourism, the second pillar of their economy. Up to this time the second pillar of their economy because they have come up with a third. The second pillar of their economy was tourism. There hasn't been a single mention of tourism in the whole of the exposition of this year's Budget. I looked at last year's Budget speech by the Chief Minister where he said: 'Last year's decisions on tourism policies were taken in the context of a partially closed frontier', etc, - 'those decisions therefore stand and much valuable preparatory work has been done by the Tourism Committees and the Tourism Consultative Board. The present position is that the Department will shortly be putting to the Government proposals based on the work of the Committees and the Board. Methods of financing will be considered and final decisions for action will be taken. I accordingly assure the House that it is our firm intention to pursue our declared tourism policies in order to consolidate and maintain the progress made so far'. I don't know what the progress made so far was but this seems to show that the Hon and Learned Chief Minister was saying last year that they would spend the whole of the financial year in giving tourism that main boost and yet we know that of late the ideas by the Consultative Board has been put to the Council of Ministers so I was expecting in the contribution by the Hon and Learned Chief Minister or by any Member of the Government, to show what exactly the Council of Ministers were doing and what was the direction that tourism was going to be given in 1986/87 because irrespective of what the Chief Minister said at the time, no direction was given in 1984 or 1985 or, in fact, for the month that we are running in 1986. I sat through his whole contribution and it was not there, it was a complete omission.

HON A J CANEPA:

Mr Speaker, isn't the Hon Member aware of the fact that there is another debate on the Appropriation Bill and that tourism has to do with the appropriation of funds?

MR SPEAKER:

Order. With respect, tourism is, most certainly, a revenue raising measure which must be dealt with in the Finance Bill.

HON A J CANEPA:

I realise that, Mr Speaker, but to talk about giving tourism a direction, you give tourism a direction and you reflect that, for instance, in the expenditure that you provide for. If the

Government is going to spend £5m on tourism that will be shown in the estimates of expenditure, nothing to do with the Finance Bill.

MR SPEAKER:

Order. I entirely and utterly agree with you but I think it is also accepted that the £5m or whatever could be spent on the expenditure side would create revenue and could have been dealt under the Finance Bill.

HON J E PILCHER:

Mr Speaker, I am not giving way to the Hon Member.

MR SPEAKER:

I have got the floor now, with respect, and I will let you reply.

HON A J CANEPA:

But in that case, Mr Speaker, it is not correct for the Hon Member to say that the Government benches have not spoken about tourism because I did yesterday, and many of the things that I spoke about are tourist related projects.

MR SPEAKER:

That is another matter, with respect. We will continue with the debate, I will most certainly call the attention of the Hon Member that when the Appropriation Bill comes along I will not allow him to repeat himself, that is another matter.

HON J E PILCHER:

Mr Speaker, what I am talking about: If you remember correctly, Mr Speaker, the Hon the Leader of the Opposition yesterday welcomed, to a point, the gearing of the Government's contribution towards the Finance Bill, to some kind of overall economic programme. At least they seemed to be saying: "This is where we are going to", and if their two pillars are GSL and tourism, they mentioned GSL and tourism, they mentioned GSL but they didn't mention tourism.

HON A J CANEPA:

Of course I mentioned it, Mr Speaker.

HON J E PILCHER:

Mr Speaker, I am talking about the contribution of the Hon and Learned the Chief Minister. I know that the Hon Mr Canepa read it and he might have confused himself between the two.

HON A J CANEPA:

I didn't get confused, I don't get confused, he might get confused.

MR SPEAKER:

Order, order.

HON J E PILCHER:

Be that as it may, Mr Speaker, I think I have every right to comment on the lack of any comment about what the Government were going to do, and I am quite happy that this is not the case, and I will, therefore; in the Appropriation Bill, wait until the Hon Minister for Tourism makes his contribution on tourism so that he can explain to me what exactly has been done, since he didn't explain to me publicly on television, what has been done to give tourism, the second pillar of the economy, this boost. But there is nothing in the fiscal measures of Government, there is nothing in the way that the Government are moving ahead, that shows that there is a policy on tourism. I know that tourists will continue to come, despite the Government, but that is not a tourist geared policy.

Mr Speaker, I have tackled the two pillars because, unfortunately, my party gave me the mission of shadowing the two pillars of the economy and I felt like Samson trying to push down these pillars.

HON CHIEF MINISTER:

I must say that we cannot follow any of yours because you never say what it is.

MR SPEAKER:

Order, you will not speak across the House and you will address yourselves to me.

HON J E PILCHER:

I am glad to see, Mr Speaker, that now out of the sky has suddenly appeared a third pillar, which my Hon Colleague, Mr Feetham, is now shadowing. Of course, this third pillar has

suddenly appeared after it has succeeded, but be that as it may.

HON A J CANEPA:

Again, I said something about that yesterday, didn't I?

HON J E PILCHER:

I will, in fact, now tackle the contribution by the Hon Mr Canepa. Since he feels so left out of my contribution, I will now tackle it. He said we were talking about last year's Budget. No, we are not. He said yesterday that the Hon the Leader of the Opposition was talking about last year's Budget. We are not. We are obviously referring to last year's Budget because we don't think that we can take a single Budget in isolation, we have to see the pattern created by the Government. And we were talking mainly, when we were talking about last year, about the underestimation in last year's Budget, which we consider is very important. Because I certainly think that it is a political manoeuvre by the Government. The underestimation is a political manoeuvre by the Government to get us to be the prophets of doom, because it is how you present the thing that you get a reaction from people. If I were to say to somebody: 'I have just had an electricity bill for £30 and I only have £15', the person would have every right in the world to say: 'Well, he cannot afford the electricity bill'. But if then I say two months later: 'No, I certainly had £30 extra in the bank', then obviously the scenario has changed and this is what the Government are doing year after year and I will give you an example, not in the import duty because in the import duty, I accept that last year was an area which I certainly think was completely underestimated, but the excuses of Government can, if anything, be that. Let us look at income tax, Mr Speaker, for 1983/84 the Government raised £20,044,000 for income tax which was nearly £1m more than they estimated for. In 1984/85 they estimated for £19½m and they got £20½m. In 1985/86 they estimated for £21½m and they got £22½m. And I am sure, Mr Speaker, that the income tax is being completely underestimated year after year after year. This is the kind of underestimation that we mean, and this is when we say that it is a political manoeuvre. It is a political manoeuvre because we can only react to the figures they put in front of us. If I can take the breakdown of this year's figures, and I am referring to the argument that the Hon Mr Canepa put when he was talking about the reserves. He turned the argument on its head. He wasn't answering what we had asked him to answer, he was saying about the argument being £3.7m. We were saying, why is it necessary to borrow £2.8m if even if you don't borrow the money at the end you are going to have a surplus of more than £5m? That was

the argument.

If we look at the new page 5 and we deduct the borrowing from the figures, we see two things: first of all, the revised estimates for 1985/86 would not show as £7.3m, they would show as £5m, because that has a £2.3m loan in it, which would mean that we would then have to change the figures again. We would then come to the revised estimates in the Consolidated Fund, the balance as at 31st March, 1986, would be £7m instead of £9.3m. If you look at the estimates for 1986/87, Mr Speaker, which is what we are supposed to be answering here, certainly in the Finance Bill, we would see that if we take away completely the £6m and the £4m being paid back in the borrowing, we would find that at the end of 1986/87 the Government would have a deficit of £1.3m, that is not taking into account, obviously, the £1.5m which they are going to contribute to the Improvement and Development Fund. So without borrowing the Government would arrive at next year with a deficit of £1.3m. If I am given that figure, and I am asked to comment on it, I have to be a prophet of doom, Mr Speaker. I would say to the Government: 'You are going to slowly eat away at the reserves, because if you have £1.3m deficit this year and again and again, you will eventually eat up the reserves'. That is the kind of answer that I have to look at. Perhaps the Hon Financial and Development Secretary will tell me whether if we had not borrowed the money we would then end up the year with £6.7m in reserves - without having had to borrow money - instead of £8.4m. Perhaps the Hon Financial and Development Secretary could tell me and the rest of the people of Gibraltar why we are borrowing £2.8m in order to give tax cuts when it is not necessary, when what the Hon Mr Baldachino said, why not use those £2.8m to put in the I&D Fund to build more houses? That is something that has to be answered. No explanation has been given and no answer, so I am looking towards the Hon Financial and Development Secretary to answer that. It is all very well to lower income tax and to lower water and it is something that we didn't react to because we have already reacted to that. As the Hon Leader of the Opposition said, we have issued a press release not two weeks ago where we said that we would support lowering of income tax, where we support lowering of water. We would not do it the same way, we would perhaps restructure the thing but there is no question of the GSLP arguing against cut backs in income tax. It is something in fact which the Chief Minister himself said yesterday, it is something which the House has been looking forward to, and I think both sides of the House have been looking forward to that, but we have to explain why we are borrowing to do it when there is no need to borrow. Of course, if we hadn't borrowed, which is the second point, it wouldn't have shown such a good picture of the Government finances because it would have shown a deficit for 1986/87. Based on that, based on the fact that I am sure that not even

the Government believes that these figures are accurate, there is complete underestimation in these figures, and we will point to that next year, when the Government comes next year, because it is a complete underestimation of these figures. This is an electioneering Budget. Whatever the Hon and Learned Chief Minister says, it is an electioneering Budget. In Gibraltar we live the four year terms of the AACR. The first year we tighten our belts; the second year we tighten our belts further; the third year we relax our belts; and the fourth year just before the election we take our belts off, only to put it on back again the first year and the second year, and this has been the pattern of AACR Governments for many, many years.

There is only one point I want to answer of the, I think, Government inactivity. I think the Hon Mr Canepa took that to heart and said: 'No, it is not Government inactivity. Sometimes it is that there is so much work to be done that we cannot get to it. Second it is the blocking by the Trade Union Movement'. The third time it is absolute inactivity by the Government that produces the not doing of many things, and I think on tourism and, certainly, on the Gibraltar Shiprepair Limited, you cannot even blame too much work of the blocking by Trade Unions, it is absolute inactivity by the Government. I was certainly very disappointed - I look forward to the contribution by the Hon Mr Canepa every year but certainly this year I was very, very disappointed in his contribution. I have still to see the way forward. I hear what is being said, I see that there is the voicing of economic plans now. I think, it is something that everybody is doing now although we have been ridiculed, or tried to be ridiculed by our economic plan, and people saying it is all fantasy. Everybody now is talking of economic plans, the Chamber, the AACR, so, I mean, if we don't believe that we have it, it must be the in thing because everybody is doing it now.

I think there are two final points that I would like to make. One is, I think, the Government needs to answer on the charge for the prescriptions. We have lowered the water, we have lowered income tax, and we have put prescriptions up. It seems to be nonsensical. We are hitting at an area where people have, unfortunately, especially those people like, I think, the Hon Miss Montegriffo mentioned, the diabetics, persons who are forever having to go to the Health Centre because it is part of their condition. I think the Government has to answer why in a Budget where they are cutting away nearly £2.4m through cut-backs in water, why we are having to raise 20p, nearly 20%, to the most affected group in Gibraltar, the sick. If anything we should have lowered the prescription charges as well.

I think the other point, a point certainly unanswered, is a point

I think touched on by the Hon Mr Baldachino, but which I would like to emphasise: that is the point which followed from the contribution of the Hon and Learned the Chief Minister when he said: "We also continue to place a high priority on tackling the housing problem despite our limited capital resources with an increasing emphasis on home ownership schemes and the incentives necessary to promote these". It is a sort of rhetorical question. What kind of priority is being placed on tackling the housing problem is completely left in the open. But I think I want to make a point. The point is that when the Government announced, and I think the Hon Mr Baldachino has tackled it but I just want to highlight it, when the Government announced the home ownership scheme, I think they defended that here in the House and publicly, I remember in a programme in GBC, by saying that the money obtained from the sale of these houses would go towards building more houses. I cannot see that, I have got the receipts of the Improvement and Development Fund which are supposed to be estimated for 1986/87 as £645,000. I look at the estimates of the Improvement and Development Fund and all I see about a new project, the creation of more housing, is the additional storeys at Laguna Estate, which is reserved, as the Hon Mr Baldachino said, but that doesn't mean that it won't be done, it might mean that the Government hasn't taken a decision yet, but of the £645,000 only £115,000 is shown as devoted to create extra housing, the other new votes are for painting of Estates, lifts at Alameda, rehabilitation of North Pavilion, these are the only new votes in the Improvement and Development Fund, Head 101 on Housing. I think, if the Government said that all the money they obtained was going to go towards building houses they have to explain why it is not the case and why the money is going into painting and putting lifts etc. I think that is a point that has to be answered by the Government.

Mr Speaker, I will end my contribution. When the Hon and Learned Chief Minister began his contribution yesterday, and I saw an inkling of an economic plan, or supposedly an economic plan, which obviously has to be put into action, I remembered the words which were highlighted by the press when we had an interchange of epitaphs and I said: 'The epitaph of Sir Joshua will be 'Here lies Sir Joshua Hassan who never knew what an economic plan was'. I take that back, Mr Speaker, he seems to know what an economic plan is although the epitaph might still read: 'But never was able to implement one'.

Thank you, Mr Speaker.

HON J C PEREZ:

Mr Speaker, I am not going to make a major contribution in the

Finance Bill because being the Shadow Minister for Government Services it is more appropriate that I should do it in the Appropriation Bill. But there is something which is puzzling me since yesterday which I feel I would like to point out to the Government so that perhaps they can clarify it in their own contribution, Mr Speaker, and that is the decision to lower duty on car seat covers from 30% to 12%. One can understand that they should do it on safety belts because it is compulsory by law, but I would like some explanation in which of the three pillars does this measure lie? No.1, No.2 or the new No.3, because it has been puzzling me since yesterday what this measure means.

That is all I have to say, Mr Speaker.

MR SPEAKER:

Are there any other contributors?

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

HON CHIEF MINISTER:

In the first place, Mr Speaker, I crave the indulgence of the House, and though much better than yesterday, I am still not completely myself in voice power. Otherwise I remain exactly the same.

It is fortunate that this year the Leader of the Opposition's contribution has been so short because it shortens, to some extent, what I have to say, and the agony of having to speak without mastering one's voice is shortened accordingly. But if I have the time and the ability, and I am not sheltering behind that, perhaps later on I might do it when I read the text of both of them that there is an element of inconsistency in what the Leader of the Opposition has said and what his Deputy has said in certain aspects of the Budget. First of all, let me say that I have never, in my many years in the AACR, considered the very clever plan that has been described to us about our Budget. It may be that we do things by instinct and they come out well, but we haven't got a plan for taxing people the first year and then bringing their tax down in the second, and then starting to release them. But we do say that, in fact, we could this year not have gone as far as we have and have had more for next year, and then we would have been accused of saying: "Ah, you are not giving enough this year, you are leaving it for the year before the election". That certainly was a thought but that is not the way we make decisions. The decisions are that the money appeared to be there, that the people have gone through a very difficult time,

and it is about time that they were given relief. I hope that we will be able to give away next year as much as we have this year or more. That would be a good sign for everybody, but it has not been designed in that way. If it had been designed like that we would instead of making it £3.4m in the full year, we would have made it £2.1m and then have had more money next year to give away. That is not the way we deal with it despite the fact that it may be difficult for Members opposite to believe it. And it may be difficult to believe because they have never been in Government. And because they have never been in Government they make great mistakes which I understand to be real honest mistakes.

Let me tell Hon Members that Ministers never, and I repeat, never interfere with estimates of revenue: They never interfere with that. These are prepared on the basis of analyses made by Departments. They are produced and we never reduce them or increase them. They are provided by the Treasury and we accept them as good. That is a fact which, some day if Hon Members do achieve office they will realise that that is how things happen, certainly when you deal with responsible Treasury officials and others who give you the best information and the best advice that they can give you in the circumstances. Of course, it is prudent to be cautious and not to overstate your expectations, because if in fact you underestimate your revenue it is a bonus that you can give people the following year. But if you underestimate the wrong way, that is to say, if you underestimate them because they are overstated and you go wrong because you achieve less than you had provided for, then, of course, it is disaster. It is difficult.

Let me tell Members that in our initial stages in this House, in the 1950's, the Financial Secretary of the time refused to let us even see what the estimated revenue figures were going to be until we created a hell of a row about it. In fact, just quoting from one very small thing. There was what was called The Standing Finance and General Purposes Committee which dealt with matters which are now dealt by Ministers when Ministers had no responsibility, and he didn't even want to keep minutes of the meeting. We have gone a long way, as my colleague, Mr Canepa, said yesterday in other respects into the decisions that are taken. But of all the advance that has been made it would not have been an advance to have played about with estimates provided by the Treasury insofar as the future was concerned, because it would be disastrous if we went wrong.

I was listening to the Leader of the Opposition yesterday and I think it is the fifth time that he has quoted what I said at the Foreign Affairs Committee and at Chatham House. I am very glad that he revigorises himself by reading my speeches so many times but I think that that happens because he has nothing else to say.

And when he has nothing else to say he can always quote something I said years ago, which may not be exactly the same as it is today. But one has been at the job for so many years that things change, as well as one's age, and that is that different circumstances require different treatment. And, of course, last year we were much more cautious than we can afford to be this year. That is why I am glad that I did not mention this year 'caution', which the Leader of the Opposition said I always mention. Of course I didn't mention the word caution because it was not a Budget on which caution was really required because we have been cautious so much over so many years that we were able to let our hair down for a change. There isn't really very much argument on that point.

I think that Members opposite who have spoken appear to have been uncertain or undermined by the fact that we have always had a development aid economic plan, but the economic plan that one has when you are in Government is liable to adjustment as things happen because you have an ongoing situation of management and factors which are outside your province or your ability to control. And it is no use Mr Bossano saying that our economic planning is bad because we rely on tourism and shiprepair and that this can alter. I would like to know what area of Government in any country today can be said to have all its economic planning and all its economic resources untouched by events which are not within their province. Two years ago the tourist trade in the Costa del Sol suffered considerably as a result of a few bombs and a few people around with pistols and so on. Already the Spaniards are very concerned about how American tourism is going to affect Spain, and Spain relies on tourism as a big part of their economy. And of course, the point is that if a big country has the choice of sources for their economic development, smaller territories like ours are limited in their choices. We are limited in our choices and we want to make GSL work. I am not saying that some of the things that the Hon Mr Feetham said are not true and the desire to make it work, I think, was even admitted by Members opposite. They hoped it would work. They have a judgement but they hoped it would work. My colleague, Mr Canepa, from afar was telling me: have we not been spending three hours last night, despite the evening, on the eve of a Board meeting that is being held today, dealing with these matters, most of which have been mentioned by the Hon Member Mr Pilcher, and others that have not been mentioned. So to say that we have no concern about the yard is really not fair. We are very concerned. We are very concerned to hear this morning, whether it is right or wrong, I don't care, but if it is something that is hostile to the union to send out a letter at the time we are meeting here and discussing matters of which that is an important factor, to say the least it is unwise and that is an understatement. I would like to call it something else but I will refrain from doing that. I will tell

the people concerned that. Everything must be looked at from a different angle. I have a note here, because my friend took the point of raising the matter that has been mentioned by Mr Pilcher, and I am told that employees at GSL are now refusing to collect wages by cheque. This increases costs at GSL in the overtime, etc in the payment of wages in cash: so where do we stand on that? If they refuse to collect by cheque and they want to be paid by cash, and that as far as overtime, whether it is right or wrong not to collect the funds due, it is obviously a measure of retaliation. I think these are things that are very petty, both work and the other if I may say so. And that it should be happening at the time when we are meeting here!

HON J E PILCHER:

If the Hon Member will give way. It is the legal right of any employee to be paid in cash.

HON CHIEF MINISTER:

Of course, but what I am saying is that action by the men has changed the situation and has made them go into paying cash and working overtime to do so, and increasing the cost in order to do that. It is the kind of animosity between employer and employee that one would hope could be avoided. There are enough other differences which you have to sort out, and serious ones, rather than this kind of petty thing, one way or the other. Before I knew this you were seeing how honest I was being in the approach, but there you are. It is the bickering that does nobody any good. One of the things that cannot be denied by Hon Members opposite is that today, and thank God for that, and I think I noticed a remark made in another place by the Leader of the Opposition that somebody had ~~missed~~ the only Budget where we had had cuts in taxation.

Perhaps this might be a good opportunity for us all to join in sending our regular Clerk of the House our best wishes for his recovery. I am reminded of this by the remark I made.

Therefore it is a good Budget. And, of course, when the Government presents a good Budget it makes it difficult for the Opposition, very difficult, it's clear. It is difficult for the Opposition because people will not be concerned in one detail or the other, people will be concerned that fortunately, as a result of the opening of the frontier, which Hon Members opposite opposed so strongly because it was tied to the Brussels Agreement, we are today in a position to review taxation and give away £5m to our taxpayers who have been mulcted for so very long, unfortunately, but it has been the essence of our recovery. It has been punitive and it has been difficult to live with, but without that we would not be in

the position we are today, we would have sunk in the middle of our difficulties with the frontier closed, and particularly the partial opening of the frontier.

References about what I said about people living in Spain, either rightly or wrongly, in the 1980's when we were suffering under the grievance that a great discrimination was being exercised against us are different to the situation today. The situation today, in a way, is more dangerous and we have to be more cautious against that, I agree. But my remark then was that we could not interfere with the liberty of the individual. And though it is not encouraged, we didn't discourage people to do what they wanted. I think, and I am not trying to minimise the problem, the problem long-term is big and it can only be answered by more housing here, but I think that if you take into account the people who have got two homes, even working people who have got two homes, the number of people who have been compelled to go and give up living in Gibraltar because of our housing difficulty are not that many. Not because there would not be more if they wanted to but because they are reluctant to do this and they don't like to live abroad and they feel much more secure here. That is what I think, and I am not minimising that in the long-term, but in the short-term I think it is being exaggerated.

The Financial and Development Secretary will be answering the points which have been repeated so many times by all the speakers about the need for borrowing if we have a surplus. I think my colleague, the Minister for Economic Development and Trade, gave you a pretty accurate picture of the growth, to the extent to which Ministers now are more able to shape the Budget. And let me say that one factor in that is also the extent to which Financial Secretaries want to run the show completely as old Colonial masters and they want to collaborate with Ministers as a quasi-fellow Minister. And in this respect I would like to pay tribute to the present Financial and Development Secretary who has made it not only possible, because perhaps we might have insisted just the same, but who has made it easy for this slow transition, once the reality of the financial position is put to Ministers, to go along with Ministers in decisions that are taken. I think that is a very important factor, that is a reality and that is reflected in this. I don't like to repeat, but the Leader of the Opposition does repeat himself quite often, I would perhaps repeat something I have said before, and that is what is currently being said now of the Leader of the Labour Party in England, one of the difficulties for his succession to the premiership of England is the fact that he hasn't had any Ministerial experience. And that is something that the Hon Member has very openly admitted. As a matter of fact that is true. I am sorry, I have prevented him from doing that for so long but I shall try to continue to do so!

My speech was attempting to give a new slant to the approach to the matter at a time when we had material with which to deal with. Up to now we have been really cornered by other circumstances, and that is why one can look with caution, in fact, but more confidently in the future than has been the case before. I got a note yesterday. I did not speak of less uncertainties, as the Hon Member said, but of a new challenge where the position is now clear. Perhaps one could always speak about other uncertainties, I did not speak of uncertainty. But I could not, dealing with the question of tourism, I could not deal with all aspects of the economy in my speech. When Hon Members get to the Appropriation Bill, Hon Members will see the extent to which we are making contributions thus improving the product. The Minister responsible, of course, will have to answer for it. I was looking much more at the broad aspects of finance rather than that.

There is just one more point, and I am sure, perhaps, my colleague the Financial Secretary will give a better answer, but the idea of reducing the corporation tax is because on present form corporation tax is 5% higher than in England, and it is certainly of no attraction to people who come here to ask about the tax situation. It is bad enough on the higher personal taxation if in addition you tell them that corporate tax is higher than in England. It is now 35% in England and that is why we have reduced it here.

There is one final point. Nothing that I have said today shows that we have accepted Ministerial responsibility for GSL anymore than we have done already, but concern and close observation, close without involvement to some extent, because it is obvious and I explained this to someone who came from abroad who fully understood the situation in this area, to the extent to which we were concerned but not directly involved in the day-to-day problems. I am glad that whatever was said of my voice it has survived my remarks. Thank you.

MR SPEAKER:

I will now call on the Financial and Development Secretary to wind up the debate.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Thank you, Mr Speaker, Where by custom and convention I would simply provide answers for the various points raised in debate by Hon Members of a factual nature, if I may leave the comments by the Leader of the Opposition and other Hon Members on borrowing till the end, I will start therefore with the query by the Hon Maria Isabel Montegriffo, the Minister for Health and Housing will be replying to her point about the increase

in the cost of drugs relative to the increase in prescription charges during his contribution on the Appropriation Bill. The Hon Mr Baldachino asked.....

HON J BOSSANO:

If the Hon Member will give way. The only point is that, of course, the House has to vote on this. Is it included in the Finance Bill or we don't have to take any decision?

MR SPEAKER:

You will have to vote now on the general principles and merits of the Bill.

HON J BOSSANO:

The question of the prescription charges doesn't enter into the Finance Bill, I take it, then?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, it doesn't that is subject to separate regulation, Mr Speaker.

The Hon Mr Baldachino asked for some further information about amortization. I think I can only give him examples. For example, painting of external buildings we amortize over ten years; major repair it is normally twenty years. For example, as at Head 101 - Housing on page 104 of the Estimates, subheads 1 and 8; provision of new lifts, for example, at subhead 16, that is over twenty years. I can only say that the period which is chosen for amortization is essentially a matter of judgement, and I think that is a point I have made on previous occasions. I wouldn't try and defend this as being a precise time.

The Hon Mr Feetham's query about the extent to which the new registration of cars is reflected in revenue for vehicle licences: well, of course, it does not necessarily follow that an increase in new vehicle registrations is a net increase.

HON J BOSSANO:

Mr Speaker, it may not necessarily follow but it does follow the statistics we were provided with two days' ago. The Government statistics show not only that 2,000 vehicles were newly registered as opposed to 1,000 the previous year, but that the total number of vehicles has gone up very substantially. If I can just find the figure, I think it goes up, private vehicles from 8,000 to 10,000. In fact, the Government statistics show that more are

registered and the total numbers under the registration group. I would have expected that to be shown in licences being given.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am sorry, perhaps I should have gone on. The Hon Member interrupted me halfway through what I said although I did in fact invite him to intervene. The answer is in two parts. First of all, it does not necessarily follow that all new registrations mean a net increase in vehicles. A more reliable indication of Government's revenue is, of course, in the import duty figure, but he is quite right in saying that there has been an increase in vehicles. The increase is reflected, for reasons which I must confess before I came to this meeting I was not entirely familiar with, in a different subhead in the revenue receipts, namely Head 6, subhead 59; that is to say, Motor Vehicle Test Centre. Some of the income, in fact, in 1985/86 the difference between the approved estimates and the revised estimates.....

MR SPEAKER:

Which page of the Estimates?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am talking about page 12 of the Estimates, Mr Speaker. I gather there has been an element of virements here. It is something I would like to look into further but that is the explanation I have been given. The explanation being that the Motor Vehicle Test Centre is not open for private registration and for some reason which I am not entirely clear about now, the income shown there is in respect of the first registration of vehicles. I would like to look into that particular point further, Mr Speaker, to find out why it has been so entered in that particular Head.

HON J BOSSANO:

Looking at the tactful answer we have been given, what we are being told, Mr Speaker, is that although the Approved Estimate show £550,000 from licences on motor vehicles being revised downwards to £540,000, in spite of the fact that in 1985 we have 13,000 vehicles registered as opposed to 10,600, the increase in licences from a 30% increase in the number of vehicles registered has been shown as income for the Motor Vehicle Test Centre. Is that the answer we have been given?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, that is correct, Mr Speaker, that is the answer that is

the answer I have been given myself, and obviously I would like to look into that and find out why.

I think it was the Hon Mr Feetham who asked me for further information about the extent of the revenue loss following the reduction in corporation tax from 40% to 35%. When I spoke on the Budget earlier in the House, I mentioned a figure representing the combination of loss of revenue from personal and corporate tax as being £2.4m in 1986/87, and £3.3m in a full year. The breakdown as between personal taxation, that is to say, income tax and corporation is as follows: In 1986/87 it is £2.3m in respect of personal taxation and about £100,000 in respect of corporation tax; in the following year it is £3,050,000 in respect of personal taxation and about £250,000 in respect of corporate taxation.

One Hon Member, I am not quite sure who it was, asked me for information about the number of projects qualifying for development aid licences which fell between the limits of £75,000 and £150,000, I think it was the Hon Mr Feetham. The figure during 1985/86 that fell between that particular range was four out of a total of thirteen.

I think it was the Hon Mr Pilcher who asked for information about the £2.4m GSL orientated aid. That £2.4m is entirely for capital services, that is to say, either civil works or equipment overrun.

As regards berthing fees, I must confess I was rather surprised on studying the Estimates on these myself after my attention had been drawn to them again by the Hon Member. I would like to look into that particular aspect but I can let him know that the berthing fees at the South Mole, that is to say, the non-MOD part of the Mole, at present accrue to GSL.

That brings me to my final point really, Mr Speaker, about the level of the reserves, borrowing and, indeed, the increase in the level of the reserves shown in the Estimates at the end of the previous financial year compared with the former forecast. As the Hon Leader of the Opposition and other Members have pointed out, the figure of reserves is about £1m more than we estimated. His point was that we should have known this, or it is rather high or something, to suggest that we were trying to mislead Hon Members. That is certainly not the case, I think it is important to keep this particular figure in context, Mr Speaker. One is talking here perhaps about £1m compared with a relatively small figure in the Consolidated Fund Balance, that is to say, £1m is relative to £5m or £6m, but in terms of the totality of Government revenue plus expenditure, which is a figure of £65m or £130m obviously £1m is relatively small. In the UK where the Government spending is about, from memory,

£230 or £240 billion annually, it is not uncommon for estimating errors, if one wishes to call it by that name, of £3 billion to be made at a late stage in the financial year. In this particular instance I think we were surprised by the small extent of the underspending by Departments. It was relatively small, about £200,000. In previous years there has been larger underspending. On the other hand, this particular year there was an underestimating of tax receipts as has already been pointed out, largely due to the unexpected increase in income tax and, of course, the high figure of duty collected at the end of the previous financial year.

I have, as the Hon Leader of the Opposition will know, made arrangements to provide him throughout the year with figures of income tax and import duty collected quarterly in the same basis as I provide Government Ministers.

I really don't know what to say in answer to the question: What is a prudent level of reserves? I don't really think there is a simple answer to this question. I am not used to, in my official career, to a situation in which a Government institution has reserves of this nature. There are official currency reserves in the United Kingdom for a specific purpose but no reserves of this nature. If the Treasury is short of money in the UK it used to print it. I think, possibly, this is the answer I would like to give you. If you want to do it in an inflationary way you issue more Treasury bills, if you want to do it in a deflationary way, reduce the money supply then you do it by selling gilts to the non-bank public. I find the Gibraltar situation a new one and, therefore, I am intellectually unable to answer the Hon Member's question.

But I would like to say something about borrowing because here I think, I would like to, if I can, persuade him to think in terms of the economic effects rather than simply, what I might call, the budgetary or the housekeeping aspect. First of all, I should perhaps say that of the £2.5m which were borrowed, £1m of this was in a sense refinancing because there was a maturing issue of Government debentures in December last year and, in effect, most of those whose debentures were maturing were very glad to take advantage of the new issue which was then available.

HON J BOSSANO:

Mr Speaker, if the Hon Member will give way. It isn't really refinancing because the debenture that matured was already provided for through a Sinking Fund. Refinancing is when you have to raise the money to pay it back. The fact that he took the opportunity to borrow the money doesn't mean he needed the money to repay.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, I accept the point. I think the existence of the Sinking Fund is something else with which I have a fairly limited experience and I am sometimes surprised that our financial policies are so conservative at that, but I take his point. But I think the real point I would like to make, and it is my very last point, Mr Speaker, is that normally when one raises money one increases the public sector borrowing requirement, that is to say, it needs a higher annual cost of servicing the national debt. That is something which is important, or is something which the Government has to bear in mind, but equally, and I think, perhaps even more important as an indication of economic health, is the level of tax as a proportion of the national income, the domestic product. That on the one hand and then, secondly, Government spending itself. And the economic effect of borrowing which is to reduce tax, is, of course, rather different from the economic effect of borrowing which is to increase Government spending. I think that is an important consideration. I am merely saying that the two have a different economic effect. For me to say which is desirable would be a political comment and, therefore, I shall not be drawn into making it.

HON J BOSSANO:

Which is the one that the Government is doing, Mr Speaker?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Well, what the Government is doing is, in fact, to reduce the amount of public spending and to reduce the amount of tax as a proportion of the total. I think that is a reasonable assumption based on what has been done. And at the same time we have not increased the burden of national debt. So I think that is a reasonable package looking at it in terms of the economic management and financial prudence, with which for me to conclude my speech, Mr Speaker.

HON J E PILCHER:

Mr Speaker, if the Hon Member could just give way momentarily before he sits down. It is just a very quick point because I think the Hon and Learned Chief Minister was not paying attention to the Hon Financial and Development Secretary when he said, when I mentioned the berthing fees everybody was saying no to the fact that the berthing fees were actually being accrued to GSL. I hope that they have heard that they are and it is certainly unacceptable to this side because we think that the South Mole and the assets of GSL belong to the Gibraltar Government and it is something which is not within the confines of actual shiprepairing. The extra money should come to the

Gibraltar Government. I hope that the Government takes this point into account. Thank you.

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

The House recessed at 12.57 pm.

The House resumed at 3.25 pm.

SECOND READING OF THE APPROPRIATION (1986/87) ORDINANCE, 1986

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I have the honour to move that the Appropriation (1986/87) Ordinance, 1986, be read a second time. My hesitation on this, Mr Speaker, is because as the House will know we have the convention whereby most of what the Financial Secretary has to say in presenting the Government's Budget both as regards the revenue measures and indeed the Government Estimates of Expenditure is included in his, or rather, my opening remarks on what is in effect the Finance Bill, and by convention I don't say a great deal on the introduction of the Appropriation Bill, this being a matter on which Ministers with responsibility for particular Departments normally speak. And, indeed, I think that follows from what the Chief Minister himself said this morning about the function of the Financial Secretary. I hope that these comments were not intended to leave, I am sure they weren't intended, but I hope they won't leave Hon Members under any impression that the Financial Secretary has gone soft during the past three years, but certainly I think that the changes which we have introduced to our monitoring and control of expenditure have helped Ministers and have certainly helped me with the process of controlling expenditure during the year and providing periodic monitoring statements.

With those very few words, Mr Speaker, I commend the Bill to the House.

HON CHIEF MINISTER:

I am not going to add very much more to the remarks by the Financial Secretary. I certainly wasn't intending to say that he had become soft, I don't think he would if he could and he can't.

I did pay tribute to his Department in my intervention, in the way in which now we are able to monitor expenditure and help Departments to keep within their votes, and certainly a much clearer picture is taken throughout the year of the develop-

ment of the expenditure. I have nothing else to add. I think I said what I had to say generally. The Finance Bill reflects the outcome of the Expenditure Bill in a way and the Ministers will no doubt speak to their particular Departments. I will be happy to answer in Committee any question that is directed to me and is not the responsibility of any Minister.

MR SPEAKER:

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

HON J C PEREZ:

Mr Speaker, let me first say that perhaps the absence of Shakespeare in a contribution of the Hon the Financial and Development Secretary has to do with the fact that he has been too busy with the Estimates and that that is why he has earned the congratulations of the Hon and Learned the Chief Minister in his presentation of accounts. Perhaps that is why we have been able to get confirmation from the Hon and Learned the Chief Minister that, in fact, the Hon Financial and Development Secretary is not leaving in 1986.

Quite apart from that I feel I ought to answer a point raised by the Hon the Chief Minister generally this morning. He said that the GSLP were opposed to the opening of the frontier because it was part of the Brussels Agreement, and I think that to put the position clear, we were opposed to the conditions of the Brussels Agreement because of the repercussions that they might bring. But we were never opposed to the opening of the frontier. I think that that needs to be made clear.

Generally, Mr Speaker, on the Budget itself, I shall make a few points before going in detail into the Appropriation Bill, and that is that perhaps, because as my colleague the Leader of the Opposition said, the Government seems to have adopted the philosophy of spelling out the economic policy for the year at Budget time, although the Government seem to be adopting a philosophy they do not perhaps seem to be applying that philosophy very well which is one point that my colleague, the Leader of the Opposition, highlighted. One of the things where it actually comes out, Mr Speaker, is in the question I raised earlier today about the reduction of import duty on seat covers. Because whereas I did get an explanation privately that this was due to the fact that there were seat covers which were not used for cars which had a lower duty and it was a policy of aligning all seat covers so that they all paid the same duty, I think it is ridiculous that the Government should have brought that in isolation. I think they should

have perhaps done a complete in-depth study of many other items which could fall in that category and bring a more detailed thing to the House of Assembly, because frankly speaking there are many, many examples of items such as this which could have been restructured, and perhaps this reflects, Mr Speaker, that whereas the Government have adopted the philosophy, in practice they are not very sure how to adopt the practical side of an economic plan which they always want to hear about from this side of the House. Perhaps since we explained a philosophy and they have adopted it, what they want to do is that we should reveal our plan and they should adopt it as well.

Also generally on the Budget let me say that although, as explained by my colleagues on this side of the House, we would have done a complete restructure of the tax system, at long last there have been income tax cuts: perhaps belated by the admission of the Government since they have been trying to do this since 1979. And had they perhaps adopted this philosophy prior to 1979 when they came to have tax cuts in 1981 these would have been more substantial than what they were and we would find ourselves in a position where we would be giving back to the taxpayer a bigger chunk of what they have been paying throughout the year.

Mr Speaker, coming now to the details of the Appropriation Bill.

In my contribution to the Appropriation Bill in 1984, I suggested that the £700,000 vote as part of the Public Works expenditure on maintenance of public buildings should be broken down so that each department should bear the costs of maintenance of its own buildings. The argument being that in the same way as other departments charge the Government for services which they render, the Public Works should do the same by allocating their works programme for the year at Budget time, thus also giving the House an opportunity to judge whether the vote was allocated fairly in respect of which departments were being given priority.

Last year, Mr Speaker, it seemed as if the Government had accepted the general argument of what I said in that out of a total vote of £711,500 it allocated to different departments £262,500 with the result that each of these departments showed their costs more accurately.

This year, however, we find that although this is still true, in that part of what used to be that vote is now shown under Minor Works in each Head, the vote for the maintenance of Government buildings has risen to £618,100. I said in 1984 that £700,000 was too big a vote to be allocated in this way giving complete freedom on how that money should be spent.

Last year I said that £449,500 was still too big a vote to be allocated in this manner. This year, Mr Speaker, since the vote has risen by some 20%, which is more than just an adjustment to take into account inflation, I find that I need to be even more critical.

Whilst I accept that the department needs to retain some flexibility to meet the demand placed on it for works which crop up unexpectedly during the year, I believe this is too big a vote for this purpose. There must be more accountability to this House on where that money should be spent by having a comprehensive works programme for the year and allocating a larger part of that vote to each department. Surely, Mr Speaker, if the vote has risen considerably since last year, notwithstanding the allocation of funds to each department under sub-head Minor Works, it is because the Public Works have projected a bigger maintenance programme for public buildings and thus the Government should be in a position to state what this programme is at budget time.

I now come to a theme which other of my colleagues have touched upon, which is that the Government is including in the Improvement and Development Fund things like painting, which could be recurrent expenditure as capital investment.

The Government used to have two separate votes for the Public Works to distinguish between annually recurrent maintenance and that which was not annually recurrent. Government decided several years ago that non-recurrent expenditure should more properly be treated as capital expenditure and be dealt with through the Improvement and Development Fund and financed by long term borrowing. The situation today, Mr Speaker, is that they are using long term borrowing to finance recurrent expenditure and on top of that they are moving things to the Improvement and Development Fund which is more properly recurrent expenditure.

One example is the vote for the external painting of pre-war buildings shown as part of the expenditure of the Improvement and Development Fund which in my view should be recurrent. The standard laid down by other bodies with a similar function to the Public Works Department, namely the PSA/DOE, is that buildings should be painted every five years. Were this policy to be adopted by the Government, what should happen is that there ought to be an annually recurrent head for painting with a planned programme of 20% of Government buildings to be painted every year.

As it happens, they are treating this as capital expenditure and still borrowing money to meet recurrent expenditure, thus showing a false picture of the true position of the reserves.

This is completely unacceptable to the Opposition.

I would now like to turn to the subvention of £200,000 being granted to the Gibraltar Quarry Company under Head 25, Treasury. In his speech yesterday the Hon Financial and Development Secretary said that this subvention was to pay off the existing overdraft and provide a margin capital for company operation in 1986/87. This explanation is about how the company intends to use the money but it does not explain, however, why it has become Government policy to produce a subsidy. It is odd that this kind of explanation has been given because the day to day management of the company is something which the Government do not answer questions on in this House.

As far as we are concerned, Mr Speaker, the issue of principle is whether the subvention is because Government feel that they should subsidise sand from local sources and if so, to what extent, or whether they are subsidising a Government-owned company because it has operating losses.

If the latter is true, Mr Speaker, this creates a dangerous precedent whereby their other company, The Gibraltar Ship-repair Limited, notwithstanding that they seem to have no power to interfere with the decisions of management at GSL, in contrast to the Quarry Company where they used that power to include the sale of cement, to the detriment of the Company.

By granting the £200,000 by way of a subvention under Treasury, it would indicate that this is to be an annually recurrent exercise and I feel that a fuller explanation is warranted.

On the expenditure for the Electricity Undertaking, Mr Speaker, I would ask the Government to state whether the wages of the Ancillary Section are included in sub head 2 - Kings Bastion - Wages, or they have been spread out between both Stations. If the former is the case I would ask them to explain why they have allocated this expenditure in this manner when the Ancillary Section is responsible for the maintenance of both Stations and could the Minister perhaps give me a breakdown of the budget for each.

Mr Speaker, at question time in this meeting, I asked the Minister how much had been saved in the cost of fuel and whether this had all been passed to the consumer through the operation of the fuel cost adjustment formula. Whereas the Minister said that the actual expenditure will be approximately £2,465,500 in contrast to the estimated £3,130,500, Mr Speaker, the revised estimate for the year shows the figure of £2,527,000 for both Stations. If the revised estimate is correct as opposed to the figure announced by the Minister, then either

the sum of £655,000 has been passed on to the consumer incorrectly, since it exceeds the amount shown in the revised estimate by £61,500, or the revised estimate is wrong.

Coming back to the point I raised on the Ancillary Service, and on a more general basis, Mr Speaker, I feel that it would be a good exercise for the presentation of accounts to include a wages sub-head in every department as is done for personal emoluments. Apart from giving a precise figure for the wages cost in each department, it would have the result in some instances of doing away with other sub-heads which are composed of a wages element in their minority. Perhaps, the Hon Financial and Development Secretary, might consider introducing this at the next budget.

Coming now to the Telephone Department, Mr Speaker, I must point out to the Government a substantial amount of complaints that have come our way over the length of time that some people are waiting to get their telephones connected. The Department has a responsibility to give a better service in this respect, even if they have to employ more people. It is inexplicable that there should be a big waiting list for telephone connections and that the Government should have rejected a proposal from the workforce for a productivity scheme.

I would also like to clearly spell out the position of my Party with regard to the resumption of telephone communications with Spain.

Mr Speaker, we are completely against that Gibraltar should be treated as part of the province of Cadiz for the purposes of communications with Spain. This, it would seem, does not only apply for calls to and from Spain, but for some incoming international calls where it is possible for any person to call Gibraltar through the Spanish code.

This will result in other countries considering Gibraltar as an extension of the Spanish network for telephone communications and is completely unacceptable politically.

What is incomprehensible is that the same Government that only a few weeks ago joined the Opposition in taking a firm stand over the airfield in respect of passengers in flights from Spain being considered as coming to Spain and thus posing a threat to our territorial integrity, should not apply the same philosophy over telephone communications when it is infringing our independence in that field.

HON A J CANEPA:

Rubbish.

MR SPEAKER:

Order.

HON J C PEREZ:

I am sure the Hon Member will have a right to reply to the comments.

MR SPEAKER:

Order, you will speak to the Chair and not across the floor. You will continue speaking and you are entitled to speak without being interrupted.

HON J C PEREZ:

Mr Speaker, just to add that I am sure that Hon Members will have a right to comment on it. That is the position of the GSLP and I don't think that the Hon Member should take it so lightly because it does pose a threat to how other countries see us. Of course it does.

In looking at Postal Services, Mr Speaker, I will repeat once more the view of the Opposition that the Post Office should charge each Department for postage and that this should appear as part of the expenditure of each Department. The argument in favour of this has been put previously and is similar to that outlined by me today when commenting over the Public Works Vote for the maintenance of public buildings.

The Financial and Development Secretary has argued that to do this would involve administrative hurdles and the Government is not prepared to do so now. However, Mr Speaker, similar arguments were put by the Hon Member when we suggested that buildings occupied by the Funded Services should be charged for rates and yet they have now found it practical to do this, after having said it was impossible.

I hope, therefore, that the Hon Member will suffer another change of heart and move in this direction next year.

On the presentation of accounts for the Post Office Savings Bank, Mr Speaker, I think that it would be better that this should be done in precisely the same manner as the other Funded Services. It is already a special fund in law as shown in the Auditor's Report where a final figure for 1984/85

is shown. However, we don't have a figure for 1985/86 or a projection for 1986/87 which would be the case if it were treated in the same manner as the other Funded Services. In the case of the latter, we also feel that an additional column should be included to show the final results for the previous year, which in this case, is 1984/85. We are aware that this can be extracted from the body of the estimates and is included in the Audited Accounts, but with the limited period of time available in which to study the Estimates, it would be more practical if this is shown as an additional column.

I would like now to refer to the MOT Test Centre, Mr Speaker, and I would remind the Hon the Minister responsible for Traffic, that he promised us Estimates of Revenue and Expenditure for the MOT and these have not been forthcoming, notwithstanding the recent announcement that, at long last, he expects it to become fully operational in July. I think that these estimates should cover the period since the Test Centre was completed in September 1983, so that we are able to establish how much it has cost the community and whether the judgement of the Government was a sound one or not.

Finally, on the Fire Service, Mr Speaker, and following on the question I put to the Hon Member opposite at this meeting, I am anxious at the fact that there is no provision for the creation of a marine section which could adequately give fire cover to any vessel at the Detached Mole or at the North Mole from the sea. This is particularly worrying because the Admiralty Fire Service did away with their marine craft and now use MOD tugs as a back-up, whereas the City Fire Brigade has no immediate facilities available other than those which the MOD might decide to lend at any given time.

If it is still the Government's policy to promote shipping and attract yachts to Gibraltar, I think that they should make sure they can provide adequate fire cover for these vessels whilst in Gibraltar and I would therefore hope that the initial preparations for this are done during this year and that next year's Estimates should include expenditure for this purpose.

Thank you, Mr Speaker.

HON G MASCARENHAS:

Mr Speaker, before I speak on the policies of the Government as they are reflected in the Estimates of Expenditure and Revenue, namely, my Departments, Education, Sport and Postal Services, I would like to speak generally on this Budget which, in my opinion, has been positive, optimistic and which clearly reflects the change, the new economic face of Gibraltar. The improvement of the quality of life of all Gibraltarians as the

result of the full border opening last year, which I mentioned last year and several Members on the opposite side queried or ridiculed, I am glad to say today that people are generally happier throughout all sectors of the community. The road that the Government has started with the reductions in income tax and potable water this year, should not, in the Government's view, be a long road. The burden of high taxation which the people of Gibraltar have suffered for so long should and will in the future be redressed to a balance of direct taxation with indirect taxation. Mr Bossano said yesterday that we live in an uncertain world and I think we all agree with him on that. Undoubtedly any major change, or even a minor change, which could have a detrimental effect to the economy of Gibraltar, be it on exchange rates, be it on tourism, of course will have an effect on Gibraltar. But I think that barring any detrimental effect in the future, I think that the Gibraltar economy can look forward to a bright and prosperous future. If we look around us at the number of developments which are taking place, the expansion of the Finance Centre which most certainly has been accelerated through the border opening, the tourist figures which speak for themselves, investment in Gibraltar is increasing, wealth is being created and this expanding wealth has to permeate to all sectors of the community. Yes, we all want a strong private sector but the private sector must also share in its contribution to the welfare of the community generally. It is important that the tax base is enlarged. The larger this is the better for all of us so that instead of 11,600 taxpayers we were to have 13,000 or 14,000 or even 15,000 in employment. I think that the general consensus must be that the people of Gibraltar would have to pay less for their services. Instead of a tax giveaway of £3.3m I am sure that the Government could do a lot better. Whether that will happen in the short-term, of course, that is a different matter altogether. The new developments that are coming on stream will take time, but as they come on stream I think that we shall see a vast improvement in the employment situation and the direct bearing that that will have on the tax base.

I said last year that the commercial expertise of the Gibraltarians could place Gibraltar on a solid base for the future. I don't think that I was wrong. In no way have we been swamped and overtaken by foreigners, be they Europeans or Spaniards, but the fear always in Gibraltar is from the Spaniards rather than the Europeans. Gibraltar has indeed got a sense of direction today. I think we shall meet the new challenge that we face and we shall overcome it for the benefit of everybody. I don't doubt that we will succeed and that Gibraltar and the Gibraltarians will all benefit from the increased economic benefits, and certainly social standards, education standards will improve.

Mr Speaker, I now wish to turn to Education and outline the policies which are reflected in the Estimates of Expenditure. I intend to start with that part of these Estimates which reflect personal emoluments and which clearly are the single biggest resource, and that is, teachers. We have resolved four outstanding problems in the Department regarding staffing. I should really say three, one of them of course is the event of the year as far as teachers are concerned and that is the increase and settlement in their salaries. The salary increase for the teaching grades will be 6.9% between the 1st July, 1985, and 30th March, 1986, and a further 1.6% as from the 31st March making a total of 8.5% increase at all levels. As Members will obviously be aware the negotiations in UK took a long period. Fortunately these are now virtually over, I say virtually over because there are still some unions in the United Kingdom who are resisting, but in Gibraltar we are implementing the new increase of 8.5% overall.

There are two items in the personal emoluments which I think I should single out, one is the post of General Education Adviser, which was established in 1983. We have placed this now on a professional scale of Headteacher Group 7, this is to bring it in line with accepted practice in the UK. More importantly this post is occupied by a Gibraltarian and the steps for putting it on a higher scale will ensure that the salary is commensurate with the level of responsibility. It can also attract senior teachers within the schools who have the school management experience and teaching experience, a combination of both. The other one is the Educational Psychologist. We now have a Gibraltarian, who completed his two-year course in September, 1985. He has been placed now and I think we can look forward to a long period of stability in this area of very special and vital support. He is also a Registered Member of the British Psychological Society.

The other very important part of the staffing problems that we have resolved this year is the longstanding grievance felt by the unqualified teachers. Thirty-one unqualified teachers are in the process of completing an intensive professional course. This commenced on the 20th January of this year and it has been taught by a group of twelve experienced local senior teachers. Successful completion of this course will place the unqualified teacher on scale C of the Burnham unqualified teacher salary scale, this is the highest possible. In money terms it will represent an extra £658 per annum over and above the salary increase of £530 as a result of the 8.5% review. I should say that both the tutors and the unqualified teachers have worked extremely hard during out of school time thus ensuring 100% success of the exercise. It also goes without saying that our children will also gain from the new impetus given to a group of very experienced and dedicated teachers.

I would now like to go on, Mr Speaker, on the language courses which have been offered. The Department noted a very high demand of courses in English. Last year we set up the first course which was held during July and August and affirmed the conviction that Gibraltar can establish itself as a language centre if we ensure, of course, the high standards and the professional approach. Eight graduate language specialists under a Course Administrator tutored eight classes of Spanish students during four weeks on the summer vacation. The courses were geared for beginners and intermediate levels and these have appeared to have met demand. I think we have been successful because out of all the ones who took part in the course last year twenty-six immediately enrolled for this year. We have included a further advanced level for this summer to take into account the ones who came last year and who should have a little more grey matter as regards English and this is on the same model. We will see four weeks offered in July and four weeks offered in August. These courses are, of course, administered and organised outside the Adult Education Programme which is run by the College. The advantage which I mentioned last year as regards running these courses apart from the revenue that accrues to the Government, of course, we have an element of well over 100 students taking part and, of course, it is always a spin-off to the economy.

Turning now to the Youth and Careers Office. I should mention International Youth Year which finished in December, 1985. I must say that without the support of the professional staff at the Youth and Careers Office I doubt whether the Youth Year would have been the success that it was. A total of £15,000 was raised for the Youth Sub-Fund and this has been invested by the patrons for the promotion of youth activities and youth developments in Gibraltar.

This year also saw the start of organised youth exchanges and three exchanges took place between our youth and Morocco, with the Arnsdale Youth Center in Wandsworth, and one exchange with the youth from the province of Cadiz. The Government will continue to support the policy of youth exchange visits for the coming year and there is provision in the Estimates for this.

A total of 500 youngsters experienced the world of work through the Department's work experience scheme which places students in their last year of school with firms and Government Departments for a two week period. Great emphasis is being placed on career advice. There is a need for the private sector to get more involved in training at all levels and for parents to gauge and react to the new career opportunities in Gibraltar such as Finance Centre activities and services.

I am happy to say that as a result of a meeting with the

President of the Chamber of Commerce two weeks ago he has pledged the Chamber's support for training at the College and courses are being assessed for shop assistants and courses of a nature which might help the private sector considerably. Up till now, unfortunately, we find that the private sector has not contributed very largely to training of staff which I think is essential if we are to compete with our neighbours.

That brings me to the College of Further Education which has now been operating for a period of six months as a College of Further Education taking the start of the September term. We are now catering for 102 full-time students and 173 part-time students together with 500 enrolments in the Adult Education Programme. The number of employers who are sending apprentices and who are taking advantage of our courses is 14. That is a very low number and I would hope that in the future we will see that number increase. The Business and Commercial Study Department and the General Study Department are promoting new courses in economics, word processing, audio typing, background for business, receptionist and telephonist skills, clerical procedures, institute of bankers and language for the office.

I think the Honourable Members will note that we are all geared on a commercial basis for the Finance Centre particularly and also for general office skills. We have also started seven classes in computer studies. The Head of the Business and Commercial Studies was sent on a three week attachment to Essex College and the Betch Headquarters during the spring term of 1985 and a UK Betch Chief Examiner was brought to Gibraltar to assess potential for locally offered new courses in technology and business studies. We are also seconding on a one year course one of our lecturers to update his skills in craft, design and technology.

Mr Speaker, I would like to dedicate a few minutes to an important area where the Government has made a considerable input, financial input, and that is computers and the new technology. Technology, of course, is the in thing. There was one pupil who knew exactly what to do with the computer and he answered a written question, 'if I were given a computer, I could make money with it, I would sell it'. The Government decided to introduce computers into all its primary schools in 1984. Secondary schools were provided with a substantial number a few years ago. The Department feels that it is important to give our youngsters the experience they will need with the technology of their future working. The introduction of computers in primary schools was aimed at improving current teaching and learning methods, to introduce new teaching and learning methods and to give pupils an appreciation and awareness of computers. A total of 44 computer units, each

unit consisting of one BBC computer, a disc drive and colour monitor, were introduced in two phases; the first one in the last Financial Year when 25 units were introduced, and the phase 2 is this Financial Year when the remaining 19 units will be introduced. This is extra provision for the schools, over and above the normal capitation allowance. It may be that some schools will supplement this minimum entitlement. Some of them do as a result taking up their own resources, tuck shop profits etc, but in addition to the hardware that we are providing, the Teachers' Centre will have a bank of software for all the schools to use. In recognition of the need for in-service training for teachers, so that this new technology is adequately used in the classroom, the Department entered into an agreement with the University of Hull, and this is following the BA Ed ceremony, to offer the Advanced Diploma in the classroom use of computers. Forty eight teachers have registered for the course, which will take place during school vacations over the next 18 months. The first session actually took place this Easter. The fact that teachers are giving up vacations in order to follow a course on professional development is a reflection of our teacher professionalism and concern for the education of children. Essentially it will mean that the Government is taking steps to ensure that the children today, who will be the adults of the future, are well equipped for their future role in a society where computers, no doubt, will feature very prominently, certainly judging from present trends.

Mr Speaker, with your indulgence I would like now to turn to the upheaval in education history, certainly in the last twenty years, and that is the General Certificate of Secondary Education, the GCSE. In September of this year secondary schools will commence courses leading to the new examination of the GCSE and candidates will sit for these exams in the summer of 1988 for the very first time. The GCSE will be radically different to GCE 'O' level and CSE's, since it represents a fundamental shift in emphasis in how subjects will be taught and assessed. GCSE will make great demands from our teaching profession, much time and effort and understanding is required for just the new assessment techniques and the consequent new approaches to teaching. Teachers require support and the Department has already provided secondary teachers and several education lecturers with a two day course followed by business computers to schools run by the southern examining group, led by a leading UK figure in GCSE matters. The department has already sent three local teachers to attend basic courses in UK and will be arranging other visits for junior staff. The teachers will require time, they need time to assimilate the new information, time to learn new techniques, time to plan work schemes work and assessment procedures. The department

recognises the need for this extra time and we will close both secondary schools during the last week of term to enable teachers to get down to this. Of the whole the GCSE places a big and important responsibility on the shoulders of teachers who are, may I say, already busy. The success or otherwise of the new examinations entirely rests with our hard working professionals at the present moment. Our schools will also require new material resources so that the new mode of learning can take place. In this respect, the department, Government, is providing about £20,000 to cover the extra costs for our third year pupils and that is over and above the normal capitation fee. This may I say, is substantially more than the UK Government is providing for their own schools. I can safely say that the GCSE is well in hand. Our Government is conscious of the need to help our teachers face one of the biggest upheavals ever to occur in public examinations and is endeavouring to provide the support the teachers need.

Mr Speaker, I have a lot of information available. I don't know whether the Honourable Member who is responsible for education on the opposite benches would like this. I have a lot of information here in my briefcase, I can pass it on to him and I think perhaps it will save time in the future in question time particularly. It is complicated. I have a few notes here made for the benefit of the House in case there is a reshuffle on that side and this is what the GCSE really is all about. All the GCSE examinations can conform with the national criteria. For the first time ever the syllabus content, the assessment procedures and everything else to do with the exam will comply with the set of nationally agreed guidelines. There are not all the different examining groups that there used to be in the past. Those will be shortened to I think five or six. There will be one general national criteria and this will set the ground rules for the conduct of the exam, ie, the eligibility, the layout of the syllabus, etc, and the second one is the subject criteria, and this defines the subject, the aim, the assessment objective and gives weighting to the different components of the course and describes gradings from A, T and M. This also specifies the essential competence, the skills which must be included and the attitudes that have to be promoted. For those subjects where no subject criteria exists, the syllabus in those subjects must comply with the general criteria. The coursework, the skills and knowledge that are totally important cannot be assessed in a final written exam. Sometimes the nature of a product for assessment depends on the spot marking and this, for example, in Home Economics, the cake which is made on the day will be spot marked there and then. In the past I think the cake had been marked two or three days later, and of course by then the quality has already disappeared.

The national criteria recognises that the best way to assess these new skills is by the teachers in the class, the laboratory or the field. For example, experimental skills in science, oral skills in language and certain mathematical skills, research skills in history and so on, can only be assessed in situ by teachers and not by a written exam. We must make important what can easily be assessed rather than the GCE O'level and the CSE used to do. The GCSE is basically more vocational in nature.

MR SPEAKER:

You are going into details.

HON G MASCARENHAS:

That is why I offered to pass on those details. Up to the next paragraph is a general detail on what the GCSE is. I said earlier that it will help in the future, at least with the Hansard for the Honourable Member who shadows education. It will be helpful, and we can cut time in the future and there might be questions.....

MR SPEAKER:

It is not a question of cutting time, it is a question of what is relevant to the debate we are having.

HON G MASCARENHAS:

Well, I am nearly finished. The GCSE is basically more vocational in nature as well requiring the academic rigour of GCE 'O' level and CSE. 15% of marking are allocated for social and environmental, cultural and technological subjects. The usage for mathematics stressed speaking a language is as important as being able to write it, in my opinion, even more important sometimes. Geographical enquiry is now stressed, understanding as well as knowledge recall is demanded. Students will have to work in ways which are similar, for example.....

MR SPEAKER:

With respect, you are continuing in the same trend and I have asked you not to.

HON G MASCARENHAS:

It is only two more lines, Mr Speaker. Students will have to work in ways which are similar to scientists, historians, geographers, mathematicians, for example, experimental work important in science, collaborating in team work is also

important in science, and an approach using and questioning so called facts is envisaged. Geographical enquiries, graphic and mapping skills are as important as geographical matters, and that is as far as I will go on GCSE.

Mr Speaker, now I want to turn to in-service training, to which the Government, and the Department, attach a lot of importance. This is for the professional development of teachers. During the last Financial Year, a total of 30 teachers attended short courses in UK, ranging from courses on the management of schools, curriculum, Phase I training for GCSE. A total of 10 UK teachers came to Gibraltar to discuss the GCSE examination as well as its administration. The department is providing the funds to meet as much of the in-service needs as it can. The teaching profession must be commended for giving up so much of their own time to attend these courses and any follow-up arising.

On the question of scholarships, provision has again been made this year for a total number of 45.

Finally, I would like to say that St Mary's First School, will be a thing of the past by this summer, and we are earmarking the start of the autumn term in September of this year and, thereby, the Government will have the availability of three buildings which at present is made up of St Mary's First School.

We have also made provision for four temporary classrooms in St Joseph's Middle. This is as a result of the increasing number of people taking up residence in the south district. The school has been placed in an impossible situation and the four extra classrooms will greatly alleviate the situation at St Joseph's Middle School. This is not of course a permanent solution. The four classrooms will be made available in Knight's Court for the boys and certainly not a permanent solution to the problem at St Joseph's Middle. But of course the Government is looking at different alternatives: either the complete rebuilding of the school somewhere else or an extension to the school where it can be made.

Mr Speaker, now I would like to turn to another of my responsibilities, Sport. We have increased the grant available to Sporting Societies from £10,000 to £15,000. This is the major item in the Sport Fund. We have also increased the sports equipment, which has been at a very steady level over the past three years, and we have brought it up to £5,000, obviously because it is required for equipment, which has now seen better days and requires replacement.

The minor works programme has been extended by £15,000 to a total of £25,000 this year. We are also making a provision of £4,000 for the floodlighting at the Stadium to maintain the impetus that we started two years and ensure that the floodlighting is essential, as far as we are concerned, because if that were to be defective in any way, the number of users for the Stadium will fall considerably. You cannot allow that to happen in any way.

The perimeter fence at Hargraves will be repaired this year and we have made £2,000 available for this. Hargraves, although not covered, does provide an important site for sport; five-a-side football particularly, for training purposes, and I am convinced that we have to retain that court for games although it is not in a perfect condition and we have a lot of complaints from the neighbours, who live around there and, unfortunately, we even face situations when we would have to not allow anybody to use it. We have made £2,000 available and that will continue to be used.

We have also made provision, in Personal Emoluments under wages for the sport management to have flexibility in opening on certain Bank Holidays when the Stadium has been closed, and certainly when special events require it. For example, I think that Mr Pons is intending to hold a band concert in aid of handicapped persons in the middle of May. He would want to start at 9 O'clock in the evening and of course we don't have the provision for things like that. GFA in the past have complained that they cannot hold football matches at a later time in the evening, when more people would turn out, because we didn't have the money available for overtime, and we have made provision for a certain number of days. If this is enough, I don't know, it depends on the demand.

I would like to take this opportunity to explain how the Gibraltar Sport Committee works. We have reconstituted this and since I have noticed at least one mention in the press regarding funding of Gibraltar teams participating abroad, I think I will answer that here in this House and say that the Sport Committee is there to consider and advise the Minister for Sport on how to give out the money to applicants. By applicants, I mean actual governing bodies of sports in Gibraltar and not clubs. The money is voted here in this House once a year. The Committee meets as soon as possible after the Budget in order to consider applications, which means that at the end of March, there is actually no money left in that vote. Therefore no Minister, no one, until it comes to this House and the money is voted can give an assurance to any team or any participants of Gibraltar wishing to participate abroad, who happens to travel in April or May. It cannot be done. There is no way I can give a commitment and pre-empt the authority of

this House. What I can do, and what I have done in the case of volleyball, which I have to highlight, and I told them on repeated occasions that they would have Government support. How much that support would be, I just do not know until the Committee sits down to meet but they will have to take it from me, clearly spelt out on many many occasions. On the times I have been stopped in the street and in my private office, I have told them on many occasions at the different offices of their association, and yet I was criticised for not having helped sooner.

The Sports Committee has been re-constituted and has been reduced in number. The old Committee used to number eleven, and I have reduced that now to seven. I think it is a more manageable number and hopefully we might now get down to work, serious work, and the procedures have been redone. Financial assistance will only be made now to associations for specific commitments.

The Government has also been meeting with the Gibraltar Squash Racquet Club on a few occasions, with a view to the construction of two squash courts at the Victoria Stadium. Further details will be made available as soon as we have reached an agreement. The important thing is that if we reach an agreement, we will increase the number of squash courts from one to three and generally, there was a belief in Gibraltar that when the border opened the number of sporting activities would be greatly reduced. Well, I am happy to report that this has not been the case. On the contrary, the usage of Government facilities has been on the increase, but there has been a shift from weekend use to mid-week use. We are coping with it for the time being. Without the Naval Ground it would be impossible. We have suffered some trouble with the Naval Ground as a result of the MOD insisting that the Associations should insure themselves for quite ridiculous amounts. The Stadium has helped most Associations, particularly the Gibraltar Junior Football League, and they are now using the Victoria Stadium. I am happy to say that they are quite happy with it at the moment.

Mr Speaker, there is one major event this year which I have to report on and that is of course, Gibraltar's participation in the Commonwealth Games in July this year in Edinburgh. This is something again where the Government has not pledged actual financial support yet because the Sports Committee has not met and the money has not been voted, but we shall be doing this. And I think it is worthy that a Gibraltar team representation in Edinburgh is essential and we will be supporting that.

The Gibraltar Cricket Association will also be participating

in International Cricket Club, and again I have pledged support for that event.

I would like to go on record, Mr Speaker, as a result of the occurrences in Spain regarding two sports, possibly three, where there have been political interference on the field of play, or before the games have actually started, and I would like to go on record, categorically, that there are five Gibraltar Associations, who are members of International Bodies, and, therefore, have as much right as the Spanish participants or anybody else to be present; and those are Hockey, Rowing, Athletics, Volleyball and Swimming. There are three more, who this year will join the World Bodies after they have been locked by Spanish attempts over a period, certainly, for one of them, over a period of 10 years. Finally, they will be recognised in June of this year.

As regards to the swimming pool, arising out of discussions that were held with GASA in November last year, GASA have undertaken to present to Government details on technical proposals for the construction of a swimming pool at their premises. I believe that they are now virtually ready and they will be forthcoming in the next few weeks. Until they do that, I am afraid that I cannot say much more. Again it remains a Government aim of policy and as the Honourable Miss Montegriffo, Mr Speaker, will know we will have a lot of opposition from another sport when that day arrives, if it arrives. One hopes that it will. Certainly, it is our intention that it should do.

Mr Speaker, I would now like to come to my final department, which is the Post Office, and report that the postage stamp sales continues to increase. We have exceeded our estimated sales for last year and the projection is for a slight increase for the coming year. We have now made arrangements with the Spanish Post Office for the exchange of mail at the border and that will greatly improve the surface mail to Gibraltar. As a result of the Water Gardens project we moved the parcel post about 50 metres down the road. I don't know if the Honourable Member has visited it, but I have visited the old parcel post and I have visited the new one and the improvement is quite noticeable. Certainly the staff are working in a much better environment.

The counter at the Main Post Office has continued to remain open through the lunch hour, Mondays to Fridays and we continue to open on Saturday mornings, thereby providing continued improved service to the many tourists who visit us. We have also got facilities now for the cashing of post cheques by tourists. The European nations which are participating are the United Kingdom, Luxembourg, Norway, Denmark and the Netherlands. The additional PO Boxes that were constructed

have been taken up, or are being taken up very fast, by the expanding Finance Centre. I think that at the time that we made a decision to build them we have been proved right. My only fear is that if we continue this way, we shall have to build an extra three hundred very very soon.

The world recession on philatelic sales has continued and has affected the sale of philatelic items. However the Philatelic Bureau locally has increased slightly and there appears to be a slight upper trend which augures for the future.

Finally, Mr Speaker, I would like to say a few words on Calpex 86, which was the celebration of the centenary of the first Gibraltar stamp, and that has gone very well. It was a hectic week and I think that the number of Gibraltar Study Circle and the Gibraltar philatelic members from abroad who visited us certainly filled up the hotels for my colleague the Honourable Minister for Tourism and Gibraltar stamps continue to be respected.

I reiterated in my speech at the City Hall, that we would continue to be a conservative administration and I think in the long term that will produce the result for us, rather than go for a big chunk one year and then see that our revenues would be diminished considerably in the future.

The only thing I would like to say Mr Speaker, is that if the Honourable Miss Montegriffo has any questions, I will gladly answer these at the Committee Stage or Mr Mor's questions. Thank you.

HON MISS M I MONTEGRIFFO:

Mr Speaker, first I would like to deal with my responsibility in the Opposition for Medical and Health Services, and I will start by saying that the GSLP would have wanted to see the coming year as one of a turn for the better in view of the many problems we have encountered within the Health Service. However, having analysed Government Estimate of Expenditure for the Medical Vote, we see that this will hardly be possible, because once again the Government intends to maintain present standards. We see no real improvement in the resources already being provided. The criticisms of the state of the Medical Department, Mr Speaker, have been voiced by the GSLP in this House due to certain events which have coincided since we have been in Opposition. Moreover the complaints that we have highlighted have come from the patients and from the nursing and medical profession. We believe that the task of an Opposition is to objectively assess given situations and we act by making the Government aware of those areas which require attention, and we have kept doing this consistently in every

meeting of the House. Unfortunately, words and repeated intentions from the Minister during the last twelve months in respect to these areas have not yet been translated in practical solutions and actions.

In previous budgets, Mr Speaker, I have made reference to the decline of our medical services and of the strain on our already overstretched resources an open frontier could constitute. We have also kept warning the Government of certain consequences and liabilities as a result of Spain's accession to the EEC. Some of them, Mr Speaker, have already come to light. Because of lost time on the part of the Government, we believe they could now well find the task so much more exacerbated by the simple reason that Spain will now need to give her consent on any EEC matters related to Gibraltar. This is the reason why, Mr Speaker, since 1984, in every House of Assembly Meeting, we have been pointing out to the Government the question of the Gibraltar nursing qualifications, which are not recognised anywhere outside Gibraltar. In fact, there is an EEC directive on training standards for the mutual recognition of qualification by all Member States since June 1977. Today, Mr Speaker, we still find ourselves in a situation where Gibraltar is obliged to recognise qualifications from all EEC countries, and no-where in the EEC, including the United Kingdom, are ours accepted. After having spent three years in Gibraltar to qualify as a Gibraltar registered nurse, our nurses still need to go for three month's training in the UK, before they can qualify as a state registered nurse. The Government, Mr Speaker, has known about this state of affairs since 1977, when attention was drawn to it by the staff inspectors. And since 1978, when there has been an outstanding claim from the nursing union which led to the bringing of Miss Briggs to give expert advice on the subject. Certain changes in our tutorial standards were considered necessary. The Minister, in answer to a question last year, said that the matter had been left pending because the tutor, who had been sent to a course in the United Kingdom, had abandoned it and it had been difficult to find a replacement. Mr Speaker, we fail to understand the difficulty. Neither, Mr Speaker, can we understand why, after repeated assurances from the Minister in meetings of the House that steps were being taken to implement the necessary changes, we were told very recently, that the Government needs to bring a team of experts for another review. We would therefore, Mr Speaker, like the Minister to explain what has been the reason for the Government change of policy, since in June 1985, in answer to my question on the matter, he said the following: 'Various details were approved and will be implemented in the coming months. These will lead to acceptance by the UK of Gibraltar qualifications'.

Also, Mr Speaker, up to the present time, the Government, have been unable to tell us when this team from the UK is due to arrive. Perhaps, today, Mr Speaker, the Minister can give us a definite date.

There is another area, Mr Speaker, on which we have been given very unsatisfactory replies, and that is on the question of the Spanish pensioners and their right to medical treatment under EEC law. We think, Mr Speaker, that the Government were unaware, until we told them, that under Gibraltar law, anybody not receiving a full pension is exempted to the payment of contributions to the GPMS and that this, therefore, meant that 3,900 Spanish pensioners automatically qualify for medical treatment at Gibraltar's expense. It also meant, Mr Speaker, and the Minister confirmed it in the House, that the letter sent to them by the DHSS in the UK on behalf of the Gibraltar Government, must have been incorrectly worded. Since then Mr Speaker, we have made certain enquiries, and we were told that in order to qualify for free treatment in Spain, these pensioners, as indeed frontier workers and their dependents, would need to present an EEC form E121. During question time on this House, Mr Speaker, I asked the Government whether this form was available at the Health Centre. The Government knew nothing about it and it seems peculiar to us because the information was given to us by the very same UK department that has been handling the administrative work on behalf of the Gibraltar Government in connection with the Spanish pensioners. Also during question time, we then proceeded to ask the Government a related question. How is the Gibraltar Government going to settle the bill for those Spanish pensioners, frontier workers and their dependents receiving treatment in Spain at Gibraltar's expense? The answer given to us was the following: 'In accordance with normal practice comparisons of costs between Member nations takes place annually and costs incurred on behalf of Gibraltar will be incorporated in those incurred on behalf of the United Kingdom, who will represent Gibraltar at these meetings. These meetings will establish whether or not there is in fact a requirement for any reimbursement. Should that be the case, it would have to be allocated to an item of expenditure under the Medical and Health Vote'. However, Mr Speaker, to our knowledge, both Britain and Spain will be talking about settling bills for tourists visiting each others countries. How then, if there is a balance in the part of the UK, is it going to be determined what out of that balance relates to the frontier workers and the pensioners, especially now, Mr Speaker, when we know that they are not being provided in Gibraltar with the relevant EEC form. Clearly, Mr Speaker, to us it is quite an impossible situation. The Government couldn't tell us how the system would work and they have no idea at all how much it is going to cost them eventually.

There is one further point we would like to have a clarification on. Last week, Mr Speaker, in a local newspaper, there was a report on a meeting that the President of the Chamber of Commerce recently held with the Minister for Health. The last paragraph reads as follows: 'The Minister indicated that the main problem facing the Health Service in Gibraltar was the shortage of nursing staff'. Mr Speaker, we will now quote to the House what the Minister replied to my question in June last year, when I asked for confirmation that there were serious shortages of nursing staff in the Medical and Health Department. The Minister said: 'There are no serious shortages of nursing staff in the Medical Department. A selection board was held on the 20th June when nine nurses were recommended for employment'. When I asked him further whether the nine nurses were not being taken as additional staff, that they were only filling up vacant posts, he replied. 'Yes, they will fill up posts which are already vacant'. In fact he went on to say that the suggestion that as many as twenty nurses were required had only been put forward by the nursing union, and I quote him again: 'the Establishment and Management Consultant Services are looking at it at the moment. I would not agree there is definitely a shortage'. Can the Minister therefore confirm, Mr Speaker, whether he indicated to the Chambers President that the main problem facing the Health Service was a shortage of nursing staff, and if so, what has made him change his mind since June, when he said the very opposite by denying that shortages existed? Of course, if he now accepts the shortages, is he intending to create new posts and by how many.

To finish on Medical Services, therefore Mr Speaker, I would stress that with so many complaints and uncertainties, and without a move on the part of the Government towards an expansion in our present resources as reflected in the Estimates, we are sure that if the services are working in any way, Mr Speaker it must be due to the efforts and the dedication of the people who work within his department.

Mr Speaker, on a different matter, but one that also comes under the responsibilities of the Medical and Health Services, could the Minister give a policy statement as to what the Government are doing on the question of the Hawkers Licenses and the new concept of competitive tendering for certain designated sites. We are already, Mr Speaker, receiving complaints from people with licences who claim to be experiencing difficulties.

I would like now to turn to Sport, another of my responsibilities. As in all our budgets, Mr Speaker, I would like to remind the Government that the construction of the swimming pool for CASA is in fact a commitment they announced two elections ago. In the last one it was in their manifesto. We hope, Mr Speaker,

that their contribution this time will not be debris for reclamation purposes, something which the Minister initially reported was being given to GASA and that there will be something quite more substantial than the material assistance they have been receiving from the Public Works vote, otherwise, Mr Speaker, at this rate the pool will never get to see the light of day. GASA, Mr Speaker, have recently stated that they are having to go to Spain for training purposes and that it is costing them a considerable amount of money. I think Mr Speaker, that having celebrated their fortieth anniversary last week, GASA could well be the oldest swimming association to have existed without a pool.

Mr Speaker, we have been informed by the Gibraltar Amateur Athletic Association, that they are encountering difficulties in acquiring training sessions at the Victoria Stadium. In the first two weeks in June, which is a critical period for them, before their participation in the Commonwealth Games, the Association has been told that they will not be able to use the track, due to the conversion period and the Queen's Birthday Parade. So you see Mr Speaker, they might have to go to Spain to train at a cost. Will the Government please ensure that they can do something to solve the problem. The last thing we want Mr Speaker, is to see an increase of sports associations going to Spain because of lack of facilities in Gibraltar.

On Hockey now Mr Speaker, could the Government say whether they have any plans to help the Gibraltar Hockey Association in getting an astro turf for the stadium hockey pitch. The Association has said that apart from the advantage of spending less money on maintenance and having the pitch available for playing more frequently, this kind of turf is now obligatory to be able to stage European events in Gibraltar. The recent one held in Cardiff where Grammarians beat Austria by four goals to one giving them first place in the European Cup Division could have been held in Gibraltar. Mr Speaker, Hockey participation in Europe is high and the benefits of Gibraltar staging European events would no doubt, in the near future, offset the initial cost of the turf.

On volleyball, Mr Speaker, even though we would have wanted the Government to financially assist the Volleyball Association much sooner, we hope that the Sport Committee will decide that they should be reimbursed with the amount of money that they originally asked for.

We also believe, Mr Speaker, that there should be a system whereby teams who leave Gibraltar to participate in Europe should be able to get a grant before they leave and not after.

Finally, Mr Speaker, on culture, I would like to mention two points. On the first, perhaps, the Minister concerned can tell the House what is the situation regarding the Ince's Hall. The other relates to the restoration of our ancient monuments. I am sure that the Government is aware that in an answer to a question in the Commons recently, the British Government stated, that under the Gibraltar Museum Antiquities Ordinance of 1982, their maintenance, repair and public display are matters for the Gibraltar Government. We asked the question in this House, Mr Speaker, and the Minister for Tourism said that the sum of £9,000 had been allocated for maintenance and repair purposes. We would like the Minister to give more details as to the substantial sum that he also said had been allocated for restoration of historical buildings, because we cannot see where this is included in the Estimates of Expenditure.

Mr Speaker, when the Government are placing so much emphasis on tourism as one of the pillars of the economy, this means that they should be spending more money in improving the product, and certainly historical sites are an important attraction for tourists.

To round off my contribution, Mr Speaker, I would like to point out to the fact that the Government now claims to be working to an economic plan and that this plan is progressing successfully. However, Mr Speaker, we the Opposition, feel the benefit of this success are certainly not reflected in improvement to basic services which the Government have an obligation to provide the people with.

Thank you Mr Speaker.

HON M K FEATHERSTONE:

Mr Speaker, I said last year - everybody refers to last year - we had a budget of cautious optimism. These words were fulfilled. Our caution was justified. We did not rush last year, heading into give-away till we knew we could fund them. Our optimism has been realised. This year, we have had some goodies to give away, and we hope to give even more next year. Not because it's a run up to an election, but because our policy is to give back to the people as much as we can prudently afford.

This year, on income tax, we have given back to the married couple, something between £5 to £10 per week. I hope they don't spend it all in Spain. This year we have reduced the price of water. Once again this has been done prudently because the waste heat has eventually come on stream and we are saving approximately £200,000 with the use of the waste heat.

Development has been booming, tourism has been doing well, and even Gibshipprepair has done more than they had scheduled. The Finance Centre is increasing daily. We now have a new bank, one of the big five in Britain, Lloyds, and the demand for office space is becoming unprecedented. We are seeing new office space going up in the old Line Wall Christian Brothers School, in the multi-storey car park, in the Water Gardens. I am sure this will all be needed and even more will be wanted. All in all, perhaps we can say we have turned the corner and we are moving towards a more successful era.

Now I would like to turn to the specific departments I have. Housing expenditure is much the same pattern as last year. One innovation of course, is the sum set aside for the cost of the new Rent Tribunal. This we hope will be working shortly and will give good service to those people who feel they need it. Over £1.5m is being spent in Housing Maintenance. There are many houses which are in a poor state of repair and the maintenance is most essential to put them back into a reasonable state. Also a certain amount of money is put aside every year to improve the quality of housing by putting bathrooms in where it can possibly be done. The PWD has been and will continue to tackle these problems with determination and energy.

Now, Sir, much has been said about what are we doing with regard to new buildings. At the moment we have two projects which are new to this year: that is a number of bedsitters in the Alameda Estate and the beginning of a scheme to put an extra storey on the houses at Laguna Estate. The Laguna Estate is gradually getting to the situation that the roofs are in need of repair and rather than just repair the roofs it has been decided that an extra storey should be put on and a pitched roof put on top of that. This is earmarked for this year, it has an 'R' against it, but I am sure it will not be a reserved matter, it will be something that we will push ahead with. Altogether on housing, £1.8m is going to be spent. Some of it is going to be the third phase of the Tower Blocks and this to some extent is the renovation of housing which will keep the Tower Blocks available to us for the next thirty years. If we had not done this renovation they might have deteriorated to a stage in which in ten years time, they would no longer be of very much use to us, and then we would have a real problem on our hands.

With regard to rent relief, we had the suggestion put forward last year, by I think the Honourable Mr Mor, that we should look into the question of giving rent relief to people living in furnished accommodation. We did look into this and the Committee came to the conclusion that it would be better that the persons who were in difficulties with paying their rent

in furnished accommodation could apply for supplementary benefits to the Department of Labour and Social Security, rather than make the general Rent Relief Scheme applicable to all.

One thing that is being done this year is the provision of a new lorry for the Housing Department, the present lorry is in very bad state. It is almost irreparable and it is essential to buy a new lorry this year.

I would not like to leave the Housing Department without giving every credit to the staff of the Department who do an exacting job under very trying circumstances. They have customers who are, in many occasions, very abusive; won't take no for an answer. I can sympathise with many of these people, but the staff are not there to be abused. We had one gentleman who actually climbed through the window to get to the staff, because he felt he wasn't getting the house he thought he should be given. I would also at the same time mention the Housing Allocation Committee, who also do a good job. They cannot please all the people all the time, but they have one house to give and ten people want it. Nine, obviously have to be disappointed. It is a very trying duty, they do it completely unremunerated and I think we should give them all our thanks and all our praise for the good work that they do.

Turning to the Medical Department Sir, the Medical Department takes 10% of the total budget expenditure. I would say we give an exemplary service, although in certain areas it does fall short. I know we do not give everything that the Diabetic Society would like us to give them. Perhaps in future days we can look at this, but at the moment we do not have the money to give them free drugs, free medicines, which is something that they claim is given in England.

On the question of Personal Emoluments, Sir, we have increased the figures for overtime very considerably. This is because we came last year for a big supplementary to cover overtime and this overtime is a two-fold matter. It is expected because there are a lot of nurses doing a considerable amount of overtime, and this could be interpreted as a shortage of nurses. When I said in June last year, there is no shortage of nurses, the situation was that there is no shortage to cover the actual work, but if you wish to take the overtime away and complement the staff by an increased number of nurses, then you could say there is a shortage. This situation is something we are living with at the moment until the team comes out from the UK. I regret that I do not know yet when this team is coming out. This team that is coming out will look into the situation of how our nursing staff can become qualified in Gibraltar up to EEC standard. I accept, and I am not happy, but we have to

accept EEC nurses and our nurses are not accepted by the EEC. That is the situation, it is a fact of life, but until we get our standards improved, we will not be acceptable to the EEC standards.

Already in this year's estimates, we have put in expenditure to allow for some of the improvements that are required. For example, a cordex system which is going to be installed this year. As I have said, I do not know exactly when the team is coming, but we hope they will be here before the end of June.

The expenditure for Visiting Consultants is up this year, because we are getting more consultants coming out to Gibraltar to see to our patients here on the spot. I feel I have to say a little about the situation with regards to sending patients to the United Kingdom. We send patients to the United Kingdom whenever our own consultants feel that they cannot deal adequately with the situation themselves. But, it very often happens that when the patient goes to the United Kingdom, the United Kingdom doctor deals with the patient and says almost automatically, I would like to see you in six months time. This being seen in six months time is to see how the situation has regressed or progressed, and in many instances, that can be done by the doctor or the consultant in Gibraltar. It is only the initial diagnosis that is necessary in England, the continuing follow up can be done by the consultants in Gibraltar. But many people feel that because the doctor in England has said, 'I would like to see you in six months time', it is absolutely essential that they must be sent to the United Kingdom. To send somebody to the United Kingdom is a very heavy expense on the medical services, so I would put it to the House that whenever somebody comes back from the United Kingdom having been seen by the consultant there and the consultants in Gibraltar feel that they can continue the follow-up service adequately, then it should not be necessary to return the person to the United Kingdom. If the consultant here feels that it is preferential that the person goes back to the UK for further investigation, then of course this is always done. I would also mention that with regard to sending patients outside of Gibraltar for treatment, we have been offered facilities from Spain for certain types of treatment and we are looking into these. In fact, we are already taking them up in certain circumstances. We had one gentleman, who we couldn't send to the United Kingdom, because he had to go three times a week to be dealt with. He would have had to be based in the United Kingdom permanently so that he could be treated. But he can be sent to La Linea, to the hospital there, where they can treat him in what he needs, that is kidney dialysis. He is being sent at the moment on a three times a week basis. We are also able to do brain scanning in Malaga. We sent one or two people to have a scan in

Malaga and the visiting consultant from the United Kingdom saw the scan and found that they were absolutely excellent. So that this once again is a facility which we can use within local needs rather than go to the greater expense of sending patients to the UK.

Now in the Health Centre, we have provided less for the cost of drugs for this year, and as the Honourable Financial and Development Secretary promised, I said I would explain how the 20p increase in drugs is worked out. The average cost of a prescription used to be around £3.50, and of that £3.50, £1 was paid by the patient and £2.50 was paid by the Government. Over the last year this average cost has gone up from £3.50 to £4.00, an increase of 50p, and Government felt it would not be unjustified that this increase should be shared between the patient and the Government: the patient paying an extra 20p and the Government paying an extra 30p. I assessed the 20p on £1 as a 20% increase, but had it been 20p on 20p it would have been 100% increase. I think percentages are not always the best way to look at it. The situation is that it is a 20p increase out of a total of 50p. Government has previously taken the major amount of the increase and I think it is only right that the patient should suffer some of the increase himself.

One thing about the cost of drugs this year that we hope to do is to get the doctors and the chemists to start using what are called generic drugs. A generic drug is, for example, there is a drug called paracetamol, which is the same substance as panadol and various other types of names. Panadol costs about £1.00 for 60 tablets, whereas paracetamol costs about £1 for a 1000. They are exactly the same medicine, it is simply that the trade name has in the beginning of the drug been used and now the trade name has fallen into the period that it is no longer a patent in name and this generic drug can be given instead. And it is hoped that the public will accept generic drugs. It may be that you have been used to being given a little yellow tablet and now you will get a white tablet, but it will do just the same amount of good and it will cost considerably less. This is something we hope to start using during this year.

Our surgeons have done excellent work in spite of the great number of extra operations they have had to do due to the incidence of motor cycle accidents, which I am afraid have been going up in Gibraltar very considerable. We have an excellent orthopaedic surgeon and he has done wonderful work.

Departmental earnings have increased over 1984/85, by some £180,000. This year we have estimated the same figure of 85/86, although we are hoping that it will be a greater amount as more persons come to our private corridor from the Costa

lel Sol and make use of our medical facilities. The great influx of EEC persons who were going to flood our medical centre has not materialised, although we do treat any person who falls ill in Gibraltar as an emergency. There was one I saw a couple of weeks ago, a Spaniard was taken ill in Main Street with a heart condition, he was taken to the hospital and after three days, he was taken by ambulance back to Madrid. I am very happy to say that he is much recovered and he has sent us a very nice letter of appreciation for the good services that Gibraltar rendered to him. For a Spaniard, I must say he did well, he said 'long live Gibraltar'.

The question of Spanish pensioners, I think I have explained before. If they have any pension rights for any work done in Spain or elsewhere in the EEC then they cannot claim against Gibraltar. I am afraid I still haven't found out what form 121 is. Perhaps the Honourable Member who shadows me would be good enough to enlighten me sometime. The situation of the costs of the Spanish workers families, who are seen in Spain and who eventually will get their bills sent to the United Kingdom for onward transmission to Gibraltar is something which is very difficult to quantify. I would think they would take eighteen months to two years before the first batch of bills actually comes through, and until that happens, knowing the way the civil service works very quickly in all these things, it is very difficult for us to quantify how much would be the amount that it is going to cost us. It may be that it doesn't cost us anything, it may be that the reciprocal arrangements between Britain and Spain balance each other off, but when that amount does come through, it will show up in the estimate, possibly in 1988/89. I am afraid that it will be envidious to put any amount in at the moment.

The other points that were mentioned by the Honourable Miss Montegriffo, was the question of Hawkers Licenses. They are basically two types of licenses, an A licence and a D licence. I think the A licence carries with it the right to a certain area where you may actually set up and do your hawking of goods. I know a specific problem which she has brought to my attention, and we are looking into it, but I am not sure exactly what is the position with an A licence, whether you can be there on a permanent basis or whether you should be there for certain periods of time and then move off to somewhere else.

HON MISS M I MONTEGRIFFO:

What I was referring to really is this new concept that the Government seems to have now by designating certain areas for competitive tendering.

HON M K FEATHERSTONE:

I haven't seen that the 'A licences' have been put out to competitive tender, I believe.....

HON MISS M I MONTEGRIFFO:

The site.

HON M K FEATHERSTONE:

The site, I don't think they were put to competitive tender, I think they were asked for and they were given to the persons concerned in order of priority.

As I have said before, I think the Medical Services in Gibraltar are exemplary and I think we should be very grateful to all our medical staff and nurses for the high standard which are given.

In answer to the Honourable Mr Perez, the Motor Vehicle Testing Centre was estimated in 1985/86 to give £95,000 collected at the centre and this for 1986/87 has been estimated at £100,000. And this is in respect of driving tests fee, first issue of driving licenses, examination of goods vehicles, public service vehicles, and registration of vehicles. The provision for the Vehicle Testing Centre made in 1986/87 has been offset by a possible reduction in the new motor vehicle registration as there were 244 new private vehicle registrations compared to 900 in 1984.

Also speaking to Mr Perez, the question of the subvention to the Gibraltar Quarry Company, this I think should not be taken as a precedent, but the situation was that the high overheads of the interest on the overdraft were making it impossible for the Quarry Company ever to become viable. It is now hoped with the subvention that the Quarry Company in the ensuing two years will make itself a viable proposition. Thank you.

MR SPEAKER:

We will now have a very short recess for tea.

The House recessed at 5.15 pm.

The House resumed at 5.40 pm.

HON J L BALDACHINO:

Mr Speaker, seeing that the Honourable Member, the Minister for Housing has already exhausted his contribution.

I would be willing to give way if he thinks necessary to ask for anything during my contribution.

The Honourable Member mentioned the allocation of funds for the Rent Tribunal. The impression I got was that the Rent Tribunal had still not been implemented and he still has not given any date for its implementation. Seeing that the Landlord and Tenants Ordinance is now in operation Mr Speaker, and the Rent Tribunal is part of the Landlord and Tenants Ordinance doesn't that contravene the law by not having a Rent Tribunal set up. I think that we should have a date on which the Rent Tribunal will come into existence, as indeed the implementation and the measures that they are going to carry out for the Reserve Fund which is also included in the Landlords and Tenants.

During the year, Mr Speaker, something became a controversial thing, and I am talking about the way that the bedsitters were allocated, and seeing that we have in the Estimates that they are now going to build more bedsitters than before, apart from Knights Court and St John's Court, with a revote from last year. We also have now Alameda House and we wonder what is the policy, Mr Speaker, for bedsitters. Is it going to be the same policy as they used in the Laguna. And I am saying this Mr Speaker, because, during the controversial days of the way the bedsitters were allocated at Laguna, I was quoted in the Chronicle as having said that this was a new Government policy. This was answered by the Honourable Minister by saying that they had done this before with the Prince Edward's Road bedsitters. I then wrote to the Honourable Member, and this was about a year ago, asking him where and by whom it was announced, and I still haven't had an answer even though I wrote him a second letter. I still haven't had an answer. If we take it, like what the Honourable Member has said during a question of mine, that they consider that the Housing Allocation Scheme is sacrosanct except when they use it for things like they did for the Laguna. The Housing Allocation Scheme is a responsibility, if anything has to be changed in that allocation scheme under the Housing (Special Powers) Ordinance, he has to come to this House, because it is the responsibility of this House by resolution. And the Honourable Member can check this if he wants to. But I am not too much worried about that Mr Speaker. The thing is that the Government declared it as historical, even though we were not in agreement, not with what they had done with the bedsitters, but the way they were implemented. But the funny thing about it, that half way, Mr Speaker, they have changed their policy. And I am saying this because people that were supposed to be allocated a bedsitter in Laguna, because they were in the bedsitter housing list, and during this controversial thing and the Government using the bedsitters for something else, they were then, when Tank Ramp remodernisation was carried out, were given a two bed-

room flat. In other words, the musical chairs policy was undermined and also the Housing Waiting List was no longer sacrosanct, even though I understand they had eleven refusals. But if they had eleven refusals, I am sure there were more than eleven people waiting for a two-bedroom flat. I am not in disagreement that they shouldn't have been allocated, but the way the Government implement its policy, it declares its policy and then they do something else, this is the point I am trying to make. If they declare a policy, I think that they should stick to it. And if they don't want to stick to it, at least they should come to this House and say why they are not sticking to that policy.

The Honourable Member mentioned that they are going to spend £1.5m in maintenance I would like the Government to say if any of the money that they have got from selling properties and the sale of Government housing is going to be used for that. Because originally I thought that the idea behind it was that the money was going to be used for building more houses which this Head does not show. Because the difference between one and the other does not show that it is the money that they have recovered from the sale of property and Government Housing does not compare to what they are spending.

Up to the 31st March 1986, the Government have got from these types of sales £942,500, and if you consider what they are going to spend on new buildings, and I am talking about new and not buildings that were there and they are remodernised, I am talking about new projects, they are going to spend, if we consider that they are going to spend the £150,000 on the Laguna, which the Honourable Member mentioned, they are only going to spend £240,000. The difference is great and does not compare to what they say they have. And also, Mr Speaker, the extra storeys at Laguna Estate will not be completed this year, because they have a balance to complete this. Therefore, it is not that we will be getting new houses this year for the extra stories at the Laguna. Also as the Honourable Member mentioned, the 'R', the reserved vote, I understood it that the things that they had on the Estimates, an 'R' was an expectation that they will get ODA money for such a project. I would also like to know, even if they don't get ODA money for such a project, are they really going to use their own funds to finance those projects.

I would also like to know, Mr Speaker, what is the policy of Government on housing, because to me it is still not very clear. The Honourable Member said last year in reply to one of my questions, that to his knowledge, 700 houses were required in order to find a solution to the housing problem in Gibraltar. Now that they have the money, that is not reflected in the project that they want to carry out. I would like to know, if

now that they have the money, why are they not carrying out the policy that the Honourable Member mentioned.

Also, Mr Speaker, the problem buildings, and the Honourable Member mentioned that they were going to build toilets; I would like to know how many of the 788 Government council tenements they intend to fit with bathrooms and toilets.

HON M K FEATHERSTONE:

By problem buildings, we mean buildings like St Jago's, which is an area where sooner or later everybody will be evacuated and the building itself will be dealt with.

HON J L BALDACHINO:

Also Mr Speaker, because it is an important part, I think, of any policy, not being too sure that is the policy of the Government on housing, then one is very limited on how one could put ideas across to the other side. Also the housing scheme, Mr Speaker, we have had no feedback on what they intend to do with the scheme, because it depends on what your policy is, what kind of scheme you have. If we consider that the scheme, the revised scheme of 1980, is under review, and it has been under review for six years now, have the Government got the intention of changing the scheme? And if they have, what is their policy and how are they going to change it and what do they reckon needs any change.

On the whole Mr Speaker, I cannot extend myself a lot on housing, because as I have said before, one has to know what is the policy to give ideas or to give advice to the Government if they want to take it, on which way they ought to go. By how much do they intend to reduce the housing waiting list, one cannot arrive to anything from what the Honourable Member has said or by what is reflected in the Estimates. I think that the Government should consider allocating more money for building more Government housing, because there is a need and a social problem that Gibraltar can ill afford.

HON R MOR:

Mr Speaker, you may recall that last year at budget time I told the House about what a friend of mine had told me just before coming up, and that the first thing he had said to me was that he had just seen Brian Traynor with his hands in his pockets for a change. It was last year. Well quite by coincidence, I met him again this morning, and because I remembered what he had said last year, I asked him: have you seen Brian Traynor this year? And his reply was, 'No, but I have just seen someone who looks like him carrying a massive pile of car seat covers'. We are quite mystified, Mr Speaker, about this

budgetary measure of lowering the duty on car seat covers. We could have perhaps understood that Colonel Gadiffi T-Shirts could have had the duty lowered so that we would have exported his shirts to Spain as they are so overjoyed about him. Any way we carried on talking about the budget and about the Financial and Development Secretary. I do have a lot of respect and admiration for the Honourable Member and I did mention during the course of the conversation that I thought that the Honourable Member was a very clever person. And he said, yes, very clever, but sometimes I get the impression that his brains go to his head.

Anyway Mr Speaker, if I may now refer to the Department of Labour and Social Security. In his 'speechless' intervention, Mr Speaker, the Honourable and Learned the Chief Minister yesterday morning referred to ODA. I can appreciate Mr Speaker, that the question of ODA is a matter of particular concern to the Government and indeed it is a matter of particular concern to the Opposition. What is perhaps relevant to this issue is the question of Spanish pensions. Now I can remember at a meeting of the European Movement, when we had Doctor Peters giving us a very interesting lecture on the EEC, a very agitated or perhaps I should say excited Minister for Economic Development and Trade, the Honourable Mr Adolfo Canepa.

HON A J CANEPA:

I was not excited, why should he say I was excited.

HON R MOR:

That is what it appeared to me.

HON A J CANEPA:

A journalist for AREA said the other day that I was always very 'tranquilo'.

HON R MOR:

Well, like I say it is a matter of opinion.

At the time he expressed his concern that the question of Spanish pensions would influence the amount of ODA funds which would be made available to Gibraltar and that what in effect this would mean is that we the Gibraltarians would end up paying for these pensions. Mr Speaker, what the Honourable Mr Canepa, said at the time, is in fact now a reality.

HON A J CANEPA:

I didn't say we were going to end up paying for it. I refuse to believe that I said that. I didn't say that. That might be your recollection, that is how you wish to construe what I said. I didn't say that the people of Gibraltar were going to end up paying for the pensions.

HON R MOR:

With due respect, Mr Speaker, I remember perfectly that that is what the Honourable Member said.

HON A J CANEPA:

I deny that categorically.

HON R MOR:

The Government has made a bid to ODA for £40m we understand, and as we learned yesterday, £8.4m has been made available, out of which.....

HON A J CANEPA:

What are you talking about. The Honourable Member, Mr Speaker, doesn't know what he is talking about. Has he taken leave of his senses this afternoon? Has something happened to him from last year. He doesn't know what he is talking about. He is uttering utter tripe this afternoon. We did not make a bid for £40m. Where did he get that information from?

HON R MOR:

Right, Mr Speaker, he is utterly correct, the sum of that figure was altered later, but originally it was £40m.

HON A J CANEPA:

We put together a development programme worth nearly £40m. We didn't ask the ODA for £40m. That is a nonsense.

HON R MOR:

£8.4m has been made available, out of which £2.4m is for GSL. That I understand is what you said yesterday. And of course, Mr Speaker, as we know £16.5m has been made available by the British Government to meet the cost of the Spanish pensions. And this was thought to be a particularly satisfactory deal by the Government of Gibraltar. It is quite obvious, Mr Speaker, that the way the British Government will look at this, is that

£16½m and £8.4m, that would be £24.9m, and that that together with the amount already spent on the commercialisation of the Dockyard is more than ample for Gibraltar. Yes, Mr Speaker, £6m would be available to us for investment in Gibraltar and for development, and it would, therefore, be of interest to this side of the House to learn what the Government intends to do about it. The only other point that I would like to raise on the Department of Labour and Social Security is that this side of the House would like an idea of the amount of administrative expense that is being currently put up by the Government to meet the payment of Spanish pensions.

If I may now go to Education. The Minister for Education has given us a good picture of the performance that has been undertaken lately by the Education Department, and comments will be made in due course of that, but there is the question of the scholarships. The Government still intends to award 45 scholarships this year, and as you know, Mr Speaker, as I have made clear in this House on previous occasions, the question of scholarships is of particular concern to this side of the House. In the estimates presented before us, there is of course no indication of an improvement in the awards of scholarships. The Government is still adamant in maintaining the pointage system. Now, what we feel is basically wrong with the system is that the acceptance of a candidate at a University should be a matter of criteria to the University concerned to set this standard of entry or acceptance, and we feel that it should not be the Government of Gibraltar who should do this through the point system. Mr Speaker, I think there is a contradiction in Government policy on education: on the one hand, they accept the comprehensive system as opposed to the old 11+ system. Why? Because, quite obviously the comprehensive system allows a better opportunity for students to make the most of the educational services. The comprehensive system does not allow for the condemnation of students at any age which is what happened with the 11+ system. The 11+ system as we all know, used to condemn children at the age of 11 and what it achieved was that they practically acted as a factory machine which seemed to wish to eliminate the rejects of society. In other words, Mr Speaker, at the ripe old age of 11, the powers that be decided on whether a child was going to be a success or fit for further education in later life or not.

So what is the position now, Mr Speaker. The position is that the Government of Gibraltar does not now condemn children at 11 but it does so at 17. With the pointage system the Government is in fact inflicting the same damage to the students potential and opportunity as the 11+ used to do. I, therefore, feel Mr Speaker, that having the comprehensive system and at the same time having the present scholarship awards pointage system is contradictory. And what I feel is that the Appropriation

Bill should reflect an increase on the money needed for scholarships, so as to enable every student who can obtain a place at a University because of his qualifications, to be granted a scholarship.

If I may refer to the presentation of the expenses of the Education Department, Mr Speaker, it is not very clear, as regards the expenses in connection with the College of Further Education, what we would like to see in future is having the College of Further Education put separately in the accounts so that we can then monitor whether the expenses are higher or lower. As it is at the moment, there is no way of telling whether it was better or it was cheaper when it was being run by the Royal Navy or whether it is cheaper now. I also understand, and this follows from the questions which were asked some time ago in the House, that part of the buildings which are within the complex of the College of Further Education are in a very bad state of disrepair, and there is nothing showing in the accounts for this year which indicates that this will be put right. I think that completes my contribution. Thank you.

MR SPEAKER:

I think that this will be a proper time to recess. The Honourable Dr Valarino is going to have a five minute contribution.

HON DR R G VALARINO:

Mr Speaker, Members will have noticed from the Employment Survey Report for October 1985, which I tabled at an earlier stage in the proceedings, the total number of persons in employment rose from 11,115 in October 1984 to 11,626 in October 1985, ie an increase of 511. The main employment trends shown by the Report are that employment in the Commercial Shiprepair Yard has increased by some 150 between April and October 1985. The employment in the Private Sector as a whole rose by about 350 since April 1985. It is estimated in the Report that between 350 and 450 Private Sector jobs are being created excluding those in the Shiprepair Yard between October 1984 and October 1985. Even more encouraging are the results shown on the return of Insurance Cards at the end of 1985, which gives a more accurate picture of persons in insurable employment. The figure for the end of 1985 and there are still a number of cards which have to be returned, in fact which have not been returned, is 12,533 as against 11,794, at the end of 1984, ie an increase of 739. In my view, the most significant increases have been in the retail trade, 112, and in the field of banking, insurance legal and accounting etc, plus 99, when many of the new jobs will have been filled by Gibraltarians. In any event an increase of 739 jobs is a clear

sign of the rising trends in the economic activity in Gibraltar.

I would like to say that similarly in the return of employment cards, employees in hotels, restaurants and cafes have increased by 151, but the majority of these will not be Gibraltarians; I suppose the ones which I have already stated.

Now the frontier opening and the accession of Spain to the European Community has added considerably to the workload of the Department. The resumption of payment of pensions to the Spanish pensioners has more than doubled the number of payments made by the Department, and it has been necessary to introduce new procedures to deal with questions such as family allowances, unemployment benefits, medical benefits, etc, for frontier workers. This has involved the employment of additional staff. I am pleased to say that the Department is coping adequately with the extra burden, due, in no small measure, to the enthusiasm and cooperation shown by the staff in meeting this new challenge. Now, here, in answer to a question from the Honourable Mr Mor, I would like to say that I cannot at this moment quantify precisely the cost to the department of dealing with enquiries, applications and payment of pensions, but I will let the Honourable Gentleman know the figure as soon as possible. The Inspectorate Section is kept particularly busy by the influx of frontier workers. Over thirty cases of illegal employment have been detected and reported to the Attorney General's Chambers since September 1985, and an even larger number of cases, whose employers have not been established in Gibraltar, have been reported to the Immigration authorities for appropriate action. There have been sixteen convictions and corresponding fines in the Magistrates Court on cases of illegal labour.

It is proposed to acquire a micro-computer during the course of the coming year which will enable the Department to improve its labour records and maintain up-to-date and more detailed information in this respect. In the longer term it is hoped to computerise the Social Security records by making use of the Government's main computer as soon as priorities permit. Both these measures should go a long way towards improving the efficiency of the Department. Members will have noted that the scheme for granting credits to the over-60's has recently been publicised in the press and on television. This publicity has been designed to elicit a more positive response from the public to enable the Department to re-assess the scheme and consider whether any improvements can be introduced.

As far as training is concerned, it is proposed to continue with the Youth Training Scheme which comprises a one-year course of basic skills in the Construction Industry. However, before

deciding whether the accelerated course for craftsmen and employer-based scheme should be continued next year in the present form, I have asked the Youth Employment and Welfare Council to carry out an in-depth study of training needs, and I am expecting a report with the recommendations shortly. Once the report is received, and before any final decisions are taken, I also propose to seek the views of the Industrial Training Board, which has recently been reconstituted with a new Chairman, which has not yet met pending the receipt of the report by the Youth Employment and Welfare Council.

Finally, Mr Speaker, as I mentioned at the last meeting, the representations recently made in respect of one-parent families are currently under consideration by the Department and I hope to be in a position to report back to the House on this matter at its next meeting.

Thank you Sir,

MR SPEAKER:

We will now recess until Monday morning at 10.30 am.

The House recessed at 6.10 pm.

MONDAY THE 21ST APRIL, 1986

The House resumed at 10.40 am.

MR SPEAKER:

I will remind the House that we are still in the Second Reading of the Appropriation Bill and I will invite any contributor to have his say.

HON J B PEREZ:

I would like, Mr Speaker, to deal mainly with those departments for which I am responsible, and in doing so I will try and outline the work that each department has carried out throughout the last year, and also the work which will be carried out in the following year in connection with the Appropriation Bill before the House. At the same time during my contribution I will, of course deal with a number of points which have in fact been raised by the Members opposite, in particular the points raised by the Honourable Mr Juan Carlos Perez who is the spokesman on behalf of the GSLP for Government Services.

Mr Speaker, the departments which I am responsible for are the Prison, the City Fire Brigade, the Electricity Department and the Telephone Department.

As far as the Prison and the City Fire Brigade are concerned, these are departments which have been working extremely well throughout the year. They are departments which I think really work behind the scenes and really provide an essential service to the community, and it is only when something in fact drastic happens, that people become more aware of the importance of these departments. I say that in particular of the excellent work carried out by the City Fire Brigade following the collapse of the wall in Cooperage Lane. It is unfortunately when these incidents happen in Gibraltar that you see the performance of these particular departments. The Honourable Mr Perez asked whether we were contemplating purchasing a rapid intervention vessel in connection with the City Fire Brigade. Well I am sure the Honourable Member will see that the Government policy is to continue to provide the service of the City Fire Brigade. You can see that in the Estimates of Expenditure for the year 86/87. But it is also the Government's policy to strengthen the service that the City Fire Brigade provides. You will see in the item of Special Expenditure that we are spending quite a large sum of money in connection with equipment for the City Fire Brigade for the year 86/87. Now the question of the rapid intervention vessel is something, Mr Speaker, that one has to consider very carefully, because you have to consider whether something is essential, desirable, or whether it is a nice thing to have. It is not just a question of the capital cost of a rapid intervention vessel. Let me say, Mr Speaker, straight away, that we are talking about the sum of about £50,000. This is what a good rapid intervention vessel costs. You can't just buy any old type of vessel which you are going to use for the City Fire Brigade. But it is not just the capital expenditure, we have to consider the expense of maintenance. We know from the Police how much it costs to maintain a vessel. And also of course, one has to consider manpower, because I think that if you have a rapid intervention vessel, you may have to set up a marine section. You may require or necessitate the employment of further people. But let me assure the House that the Government is not standing idle on this. We have a very straightforward policy on this matter, which we intend to carry out during a period of time. Primarily, what we intend to do first of all is to consider the shore to ship approach, because my information is that most fires aboard vessels should, in fact, be fought primarily from land. This is the information that I have. For example, if you have a fire in the North Mole, the fire would of course be tackled from land. In the Detached Mole, similar cases apply. And in connection with the Marinas, let me add that our policy has always been on fire prevention. The City Fire Brigade would advise Marina owners of certain appliances that they ought to have available. But of course, one is conscious of the fact that a rapid intervention vessel will have to be purchased sooner or later. The thing is one has to await, look at the thing properly, set it

all out and yes, with the Marinas being set up in Gibraltar with the different developments, a rapid intervention vessel will obviously have to be purchased. Now whether it is purchased during this financial year or the next is another matter, but of course, the Government has already looked at this and has already set a target of things it wants to do for the Brigade.

Coming to the Prison, I said in answer to a question in this same meeting of the House, that we are in fact considering the resiting of the Prison. The idea being that the Moorish Castle would be a welcome site, by I am sure the Minister of Tourism, because I think it would be an added attraction for our tourists, not only to see St Michael's Cave and the Upper Galleries, but to have the Moorish Castle available. But again this is a matter which would involve considerable capital expenditure and the matter is only at present at the drawing board stage.

On the Electricity Department, Mr Speaker, I would like to first of all give the information requested by the Honourable Member opposite, and that was in connection with the ancillary services. He asked whether the wages of these employees came under Sub-head 2 solely, or whether they also came under Subhead 6. Well, the answer is that they come under both. They come under Sub-head 2 which goes on to the King's Bastion, and Subhead 6 which is the vote for Waterport. The breakdown requested by the Honourable Member is as follows: Perhaps I ought to say, Mr Speaker, first of all that the ancillary services works to both stations, but that the bulk of the skilled employees are in fact based in King's Bastion. I am of course referring to the painters, carpenters and masons. Now, those based at King's Bastion, are seventeen in number. We have budgetted under Subhead 2 a total sum of £100,000, and for Waterport, where we have mainly the non-skilled, we have seven in number and we have budgetted for £40,000. That is the breakdown on both subheads requested by the Honourable Member.

HON J C PEREZ:

If the Hon Member would give way. The point that was made was that the cost should perhaps have been shown equally on both, rather than where the men were stationed, because you yourself have said that, although there are seventeen in King's Bastion that doesn't mean that the seventeen are employed fully in King's Bastion.

HON J B PEREZ:

Yes, that is precisely correct. The point is taken, Mr Speaker, it is just that the answer I have given is really in connection with a question that the Honourable Member put, but that is the

way it has been done for years, except that of course, Waterport has only been in existence for the last two years. Yes the point is taken, perhaps we ought to consider in future years whether in fact one may be able to strike a better balance. The bulk of the sum is put under Subhead 2 precisely because the workshops are in fact in King's Bastion.

Now coming to the Electricity Department on which I am, I would like to deal with a number of policy matters, which are primarily aimed at looking at the present and the future needs of the consumer. This applies not only, Mr Speaker, in technical matters, but also in connection when finance is in fact considered. I will refer primarily to the FCA the fuel cost adjustment legislation. Now the Government's policy, Mr Speaker, through this legislation is aimed at recuperating from consumers the fuel related cost of production. With regard to fuel prices it follows that flexibility is required in our tariff to accommodate changes in fuel prices which of course depend on market conditions. In fact, in the last twelve months the surcharge has decreased by about 2p per unit resulting in a cost reduction of about £5 per month to the average family. If we did not have the FCA legislation, which I say is a Government policy, then of course, what would have happened is quite simply that we would all have had to pay an extra £5 a month in connection with our electricity bills. I can also tell the House, Mr Speaker, that the total amount which the Government have in fact passed to consumers, is £665,000. Of this sum, £300,000 is in respect of domestic consumers, the balance of £365,000 has been passed on to those which are commercial and industrial.

Now let me again reply to the question put by the Honourable Member opposite, and that is, that the answer I gave to him during this meeting of the House was in fact correct. The correct one is the answer I gave, the figures appearing in the Revised Estimates are in fact incorrect. The reason for that is quite simply that departments are asked to submit any variations during the year, the Electricity Department submitted one in November, it submitted one in February, but of course there wasn't enough time to change the Revised Estimates. But the answer I gave, is in fact the correct one.

The other point I ask the House to note, Mr Speaker, is that it is expected that the fuel prices will in fact drop further in the next few months. That is the forecast that we have at present. Now the other point that I wish to make quite clearly, is that it is in fact extremely difficult to be able to reduce the cost of electricity in Gibraltar. Primarily for two reasons, the main cost are borne by wages and the second element is the question of the cost of fuel. The only way one can do that, which is not Government policy, is by further contributions from the Consolidated Fund. Personally I would love to be able to say

to the House that, yes, in the foreseeable future the cost of electricity will come down for the consumer but that simply cannot be the case, unless as I say, the only way out is to have a further contribution to the Consolidated Fund. Because for simple reasons, if you have a shift, if you look at the employment side, if you have a shift for four or five men, the fact is that you cannot cut down further to what the present complement of the shift is. So even if you have in certain sectors of the Electricity Department where there could be a natural wastage or redundancies or what have you, the cost to the consumer of the electricity would be nominal. It is only really the cost of fuel that could have a very strong varying on the cost of electricity to Gibraltarians.

Another point of the Department which ought to be borne in mind is that we recently purchased a third generator set for Waterport Station, another five megawatts engine, at a total cost of around £3m. This engine, Mr Speaker, has now successfully completed its trial run at the manufacturers works and is currently awaiting shipment. In fact, I am informed that the engine is due to arrive in Gibraltar at the end of this month and I would hope that it would be fully operational to cope with the ever increasing load expected in the coming winter months.

Once again, Mr Speaker, this is a partial fulfilment of the policy of gradually reducing generation at King's Bastion, which is in the centre of the city, and centralising all plants at Waterport. The aim behind this is of course to provide up-to-date facilities for meeting increased demand for electric energy whilst at the same time providing a healthier environment in our city leading in due course to the release of a prime site for development. It is also the Government's intention to continue with this policy, and I have already stated publicly that it is our intention to purchase a fourth generating set for Waterport. The purchase of this set is a matter which is still under consideration.

Mr Speaker, the frontier has now been opened for a full year, and without allowing for differences in the weather over the two previous winters, sales of energy have actually increased by a figure in the order of 4%. Since this last winter, the first with a fully opened frontier had less severe extremes in temperature, I feel that the real increase is well in excess of the 4% recorded. For this reason also the increased economic activity was not reflected in a higher peak demand, but the full effect would be apparent once the many development projects at present either under construction or at a planning stage are completed and connected to the system. Then, and only then, would the full impact of this activity be reflected on power demand, and as I have already said the

object of all forward planning is to cope with the situation for the benefit of all consumers and of course to the economy as a whole.

the
Mr Speaker, coming now to the four Departments for which I am responsible, the Telephone Department. This Financial Year, 85/86, has proved to be a highly successful one for the department. The estimated deficit of £427,100 has been reduced to £166,000 during this last year, and as you have heard the Financial and Development Secretary say in his contribution on the Finance Bill, it is expected that the fund will be in surplus by the end of this forthcoming Financial Year. I think the Department has laid the foundations as far as Telecommunications is concerned, because I feel that it is an area of growth and it is an area which plays an important part in an expanding economy like ours. Amongst the major achievements of the Telephone Department last year was the successful renegotiation of international rates with Cable and Wireless for a higher share of the incoming traffic. The negotiations which commenced in December 1984, were finally settled in May of 1985, and were in fact back-dated to the 1st January 1985. Negotiations with the Spanish Telephone Company 'Telefonica' on the apportionment of shares were also held during the course of the year, both in Gibraltar and in Madrid. The agreement which was established on a 'sender keep' basis conformed to CCIPP recommendations and was concluded successfully in March of 1986. The Department was, therefore, able to maintain the reduced charges for direct dialling calls to Spain as envisaged in 1982.

A major part of the year was spent on the evaluation of proposals submitted by both Cable and Wireless and British Telecom for the involvement in Gibraltar's International Telecommunications Services when the Cable and Wireless franchise terminates at the end of 1987. Intensive discussions were held with Cable and Wireless and British Telecom, both here in Gibraltar and London. Both proposals have now been evaluated and the matter is shortly to be considered by Council of Ministers for a decision. Let me assure the House, Mr Speaker, of two things. First of all that the interest of the present employees of Cable and Wireless will be fully protected, and, secondly, that there will be full consultation with all concerned.

During the course of the year, Mr Speaker, the department's operating switchboard came under stress due to a 40% increase in manual operator traffic which occurred on the opening of the border. The department was able to recruit two temporary operators who helped out over the peak period when serious difficulties were being encountered. As soon as it was known that there would be a three month's delay in the connection of the land line with Spain, the department, in close co-

operation with Cable and Wireless, was able to provide direct dialling facilities with Spain, using the satellite route to Spain via London. Eight circuits were opened exclusively on this route and arrangements have been made to transfer these normal outgoing routes as soon as possible. The department was also able to finalise the land connection with Spain for direct dialling, and the service was opened on the 23 March under live field trial conditions. No technical problem have been encountered and it is expected that the service will be inaugurated officially in the not too distant future.

This leaves me, Mr Speaker, to now deal with the points made by the Honourable J C Perez, in which he said that his party was opposed to the arrangements for direct dialling with Spain. I think, Mr Speaker, that this is regrettable of the stand which has been taken, because quite honestly, Mr Speaker, it shows a complete and total lack of knowledge and understanding by the Honourable Member opposite of how in fact international telephone communications really work. If not, if he knows how it works, then I can only describe his attitude as an irresponsible one. I will give him the benefit of the doubt and go to the former. His comparison with the airfield I think is ridiculous and absurd to say the least. I think, Mr Speaker, we all know that the policy of this Government is very clear. We are very clear on the matter, and that is that Gibraltar should not be dependent on Spain for our essential services, be it electricity, be it water, or be it international telephone communications. The policy is quite clear. Now let me assure the Honourable Member, and Members opposite, that the arrangements for direct dialling with Spain in no way, in no way, does it affect the policy which I have just outlined, which has been the Government policy for years. This has not changed and has not been affected in any way. Let me say, Mr Speaker, that Gibraltar is not in any way dependent on Spain for its international telephone communications. In this sense, Gibraltar is not considered as an extension of the Spanish network, either by Spain or by other countries, and that is quite clear, Mr Speaker. You cannot call the United Kingdom via Spain. Neither can a Spanish national phone the United Kingdom via Gibraltar. Gibraltar has its own international country code, 350, which not only appears in telephone directories around the world, but is the recognized code by also administrations, including Spain. Even in neighbouring Spain, our international country code is 7. The only difference is that calls from Spain to Gibraltar and Gibraltar to Spain are made via a land line and not via satellite, although nothing prevents us or the Spaniards from doing so. You can phone Spain via the satellite and pay 70p a minute if you so wish, that is quite clear. Furthermore, Spain itself considers calls to Gibraltar as international calls and vice versa. In fact, both administrations, both the Gibraltar administration and Telefonica monitor all these calls for

accounting purposes. Furthermore, each administration, both Telefonica and Gibraltar, is free to charge its own subscriber whatever it wants for those calls. Spain leases Gibraltar's national circuit and Gibraltar leases Spain's national circuit, either way. In introducing direct dialling with Spain, Mr Speaker, there were two options, one via satellite, which is what was done in December of last year, the second option was via landline. Via satellite means that a call would have to go from Gibraltar to London, London Madrid - and if you were phoning La Linea then it would go to La Linea. And what happens there.....

HON J BOSSANO:

We are not questioning the desirability of using the landline as opposed to using the satellite, we are questioning the desirability of using the national code. Is he saying that on the landline you cannot use the national code, is that what he is saying?

HON J B PEREZ:

What I am saying, Mr Speaker, is the policy is quite clear. We do not wish to be dependent on Spain for any of our services. The points made by the Honourable Mr Perez in his contribution, because he referred to the airfield, not me.....

HON J BOSSANO:

But Mr Speaker, I am asking the Honourable Member a question.

HON J B PEREZ:

Yes, I am answering the question. What I am saying is, we are not in any way dependent on Spain for international telecommunications. The arrangement made, even by Spain, they don't consider in the international sense, Gibraltar as part of the Spanish network, so why should the Opposition say so. Even Spain don't say that. We have our own international country code, 350.

HON J BOSSANO:

Is the Honourable Member saying that the international country code of 350 can be used on the landline?

HON J B PEREZ:

No, not on the landline, of course you cannot use it on the landline. What I am saying to the Hon Member is to explain why we are not in any way dependent on Spain, is that if any

person wishes to phone Spain he has an option: he can either go via satellite and pay 70p a minute, or go via the landline and pay 20p, to phone Spain. What you cannot do, this is why we are not dependent, is that to phone the UK, you cannot phone through the landline with Spain, you phone direct by satellite. So in no way can Gibraltar be dependent on Spain. That is the point I wish to make and the point made by the Honourable Member opposite was to try and pretend that we were dependent of Spain, and I am saying quite clearly, we are not.

Now, coming back to the question of the satellite, I said if you wanted to phone La Linea, it would be Gibraltar/London, London/Madrid, Madrid/La Linea, and there are four people who participate in the collection of fees: the Gibraltar administration, Cable and Wireless, British Telecom and Telefonica. So the payment is divided between four. Via the landline, it is just an arrangement and a collection between the Gibraltar Administration and Telefonica. Now, why was Cadiz chosen, well quite simply it was chosen because of proximity. That is all. But Gibraltar continues to have even via the landline, its own country code, which is 7. And as I said calls made from Gibraltar to Spain are considered as international calls by Telefonica and vice versa.

I think, Mr Speaker, what has been done is the normal, logical and the most internationally accepted arrangement that was available. It is covered completely by international regulations, namely the CCIPP. Again I reiterate that the Gibraltar Administration is paying for all such calls and vice versa. The arrangement conforms 100% with all international regulations and is similar to other countries having a common frontier and using a landline, namely between towns in Italy and Switzerland and Spain and Portugal. So what we are doing is what everybody else has been doing for years, without in any way making ourselves dependent on Spain. I don't see why the Hon Member is laughing. I am giving them the benefit of the doubt that they didn't know this before the Honourable Mr Perez made his assumptions, and if they are going to laugh, I think perhaps I am wasting my time. I am trying to explain and to at least satisfy them that Mr Perez is wrong in what he says. Let me say, Mr Speaker, that we are considering, and we hope to do so, the same arrangements with Morocco in the near future. It makes sense for all concerned.

Mr Speaker, the department also faced during the year an increase in the number of connections and installations of sophisticated apparatus for the business community. The three technical sections have been under pressure throughout the Financial Year and this is expected to continue into the current year. The external plant network which consists of the installation and cable sections were extremely busy. The installation section was moved to refurbished accommodation at Town Range and the

depot is now able to cater more adequately for the departmental training needs and at the same time offer better accommodation to the staff who have been under very poor and cramped conditions at the old depot in Line Wall Road for many years. The installation section was responsible for the connection of 534 new telephones. They performed 402 new works and completed 864 wirings during the course of the year. Other miscellaneous work, such as the net connection of 24 telex machines, internal alterations, etc, were in fact carried out. The waiting list at the end of the year stood at 357, showing an increase of 123% over the previous year, and clearly reflects the very very high application rate for the year of 740 applications.

And now I come to another point raised by the Honourable Member opposite, in which he said that he had received a number of complaints of delays in the installation of telephones. Well let me assure the Member that I get the complaints as well, but it is something that of course, because of the number of applications coming in the department at the moment has been unable to instal at a faster rate. That is quite clear. And in fact the department is now having to look at the whole question of staffing needs. But let me in answer to the Honourable Member, because he said, 'and therefore I cannot understand how it is that the Government rejected a productivity scheme put forward by the men'. Well my information is, Mr Speaker, that the men didn't really put in for a productivity scheme. What the men asked was for a lead-in payment. There is no question of the men asking, as my understanding goes, they didn't ask for a productivity scheme, they wanted productivity and a lead-in payment. But let me tell the Honourable Member that this matter is being looked at because of course it is also in the department's interest to try and instal as many telephones as possible because it is good for the economy. But I am also informed that the department in the past, or a number of years ago, in fact had a so called productivity scheme which unfortunately didn't work. That is what I am told. And the way we have done it this year, it is not just the case of the men just finishing at 5 o'clock and thats it, we have done it by way of overtime, because I am sure the Honourable Member will understand that you can do it in one of three ways. Either you increase staff, you give overtime, or you work out a productivity scheme with the men. What we opted for last year was the question of overtime. As far as I am concerned, I think the performance of the men has been good with the overtime, it has worked well. The number of phones connected and the work done has been quite good. But as I say, due to the number of applications that we are having and due to the increase in workload, what we are now looking at is whether it is preferable to look at the productivity scheme. The department is definately not lying idle on that, because we see

the work that comes in and of course it is in the interest of all of us to provide as good a service as we can.

Mr Speaker, the installation section also completed new installations for the special services section. The cable section concentrated its effort to effect an improvement in the underground and distribution section and a start was made to renew the distribution side of the network, which needs a lot of work doing. The Catalan Bay area, was completely reorganised and the new distribution cables were laid to allow for the transfer of these circuits to a more reliable cable. Work also commenced on the Humphreys Estate area and it is expected that work will intensify during the course of this Financial Year, which we have budgetted money for. The Special Services Section was also very busy with the connection of apparatus for the business community. A total of sixteen medium to large PABX's were installed and 37 smaller ones. Over sixty micro-processor control payphones were installed. Other work involved the connection of answering and recording machines, internal extensions and upgrading of the GSL installations by 64 extensions. The Main Exchange Section was working almost throughout the year at full stretch. Provision was made to the connection of reuter services and this new service is now available in Gibraltar. The exchange team was busy with the provisioning of satellite and cable routes into and from Spain and was responsible for opening the new satellite circuit to the United States and Canada. The department is now set for the improvement and expansion of the local network and is looking into the provision of new telecommunication services which will be demanded by the business community in the near future. Amongst the new services being looked into are package switching, mobile radio and automaticThese facilities are being seen in line with the development of Gibraltar's requirements for the successful running of the Finance Centre activities.

Finally Mr Speaker, let me say that the preparation for the replacement of the 1982 Telephone Directory have been made. The idea is that we are putting the printing and the publishing out to tender and I sincerely hope that we will have a new directory before the end of the year.

On a final note Mr Speaker, I would like to record the help and the work carried out by the Senior Management of the Telephone Department, and the work and help given to the Department by the Financial and Development Secretary and his staff during the negotiations we have had during the last year with both Cable and Wireless, British Telecom and of course Telefonica.

MR SPEAKER:

Are there any other contributors?

HON J BOSSANO:

Mr Speaker, if nobody else from the Government is going to speak then I will sum up for the Opposition.

MR SPEAKER:

There is only the Honourable Leader of the Opposition and Mr Pilcher, is that right, who are entitled to speak for the Opposition on the Appropriation Bill.

HON H J ZAMMITT:

Mr Speaker, Sir, I am of course going to speak about the Tourist Department, and it is at this time of the year that one is able to attempt to inform the House of the achievements or otherwise of one's department. It is, I think, appropriate to commence by saying that the betterment in the Gibraltar economy that one has seen this year is without doubt as a result of the tourist impetus mainly that has contributed to an improved financial situation. I do not wish to be contentious, Mr Speaker, but I think, that it may be appropriate to inform the House generally that the value of tourism must not and should not be underestimated, and it is at this time of year that I was reminded by the Honourable Leader of the Opposition - I think it was in October of 1984 - when he did not show much faith or belief in tourism, that he in fact asked me to return to the House and give some statistics of the possible value of tourism. In fact, quoting the Honourable Mr Bossano on pages 75/76 of Hansard of the 30th October 1984, Mr Bossano said, and I quote: 'in the long term Mr Speaker, perhaps tourism will produce, but not only do we not have no guarantee of that at all, the figures that we have had since 1972 onwards, do not show that this will be the case'. He went on to say that this was why they abstained on the actual figure. But then at the end, Mr Speaker, Mr Bossano again said: 'that the Minister for Tourism has to accept that this is the case, unless he prove it otherwise at the next budget or when he produces analysis and the statistics for the Tourist Report of 1985'. Well, Mr Speaker after over one year of a full opening of the frontier, we see, as mentioned by the Financial and Development Secretary in the Finance Bill, that tourism has injected something like £20m into our economy. And this compares very favourably to the £11m or £12m that was previously obtained from the tourist product. I would like to commence at this stage, Mr Speaker, by saying that I am not totally satisfied that our product in Gibraltar is far from being correct, and therefore, one of the things that we have to do in the future is to ensure that our product receives what

it deserves. There are very good established facts that substantiate a further encouragement to everyone in the tourist trade to improve that product and to offer the service that we have been called upon today to do. We have, Mr. Speaker, we know since the frontier opened, we have received almost 3 million excursionists. A figure which I think was very much questioned at the time, particularly by the Opposition, but of course we did have in fairness to them advance information that that was the kind of figure that we could derive from the southern part of Spain. I think I should also mention that the Spaniards themselves accept today quite openly that Gibraltar is an asset to the tourist potential of southern Spain. And this I think is being seen today.

Mr Speaker, I do not want to be repetitive, but we do know that since the CSLP came into the House in 1984 they have not shown much credence to the establishment of tourism. The previous opposition, and in fact the IWPB, had their economy based on MOD spend, did in fact have some belief that tourism had some potential. I think it has been established, certainly since 1972, that tourism has contributed a trickle towards our economy, and I think quite honestly, that I would not be exaggerating to suggest that, possibly, in the long run, tourism could well be the main pillar of our economy. And I am saying that, Mr Speaker, because despite the fact that Gibraltar could do well, I have, and certain other people have, certain qualms about it. But tourism is here to stay, and of course, something was mentioned in this meeting, Mr Speaker, of our third pillar of our economy, the Finance Centre.

Mr Speaker, it seemed as if the Finance Centre, had grown over the last month or established over the 9 months. I think it's true to say that it certainly developed very much over the last 9 months or a year. But the Finance Centre policy of the AACR Government has been very much in the fore. It goes all the way back to I think the Exchange Control Regulations, which go back very many years, and it was always something that we did have as a pillar of our economy, if not the substantial pillar. But I would say one thing, Mr Speaker, that a Finance Centre, as good as it may be, and no doubt it is, is something which we do not have total control over. Something can happen in the next fifteen or twenty years. For example a monetary arrangement with the EEC and, therefore, possibly the Finance Centre would die. But the economy, and the industry, we certainly have control over that and what we can certainly enlarge upon is, and must be accepted and acknowledged, tourism. It is today, Mr Speaker, the world's second major economy. And even the first economy, which was fuel, we have seen in the last few weeks how that has been affected through outside powers. Tourism is something which we must not ever forget we can totally take advantage of because we

have a tremendous geographical position that we can take advantage of in its totality.

Mr Speaker, the potential today of Gibraltar as a tourist resort is as it has never been before. We have the large tour operators which previously did not want to know us, now showing tremendous interest in the two and three-centre holidays that Gibraltar can offer. We see this, Mr Speaker, in what has occurred in the hotel occupancy figures and we know that even the figures that we are presented with are not entirely - although I am not saying they are not correct - they are not entirely satisfactory. For instance you find 51% occupancy figures. Well that should be bed occupancy which includes room occupancy. But of course it could mean that an awful lot of the hotel rooms that we have in Gibraltar, a great majority of them are in fact, double rooms or twin rooms, and when of course there is one individual occupying one bed in that room then of course that room could not be let out - or shall I say should not be let out - to another unknown person. So, therefore, it inhibits the sale of further beds.

Mr Speaker, we have also seen the tremendous improvement in air communications. We will in summer be having something like 16 flights from Gatwick, and may I say, it is expected that this might well be increased. We have as from the 2 May two more additional schedule flights coming from Manchester, and of course we have the two MOD flights coming from Luton. So at this stage we will be having something like 20 flights coming in scheduled per week. It is of course an accepted fact, Mr Speaker, that a tremendous amount of the seat occupancy on aircraft is being taken up by people using Gibraltar as a transit airport, and does not contribute directly to the hotel occupancy. And it is one fear that I certainly have, because even to this day, with the increased amount of flights, there is still difficulty in obtaining a seat to come to Gibraltar, particularly by the tour operators. Again it has its logic, the hotels find it much more viable to be able to offer a walk-in rate as to a contractual rate with the tour operators. I think we will probably find that the two scheduled flights from Manchester, which incidentally are already totally booked for the ensuing months ahead, there is a great possibility that that route could well be increased to a third flight as opposed to two flights.

It was sad, Mr Speaker, that we lost the ferry boat that went to Tangier, particularly because we had spent an awful lot of money in advertising this in our brochure which of course today has to be rectified. It has as Members know, been substituted by a fast jet catamaran, but of course it does not offer a car ferry service.

Mr Speaker, my mission is to talk about the future, and in particular, may I remind the House, that I have to talk about

the very much advanced future and not just of 1986, but should I say 1987, because the planning of tourism obviously takes a year to permeate and get results. So whatever our estimates account for in this year, of course is really geared at obtaining results in 1987. In fact after the budget of 1987 we will see the result of this.

Mr Speaker, we have for the past two years, and indeed we intend this year, to once again attend the World Travel Market in London. We are supported very gratefully by all the tour operators, travel agents, coach operators and every association within the tourist trade that make their presence there. We have as you know, Mr Speaker, attended FITUR in Madrid on two occasions, and again we consider that very important because of course the attendance there on an international basis and in particular the Spanish tour operators is of course very attractive to us, and has already produced satisfactory results. We are of course placing particular emphasis in Trade Fairs throughout the United Kingdom and of course we will be attending a number of Trade Fairs, such as Hostel Sur in Jerez or anything taking part in Costa del Sol that we can of course take advantage of. We hope to attend, and we will of course give particular impetus once again to Morocco.

We have been able, Mr Speaker, over the last year to have made great contact with the Royal British Legion in Great Britain, which has something like 4½ million members, and in conjunction with the tour operators, it appears that we will be able to secure a weekly flight to Gibraltar by this association. Indeed there is an annual conference in Blackpool that is being held in May and I have been invited to attend to try and encourage them all to come over and take part in this thing.

Mr Speaker, I mentioned earlier on the question of the product which requires particular impetus and although there are certain things mentioned in my Estimates towards that improvement, I would of course, in anticipation to my Honourable colleague the Minister of Public Works, Major Dellipiani, mention that Government has made substantial provisions in the Public Works Department for the improvement of very many items, which at the end of the day of course improve Gibraltar, and also the tourist product. I refer to the items of highway and more staff for cleaning and public toilets, upkeep of buildings, beautification and upkeep of gardens and of course our beaches which will be opened up for longer than they have been in the past so as to accommodate the tourist influx.

We have recently, Mr Speaker, just been able to conclude a staff inspection, and, therefore, my department now will in the next few weeks I hope be totally staffed and, therefore, hopefully be able to render a much more efficient service. I should

mention also, Mr Speaker, that as a result of the various attempts at the attendance of the Trade Fairs we have mentioned that already we have a two-centre working from Canada which is very encouraging. They are coming about twice a month and using Gibraltar as a two-centre holiday.

We had, as members no doubt may have heard, an extremely good coverage in Britain last month on a programme called BBC Holiday 1986, in which Gibraltar was portrayed, possibly for the first time ever, as a tourist resort. This is a programme which I am told is available to about 30 million British viewers and we had extremely good coverage there Mr Speaker.

We are also making attempts to get into the Conference Market, although to this day we have not as yet conference facilities. But in conjunction with the development of Queensway and other major projects we are beginning to inform people that we will in the future be able to afford conference facilities, which is a market of particular interest to us, because they invariably take place during the shoulder months.

Mr Speaker, the Honourable Miss Montegriffo asked earlier in the meeting as to a reply to Question No. 87 of some money which I have said had been provided for the upkeep of certain monuments. I would like to mention, Mr Speaker, that this money has been provided under several items: Item 10, £9,000 have been made available for the maintenance of historic sites; Item 17 another £9,000 for repairs of historic sites; Item 18 painting and removal of eyesores, again there is some money provided there, much more than £19,000 by this time I should add; and of course sandblasting £20,000, which include the Post Office and other smaller projects.

Mr Speaker, we have had meetings as a result of the recently established new impetus of the Chamber of Commerce and we are working together to bring in some of the requests that they are making which do not involve substantial changes, but mainly aim at providing a more sympathetic trading approach, a more educated retail trade, and attempting to afford some encouragement towards the trade generally to improve their standards. We have as you know, Mr Speaker, recently carried out certain little projects: for instance the drawbridge, through the Museum Committee and the Royal Engineers to whom one is most grateful, most thankful for their constant help, and that has been some part of history revived. We have seen the improvement in some hotels, in particular refurbishment, restaurants and in fact the cable car for instance, which is another matter of the product.

Now, Mr Speaker, all in all, there appears to be a general acceptance that we have something there. I don't want to refer

to it as a gold mine as Major Peliza was never able to point out, but there is an acceptance, I think, by the community of the value of tourism, and I ask the Opposition to please accept this. I think that there are facts today to convince anybody that this is an industry which we can and we must protect. I do not want to throw things back, Mr Speaker, because I think that possibly they would not give the sufficient time to look at, but it is a fact of life that this situation is on the increase and is expanding. It is to me a matter of great regret that ODA have not found it possible to offer a penny towards this industry. I think that they find rather less difficulty in finding money for projects which they have initiated for themselves, and nothing at all to a product which they know can very much help towards helping us in finding our economic independence. Although I have not been given the chance to comment totally on this, because as members know this came in only a few days before this meeting, an awful lot of time was wasted with members of ODA showing them all around Gibraltar, trying to convince them, and in fact almost accepting the value, and then we find that nothing is taken further than nothing. I regret very much this approach. I would like to go no further at this stage, Mr Speaker, because I don't know if something will be rehashed, but constantly we are being told in Government that ODA would be sympathetic towards assistance in projects which would be revenue raising or job creative, and tourism, according to ODA, appears to be something which they have thrown out of a window totally. I just can't understand it. Not when one has the results which we are able to afford.

Mr Speaker, the determination of the Government to bring forth the Lisbon Agreement or the Brussels Agreement has without any doubt produced the results that we see today, and I hope that everybody, without trying to score points makes a determined effort in Gibraltar to have that attitude of mind towards this industry which we can control without the need of outside forces. Of course I know that our friend Mr Gadiffi can stop Americans or frighten Americans from travelling, but on the whole it is one industry that we have almost total control over, with which Gibraltar can continue to improve its standard of living and its economy generally.

Mr Speaker, I do not intend to go through Item by Item as no doubt later on Members opposite might want to have clarification on some of the changes that have been, particularly with regards to advertising in UK and other markets, and whichever other item that I am sure Members opposite might like to take up.

Mr Speaker, for once, I think, as Minister for Tourism, after the struggle that we have had, in particular since 1969 to this day, although not entirely happy, I am somewhat content and I

think that, given the support that the Government gives to tourism, I think if all Gibraltar were to join behind this impetus then I think we are in for even better days ahead.

Thank you Sir.

HON F J DELLIPIANI:

Mr Speaker, before we discuss what we are discussing, the Revenue and Expenditure Estimates, I don't think it is of any use to us to talk about the nitty gritty things of every day life in Gibraltar, without having in mind the world situation and how it affects Gibraltar. We cannot be in a position of isolation. Everything that happens around the world affects Gibraltar and I would like, Mr Speaker, Hon Members to recall that four years ago this very month the Argentinians were in the Falklands. And one of those reasons that the Argentinians attacked the Falklands was because the Falklands did not have a credible defence. I do not think that Gibraltar has a credible defence. We had, at one time, a Governor who was an Admiral and we lost our guardship; we now have an Air Marshal and we have lost the three Jaguars; in less than three years time we will be having an Army Governor: are we going to lose the resident battalion?

I think what is happening today in Gibraltar shows the weaknesses of the defences of Gibraltar as otherwise they wouldn't have brought all this equipment now. And let me tell the Defence Forces in Gibraltar and in the United Kingdom that we are not going to have a 'madman' next time warning us of what he is going to do. The equipment must be in Gibraltar, to be deployed from Gibraltar, because our airport is extremely vulnerable and there is no way they are going to replace or improve the defences of Gibraltar through that runway.

I would like now to quote, Sir, from a person who is now very much in the news: 'My people have the right to liquidate opponents inside and outside the country even under broad daylight' - Colonel Gadaffi. Roughly one-third of all victims of terrorism have been US Nationals. I don't blame Reagan for doing what he has done. I might have done it another way, but I certainly don't blame him.

Coming to the question of the pensions from Gibraltar which are paid to nationals in Spain. It is amazing how they recognise our Pension Fund but they don't recognise our flag. Some people are worried about osmosis. I am not, when we have the Spaniards doing reverse osmosis. Because every time they do something against Gibraltar it just makes us more determined not to come under their sovereignty. And I think that Government for the problems that they caused our friend Angel Baidachino in the

athletics meeting; the referee in Austria is doing a fine job for us, both of them. May they continue to apply reverse osmosis for many, many years.

But what I am most annoyed about the pensions is not with Spain, it is with Great Britain. Because the pensions that we are supposed to pay, and we haven't paid with our money yet, and I hope we never will, represents roughly 12% of our budget. If you translate that into terms of the UK budget that represents the whole of the defence budget for the United Kingdom, it is actually 11.7%. Can you imagine Britain, if they had had 50% of their labour withdrawn and after sixteen years have to pay for that labour and that represented 12% of their budget, how would they have negotiated with Spain? They would have said: 'Hey you, you are not coming in, we are not going to pay you that 12% of our budget', but they haven't thought of that. As far as I am concerned, Great Britain has only thought: 'A bigger market for our goods, what is there in it for us', and they haven't given us a thought. And whether we like it or not the size of the ODA budget which has been allocated to Gibraltar has been influenced by the fact that they have been made to pay for our pensions.

I don't blame Spain. I would have acted the same way as Spain. Every country does what is best for its own. But we are not represented at the talks when Spanish entry was being negotiated by Britain on our behalf. We have behaved very well with Britain because we went along so as not to embarrass the Spaniards into being forced to do anything because of the EEC. We went along with it because we know the Spanish pride, we know what could have happened, they could have reacted in another way, so we have gone along and helped Britain to help Spain come into the EEC without any embarrassment. And this is how they pay us.

I would like, Mr Speaker, to touch various items which do not come under my Department but because I have been shoved around so many Departments I know a little bit about them.

I would like, first of all, to place on record the people who have shown faith in Gibraltar like Taylor Woodrow in their development of Hadfield building at a time when no one wanted to develop in Gibraltar. I think that is most praiseworthy. I didn't attend their social functions and all the rest because I don't like that but that doesn't mean that I am not appreciative of the development they have done. Other people are now developing but, of course, they can see the light at the end of the tunnel. At that particular time things were very bad because we only had the frontier open for pedestrians. So I am very grateful to the company of Taylor Woodrow for their faith in Gibraltar.

I would like to take on the Hon Leader of the Opposition on the Electricity Department when, because the Hon Mr Feetham and the Hon Juan Carlos Perez were away distributing The People, he did a bit of waffling over productivity on the Electricity. He said something like: 'If you have a machine which can only produce 5.2 megawatts no amount of productivity will make it produce anymore'. And he is right. But if you have a total, say, of machines which can produce 22 or 23 megawatts then the productivity can be measured, because what productivity should be is that all those machines should be on power at any one time during the year as much as possible to meet all our demands. That is different. The difference between one machine and making sure, through a programme of both the engineers and the lowest labour in the Department, to ensure that by programming the available power is there, is something that can be achieved because in the summer months we don't reach the same peak as in winter. The whole thing can be spread about so that when the peak demands are there the power will be there on top.

HON J BOSSANO:

Mr Speaker, if the Hon Member will give way. I believe he is misquoting what I said a year ago in the Budget, I take it. He is talking about last year and what I said last year. I can tell him that what I said last year was that, for example, in Waterport Power Station we have got two engines and three men. That is to say, there is a switchboard attendant, a plant operator and a plant assistant, and I don't see how you can - in fact, the Hon Mr Perez today has confirmed that in an area like that you cannot do the work with less than three men and you cannot use more than two engines because you have only got two engines. So the relationship between men and machines is determined by the requirement of the consumers and that is already happening. I mean, he has not said anything about last year that I didn't know already.

HON MAJOR F J DELLIPIANI:

No, in fact, it was this year. You did a bit of waffling, fillibustering.

HON J BOSSANO:

Mr Speaker, I haven't spoken this year yet.

HON MAJOR F J DELLIPIANI:

Or last year, then. My point is still there. It doesn't matter whether he has three men or four men, productivity can only be

measured by the number of engines that are available at any one time. And obviously in winter we must be in a position to have more engines available than in summer because that is where the demand is.

In answer to all the claims being made by Mr Serruya in the Chamber of Commerce, I would like to remind Hon Members that the rates issue which was negotiated by my colleague the Minister for Economic Development with the help of Mr Brian Perez, those negotiations on the rates were conducted with Mr Risso and his team and not with Mr Serruya who seems to be taking the credit for everything. On the question of highways again Mr Seruya might be claiming that we are giving some emphasis to the highways and public leasing etc, etc. Let me assure this House that all that was done by the Government and my Department long before Mr Seruya came into the scene.

If I might come now to my own Department. The Government has recognised that we have neglected in the past the highways of Gibraltar and we are spending money on the highways. We are strengthening the highways division by extra men. We have a programme which I am prepared to give to Hon Member after we leave the House. We are also employing ten full-time lifeguards, though at the moment, because we have not agreed to terms with the union because we want flexibility over the period when the lifeguards are not in use, that is, in winter, we have not announced them as permanent. But this will be coming once we have worked out with the unions a considerable amount of flexibility, because it doesn't make sense to have ten lifeguards in the winter doing nothing. We have also increased the Public Works Department on the maintenance side, on the labour side, because there was an imbalance between craftsmen and labour which didn't make sense. You cannot have two plumbers working on the same job unless circumstances are different, people are ill, people are sick, people are on leave, but it doesn't make sense. So we have increased the establishment of the labour side to be able to have a proper balance. In all we have increased by something like 28 new posts which I am sure the Opposition and the unions will welcome. However, I am still very sad and it is beyond my comprehension. When everybody seems to be wanting to work for the Government - if we have one vacancy for a labourer we have 98 people applying, everybody wants to work for the Government. We seem to be the best employer yet we seem to have more industrial problems than anybody else. I cannot understand it, I really cannot. I think anybody who works for the Government of Gibraltar should be proud to work for the Government of Gibraltar and should give their very best because we offer something that none of the other Departments or the private sector does. We offer them security, and for that security we want loyalty and good work. We don't like what the MOD has

just done now, reduce 155 posts. My goodness if we did that they would slaughter us. So in return for that security we want hard work and loyalty. We want to reward people who do over and above a normal days work, but we also want to be able to tell people who don't do their normal day's work: 'You are no good, you will be given another chance, and another chance, and the third chance you are out', but we cannot do that.

On the question of water my Department will be looking at ways and means, both technically and by other means, to lower the water costs even further, but always bearing in mind that we will have self-sufficiency in Gibraltar. On the question of the cleansing of highways we have strengthened this by employing four extra sweepers and four flushers. This was done well before Mr Seruya came into the picture. May I, Mr Speaker, also mention - I don't think it has been mentioned here - my congratulations to the Gibraltar Broadcasting Corporation for their satellite news. I would like to thank all those concerned for a really magnificent job. The news has made a difference with this new satellite transmission.

On the question of GBC I realise that they have salesmen on a fixed salary. I don't think that makes sense, I think the salesmen should be on a fixed salary and on a commission basis, so that they can sell their products and have the incentive to sell their products. And once that money comes in to GBC it mustn't immediately be cancelled by the withdrawal of Government subsidy, because there must be a point where GBC must build up a fund for new equipment. We just cannot go on - and I know the Financial and Development Secretary will not agree with me - we just cannot go on subsidising them less because they increase their sales, because then they will say: 'Why increase the sales if they are going to reduce the subsidy?' There must be a fair balance.

Sir, in conclusion the most important thing that I have to say today - there is one other item, the Refuse Destructor. We have put in quite a considerable sum of money on a four year basis for the future to keep the Refuse Incinerator working for another four years, because it has reached the end of its lifetime and the replacement value of that Refuse Incinerator is £4m. So in four year's time, if we haven't got £4m, we are going to have refuse all over the Bay of Gibraltar and all over the Med, unless we find other alternative means of disposal.

In conclusion, Sir, I have a message for our friends in Spain, whom I admire a lot though my admiration has been lowered somewhat this week by the many times they have told Gadaffi they have had nothing to do with the crossings of the aircraft into Libya. I have thought of them always as a proud and brave

people. They might be proud but they are not so brave now. It is people that matter. The crucial meaning and purpose of democracy is to recognise the intrinsic work of every human being. There are no unimportant people in a truly democratic society.

Thank you, Mr Speaker.

HON J E PILCHER:

Mr Speaker, there are various comments made by various Members opposite that I would like to touch on briefly. My main contribution, obviously, will be directed towards the comments by the Hon Minister for Tourism. In fact, I have allowed him to speak before me, Mr Speaker, particularly because, as I said on the Finance Bill, I made my contribution on the Finance Bill on tourism because I wanted the Hon Minister to expose the Government's policy on tourism so that I could have a right to comment on it, since the Government's policy on tourism has been elusive for the past 20 years, Mr Speaker. But before I tackle that there are a couple of points that I would like to raise.

In the contribution of my Hon Colleague, Mr Mor, the Hon Mr Canepa lost his 'cool' which is nothing new although he says that one of the Spanish newspapers call him 'El tranquilo', but as far as my experience, that couldn't be further away from the truth. My colleague was referring to comments that the Hon Mr Canepa had made in the Holiday Inn when Dr Ivor Peters of the European Movement came to Gibraltar. I was also at that meeting, Mr Speaker, and I can vouch for what my Hon Colleague, Mr Mor, said. And, in fact, it was commented on in the Chronicle of the following day, Friday 10th May where Mr Canepa is quoted as having said: 'But even if Britain pays' he continued 'Gibraltar will suffer the consequences'. What Mr Canepa certainly meant at that stage was that even if the money was given by the British Government it would certainly be at the expense of the Government of Gibraltar.

MR SPEAKER:

In fairness, I think what Mr Mor said was that Mr Canepa had actually said that Gibraltar would pay. Let there be no misunderstanding on that. You are entitled to derive any opinion from what you have now read, but it is not what was said.

HON J E PILCHER:

I won't actually quote from what the Hon Mr Mor said but I think what the Hon Mr Mor said was that this was.....

MR SPEAKER:

Mr Mor said, and I am very clear in my mind, that Mr Canepa had said at that particular meeting that Gibraltar would have to ultimately pay. What you are deriving now, and let there be no argument, you can derive any consequences from that statement but the Chronicle does not confirm what Mr Mor has said. Let there be no nonsense about that.

HON J E PILCHER:

Well, Mr Speaker, it might not confirm or deny that in your mind but certainly it does in mine.

MR SPEAKER:

Fair enough, you are entitled to deduce.

HON J E PILCHER:

'Ultimately' is the key word, Mr Speaker. What Mr Canepa was referring to at that meeting, and, in fact, what has certainly been more than amply understood by, for example, the Hon and Gallant Major DelliPiani is that the £16m have been given by the British Government and ultimately is being paid by the people of Gibraltar in the answer to the ODA submission made by the Government of Gibraltar. I think this is only a minor point which obviously the Hon Mr Canepa will answer in his contribution, but certainly I can vouch that I was there at that meeting and this was what Mr Canepa was inferring. That irrespective of which way it was done the people of Gibraltar would ultimately pay, and certainly he has been proved correct, because the £6m awarded to the Government of Gibraltar certainly takes into account the £16m that was given to Gibraltar as part of the help to pay the Spanish pensions. And this leads me, I think, Mr Speaker, to the point made by the Hon Mr Mascarenhas when in his preamble he was talking about - because I think he was one of the Members last year who was saying that he was going to give out the goodies this year - he was talking about the umpteen developments, the tourist arrivals, and the fact that perhaps we could push the worker base from 11,000 to 15,000. I think, this is one of the dangers highlighted by my Hon Colleague, Mr Feetham, when he said that one thing that the Government has to bear in mind is this hump effect. If we get all the developments crowded together, and we do push up the worker base from 11,000 to 15,000, when the developments cease what we will have is 4,000 people in Gibraltar who will have a right to get all the social benefits that we have in Gibraltar. Because unlike the times when we employed Moroccan labour force, the Moroccan labour force on termination of their contract had thirteen

weeks unemployment and then if they did not find a job then they had to leave and go back to their country of origin. The Spanish labour force or even the Portuguese labour force, as part of the EEC would have a right to all our social insurance contributions. I think this is one of the points mentioned by the Hon Mr Feetham in, I think, the Finance Bill which certainly has not been tackled by any of the Members opposite.

The Hon Mr Featherstone: I think he plodded on irrespectively. I think perhaps one of the good points that can be said is that irrespective of what happens he plods on irrespectively. After my contribution on GSL on Friday of last week, I think it was more than clear that there are certain problems in GSL, and that it is not right to say that GSL will, in fact, produce all that it is meant to produce. I think the Hon Minister for Tourism has concurred with me that there are certain problems that had been highlighted. He nevertheless went on to say that everything was fine, GSL was working well and I think he plodded on irrespectively, although he didn't answer the points raised by my Hon Colleague, Miss Montegriffo: whether the fact that the Health Services are like they are is in reality because of shortage of nurses, as he is quoted to have said to Mr Seruya, or whether it is that there are more nurses needed or there are not, and whether there are more doctors or there are not, or what exactly it is that the Government intends to do to improve Health Services in Gibraltar. The only thing he said was that perhaps we can get more money out of the private wards, but be that as it may. Certainly the £1.20 that they have introduced, the 20p charge, the answer that he gave is not acceptable because all he said was that there had been an extra cost incurred and therefore he thinks the user should pay 20p out of the 50p. Using that as a percentage is not even 20%, it is a 40% increase. If we work as the Hon Member says not from the £1 but from the 50p then it is not a 20% increase but a 40% increase.

HON A J CANEPA:

You can do anything with figures.

HON J E PILCHER:

I can, yes. The Hon Minister for Tourism, I think, first of all, I would like to say that again he has misquoted the Hon Leader of the Opposition, and he has misquoted me on various occasions, when he talks about our policies and our reactions towards tourism. What the Hon Member must understand is that before 1985 we were always quoting and always referring to the Government's policy on tourism with a closed frontier. One must not forget, Mr Speaker, that the Hon Minister for Tourism

and, in fact, the Hon and Learned Chief Minister always said that they would have tourism as one of the pillars of Gibraltar despite a closed frontier. And the impetus given by Government in 1984 was, in fact, that they would make tourism the second pillar of the economy with a closed frontier. They never achieved that, Mr Speaker, and today they come and tell us what the impetus is on tourism with an open frontier. Well, it is two different things altogether. Because the only thing that has happened from the moment that the Hon and Learned Chief Minister made his statement on tourism - I think, it was one of the early meetings in 1984 after we had got into Opposition - the only thing that had happened had been the Brussels Agreement. And that is the only thing that has made tourists come to Gibraltar. It has not been any impetus given by the Government of Gibraltar, and if there has been an improved financial situation it is as a result of the Brussels Agreement. And the Brussels Agreement, certainly was, and I think I can concur with the Hon and Gallant Major Dellipiani, was a face saver for the British Government: to save them the embarrassment of having to say 'no' to the Spanish entry and they opened the frontier nine or ten months before so that they could lay the ground for the entry of Spain without any problems whatsoever. This is the only thing that has produced the tourists coming to Gibraltar. All the rest, Mr Speaker, is pie in the sky, the Government of Gibraltar has not done anything whatsoever to improve the tourist industry, or have not done anything that has worked. Because I remember the £300,000 which they laid aside for advertising etc, but that was money poured down the drain because that did not produce any tourists, as the 1985 Survey on Tourism spelt out clearly. The only thing that has changed the circumstances of tourism, and the only thing that has caused the Hon Minister for Tourism to stand up here today and tell us that this tourist impetus, the fact that £20m have been spent by tourists in Gibraltar. A fact that, by the way, we did not know because we don't have the Tourist Survey as yet for 1987. And the fact that there have been 3million excursionists coming to Gibraltar. Well that, Mr Speaker, is as a result of the frontier opening, not as the result of any policies adopted by the Gibraltar Government which have produced these 3million tourists.

HON H J ZAMMITT:

If the Hon Member will give way.

Surely, Mr Speaker, the fact that you have had 3million excursionists coming into Gibraltar between 1985 and 1986 was as a direct result of the Government alone having the courage to implement the Brussels Agreement. If we hadn't had the courage to do that then, of course, what is happening today

would not have occurred, and, therefore, the betterment of the economy is as a result of us going alone in the Brussels Agreement. And whether Hon Members opposite like it or not they have to accept that. And the other fact, Mr Speaker, if I may, is, OK, we are talking of £20m today of tourist input, but even with a closed frontier situation, tourism was generating £11.2m. Surely they have some value, and not for the Opposition to have had the attitude that they have had over the two years since they have been in the House Mr Bossano, I would give him that, ever since he has been on that side has never accepted tourism, but £11.2m to the Gibraltar economy is a substantial sum in whatever language you want to speak.

HON J E PILCHER:

Mr Speaker, the defence of the Brussels Agreement was not tourist orientated, the defence of the Brussels Agreement was the fact that the Brussels Agreement was necessary to produce a desired effect, but we weren't talking about tourism, and, yet, it would have happened nine months later. If the Brussels Agreement had not been implemented in February, 1985, it would have happened nine months later because Spain was committed to entering the EEC in January, 1986. But obviously we won't get back into argument of should it have been brought forward. The reality is, and I think the Hon Minister for Tourism does not know what he is talking about, because everybody accepted in 1984/85 that we had hit rock bottom with tourism in Gibraltar. All the surveys and everything proved - Hotel Occupancy Survey, Tourist Survey - all the Surveys proved that tourism in Gibraltar was on the rocks. I think the industry themselves was saying that tourism was on the rocks. We cannot accept that as the argument. The argument is, Mr Speaker, what has the Government done to produce these 5million tourists? And the answer to that is, nothing. The Brussels Agreement when the frontier was opened and the tourists flooded in: that is all that has happened, because I purposely tried to get the Minister to speak ahead of me in order to see what was the tourist policy now that the frontier is open for 1986/87, and the answer is nothing.

The Minister for Tourism talked about major tour operators now coming to Gibraltar; twenty flights a day; MOD flights; that is all true, but that is not as a result of the impetus by Government, that is as a result of the impetus given by the tour operators and by the industry in general, not by the impetus of the Government. He even said that two MOD flights come. Is that because the frontier is open? Is that because there is more impetus? The two MOD flights have been there forever, Mr Speaker. The reality is that what is happening has nothing to do with the impetus of the Gibraltar Government on tourism, it is just that tourists are flooding in, and, of course, the

Minister has every right to say; 'tourism is something that must be accounted for, and tourism must be something that is important'. What we have been saying for the past eight years, the Hon Leader of the Opposition has been saying, is, what is the Government doing to produce that? The Hon and Learned Chief Minister - I won't quote him because he doesn't like us quoting every year from that document that he read.....

HON CHIEF MINISTER:

I don't mind, I am delighted and I am honoured that my text should be so often quoted on the other side!

HON J E PILCHER:

Read, in fact, that he would create Gibraltar as a tourist centre with the frontier closed. And that did not happen, Mr Speaker. The Hon Minister said: 'Tourism is here to stay'. Perhaps he is right but if tourism is here to stay what is the Gibraltar Government doing to, for example, improve the product? Mr Speaker, I have got last year's Estimates and this year's Estimates in front of me. The criticism levied at the Government last year which culminated in two television programmes where I couldn't get the Minister to say what improvements or what policy, and he hasn't today either, because the Estimates for last year and the Estimates for this year are more or less the same. Of course, there is an increase in various things. He tried to say, Mr Speaker, that as this new way ahead in which he has now put his head together with the Chamber's President, Mr Solomon Seruya, there was more impetus on improvements of highways. This was contradicted by the Hon Major Dellipiani, who is sitting right beside him, when he said that this impetus had forever been there, that there is no new impetus, it is the same impetus that they had from year to year, and that the improvement is an improvement within Public Works and not as a result of the Tourist Department asking for any type of improvement. The reality is, Mr Speaker, that I can see nothing that shows me that the Gibraltar Government is in fact giving an impetus to tourism. The only one thing that the Gibraltar Government has done which supposedly would have given tourism a boost is their submission on the ODA. That is the only thing that the Gibraltar Government have in this year's Budget. Well, they haven't because it is not in this year's Budget but we all know that in the submission to ODA there were various tourist orientated projects that would have produced a better scenario for the tourists in Gibraltar. And the Hon Minister has just given us the understanding that all these projects have been turned down by ODA. If that is the case, if all the projects have been turned down by ODA and there is nothing here that shows that there is any major impetus financially on tourism, what is the Government's

policy on tourism? Even Mr Speaker, on the restoration of ancient monuments, for which the Minister said to my Honourable colleague that there was provisions, well the provisions in the expenditure are the same as the provisions that there were last year. Maintenance of the sites which is up this year, obviously because of the fact that more people visit the place and they need more maintenance; and painting of buildings and removal of eyesores. Well, last year it was £60,000, this year it is £30,000. So, I mean, I can't see that there is a major impetus to restore ancient monuments as they had promised the Museum Committee that they would. Sandblasting is a revote from last year. I cannot, Mr Speaker, see that the Government are doing anything to give tourism the impetus that they say. What the Government is certainly banking on is that the tour operators, the firms themselves that are selling Gibraltar, will be able to bring more tourists to Gibraltar and then the Government next year can say, well, now instead of 3 million, we now have 4 million. But I mean, Mr Speaker, that is not any kind of plan by the Government to produce more tourists, because if there were a plan then they would have, and this I think is the thinking of the CSLP although I know members opposite think this is a fantasy, that the economic plan must be, if you think that tourism is the second pillar of the economy then part of your expenditure must go towards improving and producing something new, so that the tourists will come, continue to come, and extra tourists will come. But there is nothing here that shows it and this is what the Government are banking on, the trade themselves. That is what the Government is banking on. The Minister ended by saying: the support Government gives to tourism. Well, I would like somebody, perhaps you know in the intervention by the Honourable and Learned Chief Minister he will tell us what is the support that Government gives to tourism, because, Mr Speaker, I can see nothing at all in this year's budget that produces any impetus at all on tourism and changes the criticism of this side of the House of the Government. They have done absolutely nothing. They have got no policy. They have not improved anything, because Gibraltar, if anything is worse and not better than it was, as regards cleanliness etc. So, Mr Speaker, there is nothing new in this budget that would make it worthwhile for the Minister to say that certainly that the criticism or the comments of this side of the House should be anything but what they have been in the past.

Thank you.

HON A J CANEPA:

I think it is very easy, Mr Speaker, to walk around Gibraltar and not see the improvements because we can only be too blind to our surroundings. The Government has for some years now had a policy of giving relief from income tax in respect of external decoration and repairs. That policy has had an enormous impact

and success in the centre of the city, in the main shopping area. Anyone who walks through Main Street, instead of looking at people, were to be able to look at the facades of buildings, would realize that. But sometimes we just walk around and we don't see. I myself did not realise until two days ago how attractive the facade of Barclays Bank in Irish Town opposite the Police Station is. It has recently been decorated. The wrought iron balconies have been repainted and it is full of character, of a unique character peculiar to Gibraltar. The same thing can be said for other parts of Irish Town, for Line Wall Road, for Governor's Street, where landlords are taking advantage of the incentive, where the Government uses the carrot and stick by serving Section 23 notices, the Development and Planning Commission requiring landlords to improve, paint and repair the facades of their buildings, but at the same time give relief from income tax in respect of their expenditure. I think it is becoming far too easy to say 'Gibraltar is dirty' and leave it at that. I think Gibraltar could be much cleaner. Some people could do very much more for the community at large in improving the situation, though I have never been one who has thought that the fact that the place is dirty is what keeps the tourists away.

I was shocked last January when I went to Rome for the first time to see how dirty Rome was, and how dreary a lot of the buildings looked. But people still flock to Rome, because Rome has a magic of its own. The streets in London in many respects look very dirty. I haven't been to New York, but I am told that it is awful. Nevertheless people go along. So I don't think that is the end all and the be all, I think a cleaner Gibraltar is required not just for the sake of the tourists, a cleaner Gibraltar is required because it has to do with improving the quality of life for those of us who are here, and we all have a great deal to do in that respect.

The Government itself has taken action in respect of the buildings that it owns by over the years a programme of modernisation of housing. We have retained the character of our city. One has only to see what has been done at Castle Road and Road to the Lines, which you see as you come into town, which is a tremendous improvement that keeps the character, but improves the living conditions of people and also give the lead to other landlords to follow.

The programme of rehabilitation and modernisation is a constant one, it still carries on, and as I say, people have only to look around with eyes that want to see and not just come up with destructive criticism. It is not just a point that I am making about the Honourable Mr Pilcher specifically. It is a point that has to be made generally.

Now Sir, we are dealing with the Appropriation Bill, we are more concerned with expenditure, with the appropriation of expenditure, and as Honourable members will have noticed from the financial statement which is attached to the Estimates of Expenditure for the coming Financial Year, the vast structural changes that have taken place in the Gibraltar economy in the last sixteen months have had very much of a positive impact on the overall financial position of the Government. But they have also, and quite naturally, had an impact on expenditure, for the opening of the border has meant that there has been an increase in the demand for some of the services which are provided by the Government, and this has in part created a need for additional staff in a number of key departments, namely the Police, Customs and Labour and Social Security. But reviewing the overall level of expenditure during the last financial year, 1985/1986, the House will know that in comparison to the original Estimates, the Revised Estimates reveal that total spending has been kept well under control. I think it has been the best year in that respect since 1979/80. There was very little variation between the Revised Estimates and the Approved Estimates. Indeed the increase in the Revised Estimates of £61.9 to £7m over the original Estimates £61.478m amount to only 0.7% of 1%. And this has been a very considerable factor in contributing in bringing about the increase in the overall level of reserves in the Consolidated Fund as at the end of March 1986.

So we have had some success in our endeavour to control the overall level of spending at the approved amount, but there can be no room for complacency. Services have to be provided and it is important that they be provided efficiently. And efficiency has got many aspects. In relation to the provision of services, I think it implies that the service provided must be on the one hand satisfactory and that the cost of providing it must also be kept within reason. And this has got to be a continuous policy aim and not just a once and for all attempt. The judicious control of expenditure, and I use this word in its wider complex, will give the taxpayer good value for money and will result in benefits for the economy as a whole. But the need for efficiency is something that has to permeate throughout the whole economy, and my colleague the Honourable Minister for Tourism had something to say about that in one specific respect, when he was referring to the retail trade. We must have efficiency, not just in the Public Sector, there must be efficiency in the Private Sector as well. Especially so in the current economic climate which has seen the Private Sector re-emerge as a creator of employment and wealth. Our visitors, who are contributing positively to our economic recovery, must obtain an efficient service from Gibraltar as a whole. And whilst not insinuating that the present level of service is grossly sub-standard, what is important is that

improvement should be continuously sought and put into effect. I think that it is this approach which is fundamental to our continuous economic recovery and at the risk of being repetitious, it is important that efficiency should prevail, in Government, in our tourist industry, and in our trading and commercial sectors.

I want to dedicate myself now, Mr Speaker, to dealing with the Development Programme in some detail: the performance in the last year and also the projects which figure in the next Development Programme. The issues which concern the current Development Programme centre on two main points: the running down of the current programme for 81/86 and the beginning of the next programme for 86/90; and I would like to review the progress that has been made over the past year.

The original estimates of the I & D Fund envisage a total of £8.603m for the past Financial Year. The Revised Estimate for the same period is £5.14m, resulting in an under expenditure of some £3.46m. The single main item accounting for this under-expenditure has in fact been the provision of the third engine at Waterport Power Station. This shows an under expenditure of £1.675m. Now, Sir, at the time that a decision was taken to proceed with No.3 engine, the project was planned on the basis of negotiating the new contract with the suppliers of Engines No.1 and No.2, but ODA, who are providing the funds for this project in the 81/86 programme, insisted that we had to retender. The tender procedures for a contract of this size are not something that can be complied with overnight, and as a result, there has been serious slippage. The signing of the contract was substantially delayed and this is the main reason for the under expenditure. But the project, I am happy to say, is progressing smoothly. The third engine should in fact be operational by October of this year. Savings, Mr Speaker, in the remainder of the more important projects which are covered by the I & D Fund have also accounted significantly for under expenditure. For instance, savings totalling some £200,000 have been realised in the housing project at Tank Ramp, the second phase of Rosia Dale, and the rehabilitation works being carried out to the Tower Blocks. The Castle Ramp/Road to the Lines scheme shows under expenditure of some £70,000. This is due to slow progress on the part of the contractor and in fact the Government is invoking the damages clause included in the contract. The project at Tank Ramp, after savings are considered, shows an under spending of about £60,000, but this mainly reflects the late submission for payment by the contractors. By contrast the actual works we have every reason to think has been quite satisfactory and indeed has been on schedule.

Turning now to education, Mr Speaker, the project at St Mary's

First School shows an under spending of £150,000. The tender for this project was delayed because the design for the structural steel work was in fact more complex than had originally been foreseen and required a longer lead time. There is also slippage of some £70,000 for the extension to the Bayside Comprehensive School. Unfortunately the contractor of this project went into voluntarily liquidation following the death of the proprietor and this has resulted in unavoidable delays in the work in hand. On the Port development side, the causeway project, at long last under way, nevertheless reveals an under expenditure of some £270,000, but this does not reveal the true underlying situation which is that in fact savings of some £150,000 in cost have been possible and are attributable to the opening of the border with the consequent availability of cheaper material. The balance of £120,000 just arises from the late presentation of bills by the contractor. As I said, earlier, what is encouraging is that physical projects of this importance is very satisfactory and on schedule.

Coming to Head 104 Miscellaneous Projects, Mr Speaker, the main item here has been under expenditure in Government offices. There was a project for the conversion of St Jago's School into office accommodation and the sum shows for 1985/86 was £350,000. This was intended to cover works at Loreto Convent. In the event the cost of converting St Jago's, which came out to be some £265,000 higher than it was originally envisaged, and so the project had to be postponed and now appears separately in this year's estimates. The remaining balance from the £350,000 voted last year was estimated at some £90,000, once certain minor works are completed at the old Loreto Convent. This will be used for much needed repairs and renovations at what is now known as the Treasury Building, the old Secretariat.

In the Potable Water Service, Mr Speaker, the desalination project shows an under spending of some £330,000. Of this a quarter of a million is accounted for by again a reduction in the overall cost of the project. The balance of £80,000 arises from an outstanding claim on behalf of the contractors, plus some spare parts which are on order but have not yet been received.

Similarly the project at Hesse's Pumping Station has been substantially delayed due to the late arrival of material on order and this accounts for some £160,000 of under expenditure.

But in general, Mr Speaker, I am fairly satisfied with progress over the last year, because apart from the delays on No. 3 Engine at the Power Station, which as I have indicated resulted from factors outside the Government control, most of the remainder of the under expenditure has arisen from the late arrival of essential materials on order and indeed the late

submission of bills by various contractors. Further though, there is something that I stress continuously which is to be welcomed, significant savings in construction costs on a number of projects, a situation partly reflecting the reduction on building costs due to cheaper basic materials which are now available.

Finally, Mr Speaker, on the current programme, the total of five project applications have more recently been submitted to ODA, in fact at the Budget Meeting, last year. They amount to a total of some £445,000. Approval for the projects has been received from ODA. They include repairs to the Refuse Incinerator; the provision of two incinerator units for the disposal of bulky waste; the package of spare parts for the second distiller; the widening of Winston Churchill Avenue, now reaching completion; and the programme of improvement to the sewage pumping station at Sandy Bay. Together these projects have taken up the balance of funds of the £13m ODA allocation for the development programme, all of which are now committed. These small scale projects were selected on the basis of necessary improvements to the infrastructure which as the House can appreciate is being subjected to ever increasing demands.

Dealing now, Mr Speaker, with the next development programme. As members are probably aware, the Development Programme Aid submission for 86/89 was submitted to ODA in July last year, and a reply was only received last week. So the Government has had considerable difficulty in preparing the estimates of the Improvement and Development Fund for the coming year. It is a factor that I think we have to take into account when we consider the expenditure that is provided for on new projects, I should say for 86/87. The submission that we sent to ODA, Mr Speaker.....

HON J BOSSANO:

May I interrupt. I don't want to stop his flow but I am a bit confused Mr Speaker. Wasn't the original programme submitted by the Government a five year one, because he has just said 86/89 and I thought it was 86/91, the original proposal.

HON A J CANEPA:

No, in fact we were planning on the basis of a five year programme, but when we reached the stage of the actual submission we cut it down to a four year programme because we received very firm indications that they would not contemplate a five year programme. But we were very hopeful that instead of getting the usual three-year programme that we would be able to persuade them to consider a four-year programme.

Now, Mr Speaker, the submission aimed at the projected total expenditure of £37m over the years 86/87 to 89/90. This is where I think the Honourable Mr Mor went wrong on Friday. The total expenditure of £37m, but it was never intended that the ODA - in fact we didn't ask them to fund the whole of the project, we were prepared ourselves to put a lot of money into the development programme, as indeed Gibraltar has been doing over the years. We have provided over the years in fact now more than half, slightly more than half of the expenditure under the Improvement and Development Fund. What we were hopeful that they would consider would be the same level of expenditure as in the past, but with the figures updated to the present reality. That would have in effect meant they are funding about half the programme. This is really what we were looking for. So £37m, Mr Speaker, over the life of the programme. But the programme is already suffering serious delay, because of the late reply. Once again we have the situation that we had in the last programme, that instead of the momentum being kept up in 80/81 81/82, Mr Speaker, we were spending at a rate of over £10m a year, £10½m coming to the House for supplementaries and we had a programme that was naturally going to dove tail into the other one. This was the strategy, again on this occasion, but we have lost the momentum already. Now, in spite of the fact that as the Chief Minister has explained the Government now has to consider the reply that we have received, the offer that has been made, and what our reaction is going to be, I think it would be valuable, Mr Speaker, if I were to give the House some idea of what our plans are, obviously having regard to the fact that Her Majesty's Government are only offering £8.4m, we have doubts as to whether we will be able to achieve everything that we have set ourselves to do, but at least I want to show that whatever the outcome, we haven't failed, neither in our forward planning effort or in our thinking and our approach to the programme.

The programme earmarked some £17.5m for expenditure on infrastructure. The need of course arises from necessary replacements and rationalisation of our existing infrastructural base and also from new projects to cope with increased demands given the improvement in the economic scenario. In the Electricity Service expenditure includes improvements to the distribution network; the continuing rationalisation programme seeking to concentrate generation supply at Waterport; and in fact the provision of a fourth new engine, thus enabling older, less cost effective plant to be phased out.

Funds for expenditure on water include the repairs to the water catchments; improvement to the fresh water pumping system; and upgrading of the salt water pumping facilities. Similarly a number of necessary improvements to our sewage system are planned.

The need to update, rationalise and otherwise improve and expand our infrastructural services to meet current conditions and anticipated future demands cannot be over stressed, Mr Speaker, otherwise we will not be able, the economy will not be able to benefit from the new opportunities. And we have a duty, the Government has a duty to meet the requirements of existing domestic, commercial and industrial consumers, but also the demands which are already being placed by new major private sector developments that will be taking place over the next years, Vineyard Housing Scheme, Queensway development in particular. Supporting services are required here, otherwise developments cannot take place; the income and employment opportunities that these projects represent will be lost.

Other infrastructures, Mr Speaker, other items include refuse disposal: improvements to our road network; and necessary investment in the Telephone Service cable network. They involve expenditure for either replacement of existing obsolete plant or improvements which are being made necessary by economic expansion. As such they are regarded as absolutely essential.

A further £6.9m is earmarked for various projects which will make a positive contribution to the expansion of income and employment. On tourism we have included a number of projects. They involve improvement and upgrading of existing tourist sites; the opening up of new areas of touristic interest; and the general embellishments and improvements which are necessary in central areas of the town. And I think it is a shame, Mr Speaker, that with tourism finally beginning to increase its contribution to the economic expansion, providing increased opportunities for income and employment, the reaction from ODA has been disappointing. In order to maintain impetus in this vital industry, investment in improving the quality and the variety of the product is an absolute must. And as a side effect of course, the people of Gibraltar will derive the benefit from an improved and a beautified Gibraltar.

Improvements, Mr Speaker, are also necessary to the port and this centres around the reclamation at Waterport. The intention has always been to provide a modern ferry and transhipment facility, areas where investment is needed if Gibraltar is to diversify the economic base. I personally must confess that at the moment I have a question mark against the need to provide modern ferry facilities. I think the demand has to be established before we actually spend the money on such a project. But transhipment of cargo is a growth area and we need to generate the space in the Port to take advantage. There is considerable interest being shown already in spite of the limitations.

Finally, Mr Speaker, we come to education and housing, which account for some £12m of the planned expenditure over the

programme period. In the case of education, the expenditure is intended to finalise the rationalisation of our educational system, which has in fact been taking place over the last few years. Particular emphasis is being placed on the middle schools and on the College of Further Education. The former is necessary to finalise improvements for the main stream educational system, whilst the latter will concentrate on providing the necessary facilities for training and re-training to meet Gibraltar's manpower skills requirement which have been brought out by the changes which we are witnessing in the economy. We need to develop the skills which we are going to need in the future, and the economic expansion depends just as much on adequate and appropriate manpower skills as it does on the physical facilities.

The programme for housing as far as the development programme is concerned reflects the dual approach to the problem that Government is facing. One aspect is the provision of sites and incentives for home ownership schemes which I have already mentioned. In the case of Vineyard, the Honourable Mr Baldachino made reference to the intention of the developers at Vineyard only to pass on a 99 year lease of the 150 year lease that the Government had indicated that it would give them. Now I know that the matter is under review, the Land Board has already announced its displeasure at this and there are indications that at a meeting later on this week we expect the developers to tell the Director of Crown Lands that they will pass on a much bigger chunk. It is normal for any developer to hang on to a couple of years to award say 148 or 147 years, but if the developers were not to do this then I think in any future project the Government would have to make it a condition that if we give 150 years then something very close to that must be passed on to the purchasers. And if the developers do not have a change of heart let me warn them that I am sure that the Land Board will invariably and inevitably be prejudiced against them in respect of any submission for any future tender that they may make.

But more important even, perhaps, is the construction of Government housing. A total of 420 units are planned for the programme period but these have been subject to the availability of funds and ODA do make it quite clear that they will not supply any funds for housing, so we are thrown back on our own resources, which mean mobilising funds either through borrowing, via a contribution from the Consolidated Fund, or by selling Government housing and using those funds for this purpose. Some hundred extra units are planned at Laguna Estate by providing one additional storey on selected blocks. This will provide extra units at a reasonable cost and we are making a start on this.

One is seriously worried about the social implications in respect of education, schooling, in respect of car parking, another reality in what is already a heavily congested area. Mr Speaker, to be able to provide housing units at half the cost, if not less than half the cost of providing them, say, at Engineer House, is something which at the present juncture we can hardly knock. One finds it very difficult to resist going ahead with that. So we are making a start on that this year. It is very much of a pilot scheme. I think it involves four of the blocks. Similarly, Mr Speaker, twenty extra units are to be provided at Glacis Estate by in-filling the existing voids, and a major development of 300 new units, finally, is planned for a reclamation project at Montagu Basin. We are only at the level of planning here. The ability of the Government in the present circumstances to carry out this project, I think, is at this stage speculative, but there has been some interest shown from private sector developers, and if the cost of the reclamation can be kept within reasonable proportions it could be a viable project.

With housing, Mr Speaker, Members will also notice that there is substantial provision for maintenance, for painting and for repairs to existing Government property. The work is absolutely necessary if the quality of our existing housing stock is not to deteriorate and this would have a domino effect on demand. So the need for proper upkeep must not be under-emphasised and again we are in a position today when we are able to seriously concentrate on doing this, because we were not able in the past to do so, and there has been under-provision in the past for maintenance of Government housing. The solution to our housing problem, Mr Speaker, is not just a question of building new houses. If our existing stock deteriorates it will become sub-standard and eventually it will create additional demand. I tremble, Mr Speaker, to think of what will happen the day that those Tower Blocks have to be demolished, not only re-providing 240 housing units, but the mammoth task of demolishing them and then disposing of that hoggies the imagination. Let us just hope that it will be the next generation that will have to deal with that.

Similar considerations, Mr Speaker, apply to the remainder of the new projects in the Improvement and Development Fund for 1986/87 and, in general, what the projects reflect is what is planned under the Development Programme subject to the provisos that I have continuously referred to. I trust, Mr Speaker, that I haven't bored the House. I thought it was important that this should go on record. In the past a great deal of importance was attached to the Improvement and Development Fund because it certainly helped to keep the economy, the injection that the Government was making and ODA was making into the economy, through, primarily, expenditure on social

projects which were labour intensive and which had a very beneficial effect in the closed border situation, helped immeasurably to keep the economy ticking over. I trust Members will appreciate the difficulties which we have encountered in this respect, in preparing the Estimates for this year. It is difficult indeed, Mr Speaker, to fly in the face of financial uncertainty. Fortunately, there should be considerable expenditure in the private sector and if the Government can mobilise some of its resources to keep going an Improvement and Development Programme of reasonable size, then, I think, the prospects for the economy in the future are very much brighter.

Thank you, Mr Speaker.

MR SPEAKER:

We will recess now until this afternoon at 3.15 when, perhaps, Mr Bossano will wind up for the Opposition.

May I, perhaps before we recess, take this opportunity to wish Her Majesty, I think I should say our Queen, a most happy 60th Birthday and I am sure the House will wish to join me on conveying this message from the House to Her Majesty.

HON CHIEF MINISTER:

Mr Speaker, may I just say that I have unusually, because normally the normal message is done by the Governor. On this occasion the two releases have gone out at the same time, because it is her 60th Birthday and particular celebrations are taking place in Buckingham Palace this afternoon by children from the Commonwealth, to say that I did send a message saying: 'It gives me great pleasure on behalf of, Your Majesty's most loyal subjects in Gibraltar to offer you our warmest and most affectionate greetings on the occasion of Your Majesty's 60th Birthday. We wish Your Majesty many happy returns and pledge our continuing loyalty to the British Crown now and for the future'.

MR SPEAKER:

We will now recess until 3.15 this afternoon.

The House recessed at 1.00 pm.

The House resumed at 3.25 pm.

HON J BOSSANO:

Mr Speaker, it is always hazardous to make one's contribution

after lunch, I think, when it is most difficult to keep Members awake.

MR SPEAKER:

I am sure you have never had trouble doing that.

HON J BOSSANO:

But I think I will have difficulty this year in competing with the contribution of the Hon Mr Featherstone, who certainly woke me up with a jerk on Friday with the things he had to say. I think it was the most electrifying speech in the whole Budget. Not only did he tell us that the economy was doing very well, that there were developments going up all over the place, that tourists were coming in, that GSL was prospering, not only that, Mr Speaker, which certainly made me turn my attention straight-away and see what he was going to produce in support of this long list of successes when, in fact, I suddenly realised that he was pulling all our legs and having a joke at the expense of the House. Because he then went on to tell us that the Public Works was tackling all the problems with determination and energy. And when he said that then I realised that he hadn't really meant any of the other things either, Mr Speaker. Because even though traditionally I have been among the supporters of the Public Works, even I would not dare say that there could be such determination or energy.

The Hon Member said that they had looked at the question of rent relief and that, in fact, it had been decided to deal with the matter through supplementary benefits. I hope we are going to get in the Committee Stage when we come to vote the money for supplementary benefits, an explanation on how this change is going to be brought about, Mr Speaker, because my understanding of the situation is that people who are in receipt of supplementary benefits automatically get rent relief, and if we are being told that the idea of extending rent relief has been shelved because it is going to be done through supplementary benefits, then one assumes that we shall be seeing that reflected in an improvement in supplementary benefits and that that will be explained when we come to vote that under the appropriate Head of Expenditure. I also hope, whilst on the subject of supplementary benefits, that we shall have explained to us why it is that this year we are having one subhead for supplementary benefits, which does not show a breakdown, Mr Speaker, of the amount that is being paid under the elderly persons pensions, and the retirement pensions which last year were shown as separate subheads. I am referring to page 55, Head 14 - Labour and Social Security. Mr Speaker, last year they were shown a separate subhead and when we asked the Minister for Labour to give us an explanation as to the

criteria that would be applied in order to entitle people to these payments, which clearly were not means tested as opposed to, shall we say, the under 65 supplementary benefits, which is means tested, the Hon Member got himself in a complete muddle and was not able to give us any answers. I hope, since I am putting him on notice on this occasion for when it comes to the Committee stage, he will be able to get somebody to brief him so that he can tell the House how the system is going to operate.

The Hon Member also said in relation to his responsibilities for the Medical Department, that there was provision in the Estimates for introducing the cardex system. All I can say is that the cardex system was recommended in 1979. I am astonished to find that it is only in 1986 that we are making provision for its introduction. No wonder we have been having difficulties in getting local qualifications recognised in UK, Mr Speaker. This was one of the recommendations that were made by the original report of Miss Briggs as to the changes that we needed to carry out to bring our qualifications into line with UK. It is incredible that this, which was the simplest part of all the recommendations, should only now be coming into effect. Certainly we are not satisfied that the Government, after having been studying this matter since 1977 when it was first brought to their attention by the Staff Inspectors, and in 1978 when it was first raised in the Medical Department with the machinery and tackling it with the importance that it required and the urgency that it required, given that we had not yet had an incident about the exercise of Community rights by Spanish nationals on the basis of Spanish qualifications. But it could happen at any time and we could find ourselves then really being faced with a situation where a case is taken to Court, like a case was taken recently on the importation of fruit and vegetables, and we find ourselves with an area which is a danger for Gibraltar and a danger for Gibraltarians, and we suddenly are unable to do anything about this because we have been incapable of taking preventive action. Just like the Hon Member talks about preventive medicines, well this is one area where we need preventive medicine. It is no good trying to rectify it after it has happened, Mr Speaker.

I also think that the explanation the Member gave for the prescription charges fails to answer the point made by my colleague, the Hon Miss Montegriffo, because what we were saying was if there has been a 20% increase in the cost of medicines then one could understand that as the logic behind the Government's decision to increase prescription charges by 20%. But to say that the average cost per prescription has gone up by 50p and therefore the Government is going to share that extra 50p, which incidentally was incorrectly reported in the media, is going to share the 50p, as to 30p the Government

and 20p the patient, does not answer the question. If the percentage increase in the cost of medicine is less than 20% then effectively the Government is reducing the subsidy. If that is what they are doing it is their right to do it but what they have got to do is say that it is their policy. Because one of the difficulties we face, Mr Speaker, in this as in other budgets is that the role of the Opposition is to take a critical, objective, view at Government policy. But we spend an inordinate amount of time trying to establish what Government policy is before we can either criticise it or praise it. And, therefore, if their policy is that they should reduce the contribution that Government makes to the cost of prescriptions, right, then they should stand up and say: 'That is our policy', and we may agree or we may disagree. But that appears to us to be what they are doing and the answer that we have been given doesn't make us change our mind.

Equally, Mr Speaker, the question of the EEC costs suggest to us that the Government has no idea of the implications, nor how those implications could materialise into a future liability.

HON M K FEATHERSTONE:

If the Hon Member will give way. I mentioned that it has gone up 50p in the last year. I am not sure what it went up in the year before, but the level of £1 was set in 1984, so the increase from 1984 to 1986 in the cost of medicines is probably a 20% increase anyway.

HON J BOSSANO:

But the explanation then, Mr Speaker, is a different explanation.....

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, if I may help a little bit on that. The actual net cost of drugs, that is to say, in Government budgetting, if one might use that phrase, in 1984/85, after the increase in prescription charges to £1, which was in May of that year, was £605,000. This year, 1986/87, it was estimated that without the increase in prescription charges - that is to say, with a £1 charge - the cost would have been £742,000. So one is talking about an increase of £605,000 to £742,000 which is, in fact, just over 20%.

HON J BOSSANO:

Yes, Mr Speaker, but that doesn't tell us anything because that might be more volume, more medicines. The point is, are we talking about more medicines being consumed. If more

medicines are consumed the cost to the Government is higher, notwithstanding the fact that the proportion that the Government pays may be no higher.

HON M K FEATHERSTONE:

Not for the prescriptions.

HON J BOSSANO:

I don't mind sitting up and down all day if necessary but I am getting two different explanations. The explanation of the Hon Member opposite is that the increase in the cost per item, or in the cost per prescription, since it was last looked at, has gone up by the order of 20%, and, therefore, that is why they are increasing the contribution of the patient by 20%. Well, that is a sensible explanation for what they are doing. The explanation given by the Financial and Development Secretary is that the Government contribution has gone up by 20%. That has nothing to do with the cost per item.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

It was the cost to the Government, what is provided in estimates for this particular item.

HON J BOSSANO:

I accept that. If we have an epidemic, Mr Speaker, and there are lots of people going ill then without the cost per unit of medicine going up the cost to the Government would go up because the Government is funding a part of each prescription. So the more prescriptions you issue the greater the amount of money Government has got to provide. Of course. And therefore the Financial Secretary's explanation has nothing to do with the other one and it is the other one that we were looking for. I am grateful that the Hon Member has given me that explanation because that, in fact, answers the point that was raised earlier, and I think we had not been given a satisfactory answer.

I was coming to the other point, Mr Speaker, when I gave way, which is that I think the Government still needs to do some homework on this question of the EEC cost because I don't think it is enough to say: 'Well, we may have to pay or we may not have to pay and we will have to see how the thing is worked', because what we don't want is to find ourselves being faced with a bill, a year hence or two years hence, for which we are totally unprepared, which we didn't expect to do and which catches us - if it is not true to say that the pensioners' bill caught us by surprise then certainly, I think the implica-

tions of the pensioners' bill has caught us by surprise, because I think that nobody really in Gibraltar expected that eventually we would be talking about a total liability of £100m. I don't think even the Government is looking at it as they have done, as they have said they have done since 1977, could have imagined that it would ever be a sum of this size.

I also think I need to come to the question of the Quarry Company, Mr Speaker, and the subvention that is being provided for the Quarry Company which was raised by my colleague, Mr Perez, and I don't think again, we have had a sufficiently good explanation from the Government, because the Government explanation seems to be about how the company will use the money. We are not questioning how the company will use the money. They may use it to reduce the overdraft, or they may use it to buy new equipment, or they may use it for working capital, but it is a matter of Government policy that the Government should provide a subvention or should not provide a subvention, and, therefore, this is something totally new. The only area where we have had the Government providing finance to an outside organisation has been in the question of GBC, where there is clearly a public responsibility, and in the question of Mount Alvernia where, again, there is clearly a Government responsibility to look after our elderly citizens. And if the money had not been left there by Mr Mackintosh then the Government would have had to find the money because you cannot just let senior citizens go into a corner and have nobody to look after them simply because they haven't got a family or the wherewithal to look after themselves. I think there is a community responsibility and that is the explanation as I see it, in those two areas. We are now talking about a Government owned company and whether it is intended to create a precedent on GSL or it is not intended to create a precedent on GSL, the reality is that the running losses of the Quarry Company are a grain of sand, Mr Speaker, if one may use the expression, compared to the running losses of GSL.

And GSL is in a situation where it claims to be in no position to meet wage increases.

It has claimed that for 1985 the wage increases were not merited, independent of whether it had the money or not, but that in any case it didn't have the money. It is still saying the same thing in 1986 and that is not the kind of climate where the commitment that was there at the beginning of the enterprise is likely to be revised, that is the reality of it. They have lost, in my judgement, and it is a matter of opinion, but I think they have lost 90% of the goodwill that was there in the first three or four months of the operation when people were relatively enthusiastic and willing to make allowances for all sorts of shortcomings. I think fifteen months after the

event the people that are still there - and there are not many of them - I think, as my colleague has mentioned, we have had a situation from the figures available to us that something like 400 people joined the company in 1985 and 300 people left and that in March this year, 17 people joined and 14 left. And that of the 17 who joined 12 were Spanish nationals, and out of the 14 who left 11 were Gibraltarians. The trends are there. The Government is in a better position, if anything, than the Opposition to get because that is information that they can demand as owners of the company. I would have thought it is a worrying trend if the skilled English speaking navy trained craftsmen, which were supposed to be the backbone of the enterprise - at the beginning we were told it is the geographical location, the navy skills and the reputation for navy skills, and English is the language of the shiprepairing world. English may be the language of the shiprepairing world but we are swiftly moving into a situation where we have Moroccans, Portuguese and Spaniards, and we are going to have to start beginning to employ translators, never mind about English being the language of the shiprepairing world, Mr Speaker. Therefore, it is against that background that we see the commitment to provide finance for the Quarry Company as one that required an explanation from the point of view of Government policy. There are many Governments of all political complexions all over the world, certainly in Western Europe, Mr Speaker, who in fact use public funds to cover losses even in private companies, never mind in public companies, because there are implications for the nation. Because it is an area of high unemployment or whatever and it is felt necessary and that may be a legitimate argument elsewhere, but it is hardly a legitimate argument in a situation where the Government, through its Labour Department, has issued 459 work permits for Spanish nationals in one year. That is what they did last year. I know the Minister, Mr Perez, said in his political broadcast that we were not being flooded by Spanish workers. I don't know. Again, when you use a word it depends on what you mean by being flooded. If we issued one permit in 1984 and 459 in 1985, if we are not being flooded then we are not being flooded. How many hundreds do we need to issue or thousands or millions? Certainly nobody expects that the 40 million Spaniards will set up employment in Gibraltar. We don't expect that, but where equally it is true is that in the leaflet that was put out by the party in Government during the Brussels Agreement saying 'there will not be a Spaniard in Gibraltar for the next seven years', certainly that is a long way from the truth.

HON CHIEF MINISTER:

Who said that?

HON J BOSSANO:

Mr Speaker, the AACR issued a leaflet, of which there were several prominent members downstairs in the Lobby on a Saturday morning giving them out, and of which we have still got copies although they may not, we keep the reputation, which said that we were trying to frighten people because there wouldn't be a Spanish worker in Gibraltar for the seven year transitional period. That is what the leaflet said. I will send the Hon and Learned Member a copy if he hasn't retained one himself, so that he can refresh his memory.

In assessing Government policy, I think, in looking at the contribution of Hon Members, because the contributions on the Finance Bill from the Financial and Development Secretary and the Hon and Learned the Chief Minister raised a number of questions from one side of the House which, in fact, have not yet been answered, Mr Speaker, and which I think require answering, because we are looking at two things. We are looking - are we assessing the state of the economy correctly ourselves, and in doing that we assume that the Government is better placed to assess it than we are because they have got access to information which is not just what is published, and which this year we have had particularly late, but in fact what is behind the figures that are published. If they actually go into these sort of things and study them, I don't know whether they do or they don't. We have to assume they do because that is what we would do if we were there. So we are making our own assessment of the state of the economy and we ask ourselves: 'Is the assessment that we have got the same assessment as the Government has got and are we both talking about the same thing? We are not very clear whether the assessments are the same. Secondly, given that the assessments are approximately the same, what are the Government policies to deal with this kind of economic situation in 1986, and would our policies coincide with theirs? Would we disagree with them? To what extent would we disagree? This is, we think, the kind of exercise that the budget of Gibraltar should be about, and in the contribution of the Hon and Learned Chief Minister this year, which has been more substantial than in the two preceding years, I mentioned that there was a greater reference to economic thinking but very little practical materialisation and translation of that into specific policies that we could point to. Therefore, Mr Speaker, I will be coming, in rounding up, to the specific areas which we feel still need answering in the contribution of the Hon and Learned Member and the Financial and Development Secretary. But before I do that, because I strayed away slightly from what I was saying earlier on in dealing with the contribution of the Minister for Medical Services, by moving over to the question of the Quarry Company, I got a bit sidetracked, and I would like to get back to items that have

been mentioned by other Members of the Government which we have not responded to because perhaps the person responsible on this side had already spoken.

I think on the question of the Telephone Department, Mr Speaker, the Minister mentioned the re-negotiation with Cable and Wireless, and the increased contribution to the Telephone Accounts because of it. And, of course, the situation is that the Telephone Accounts have operated at a profit for the last twelve months. The fact is that there was an accumulated loss and that loss is being eaten into. And it makes sense, of course, that if you have got an accumulated loss before you decide on any policy you should wait until at least you are breaking even. But I think in the light of the fact that the Government is now projecting finishing the year with a surplus, we need to know, since it is an unusual state of affairs for a Funded Service to be in surplus - the policy until now from when Funded Services were first created in 1978 was that the Government's objective was that it should break even, and we have had a situation where they have never broken even, they have always been showing a loss, and since this is the first time where we are projecting a surplus we need to ask the Government: is their policy still that they should break even or do they have a different policy now that they are facing the possibility of surplus? No statement of Government policy has been made on that and, therefore, that is something that ought to be explained. And I think whilst we are on the question of Cable and Wireless, Mr Speaker, we feel very strongly in this House that just like on matters of, shall we say, national security, like the airport, we should if we can see if both sides of the House are in agreement because that makes Gibraltar's position stronger. On areas which are important in the long-term, and particularly where a decision is being taken towards the end of the term of office of one Government, we felt equally strongly on this issue, if you will recall, Mr Speaker, on the question of the commercialisation of the Dockyard. It would have been very wrong, for example, in our view, for the Government to have started the commercialisation of the Dockyard on the terms proposed by Appledore in January and then gone to an election in February, and then perhaps they lose the election, and then somebody else comes in in March and is stuck with a situation for four years which they don't support and they don't agree with. We have said in this House that although we always thought that the Appledore proposals for the Dockyard's commercialisation were misguided and incorrect for a variety of reasons, and we never believed ourselves that the correct policy was to aim for a Dockyard that would eventually employ, 1,200 or 1,300 people and turned-down 165 ships and do £20m of work, because that is a ship docked every three or four days which is labour intensive work and which, therefore, puts a lot of pressure on the company to either have very low wage

rates or enormously high productivity in order to have unit costs that are competitive. The Government went to the election and won the election and they had a mandate and they have got the right to have introduced it and they have got a right to defend their view and to see if they can make it work. So we think that on the question of the future of telecommunications, which could play, we believe, a more important part, quite frankly, in the long-term in Gibraltar's economic development than GSL ever will, it should be desirable, if it is possible, to see whether both sides of the House could agree on what they would like to see happening in 1988. In which case, I think, it is a good thing from Gibraltar's point of view and a good thing from the prospective operator, that he knows that he doesn't have to worry about the election, because, really unless a third unknown element comes into the campaign, it would not be an election issue. If that is not acceptable to the Government then.....

HON J B PEREZ:

If the Hon Member will give way. I have already said in my contribution that there would be consultation with the other side.

HON J BOSSANO:

Fine, Mr Speaker. I am drawing attention to it because I think it is important that it should be seen that when it is possible to move in a direction like that, then we believe it ought to be tried. And if it isn't then, fine, the matter can be debated in the House and one can put one's argument for and against and at the end of the day the Government uses its majority.

I think on the question of the international calls and the franchise, which the Minister tried to defend the position, I don't think that the defence that he put up is one that satisfies our criticism because what essentially we are saying is that we find it undesirable, if we don't want to use a stronger word than that, that somebody should phone Gibraltar by phoning Spain - and that that can be done is not in question, it can be tested, Mr Speaker, by using the telephone in the Lobby of the House of Assembly and calling a Gibraltar number through Spain. Yes, it can be done because I have been told that it can be done and I have done it and I have tested it. And one can call, in fact, the regional code of Cadiz from Gibraltar and call a Gibraltar number. And just like one can do it from Gibraltar one can do it from anywhere else in the world. And nobody using that would know that Gibraltar was not in the province of Cadiz. That is the point that we were making. It may not be possible to phone out an international

call via the land line. That I don't know. But that it is possible to phone in is definitely the case, and that the Gibraltar code is not well known is also definitely the case because I can assure Members that when I was away recently I tried to telephone on a number of occasions directly and I wasn't able to do it, and I had to use the operators who had - I am talking about the United States obviously - who had a very hazy idea about in which part of the world we were situated, never mind whether we had a code at all.

HON A J CANEPA:

We hope they are better informed now.

HON J BOSSANO:

I hope they know better now, yes.

HON J B PEREZ:

I did say in my contribution that the connection was recently pre-arranged between Gibraltar, the United States and Canada. That is what I said in my contribution.

HON J BOSSANO:

The Hon Member mentioned also, I think, the question of the resiting of the prison being considered. This is not something that was mentioned by the Minister for Economic Development as part of the items in the Prison. The Minister mentioned that it was being considered but the Minister for Economic Development didn't make any reference to it in the items for the Improvement and Development Fund. There is nothing there because presumably there would be. I think the last time a question was asked in this House several years ago, the Hon and Gallant Member, Major Dellipiani, I think, gave a figure of something like £5m or £6m.

HON A J CANEPA:

For a new Prison, yes, but I think there has been a re-consideration of relatively modest proposals on a small matter of £1.4m. I think at the moment we can do something better with £1.4m, much as I support the creation of another asset for the tourist industry, but perhaps in a few years time we can get round to looking at that.

HON J BOSSANO:

I am grateful for that explanation, Mr Speaker. Having

mentioned the Hon and Gallant Major Dellipiani, perhaps I need to make some reference to his contribution. He was in a very military mood this morning when he spoke, I must say. I have always had a certain amount of scepticism about his military strategies when I have heard them before in the House, but he sounded quite convincing this morning.

HON MAJOR F J DELLIPIANI:

Have you got a Shadow there?

HON J BOSSANO:

No, we haven't got a Shadow Minister for Defence. We could never match his expertise on the subject. But I thought it certainly made some sense in saying that the sudden requirement to re-enforce the protection to the airfield and whatever, suggests that it cannot have been all that well protected before. That seems to be an obvious commonsense conclusion to come to and it certainly makes sense to say to oneself: 'Well, not everybody is going to issue advance warnings of what they intend to do', and, therefore, if shortcomings have been found then I am sure the Government will wish to impress on Her Majesty's Government that the lesson should be learned and that those shortcomings should be catered for without waiting for a crisis to occur. I take it that that was the point that the Hon and Gallant Member was making and we would certainly go along with the desirability of that situation.

I think also that the Hon Member made a number of references to the question of productivity in the Department which is consistent with what he said last year, and is something that has not been reflected in the contributions of other Members this year, whereas it was reflected last year. I don't know whether they all get very worried in the Government about productivity when they are predicting reserves of £3.7m and feel quite relaxed about it when they start predicting reserves of £6m or £7m or £8m or £9m. But there seems to be a correlation, Mr Speaker if one looks over the years at the state of Government finances and the state of preoccupation about productivity and output and work norms and whatnot. But to grant the Member his due, he clearly is totally oblivious to the state of the reserves because he said almost exactly the same thing this year as he did the last. But he stood out, I think, from the contribution of other Members in doing so. We would also support, Mr Speaker, the view he expressed about - obviously the Armed Forces know that I am praising the Hon and Gallant Member and they are putting up some obstructive noises to try and prevent me.

MR SPEAKER:

I will not call them to order.

HON J BOSSANO:

We also support, Mr Speaker, the view that he expressed that in the case of GBC, whom we feel has had to cope over recent years with a shortage of finance for re-equipping and obtaining new equipment, and from our knowledge of the situation there have been occasions when they have had to make do with very inadequate adaptations because of the inability to obtain the right spares and so forth for equipment which is totally out-of-date. The situation improves and all that the money that comes produces is a reduction in the Government subsidy then clearly the Corporation has got little incentive to improve sales and generate revenue if at the end of the day they are in exactly the same position whether they do it or not. It seems to us a very logical assessment of the disincentive effect of doing that and we would support the views that he expressed on that subject. I am sorry the Hon Member is not here because it is not very often that I say I agree with so many things that any one Government Minister has said. He is outside, ah, good.

I would like to come now, Mr Speaker, I think to the contribution of the Minister for Tourism which, I think, was more than adequately dealt with by my colleague in that we have not seen from him or from the Government where the relationship is between the Government's strategy and the Government's expenditure in the Appropriation Bill and the resulting income from tourism. And he quoted what I said in 1984 and, indeed, what I have said in many previous Budgets going back to 1973, when I asked the then Minister for Tourism, Mr Abraham Serfaty, to give me a cost benefit analysis of tourist expenditure. He looked at me with a blank look which suggested he thought I might have been using rude words, Mr Speaker. I am not sure that they have still got round to the message that we have been trying to put from this side of the House and, that is to say, if as the Minister for Economic Development has just said, for example, about the £1.4m for the Prison. He has, in fact, just said: 'If we have got £1.4m and we can use that for re-siting the Prison and that is going to mean that the Moorish Castle is going to be available as a tourist site and that improves the tourist product, I think at this stage, I can do better things with the £1.4m'. That pre-supposes that somebody is sitting down and saying: 'Well, I have got £1.4m and I can either do this or that with it', and there is a logic to why you do one thing as opposed to the other. Where in the tourist expenditure of the Government can we see that reflected? That kind of logic, that kind of analysis. We haven't seen it anywhere. The Hon

Member, I thought was going to give us the kind of statistics I am looking for when he quoted my request for statistics in 1984, but what did he do, he just mentioned the £20m which had already been mentioned by the Financial and Development Secretary in the Finance Bill, except that he doesn't seem to have read what the Financial and Development Secretary had to say in the Finance Bill. Therefore, Mr Speaker, with your indulgence, I will read what the Financial and Development Secretary had to say on the subject so that then perhaps the Minister for Tourism will see that the Financial and Development Secretary agrees with us and not with him. The Financial and Development Secretary mentioned the £20m figure and said that it had increased from an estimated figure of £12m in the previous year. He said: 'Total expenditure by visitors to Gibraltar during 1985 is estimated at about £20m compared with £12m in 1984. However, while there was a substantial inflow of tourists and visitors, there was also a substantial outflow of expenditure in Spain'. If he is using the extra £8m coming in as defence for having taken the right decision with 'Brussels' then he must surely deduct from it the outflow.

HON H J ZAMMITT:

Mr Speaker, if the Hon Member will give way. I think it is a very illogical assumption to come to and I think I was telling him, in fact, I must say this, Mr Speaker, which I probably omitted, I think every Member on this side of the House pays a lot of attention to what Mr Bossano says at Budget time and I think he is doing himself a disservice in trying to alienate one with the other. The fact that Gibraltarians go and spend £10m or £15m in Spain, surely, should not under-estimate the value of tourism coming into Gibraltar. That is not an analysis that I would give much credibility to.

HON J BOSSANO:

Mr Speaker, I will try and explain it again because he obviously hasn't understood a word I have said. If he is looking at the value of the frontier having opened in February instead of December, then in looking at what money that has brought into Gibraltar he cannot simply look at the money that has come in, he must also look at the money that has gone out, because, in fact, both things are the result of the frontier having opened nine months earlier and, therefore, the net effect of those nine months are not £8m, the net effect is the £3m minus the rest, and the minuses, Mr Speaker, clearly are not yet finished. The minuses are not yet finished because we have got a situation where we have just read in the paper that a ruling has been made by the Court about the importation of fresh fruit from across the way which we thought the Government had a policy on not allowing, which the Government may no longer be able to defend,

and, therefore, this is talking about the impact of the frontier opening. About the impact of the tourist as such, if the Hon Member is saying that, I am not sure, but he seemed to be saying that in fact tourism could become the main pillar of the economy, and we have had a situation where for three years consecutively, in 1983 in the Royal Institute of International Affairs; in the 1984 Budget, and in the 1985 Budget, the Government was talking about developing a strategy where there were two pillars to the economy, tourism and shiprepairing. For most people two pillars of the economy means that you have got an economic strategy which basically means that each of your two elements in that strategy are designed to account for 50/50 of the economic growth generated, or one might be 60 and one might be 40, but that is what you are talking about. If we are talking about three pillars then one would assume that they were 30/30/30, or roughly those figures. Again, there is no quantification of what the Government means, but certainly the GSL pillar is looking decidedly sick, and the tourist pillar, Mr Speaker, requires three million visitors to generate £8m gross income. And we still don't know what is the net effect of that income because the Financial and Development Secretary also points out, quite rightly, that a great deal of the consumption generated by this spending is the result of imports. He said: 'The high import content of sales, on the one hand, and on the other the high level of spending in Spain, meant that the increase in gross domestic product was rather less of a figure than two million tourists might suggest'. We have got a situation where because we have got what is called in economic terms 'leakage', that is to say, if you have got £1 coming in and 90p coming out then what your tourist is contributing to your economy is 10p. If you want to increase your national income by £1m then you have got to know how much of each pound that is coming in is actually staying in the economy of Gibraltar. Because if you are assuming that 90p are staying and only 10p are staying then your figures are going to come all wrong. And if the situation is that, in fact, we need three million people to generate £8m of gross income and, say, out of that £8m of gross income £1m is actually what is left behind and £7m goes out again, then that effectively means that for every £1m that we want of increase in our gross national product we need three million people and clearly we cannot talk about three million people this year, six million people next year, nine million people the following year. There is a physical limit to how many people we can handle. What we are talking about, it isn't that we are against tourism, Mr Speaker, it is that we are sceptical about whether mass tourism in a place like Gibraltar can produce the benefits that some people believe that it can, that is what we are talking about.

HON H J ZAMMITT:

If the Hon Member will give way.

MR SPEAKER:

With respect, I am going to allow you, don't worry, but I am sounding a word of warning. We are not going to have a ding-dong as I have always said, we are not going to because otherwise.....We have all had our chance. In any event, go ahead and say what you want to say.

HON H J ZAMMITT:

Mr Speaker, I think it is very important, with great respect, Sir, that one be allowed to explain these things because I don't think it is intended as a ding-dong. I myself said in my contribution this morning, that I certainly wasn't here to try and cast blows. I think enough is enough, we have had the past and we should look towards the future.

I think, Sir, where we are possibly not understanding ourselves is that the difference between the closed frontier situation and the open frontier situation was, and this was worked out by a statistician several years ago as to the value of resident tourists in Gibraltar, which, of course, is much higher than excursionists coming to Gibraltar and spending a day and buying and leaving. We knew, Sir, at that time when we were receiving 100,000 genuine bed occupiers in Gibraltar that that was providing Gibraltar - I am forgetting the small amount from Morocco - we were generating then about £11.2m, which meant that possibly £2½m to £3m gross. That, of course, is the important thing, but we only have 1800 beds at the moment, and, therefore, even if we had an 80%, which is 100% virtual capacity, the present situation of the value, the kind of economic value that the Hon Leader of the Opposition is trying to ascertain and, may I say, we haven't got this analysed as yet, I am told it requires a little more time for our statistics Department to be able to say: 'Right, for every person coming in and spending, for arguments sake, £20 that means £2.50 to the economy'. That is being worked out but there is a lot of value, obviously for the future, in the provision of additional hotel beds which is where Government and the whole economy broadly takes tremendous benefit from. That is the difference, I think, Sir.

HON J BOSSANO:

I am grateful, in fact, Mr Speaker, for that explanation from the Hon Member because this is what we feel we need. We need to see which way the Government is, in fact, focusing its attention and certainly the way that the Hon Member explains it,

which has a clear rationale, is not the way other people have explained it. For example, the Chamber of Commerce talks about turning Gibraltar into a shopping centre and clearly they are talking about people coming in doing their shopping and going. Which of the two strategies are being followed, because I think it is only proper that if the Government is not aiming for a shopping centre then it would be wrong for the Opposition to turn round and say; 'You are failing to achieve the shopping centre economy which is what you are doing when it is not what you are doing'. If you are aiming in another direction then clearly what we have got a right to do is, having established what they are aiming for and what their target is, then we question them on how much progress they are making towards that target, how close they are to achieving it. Independent of whether we would do it ourselves that way or not, I think there are two elements. One is the element where we say we ourselves would not be pursuing a situation where the important thing is to have more hotel beds, or we would, we don't know which we would do because I think, quite clearly, one of the important elements is to get the kind of information which the Hon Member says is not yet available and which we think needs to be available. We think that that is a primary consideration.

I think clearly the situation at the moment is that the benefits that have been reflected so far in the increase in import duty and so forth are the result of visitors from across the way and that clearly is the limit to what that can produce, presumably cannot be considered to be very far away, otherwise we shouldn't be having in the Estimates of Revenue an increase of £600,000 in import duty. If we were expecting six million people in the next twelve months then that should be reflected in revenue estimates. So, growth, presumably, lies not in that direction but in the direction of long staying tourists. I think then, Mr Speaker, this is the kind of policy statement that we believe is important to have so that we can then, when we follow, see what progress is being made in the achievement of that, once the Government has decided that that is the direction that they want to go. And therefore, essentially, my criticism was based on what I could deduce was the policy of the Government from, shall we say, circumstantial evidence and, therefore, I am glad that the Hon Member has interrupted me and given the explanation that he has because we can now see more clearly where the difference lies between what other people have been saying and what the Minister for Tourism has said.

I will then, Mr Speaker, draw the attention of the House to what the Minister for Economic Development had to say, and I think that there, and I am grateful, in fact, for the details that he gave the House of the proposed development programme and of the situation that there now is as a result of the response of Her Majesty's Government. I was planning to say, because I heard

him yesterday from outside get very upset about what my colleague, Mr Mor, had to say, and he said that a Spanish newspaper had described him as being 'tranquilo' and he couldn't understand why this..... in a very excited sort of voice. But today I cannot say what I intended to say, because I was going to say that he does get so excited it just shows you cannot trust the Spanish press, but, in fact, he was so 'tranquilo' today that I have had to forego the opportunity.

HON A J CANEPA:

I did point out to this journalist, who is not absent, that there was a different perception about it.

HON J BOSSANO:

I think, in looking at the Government's projection of the development programme, Mr Speaker, we necessarily come to the issues that we raised before in the question of the Finance Bill and in the question of the position as shown by page 5 and the state of the reserves because I think they are crucial in considering the amount in the Improvement and Development Fund and the capacity of the Government for spending money in the Improvement and Development Fund. The statements that have been made in this Budget are a total departure from everything that has been said since I arrived in this House since 1972 as regards reserves. Neither the Financial Secretary nor the Chief Minister have made an attempt to defend why they borrowed £2.3m in the last twelve months for recurrent expenditure.

No, Mr Speaker, the Financial Secretary tried to put a smoke screen across it by saying that £1m was needed for re-financing £1m of maturing loan when, in fact, the £1m of maturing loan was the subject of correspondence between us about the adequacy of the Sinking Fund and, in fact, the money to pay back that loan was already there. So he didn't need to borrow money to repay that loan. As I said before, it might have been a good opportunity to raise money, because if you are paying back somebody £1m it is a good trend to ask them whether they want to re-invest that money. I raised that point myself in 1972 when there was some maturing Government debentures, but that is not what I am talking about, I am talking about the use of the money. Because last year the Hon and Learned the Chief Minister was still concerned about the reserves, so the policy on reserves has changed this year. Until last year's Budget reserves were still considered important. 'Our reserves have been seriously depleted' - the Hon and Learned Member said - 'to the extent that we have decided for the first time ever to borrow £2m this year for recurrent expenditure'. It is perfectly legitimate to come back twelve months later and say: 'Your reserves have not been seriously depleted, so why did

they decide to borrow £3.2m which is more?' We need an answer on that and we haven't had an answer.

In judging this so-called prudential level of reserves, we have only got to go on what previous Financial Secretaries have said, but the Hon Member tells us this year that the whole idea of reserves is strange and that the Treasury in UK would simply print more money if they needed the money. Well, then all I can say is that the last four Financial Secretaries for the last twelve years have been talking total nonsense in this House in all the Budgets that I have been here. Clearly it means then that for the last twelve years, Mr Speaker, I have been right and all the Financial Secretaries have been wrong, when I have been critical of all their policies. We have to assume, unless we are told differently, therefore, that there has been a fundamental change in the Government's position on this matter as a matter of policy and that, therefore, the question of reserves will no longer resurface as an issue to justify Government policies as it has been doing consistently since 1972. And let me say, for the record, Mr Speaker, that the explanation given by the Hon Minister for Economic Development of how we were landed in a general strike in 1972 because the Financial Secretary, or the Treasury, at the time told the Government that there was no money for the pay review and, therefore, the reserves could not be touched. Just for the record, since that is what he said and that is in Hansard I invite his attention to the Principal Auditor's Report for 1971/72.

HON A J CANEPA:

He didn't read it!

HON J BOSSANO:

I did, you see, and I kept them! And, therefore, he will find that that came out belatedly in 1974, in fact, but that it reflected there what I had been arguing in October, 1972, which was the first meeting that we both attended in this House, when the Government decided to transfer £½m with retrospective effect from the Consolidated Fund, or the General Revenue Reserve, as it was then known, into the Improvement and Development Fund. And if that transfer had not taken place then the value of the Consolidated Fund in 1971/72, Mr Speaker, would have been £2m, and £2m, in fact, Mr Speaker, was in excess of the 33% which the Hon Mr Mackay said in my first Budget in March, 1973, was the prudential level of reserves. In fact, there was more money in the reserves in 1972 than was then considered the prudential level of 33%. And I am just doing that because that is what the record shows as far as the figures that I have got

and as far as the arguments that have been put before in the House. But, of course, if we are now, for the first time ever, in a totally new situation which, as I say, even as recently as 1985 and as 1984, the reserves still formed part of the Government's statement of policy at Budget time. In both last year's Budget and the year before, reference was made to the adequacy or inadequacy of the reserves. In 1984 the Hon and Learned the Chief Minister said: 'The reserve level for the end of this year will fall to just under £2½m. The Budget measures aim to restore this to nearer £4m'. So there were targets for reserves and what were considered desirable or minimum levels. Not only, in fact, were all the Hon Member's predecessors as Financial Secretaries wrong, but it would appear that he has been wrong in the last two Budgets in supporting that policy.

We have been looking at the question of the public debt for a number of years and when we get told, Mr Speaker, as we do, that the economy is now recovering, and as we were told last year that the battered ship of state under its captain was now coming out of the storm, we look at the storm that we have just come out from and what do we see? We see a storm that had in 1980/81 £9m of debt and £9m of reserves; that the debt went up from £9m to £20½m in 1982; £22½m in 1983, £26½m in 1984; and the last figures shown in this year's Estimates is almost £29m. We seem still to be floating on a debt mountain which is getting bigger all the time, and I think the reason why that needs to be there, independent of the fact that as we have made clear from the moment the Loans Empowering Ordinance was brought to the House, we are completely opposed to borrowing money for recurrent expenditure. We have got misgivings about borrowing money for long-term capital investment depending on the strength of the economy otherwise. There is nothing wrong with borrowing money when the economy is growing and when you are, in fact, able to project into the future how you are going to pay back what you are borrowing. We are glad that the Government have done the kind of re-financing exercise on the £4m loan of Midland Bank as we said. It was something we pointed out to the Hon Financial and Development Secretary two year's ago and he said he would look at it and obviously, having looked at it, he has come up with a good answer, because if he reduces debt servicing charges then that is a welcome piece of information since it gives the Government that little bit extra of breathing space with which to have money to do something more useful than paying back tax.

We are trying to assess ourselves, as I have been saying all along in my contribution today, Mr Speaker, the state of the economy which requires, it seems to me, quite often a lot of digging on our part because it is not explicitly set out by the Government on its own initiative when they make a statement, and

on this occasion there is more information than there has been in the two previous Budgets. But, of course, if we have now got a situation where the economy is better because the frontier opening has injected life and economic activity into some areas of the private sector which, in turn, have produced a multiplier effect and raised the level of economic activity, then we don't need to borrow for recurrent expenditure, because it was the absence of that economic activity that was a justification given twelve months ago. And, therefore, we would expect the £2.8m, that is to say, the £2.3m borrowed last year and the £½m borrowed this year - because even this year we are borrowing for recurrent expenditure. We are borrowing £2m and using £½m for capital investment. So we are borrowing £½m for recurrent expenditure. We would expect that £2.8m to go into the Improvement and Development Fund, and, therefore, we shall be moving an amendment in the Committee Stage of the Appropriation Bill, Mr Speaker, so that the figures shown in the appropriate Head, the Contribution to the Improvement and Development Fund, Head 27, what we propose then is to move an amendment to change that figure from £1½m to £4.3m which would be the total borrowing.

HON CHIEF MINISTER:

I can't think the Hon Member can do that.

HON J BOSSANO:

I believe, Mr Speaker, what I cannot do is propose.....

MR SPEAKER:

I think the Member can most certainly move amendments which relate to expenditure. There is no amendment to revenue raising measures.

HON J BOSSANO:

What we cannot do, Mr Speaker, is increase the total expenditure of the Government or propose anything that will increase the financing burden, but since in fact my amendment will simply reduce the amount in the Consolidated Fund and increase the amount in the Improvement and Development Fund, the financial position of the Government remains totally unchanged. So I believe I have got the right to do it. It depends on whether I can persuade Government to vote in favour, whether I can do it or not. But if they vote against they will have to explain to us why it is necessary to retain £2.8m in the Consolidated Fund when we are told that reserves is a very strange thing that we only have in Gibraltar, and when we are told that borrowing for recurrent expenditure is an undesirable thing

as we were told twelve months ago.

Of course, I now come, Mr Speaker, to what the Minister for Economic Development was telling us about the ability of the Government to spend money given the response that they have had from ODA. And, of course, that ability will be enhanced if they have that extra £2.8m in there instead of keeping it for recurrent expenditure. And we believe that it is right that it should be there because, in fact, let us analyse the whole relationship between the Improvement and Development Fund and the Consolidated Fund and the charges on the Consolidated Fund. Let us go back, Mr Speaker, to the point that was being made by my colleague, the Hon Mr Perez, about the Public Works Recurrent and the Public Works Non-Recurrent votes. What we are saying is the Government, I think it was when Mr Wallace was Financial and Development Secretary, came along with a proposal that said; 'well, we have got a situation where Public Works Non-Recurrent is really a capital works programme, and since we have got a capital works programme which is the Improvement and Development Fund why have two different capital works programme. So we will take the capital works programme out of the non-recurrent vote, do away with the non-recurrent vote and stick it in the Improvement and Development Fund'.

The whole basis of borrowing for capital works is that since the enjoyment of the asset is spread over a number of years, because it isn't an annually recurrent thing, the cost is spread over a number of years by charging it to debt servicing. But, of course, if what you are doing is - yes, Mr Speaker, that is it. The whole basis of debt financing, is on the assumption that if you buy a set for the Generating Station and you say: 'Well, since that is going to be something that has a useful life of ten years we then pass the cost to the consumer over ten years. Otherwise it would be very unfair to charge the consumer one year for something that has got nine years life left'. But, of course, if you are moving your non-recurrent capital programme from the Public Works to the Improvement and Development Fund, which you haven't done before, that was a change we did two or three years ago, and now you are using your loan capital for the Consolidated Fund you are distorting entirely the process of financing Government operations from the point of comparing today with anything that has happened two or three years ago. We had a situation where two or three years ago we were doing capital works non-recurrent from recurrent revenue. From that we have shifted to a situation where we are financing annually recurrent programmes from loan capital. That is a major change of Government policy. It may be, as the Hon Member said, we have all been too conservative in Gibraltar in our financial policies, I don't know. Perhaps when there is a crisis in the debtor nations of the world it might not have

been such a bad thing, but we certainly cannot be considered to be conservative anymore when we are talking about a national debt of £30m. We might have been considered conservative ten years ago when we had a national debt of £4m.

The Government has mentioned in its own submission the need to do something on housing, and the Minister talked about the 100 units to be built in the Laguna Estate by putting on an extra floor, and I think he said that four blocks were going to be tackled this year, although I was rather surprised that you could do four blocks with £100,000 in the first year. Is £4m the cost of four blocks? Are we talking about the average cost being £20,000 or £30,000 a unit, or even less than that?

HON CHIEF MINISTER:

Yes, we will have to spend £7,000 or £8,000 in the roofs anyhow.

HON J BOSSANO:

Because our own view, Mr Speaker, is that based on the consultancy that the Government obtained, and I would remind the Hon and Learned Member that in his Budget speech of something like four years ago he drew attention to the fact that the consultancy was going to be the basis upon which Government policy on housing would have to be looked at. That consultancy identified a requirement of something like 50 new dwellings a year simply as replacement for the stock of 5,000 dwellings. If you have got 5,000 or 5,500 dwellings then clearly they are not going to be there forever, so you need to have a figure which is the figures that you need just to replace the ones that are no longer repairable at reasonable cost and where it is cheaper eventually to knock the place down and have a new one. We have not had that kind of output because of the constraint that the Government has been operating with all the uncertainties of the Dockyard closure and whether the frontier was going to open and all the rest of it. But if we are now moving out of that phase then clearly the Government must have a target, in our view, of something in the region of 100 units a year to make any kind of progress at all. And even then it would take, we think, something like a minimum of ten years at 100 units a year to clear up the backlog of people on the waiting list, unless they have all gone to live in Spain by then.

If 100 units a year is reasonable, and if we look at the recent decline in building costs which the Hon Member has made reference to in the savings that there have been in the programmes, then we are talking about a requirement of something like £5m a year for housing in the Improvement and

Development Fund. That is the kind of money that is needed to make any impact on housing from the public housing point of view. That is the figures that we think are necessary, given the information we have got. If we have got our figures wrong and if the Government thinks that they can actually make a dent on the housing programme by building five flats a year or ten flats a year then they need to explain to us how they intend to do it because we cannot see how they can do it. And all the information we have got is the information they give or the information they publish. We go by the Abstract of Statistics. We go by the Consultancy on Housing. And based on those sort of figures this is the kind of conclusion that we come to. And this is what we mean about being in Government with a programme and a policy. The Government stands up and says: 'The programme of the Government is we might like to do 700 houses but we cannot, but what we are going to do is a moderate level of 100 flats a year, give or take! Perhaps one year they do 90. If we look in the past when there was a housing programme which was primarily financed by ODA, then that was the kind of level that we were doing in the 1970's and obviously it was relatively easy to do because, in fact, you didn't have to find the money, you just had to find the argument for the need and then you made a case to ODA. The position of ODA today clearly is, as the Hon and Learned the Chief Minister himself mentioned, I think, in last year's debate, that they will provide some money for infrastructure, and then if we want to do something about housing then it is up to us to do something about housing. I am not quite sure what it is they are providing money for anymore, quite frankly, because if they are not providing money for housing and they are not providing money for tourism and they are not providing money for the Generating Station and they won't provide money for the refuse destructor, I am not sure what it is apart from Brian Abbott, of course.

I think we ought to be paid for having Brian Abbott here quite frankly, Mr Speaker, but certainly I think it requires much more than £8m to make me want to keep him here. I think, Mr Speaker, therefore, that in drawing the Government's attention to the kind of policies we would expect them to come up with and which, regrettably, we have not seen, we are ourselves giving an indication of the way we would approach the problem and the way we would come up with the answers.

I think there is also an important element, aside from what I have said of borrowing, aside from what I have said of financing the development programme and the problems with ODA, which is related to the unknown, as yet, negative elements in the economy from the question of the relationship with Spain in the European Community. When we talk about it being negative, we have to talk about it being negative in the context that it will affect some people adversely. What we are not clear is whether

Government's policy - we have had a clearer statement from them than ever before on the osmosis question and that statement is one that coincides with our own political position on the issue - so anything that is required to resist osmosis the Government knows that it can count on us 100%. There is no question about it. But independent of whether one considers it to be osmosis or whether one considers it to be a normal trading relationship, the reality of the situation is that we have had already an area where I know the Government has got a copy of the letter that I received which is the area of ready mixed concrete where the people who bring in ready mixed concrete from Spain are able to undercut the local producer. Does Government have a policy on that? I think we need to forget whether it is good for ready mixed concrete because it is obvious that it is bad for them, and it is obvious that they are going to fight, so I think, the Government, having listened to somebody who is lobbying to defend his own private interest, has got to make a decision on whether from the point of view of Gibraltar as a whole, just like they have made a decision, again which we concur with, that it is not good for Gibraltar to depend on electricity from across the road, even though it might be cheaper, and it is not good for Gibraltar to depend on water from across the road even though it might be cheaper, and it is not good for Gibraltar to depend on bread from across the road even though it might be cheaper. Have they decided whether it is good or bad for Gibraltar to depend on ready mixed concrete from across the road? If, in fact, they are not able to do anything, because they might want to do something but they find that they are not able to do anything about ready mixed concrete, and it would appear from the decision that has been taken by the Court on the right to import fresh fruit and vegetables from any European Community country without any quantitative restrictions, that the policy that they have told us consistently a number of times in the past they were going to be carrying out they are not able to carry out anymore. The situation, as we understand it, is that until now the Government has maintained that they have got the right to put quantitative restrictions on imports of fruit and vegetables from Spain, not just for wholesalers who want to retail it but even for people who want to process it themselves. We have asked specific questions: does a restaurant or an hotel have the right to go into the market in La Linea and buy fruit and vegetables or not? And we were told, no, you can only buy it in quantities which are for domestic consumption. Well, if that is an element in the economic strategy of the Government, assuming they actually do these things and have economic strategies, how is that changed by a result of this decision? That is an important matter. We have to assume because of the answer that we have been given in the aftermath of the Brussels Agreement, and in the questions related to European Community legislation on trading matters, that the Government's

policy was in fact to protect indigenous sources or protect local manufacturers, or protect local importers from outside competition. And we questioned to what extent they would be able to do it once they were challenged under Community law. This is an important escape because, in fact, it seems to us to throw the whole thing open. If one cannot say to somebody: 'You cannot bring commercial quantities of potatoes without bringing a certain amount', if that is not permissible then presumably it is not permissible to say: 'You can only bring one loaf of bread'. I would have thought that the principle is identical. And then we cannot protect ready mixed concrete. But what else can we not protect? Because then we are in a situation where we have to start saying to ourselves: 'Well, wait a minute. If I have got three million people who are the daily visitors, and the three million people bringing to the economy £8m, and I have got £15m being spent already over there by consumers, and the ones who don't go over like me are going to have the supplier coming to his doorstep so that even if I don't go over there to buy the stuff I am going to have somebody trying to sell it to me here'. Then we need to do our sums very carefully, Mr Speaker, because otherwise the Government could be finding itself skating on very thin ice, and all their projections and all their hopes for an improving economic situation could go seriously astray. And I hope that the Government understands that in saying the things that I am saying I am saying them in the spirit in which, I have been in the GSLP and I myself have consistently brought up matters in this House of Assembly and not, I think, as there appears to have been some doubts generated in more recent times in Government's mind, with an idea of undermining them or wanting them to fail or wanting to bring the AACR down. It is total nonsense. Of what benefit can it be to any Gibraltarian to see a change of Government at the expense of the ruin of Gibraltar? That is too high a price to pay for any conscientious Gibraltarian. Nobody will want that, and certainly we don't want it, and I am not saying I want any of these things to happen. All I am saying is that it is questions we ask ourselves. We are entitled to find out whether the Government has asked themselves those questions and what the answers are. If we thought it was something that would serve them right then perhaps rather than point out the dangers the policy to follow would be, as my Hon Friend has pointed out, simply to say: 'Well, I will let you walk straight into it and then afterwards come out and say: 'It serves you right'. We are not trying to do that and we are not interested in doing that, we are interested in being reassured by Government, because it is an opportunity that they have, either that we are unnecessarily cautious about these implications, unnecessarily concerned, and that there is no need to worry because they know exactly what they are doing and how they are going to overcome these problems, or else an admission from Government

that those problems are real, that they are there and an indication that something is being done about it or some thought is being devoted to it. But it seems to us clearly that an opportune moment to assess this kind of unquantifiable element - and it is not that we are saying that the solutions are easy, we have argued in the past, Mr Speaker, that mistakes were being made, but what is clearly in nobody's interest and does no good to anybody is simply to say: 'You made a mistake last year'. Whatever and whoever made the mistake last year, last year is now twelve months behind us. We have got to look to the future of Gibraltar, to the security of Gibraltar and to a Gibraltar that survives an open frontier like it survived a closed one so that we finish up with a strong Gibraltarian identity and with the necessary resources to fulfil our right of self-determination because we are not subjected to pressures from other people. So in a way it is no bad thing if we can do without development aid, and it is no bad thing if we can do with less MOD presence. The only problem is that we must be able to do without it. Of course, that is the only problem, and it is on that basis and with that kind of spirit and with that approach that we look critically at the way the Government is proposing to handle the economy of Gibraltar over the next twelve months, and not with any sense of personal animosity or anything else.

Thank you, Mr Speaker.

MR SPEAKER:

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

HON CHIEF MINISTER:

Mr Speaker, I shall attempt to forget that part of the intervention of the Leader of the Opposition which was the kind of economic lecture of simplicities where he tells us whether if you take away ten from five it will leave five, and if you use three back there then you have to put two there. We are quite used to that and we have to take it in our stride. I think, it is usual for him perhaps because he didn't have much to say in the Finance Bill because the budget was a good one. He has had us for just over an hour and a quarter some of which could well have been dispensed with because we have had that type of lecture from him in the past. But, nevertheless, it is always nice to hear him even though he repeats himself year after year.

I will deal with some of the points that have been raised by him simply and hopefully quite quickly leaving one or two matters for the Financial Secretary who has the right of the

last reply. I will take them in the order in which he has raised them and not in order of importance as we see it, but just in order to follow my notes on what he has said.

With regard to the contribution of the Quarry Company, I had thought that we could have a detailed discussion of that when we came to the Committee Stage, but, yes, the answer is we consider the Quarry Company certainly for the next two years should be given a chance. First of all, we consider the Quarry Company of interest to Gibraltar because it has already served a purpose in bringing down the price of sand when the sand had to be imported by sea. The situation may have changed slightly since the opening of the frontier but we still think that the existence of the Quarry Company is justified by keeping prices of aggregate and sand down. Of that we are satisfied and for that, having regard to the particulars that will be given in the Committee Stage, how the guarantee had to be paid in order to make it viable for the future, will be explained later.

With regard to the Telephone Department, the question of dealing with rates and so on was a bit too early. Things have developed in such a way with the telephone direct connection with Spain and the other matters, the review of our tariffs on the IDD, that it was a bit premature to be able to gauge a distinction in order to be able to assess the rates and where the benefits should go. In principle, of course, subject to making proper provision for replacements from proceeds, for the replacement of capital equipment and so on in the usual way. Very much the same as used to be run by the Municipal Services. I think the benefits of the profits must be given back to the people, either in time or in reduction of fees or more free calls or whatever. The point is we have had a number of years in which the Telephone Department has had a deficit. Because we knew the future was better we have not wanted to increase the rate of fees in order to cover the deficit. We knew that the money would be coming. It is not necessary to have a budget to come with proposals later on in the year to say that the fees can be reduced. There is no problem about it. I think on that question we are quite ad idem.

The question of the future of the contract. Yes, the Minister has rightly said that there would be an element of consultation in that. It is true that it is an on-going matter and the franchise will probably be for five or ten years. Of course, that is a matter that transcends the period of any Government and that could be a matter on which in broad principles there would be an element of consultation. There is no problem about that.

With regard to the question of the international calls with Spain and the lack of knowledge of our dialling code. I

remember three year's ago disembarking from a ship in Copenhagen and looking for an ordinary phone box to call my family and finding the Gibraltar international code in that phone box. It is perhaps too bad that it has taken so long to arrive in America and that it didn't get there in time for the Hon Member to have facilities to make a direct phone call.

I don't really think the point made by the Hon Mr Perez about the question of the connection with Spain has much importance, and it is, I think, ridiculous to compare it with the airport. I think the Hon Member in his own address said that it is undesirable. Well, I think the Minister in his intervention, whilst the Leader of the Opposition was speaking, was quite clear on the fact that these questions of areas happen all over the place. It happens for local telephone communications which are not via satellite and they have codes only for the sake of convenience. But you are still outside the province of Cadiz. We are still outside the province of Cadiz when you ring up because you have to ring up the code. If you are in La Linea you ring up somebody in the province of Cadiz without a code. If you are in Gibraltar you have to dial 956 to phone La Linea. If you want to go outside Cadiz then you put the area code of the other one, but if you are in La Linea, or in any part of the province of Cadiz, you don't have to put the Cadiz code within the area, that is obvious - the same as in Madrid you don't dial 91 if you are in the province of Madrid. But if you are in Gibraltar you have to dial 956, so you have to get into the system before you call. But I think that is really not as serious as it has been attempted to be made. It may be that it is necessarily hard in some cases to have had to deprive ourselves of the people who are doing the work on the telephones but that is really technology must overtake these matters so long as things are done in the proper way.

I will make no reference to the question of the deployment of forces which was mentioned by Major Dellipiani and referred to by the Leader of the Opposition. I don't think that has anything to do with the budget, certainly not with our budget, it is probably being paid with somebody else's.

The question of GBC I agree to some extent on what Major Dellipiani said which has been echoed by the Leader of the Opposition. We have helped GBC not to think that any advance they make on their income is necessarily a reduction in our contribution. Last year they had a surplus according to their books, and by normal procedures that would have had to come back. They were allowed to keep it for improvement, improvement to the security of the place, improvement for the entrance, improvement in other places, and we have also provided them with equipment. But, of course, when they come to us for that naturally, like all other departments, even though it is not a

department of Government they cannot have all they ask for as, indeed, Heads of Departments and Ministers have asked for expenditure and within the constraints and the parameters of the budget we made concessions. But we must encourage them to hopefully, not rely on the Government for funds. I always feel that that is good whenever that can be achieved because, though they have complete independence and, indeed, absolute power to deal the way they want to in running GBC, I think that it smacks a little of Government intervention to have to be subsidised although that has no effect or influence at all in the manner in which they run GBC.

A lot of reference has been made about the fact that there have been departures from previous budgets. Well, being a radical I hope the Hon Leader of the Opposition can also see that there has to be progress in presentation and progress in approach. I think that this is what we have done this year and we did last year. With a deficit like we had last year in other circumstances we might have had to squeeze taxes in order just to balance the books. But that is no longer the approach and I think that having made provision for it last year in the uncertainty was I think a wise move. I will leave the matter of the actual details of the re-borrowing to the Financial and Development Secretary because it is essentially a matter for him, but, of course, he carries our full support and the matter has been thrashed out in Council of Ministers and, therefore, that is why it is on the Estimates as presented.

The question of Spanish relations on the EEC is, of course, not an easy one and there are quite a number of uncertainties not only here, but in England and elsewhere. In fact, the Spaniards themselves are having certain difficulties. Only today at midday in the news the people from the Canary Islands were throwing thousands of kilos of tomatoes over the border because they could not get sufficient support in order to maintain them. These are the kind of things that have been created that create problems.

With regard to the particular decision that the Hon Leader of the Opposition has referred to, apart from the fact that no change will be made in the grant of a licence, I understand that this is purely a legal matter. The information we have supplied to the House on the question of quantities in imports has been on the basis of legal advice that the Government receives from its legal officers. The decision to which he referred to is the legal side of it. It is based on what is called obiter by the Judge of the High Court in another judgement. Obiter means that he didn't have to decide it, he just gave it as a present, obiter dictum. That appears to have impressed the Magistrate but my understanding is that so far as the question of the legal decision is concerned, the Attorney

General proposes to appeal against the finding of the Magistrate on that matter because he thinks that it is wrong in law, and he is perfectly entitled to do that. That is how the lawyers earn their money, by finding out where other lawyers have gone wrong! That, I think, deals with the difficulties about the question of the EEC which is the main problem that arises.

There are quite a number of other problems that arise with the EEC which are being currently studied. I have had quite a number of letters from the British residents in the Costa del Sol. I had one today, as an example, but I have had sufficient to make one worry about difficulties at the frontier found in taking over normal supply of groceries to Spain. In fact, in one case on which I had a letter today, goods worth £2.16 in Gibraltar, eventually even adding a little for IVA, for VAT, finished up with 300 pesetas payment of dues and a delay of about a quarter of an hour. Maybe it is one case but I have had a sufficient number of cases to know that there are being difficulties being found particularly with groceries at the Aduana. That, I think, is worrying and, of course, we will have to look at that and see how that can be justified within the context of the EEC.

Mr Speaker, the Budget this year is the most satisfactory that we have had for many years since the difficulties arose and I am very proud to support the motion.

MR SPEAKER:

I will then call on the Hon the Financial and Development Secretary to exercise his right of reply.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I had hoped that I would be able to get away with not replying to the debate on this occasion, because most of the issues have been explored fairly thoroughly in the contributions by Hon Members on both sides of the House, but I felt I ought to comment on two of the purely financial aspects of the Hon Leader of the Opposition's contribution, and also the Chief Minister, in effect, invited me to do so during the course of his own winding up.

I made some comments on borrowing in my winding up contribution to the Finance Bill. The Hon Leader of the Opposition referred again to the views of the last four Financial Secretaries, I think it was. Well, I didn't have the pleasure of being acquainted with three out of four of the last Financial Secretaries although I have been told some of the things which the Hon Leader of the Opposition said about them either in this

House or elsewhere. But one difference, I think, between the position of at least three of them and myself is that they were all here during the period of economic siege, and I think that the change in economic conditions does make an enormous difference to this very point we have been discussing, namely, borrowing. The Hon Leader of the Opposition has really raised the question of the need to borrow, why it is necessary. And in my comments during the Finance Bill, and again I would like to divert him from that approach, and again try to make the point that for a Government borrowing is not unhealthy. As I said, provided it doesn't have an inflationary impact, provided it is not used to expand Government spending beyond the capacity of the economy to sustain, provided it does not increase public debt charges, again, beyond the capacity of the economy to sustain, and provided that the capacity to lend is there, that is to say, the Government has access to finance, then it is healthy. Those four criteria that I have just mentioned are perhaps, in combination, an unusual combination. That is to say, one might find it difficult to conceive of an economy where all those four factors are pointing in the right direction. Either borrowing is inflationary or it is used to expand Government spending beyond the capacity of the economy to sustain, or it increases public debt charges to a dangerous level. If one looks around the world one can find many examples of economies where one or more of those conditions obtain. But none of those conditions obtain in Gibraltar and there is a capacity to lend, that is to say, there is, I think, a ready market in Gibraltar especially for Government debentures.

HON J BOSSANO:

Mr Speaker, if the Hon Member will give way.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am reluctant to give way to the Hon Member, Mr Speaker, because I didn't interrupt him during his contribution and what I have to say is of a piece. I am making my concluding remarks and this, I think, I have a right to do. Between 1979/80 and 1983/84 conditions were very unfavourable. That is to say, one had a further twist in the economic siege conditions and there is no doubt that during that period, whilst Government expenditure was increasing the yield from taxation to Government revenue was not increasing at a comparable level. The situation has changed. One has now an increase in revenue and we have a situation in which Government expenditure is, I think, as the Minister for Economic Development and Trade has said during his contribution, under better control. In those circumstances I see no risk to the economy of Gibraltar from Government borrowing. While I take fully the Hon Member's point that he would prefer to see Government borrowing for purposes of capital

development only and not in aid of recurrent expenditure, I don't think that distinction is in the last resort one which other Governments throughout the world would necessarily accept. So much for public borrowing.

His other point on capital funding I think is a more technical one and I am not sure that I would agree with the point which I think I heard him say which was that we ought to provide a Public Works vote, we ought to make a separate vote for Public Works expenditure of a capital nature and depreciate this expenditure over a number of years. That is to say, we would allocate the various debt servicing charges over a period of ten - if I have incorrectly misheard the Hon Member I will gladly give way if he wishes to restate this point, Mr Speaker.

HON J BOSSANO:

Obviously, the Hon Member is prepared to give way when he doesn't think it is dangerous.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I was reluctant to give way on the previous occasion because he was interrupting any trend of thought.

HON J BOSSANO:

Well, now that I am up, Mr Speaker, I don't think he can control what I have got to say, so I am going to tell him that, in fact, what I said about the Public Works vote is not that I am proposing or suggesting any change. What I said on the Public Works vote was that previously, when the non-recurrent vote was done away with, it was done away with based on the argument, and if he looks back, and it is the same Government, Mr Speaker - he may be a new Financial Secretary but it is the same Government - it was defended in this House of Assembly on the basis that it didn't make sense to have in the general estimates in the Appropriation Bill a Non-recurrent Public Works vote. That if it was non-recurrent it was capital work, and that if it was capital work it should be in the Improvement and Development Fund and financed by loan capital. We accepted that at the time and we have said now that we seem to have gone one step further. First of all, you have taken the capital expenditure out of the recurrent revenue and put it into the capital fund, and now you are taking the loan capital out of the capital fund and putting it in the recurrent revenue. So you are compounding what you did before, that was the argument. Of course, the point that he has made is that it doesn't matter. Well, all I can tell him is that I wish he would tell me when he discovered that it didn't matter since March last year, because in March last year he was Financial Secretary,

not the three predecessors, he was here, and presumably he must have advised the Hon and Learned the Chief Minister to say that to have decided to borrow £2m this year for recurrent expenditure was because the reserves were so seriously depleted. I have made that point six times, if I have made it once, Mr Speaker, and I've yet not got an answer. Why have they changed their mind? What miracle has happened in the last twelve months to bring about a total reversal of Government economic and financial policy for as long as I have been in this House, and certainly for the two years that he has been there? He hasn't answered that, Mr Speaker.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think I did answer it, Mr Speaker, by telling him that I didn't think his question was particularly relevant; and I don't want to go into great length again.

I think he has a point on the question of the Improvement and Development Fund. One of the problems here is that the present distinction between the capital element of the Government's budget and the recurrent element is imperfectly drawn and this is particularly so in the case of the capital expenditure which is made by or on behalf of the Funded Services, certainly as far as the electricity, water and telephone service are concerned. I am not so sure as regards housing because I think there is a difference between the electricity, water and telephone services, which are public utilities, and housing which is more of a social fund. I don't want to make an issue of that particular point. But one of the problems of the Government's accounts, and I can understand how this arose with the amalgamation and the consolidation more than a decade ago, is that the capital expenditure on behalf of these Services is shown in the Improvement and Development Fund rather than in the balance sheet of the particular Funded Services because they do not have a balance sheet, and yet the accounts of the Funded Services do show the annual charges, where annual charges are made. That is to say, the depreciation or the amortisation and the interest charges depending on the amount of capital which has been allocated. I think I have long felt that this particular division was an unfortunate one, this created problems in understanding, and increasingly, I think, with the opening of the frontier and the improvement of the economic conditions, and in the case of the Telephone Services, in particular, where the need to respond to, shall we say, a more commercial environment is pressing, there are certain strains in the framework of the Government's accounts. That is the particular point. So the Government and, indeed, the Hon Leader of the Opposition I think, raised a point which is relevant here, where he asked about Government's policy on surpluses in the Telephone Service. In the past there had not been a surplus and contributions being made for the deficit is being carried forward in the anticipation or the hope that a surplus would be made. He has asked: 'What would Government's policy now be with regard to the surplus?' I think, this brings me to my point, that we feel that there may be the need now to change the financial framework of the Telephone Service, and possibly the other Funded Services as well, it is more pressing and it is now being studied with the twin objective of removing the Telephone Service and the accounts of the Telephone Service

from those of the Consolidated Fund, having a much clearer arms-length relationship between the Treasury and the Telephone Service providing it with its own commercial accounts, that is to say, a balance sheet conducted in according with normal commercial practice. Not simply as an accounting exercise, I would emphasise this, but to make the accounts more meaningful to remove the Telephone Service from the face of Government Estimates so that the Service can respond more rapidly to the commercial environment and the demands that are made of it without, I should add, making any change in Ministerial responsibility or the status of the staff. I also think that this would provide an appropriate background, or certainly an improved background, for informed decisions by Ministers on such matters as tariff policy in the future. In the absence of, what I might call, a commercial accounting framework, I think it is very difficult. One is left with the need to make rather ad hoc decisions about what to do with the surplus, and the decision whether to lower charges or let the surplus to accumulate might be taken in the absence of a long-term view of the finances of the service concerned.

That is really all I have to say on technical matters, Mr Speaker. But the noises downstairs during this morning's meeting of the House, when the prizes were being declared for the Government's lottery, have reminded me of an obligation I felt for some time, as the Treasury does provide services for the Government lottery, to pay a tribute to the outgoing Chairman of the Lottery Committee, Mr Charles Danino. I am glad to have this opportunity of doing it. He recently resigned from the Committee and his place has been taken by Mr Leslie Cardona. I am sure I am speaking on behalf of the Government and, indeed, all Members of the House, in thanking the outgoing Chairman, wishing the new Chairman success, thanking them for their services which they provide willingly, and for the service to the public and to the Government, and to the people of Gibraltar, in what I regard as a very important and central part of our social and, indeed, financial amenity.

HON J BOSSANO:

Mr Speaker, just before the Hon Member sits down. What he has just told us about the Telephone Service seems to be different from what the Hon and Learned the Chief Minister said. Is this a statement of Government policy that we have just had at the end of his concluding speech or is he just airing some personal views?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, I said, Mr Speaker, that the Government is studying this particular point with the objective I have mentioned.

HON J C PEREZ:

Mr Speaker, perhaps the Hon Member could have said it at the beginning and given us a chance to comment on it. I think it is an important revelation at the end of the Appropriation Bill and perhaps he would have been able to take into account our views.

MR SPEAKER:

You have the Committee Stage where the separate votes are discussed.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Well, except that obviously, Mr Speaker, there is nothing to tell Hon Members until the studies which I have mentioned have been concluded. Obviously at that stage the Government's conclusion would be made known to the Opposition and indeed generally.

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

The House recessed at 5.25 pm.

The House resumed at 6.10 pm.

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, 1986, and the Appropriation (1986/87) Bill, 1986, clause by clause.

This was agreed to and the House resolved itself into Committee.

THE FINANCE BILL, 1986

Clauses 1 to 4 were agreed to and stood part of the Bill.

Clauses 5 and 6

HON J BOSSANO:

Mr Chairman, I don't think we have been given a sufficiently compelling reason by the Government for increasing the amount of money which is required for development in order to qualify for development aid, it was reduced in the 1984 Budget, I think.

HON A J CAMERA:

Mr Chairman, we reduced it in the 1984 Budget to try and stimulate investment because it was a time when development was virtually at a standstill and that was the main point behind that measure. In fact, in the intervening two years there have been very few, if any, projects that I can recall here which have had a development aid licence expenditure between £75,000 and £150,000. Very, very few. What has been happening of late is that we are beginning to get, if not applications, enquiries, in respect of in some cases single housing units. Because even with building costs having gone down appreciably, the fact is that a substantial residential unit can still cost in excess of £75,000. That is not the

purpose for which the measure was intended, it hardly meets the criteria in respect of significant contributions to the economy, creating jobs and so on, to have to consider whether a licence should be granted in respect of one residential unit costing £80,000 or £85,000. So the requirement just isn't there and that is the reason why we are putting it back to the figure which it was previously.

HON J BOSSANO:

Mr Chairman, I think we were told by the Financial Secretary earlier on that there had been four projects which qualified at between £75,000 and £150,000, and I seem also to remember that last year we introduced an amendment, I think it was exempting from income tax loans which were made to people borrowing for development projects which was defended in the House. We were not very convinced but it was defended in the House on the basis that this was to help more developers.

HON A J CANEPA:

The trouble was that developers were not able to get short-term or medium-term financing. They couldn't get anything beyond less than seven years, that was the intention, but it is not related to the sum of the capital project.

HON J BOSSANO:

I think it is on record, Mr Chairman, that we raised the matter and eventually it was pinned down to the fact that this was to encourage people to be able to lend without being taxed on the interest, the thing was giving relief to the lender, and it was, in fact, said that it was so that people developing on a small scale, because it was admitted by the Financial and Development Secretary, Mr Chairman, that people doing major developments like Queensway or the Water Gardens or whatever, would have access to international finance, whereas small developers would be more dependent on the local sources of borrowing. I think if we go back we will find that that is the case.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I don't think so, Mr Chairman. I hesitate to challenge the Leader of the Opposition because his memory on such matters, compared with that of an elephant, is phenomenal, but the purpose of that measure was to open up other sources internationally yes in the sense that overseas institutions would be more likely to lend for long-term developments of a fairly substantial nature if there were no withholding tax and hence no tax on the interest which was charged. The same facility was extended. It was, of course, invidious to make a distinction between Gibraltar institutions and overseas institutions so the exemption was made general, but the purpose was for long-term developments of a fairly substantial nature not for small developments.

HON A J CANEPA:

Mr Chairman, the figure of £150,000 was first introduced with

the present Development Aid Ordinance in 1981. In the last five years, having regard to the level of increase in inflation, that figure should have been revised upwards quite considerably, so, in effect, by still even now keeping it at £150,000 we have reduced the ceiling in real terms over the last five years.

Clauses 5 to 8 were agreed to and stood part of the Bill.

Clauses 9 to 12

HON A J CANEPA:

On the question of car seat covers perhaps some explanation could be given. I received representations some months ago from a local agent importing car seat covers where he presented statistics, figures, showing how the sales of car seat covers locally, which are of rather, I am told by people who have purchased these, that they are of rather superior quality, they are a very good quality, and how the sales had dramatically dropped since the full opening of the frontier. There is a precedent for this measure in that some years ago the Government which at the time was drawing a distinction between the duty on transistor radios and car radios, brought car radios in line with the lower rate of import duty for other radios, instead of treating them, as had been the case previously, as car spares. That is what has been happening with car seat covers, that they have been treated as car spares and, therefore, the duty has been much higher than the duty that one would pay for a seat cover for an armchair, for a domestic armchair. We thought that there was a case for not discriminating and be at the same time trying to stimulate once again this small enterprise and see whether they can improve their sales vis-a-vis imports from Spain.

Clauses 9 to 12 were agreed to and stood part of the Bill.

Clauses 13 to 25

HON J BOSSANO:

On Clause 14, Mr Chairman, I think we have had sufficient explanation, apart from the explanatory memorandum at the end which says that it provides that the allowance for expenditure incurred in new plant, that just explains what is being done, it doesn't explain why it is being done, and it seems that if we have a situation where somebody comes in to carry out work in Gibraltar, providing a service from across the frontier, and they can then offset the cost of the plant entirely against the particular job and take the plant away with them, wouldn't that mean that they are in a position, in cases like that, effectively to ensure that they make no taxable income at all? Is that the implications or not?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I am not aware of any connection between this and the circumstances which the Hon Member has mentioned. If there is that is knowledge from which I am at present unilluminated, but the position is really this, that normally an allowance equal to the amount expended on new plant and machinery is granted under the provisions of Section 18(2) of the Ordinance. The

Section as at presently drafted provides for the allowance to be granted in the year of assessment when such claims are being made. More appropriately the allowance should be granted in the basis period for the year of assessment, that is to say, purchases made after the close of the claimant's company's year of account should not be granted in the immediately following year of assessment. That is if the trading and the income tax years don't coincide, but in the following year of assessment which is the year in which the purchase is shown in the accounts submitted to the Commissioner so it is really a tidying up amendment.

HON J BOSSANO:

What are the implications of changing it this way? There has been no explanation other than the one that we have just been given about it being a tidying up. Reading it as a layman it seems to provide an opportunity basically to offsetting entire income against the cost of equipment when the equipment may be used for a very limited period in doing some work in Gibraltar. Is that possible as the thing stands?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Certainly there is no intention to change the basic law as far as depreciation allowances, as they are generally referred to, there is no change in that. It is only a legal sort of tidying up administrative and indeed to give it some legal backing in the certain sense which I have described. There is no basic change in, what I might call, the provisions.

HON J BOSSANO:

The original provision, in any case, I think was introduced again at the time when the Government wanted to encourage economic activity and that is why they gave the opportunity for somebody to be able to write-off the capital cost in the first year instead of having to depreciate it, that is the effect is it not?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

That may have been the case in Gibraltar, Mr Chairman, but now, what I might call, 100% depreciation is fairly common which was introduced in the UK a long time ago. I don't know from memory when it was introduced in Gibraltar.

HON J BOSSANO:

What I am saying is if you have got a situation, for example, where somebody gets a sub-contract which is happening nowadays, and they bring in equipment to do that sub-contract, if they buy the equipment to carry out that sub-contract then for a period they will be the owners of the equipment. They can then finish that sub-contract, take the equipment away and they can say they have made no money at all on that sub-contract because they have used the entire money. I think, in the context of the situation that we have got today in Gibraltar, which is different

from the one we had three years ago, when three years ago the enterprise that brought the equipment in were being given an encouragement to bring in new capital equipment which then stayed here. We have now got a situation where people are, in fact, sub-contracting from the other side and bringing in equipment. That seems to me to open a loophole.

HON CHIEF MINISTER:

Let me say something which is not directly concerned but which is a matter which has come to my knowledge and that is that full duty is being paid by all these companies in bringing in even their used equipment and if they are returned they would get no comfort at all or return of duty.

HON J BOSSANO:

I take the point, but I think this has nothing to do with whether you are paying duty or not paying duty. What I am saying is, am I right in thinking that this can have that effect, and if it can, is the Government aware that it can and is happy with it?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Obviously if the circumstances the Hon. Member has mentioned for which, as I have said, this particular section is not designed, we are talking about two different things, we are talking about an amendment here which is for the purposes I have described and then he has raised what I think is a separate issue, that is to say, anyone bringing in equipment and doing the job and therefore being taxed for income on earnings on that particular job under Gibraltar law would be able to take advantage of the existing provisions in the Ordinance which grant relief. Well, that is, obviously, something which will have to be discussed with the Commissioner of Income Tax, the amount which would be allowed in each individual case.

HON CHIEF MINISTER:

We are not allowing anything more than is allowed at present except for changing over for the year of assessment.

HON J BOSSANO:

Perhaps that may be the case, Mr Chairman. Obviously if the amendment hadn't come I wouldn't have looked at it in that light and maybe the point I am making applies equally to the current provision as it does to this one, but since we are in Committee Stage and we have got an opportunity to raise these things, it struck me when reading it, as a layman as I say,

that it appears to create an opportunity for somebody to be able to come in, bring in equipment, he can argue that he has bought the equipment to carry out his trade, business, profession or vocation, and that it belongs to him for some of the time during the year of assessment and he can then write it off. Whereas the original intention was that he would write it off for a business that is established in Gibraltar, he would write it off against the income for the whole year in Gibraltar, if we are applying the same criteria to somebody that is coming in to do a job that may last a month and he can write off the cost of the equipment against the income for that month then we may be creating a situation where effectively their income is assessable under one section of the Ordinance and there is a way of getting out of it under another section of the Ordinance.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

But not, Mr Chairman, not under this particular section of the Ordinance. I don't think that that provides them with the means of getting out of it. He is assessable by the Commissioner of Income Tax. My understanding is that we have to discuss it with the Commissioner to be clear, because I am not an expert on the actual machinery or the administration tactic, but that if a company claims that it has bought a piece of machinery for this project, shall we say, and said: 'Therefore I want 100% depreciation', I would expect the Commissioner of Income Tax to say: 'You may have bought it for this project but I am not satisfied that it is not going to be of use on some other project, and so I will not allow you 100% against your earnings on this project'.

HON CHIEF MINISTER:

Given the text of the present one, the one which we are amending and the words that are being deleted and substituted are; the present law says: 'then for the purposes of ascertaining the assessable income of that person from that trade, business, profession or vocation, there' - these are the words that are being taken away - 'shall be deducted from his income for that year of assessment the whole amount of that expenditure'.

HON J BOSSANO:

I wanted to raise the question of the company tax, Mr Chairman, Clause 23. This is the reduction of the figure from 40% to 35%, and I think it was in the 1979/80 Budget when it was brought in at 40%, Mr Chairman, and I have got here the Financial Secretary of the time's views on the subject which may have changed radically since then, of course, because we are in changing times nowadays. But then the Financial Secretary said: 'The first change is in the rate of company tax. As things are

now it is important to recognise that a company's taxable profits are subject to two distinct taxes, income tax and company tax. The rate of income tax charged is the standard rate of 30%, the rate of company tax is 7½%. The income tax which a company pays on its taxable profits is tax paid for the account of any tax for which shareholders may be liable on the income they receive when the profits are distributed and can be set off against the total tax for which they are personally liable. A company's liability for income tax undistinct from its liability for company tax, encourages the practice of distributing profits in full as directors' fees and thus restoring a nil trading profit and paying no tax at all'. He then went on to say that this was costing the revenue money, and since we are now having a proposal before the House which is the first time that it is being changed since that statement was made in 1979, I would like to know how that statement is changed by the proposal that the Government is putting forward. The first change of policy in company tax we have had since 1979?

HON CHIEF MINISTER:

I think the main reason behind this one, first of all, is the development of the Finance Centre. There are quite a number of companies that pay company tax and haven't got income tax assessment because the people are not directly assessable because they are not residents here. Company tax if it isn't an exempt company pays at 40%. The present corporation tax in England is 35% and it is a disincentive - I think, this arises as a result of representations by the Finance Centre Group - it is a disincentive for people who come here to find that the corporation tax is higher than it is in England. They are prepared to pay higher taxes if they live here, the higher rates of income tax that we have, but on corporation tax representations have been made several times and it loses attraction to Gibraltar to have corporation tax paid higher than it is in England. This is the standard rate in England.

HON J BOSSANO:

Mr Chairman, I thought exempt companies only paid £300 a year and didn't have to make a return of income.

HON CHIEF MINISTER:

Yes.

HON J BOSSANO:

Who are the companies then that we are talking about? Surely, if a company is trading here in Gibraltar it has nothing to do with the Finance Centre.

HON CHIEF MINISTER:

It affects local people, of course, taxes are deducted at 30% standard and then they make their own return.

HON J BOSSANO:

The point that I am making, Mr Chairman, is that the situation was that it was 37½% and the Government in 1979 moved to 40%. They gave us an explanation in 1979 of why they moved to 40%. I think the explanation that they are giving us now seems to have no relevance to the explanation they gave us then as to how company tax functions and, therefore, I think we are entitled to say: In the light of the 1979 explanation as to what the effect would be with people being able to offset it, what is the situation today? Is the 37% recoverable from the dividend that is paid to the shareholders or not?

HON CHIEF MINISTER:

From the dividends at 30%, this is corporation tax direct.

HON J BOSSANO:

Mr Chairman, in looking at this we are looking at it in the context of Government policy on company taxation and the explanation we were given the last time was that as the system used to be, it was possible to reduce your tax liability by distributing profits as directors' fees rather than showing it in the profit and loss account. If we are now moving from 40% to 35%, and we have not been given any explanation of what is the implications, for the explanation we were given the last time to justify moving from 37½% to 40%. This is why we were told the Government wanted to go to 40%. They said: 'When a company distributes profits as dividends to a shareholder assuming he is liable for tax at 40%, he would pay an additional 10% thus the company's profits would suffer 37½%. If, however, the company distributes the profits as directors' fees the maximum tax it will attract is 40%'. If we are now improving the bandings, as we are doing on personal taxation, looking at this proposal in the light of the widened banding structure and in the light of the explanation given in 1979, what we are doing now seems to run contrary to the argument that was put the last time. I think if it is a question of the Finance Centre, I would have thought that the companies that are taking advantage of the development of the Finance Centre are not companies that are trading in Gibraltar and I thought that because they were not trading in Gibraltar they just paid a flat £300, whether it is 35% or 40% is irrelevant.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Obviously, the tax exempt companies don't pay any tax, that is quite clear. When one talks about Financial Centre one is not talking simply about tax exempt companies. I don't want to mention companies by name but the ones we were thinking of and certainly institutional companies in Gibraltar with, what I might say, financial standing, and they will benefit from the reduction from 40% to 35%, eg the banks that pay tax will benefit.

Clauses 13 to 25 were agreed to and stood part of the Bill.

Clauses 26 to 28 were agreed to and stood part of the Bill.

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

THE APPROPRIATION (1986/87) BILL, 1986

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

Schedule

Part I - Consolidated Fund

Head 1 - Audit was agreed to.

Head 2 - Crown Lands was agreed to.

Head 3 - Customs

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure

HON J BOSSANO:

Mr Chairman, on Special Expenditure, I think in the Police vote there is provision for the cost of the dogs that are used for drug detection and I think the Government knows that the Customs personnel feel very strongly that this is an area that should come within their province since they are responsible for the detection of smuggling into Gibraltar and I think there has been representations to the Government and, in particular, to the Financial and Development Secretary over a number of years on this issue. We tend to support that view and we would like an explanation from the Government why they choose to bring this under the ambit of the Police who have already got quite a lot of work on their hands if one looks at the Abstract of

Statistics and the number of prosecutions that there have been in the last year compared to the preceding year and I would have thought the people who are at points of entry responsible for the detection of any smuggling should be equipped to handle the situation whether it is drugs or anything else. We cannot see why it should be under the Police rather than under the Customs.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

My understanding is that the Police had actually asked for a new dog because the existing dog which they have is getting old and infirm and is no longer quite up to the demands being made on it, demands, I might say, of a purely operational nature, in view of its age. It is true that a need for a dog for use of the Customs authorities has also been identified and raised and this is still being considered along with the question of who should handle the dog and the staffing consequences and this point had not actually been resolved by the time the Estimates were prepared but I note the Hon Leader of the Opposition's point on this, Mr Chairman.

HON J BOSSANO:

Can I just ask what Fibre Optic is doing there? Is it to improve the eyesight of the dog?

HON M K FEATHERSTONE:

This is an instrument which the Customs can use to look inside the panels of cars without taking the panel off completely.

Special Expenditure was agreed to.

Head 3 - Customs was agreed to.

Head 4 - Education. (1) Education

Personal Emoluments was agreed to.

Other Charges

HON R MOR:

Mr Chairman, Subhead 8, College of Further Education, it shows that in 1984/85 when the Gibraltar Government was only paying for 50% of the running costs of the College, the bill amounted to over £98,000. How is it then that now that the Government is responsible for the full expenses of the running costs we now have an estimate of £50,000?

HON G MASCARENHAS:

Mr Chairman, up to last year the College of Further Education was treated on its own. What we have done this year is we have spread all the charges which are similar to other schools and institutions within the Education Department and because the College of Further Education is now an element within the Department of Education the personal emoluments are included under personal emoluments whereas before they are included in the actual subhead for the College. The telephone service, for example, the increase that you will note there includes the College of Further Education. We now know what consumption is so we can include it there. Books and equipment, there is an element for the College of Further Education, in fact, in most of the subheads there is provision for the College of Further Education. If the Hon Member wishes to know how much the Government is making available to the College of Further Education on its own, I am quite willing to supply him with the information. Last year it was in the region of £400,000, this year, I would imagine, is in the region of £450,000.

HON R MOR:

Yes, Mr Chairman, I would appreciate that information if that could be done in future. Subhead 18, Minor Works. As I said in my earlier contribution there is some work to be carried out at the College. Is this amount taking into account such work?

HON G MASCARENHAS:

Yes, Mr Chairman, the buildings of the College of Further Education are very high on the list of priorities as far as we are concerned.

HON J BOSSANO:

Could I just make a point? Apart from making the information available to us, is there any great difficulty in future in showing a separate thing like, for example, happens in other places. Education involves Sport and you have got Education and Sport separately and I think there is another Head where there is a division, for example, between the Philatelic Bureau and the Post Office. From our point of view it is important to be able to see over time how much resources are being devoted and what the cost is and what the benefit is of the College of Further Education. Obviously, if the Minister has offered us the information we are happy to have the information but is there any great difficulty in doing it for future in the Estimates?

HON G MASCARENHAS:

No, Mr Chairman, I don't know what the problems might be from an accountancy point of view in presenting the accounts. I think that the College of Further Education is now a full element within the Education system and therefore there is nothing to stop the Hon Member opposite from asking us next year to present the Bayside accounts or the Westside accounts or any of the Middle Schools, for example, and perhaps we could get a situation where each school would be listed on its own. I can supply the information and I can put it in writing to the Hon Member and I think that would suffice.

Other Charges was agreed to.

(2) Sport was agreed to.

Head 4 - Education was agreed to.

Head 5 - Electricity Undertaking

Personal Emoluments

HON J C PEREZ:

Mr Chairman, could the Government state whether they have made any provision under this Head for the productivity agreement which is due to come into effect in July?

HON J B PEREZ:

Yes, Mr Chairman. I take it he is referring to personal emoluments because on special expenditure there is also Consultancy Service - BEI. But, of course, on the emoluments side it is there.

Personal Emoluments was agreed to.

Other Charges

HON J C PEREZ:

Subhead 19 - Improvements to Offices and Buildings, we have raised it from £600 to £700. Could the Government explain what that is because I find it very odd that in one year we should incur £700 for improvements to offices and buildings which perhaps might be taken up by another subhead?

HON J B PEREZ:

It is such a small matter, Mr Chairman, the Hon Member will have

to bear with me. It is mainly office furniture and equipment.

HON J C PEREZ:

Mr Chairman, in Subhead 26 - Operation and Maintenance of Boilers, can the Hon Member explain when that started functioning.

HON J B PEREZ:

One boiler started operating this month.

HON J C PEREZ:

Can the Hon Member then explain why it is that during the last dispute with the workforce the Government were claiming that the blacking of the boiler was costing the taxpayer £1,000 a day? Does that mean that the non-operation of the boilers until one month ago has cost the taxpayer £1,000 a day notwithstanding that there wasn't a dispute?

HON J B PEREZ:

Mr Chairman, the point at the time was the cost of fuel on the Public Works side. The cost was basically the cost of fuel which was being spent in the desalination plant, in the distiller, next to Waterport.

HON J BOSSANO:

At the time the Government took what was a fairly tough decision and as we understood it a decision after a lot of heart searching on whether to take people off pay or not and they were influenced, at least that is how it appeared publicly, by the fact that they were saying that the action that was being taken by the men was costing them £1,000 a day in revenue. One would have expected that if that was a valid argument then when the blacking was lifted which I believe was in October, who is responsible since October for the cost of £1,000 a day?

HON J B PEREZ:

Mr Chairman, I think I know the answer to that. There were two things, one is the question of the training of the men and the second aspect that also arises is the fact that due to the non-operation of the boilers whilst the strike was on it required further maintenance so there was an extra added expense to the taxpayer as a result of the industrial action.

HON J BOSSANO:

It is £2,000 in a year on maintenance of boilers in 1985/86. We have got a revised estimate of £2,000 for 1985/86 on the maintenance of the boilers. The boilers haven't been used at all in 1985/86. For three months of those twelve months they were not being used, apparently, because of industrial action. For the other nine months they were not being used because they were not ready to be used. Is it not correct that the conclusions to which the Government jumped with the benefit of hindsight have not been justified.

HON J B PEREZ:

The extra money needed is not for maintenance to maintain it, it is a repairing job that had to be done. I can get the information for you. In other words, the basic reason why we couldn't operate the boilers after the end of the industrial action was, primarily, (1) we had to train people, we couldn't train them before, and (2) that the boilers had to be recommissioned again. I am certain that we came to the House in another subhead for the money we had to spend to recommission the boilers because we didn't operate them at the time and they had a problem of corrosion. I honestly don't remember which subhead the money comes under but the basic reason was training. As far as I was concerned, I would have loved to have seen the boilers working the next day.

HON J BOSSANO:

In fact, they couldn't have worked the next day and they couldn't have worked when he wanted them to work because apparently the people were not trained then.

HON J B PEREZ:

But the industrial action was going on for quite some time beforehand, it wasn't a question of the industrial action just lasting for a week. The problems were being encountered before as well.

HON J C PEREZ:

The Government was saying at the time of the industrial dispute that it was costing the taxpayers £1,000 a day whereas the Hon Member has already admitted that there weren't trained personnel to handle it anyway so it couldn't have been costing them £1,000 a day.

HON J B PEREZ:

We couldn't train the men because the industrial action was

on and we just couldn't do it. It is not a question of the Department dragging its feet, I can assure the House of that. I don't think it would be conducive to good industrial relations to start going back as to what happened. During my contribution I haven't mentioned that, I think things are fine as they are now, let us not go back now, Mr Chairman, and go over the whole dispute, I think the dispute is over and we should leave it at that.

HON CHIEF MINISTER:

I must justify a statement saying that we were losing and I think we are right because the whole thing was delayed and the saving in fuel could not be started when it should have started and what has not been mentioned very much is the fact that it was possible to make the reduction in water rates because we have now got one of these plants working and that saves fuel from the distiller and saves cost in the production of water.

HON J BOSSANO:

I am sorry the Hon and Learned Member brought that out because we were prepared to let go the explanation we were given before about the saving on fuel but if he is going to make a point of it, Mr Chairman, then I think we have to question whether the statement we were given is an accurate statement because how can the Government then explain that they haven't used the boilers at all in 1985/86 and they have got a surplus on the water account of £600,000. They are reducing the water charges by an amount which comes to £200,000 and in the Estimates we have got a surplus of £4m without the use of the boilers and what they are including here as the contribution on the boilers is the sum of £30,000 for the year. How can £30,000 for the year be the same as £1,000 a day which is £356,000 for the year? Is the saving £30,000 a year or £356,000 a year?

HON A J CANEPA:

£200,000-odd a year.

HON J BOSSANO:

How is it then, Mr Chairman, that they are distributing the savings between the water and the electricity accounts as to £30,000 in each according to their presentation of the Estimates here? If we look at the Funded Accounts at the back we find supply of waste heat by Electricity Undertaking £30,000, on page 118. If the Water Account is paying the Electricity Account £30,000 for the year's supply of waste heat, it must be because the year's supply of waste heat is worth £60,000

and it is being shared 50/50 between the two, £30,000 each. The point is that when the original decision was made, it was made on the basis that the people who should have started the boilers who apparently were not trained to start the boilers, had refused to do it for 100 days and that had cost £100,000. They then eventually reached an agreement with the Government and had to be trained - and this is in October and we are now in April. Is the Government then telling us that they spent it in October and April being trained and removing the rust?

HON A J CANEPA:

If the Hon Member will look at page 77, under the operation of Distillers, he will see that there is a considerable saving from one year to the other in the operation of the distillers.

HON J C PEREZ:

Most of that is because of the decrease in the price of fuel, not necessarily the waste heat.

HON A J CANEPA:

That I don't know.

HON MAJOR F J DELLIPIANI:

Mr Chairman, I am not going to blame anybody I am just going to state some facts. The fact that we had an industrial dispute with the people who were supposed to man the boilers for the distiller definitely damaged the boilers because there are special things which are put to prevent corrosion inside the boilers. Because there was no maintenance and the thing was not working for a very long time, the whole of the boiler system had to be repaired and I think it came under one of my votes, probably under the Improvement and Development Fund on the distillers. I am not blaming the staff, what I am saying is because we had to repair the boilers because they hadn't been used, the men couldn't be trained for that period of time because the boilers were out of commission. As soon as the boilers were recommissioned then we needed time to train the staff and to rate it for the best rating according to how much waste heat they could give us. This was a delay. It probably started at the beginning because there was industrial action. I am not saying now that we have lost money solely because of industrial action. I am saying that because of this industrial action the boilers were not being used. If you don't use machinery it tends to rust, it is as easy as that. It is just like a car, if you don't use the car for three years and you don't look after it properly it takes some time to start again. There was a delay, we have paid for the recommissioning of it and it came into stream at the beginning of this month which will provide us with a saving. At the same time the Electricity Department will charge us for producing that waste heat which is cheaper than fuel.

HON J BOSSANO:

We are not talking about £300,000 a year, we are talking about

£60,000 unless they have departed from the recommendation of the Coopers and Lybrand Study which was that the saving should be split 50/50 between the two.

HON CHIEF MINISTER:

But that is the cost of producing the heat which in any case is produced but the rest, when the boilers are not there then you have to provide the fuel in view of the boilers.

HON J BOSSANO:

No, the amount being charged by the Electricity Department to the Water Department is the equivalent as the saving of fuel, that is how the £1,000 a day was arrived at, and what we are showing now is that the saving of fuel in a year is £60,000 or else the figure we are being shown are wrong.

HON A J CANEPA:

These figures were drawn up some time ago and, in fact, the boilers had only been operational a very short time and it is only last week that the Department was able to, in our consideration of the revenue side, that they were able on the basis of one boiler to say: 'On the basis of the operation of one boiler for a period of time, we are estimating that there is going to be a saving in respect of waste heat in fuel of the order of £180,000 to £200,000'. But we only got that information a week ago, it just wasn't available prior to that. It certainly wasn't available when these Estimates were drawn up.

HON J BOSSANO:

But what we are showing is £30,000 for one year.

HON A J CANEPA:

That is what must have been agreed between the Public Works Department and the Electricity Department.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 5 - Electricity Undertaking was agreed to.

Head 6 - Establishment was agreed to.

Head 7 - Fire Service was agreed to.

Head 8 - General Division was agreed to.

Head 9 - Governor's Office was agreed to.

Head 10 - House of Assembly

Personal Emoluments

HON J BOSSANO:

Could I, Mr Chairman, perhaps raise a matter under House of Assembly, Personal Emoluments. Is any progress being made on the question of the grading of the Clerk because I think it is important, particularly to the Clerk.

MR SPEAKER:

Yes, I think it is up to me to report since we are in Committee. The matter is under review. I took the time when I was in London once to consult the House of Commons on the question of gradings and such like. I have placed a paper before the Establishment for consideration. The matter, I understand, is under consideration now and we will now, in due course, be getting an answer.

HON CHIEF MINISTER:

No, we have not had a report yet from the Establishment. I would like to say that the Speaker did make a very good case for the Clerk.

Personal Emoluments was agreed to.

Other Charges

HON J E PILCHER:

Mr Chairman, I note that under Other Charges there is no vote laid aside for the broadcasting of the proceedings of the House.

HON CHIEF MINISTER:

I don't know why the work hasn't been done but if the work hasn't been done and it was in the other one it will be a revote.

MR SPEAKER:

And in any event I think that was provided for, all the wiring has been done. I am not conversant with the item of expenditure but I do know, most certainly, that the matter is in hand. It should come, perhaps, under the Public Works Department.

HON J E PILCHER:

Mr Chairman, since we have brought it up, is there any idea of when the proceedings of the House will be broadcast? We raised it in 1984.

MR SPEAKER:

That is another matter, that is my responsibility. As I have reported on several occasions the question of privilege and copyright and such like, everything has been studied and the matters have been completely and utterly agreed upon. The needs of GBC to enable them to broadcast the proceedings have been looked into and the works to enable the broadcasting to be

effected are under way. I myself did say in a GBC interview that as far as I was concerned we should be able to be broadcasting before the end of this year. The necessary equipment is being bought by GBC already and the necessary works have been carried out to wire the place to enable the proceedings to be broadcast.

HON CHIEF MINISTER:

There has been no Government interference in this matter.

MR SPEAKER:

None at all.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 10 - House of Assembly was agreed to.

Head 11 - Housing

Personal Emoluments was agreed to.

Other Charges

HON J L BALDACHINO:

Mr Chairman, on Other Charges, Subhead 7, can the Government say why the estimate for 1986/87 on Maintenance of Government Housing, is less than in 1985/86?

HON M K FEATHERSTONE:

This is an estimate by the Public Works of the amount of work that they can do, it is marginally less than last year but there is also Subhead 12, which is a new subhead, which was included before which brings it up to almost the same figure.

HON J L BALDACHINO:

Mr Chairman, we are still about £21,000 down.

HON M K FEATHERSTONE:

Yes, it is about point nought something less.

HON J L BALDACHINO:

Are we saying that less maintenance will be carried out this year than what was done last year to Government Housing?

HON M K FEATHERSTONE:

Marginally less, yes.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 11 - Housing was agreed to.

Head 12 - Income Tax Office was agreed to.

Head 13 - Judicial was agreed to.

Head 14 - Labour and Social Security

Personal Emoluments

HON R MOR:

Mr Chairman, on Personal Emoluments, I did ask earlier on whether it would be possible to have the administrative cost of the payment of pensions to Spanish workers. Whether that was going to be made available to us?

HON DR R G VALARINO:

Yes, Mr Chairman. I have got the management cost of administering the Social Insurance Fund and we can work it out from that. I worked it out roughly between £55,000 to £60,000 but after this evening I think we ought to get together so that he can see how I have worked the actual sum of money.

Personal Emoluments was agreed to.

Other Charges

HON R MOR:

Mr Chairman, Subhead 13 - Special Education in the UK. Why is this Subhead under the Labour vote and not under Education?

HON DR R G VALARINO:

This is to provide special residential school for a 16-year old who is proving far too difficult to handle at the Edmund Rice Home and the advice of the Education Psychologist and the Department of Education is that he should go to UK for a year. He is a very disturbed child.

HON J BOSSANO:

On Subhead 12, has the Minister got an explanation for the Supplementary Benefits?

HON DR R G VALARINO:

The provision in the Estimates is shown as a single heading for the sake of neatness as all payments are now made under the Supplementary Benefits Scheme. The footnote, however, makes it clear that Elderly Persons Allowances and Retirement Allowances are now included in the Scheme. Would you like to know the criteria?

HON J BOSSANO:

Well, the criteria and also we would like to know the amounts because, in fact, last year we had Supplementary Benefits shown in the revised estimates as going down from £700,000 to £626,000, and we have got Elderly Persons Pensions. I think it is important in the two areas when we were discussing retirement pensions we were talking about a very small group of people who because of their age there was gradually less and less of them, it is impossible to tell that from a global vote.

HON DR R G VALARINO:

Mr Chairman, the breakdown of the total of £1,331,300 is as follows: Retirement Allowances - £52,300; Elderly Persons Allowances - £630,000; other Supplementary Benefits - £649,000.

HON J BOSSANO:

And we asked about the criteria which last year the Minister had, I think, some difficulty in giving us so he has had a year now to work on it.

HON DR R G VALARINO:

Mr Chairman, if I remember rightly I gave half the criteria myself and the other half was given by my colleague, Mr Canepa. The criteria for the payment of Elderly Persons Allowances and Retirement Allowances under the Supplementary Benefits Scheme are exactly the same as the provisions contained in the two relevant Ordinances which were repealed. The only difference is that because payments are now made under the Supplementary Benefits Scheme, only Gibraltarians and other British Subjects who are residing in Gibraltar continuously for not less than three years prior to the date of application, are eligible. In fact, the Department still uses the old Elderly Persons (Non-Contributory) Pensions Ordinance and the relevant Sections of the Non-Contributory Social Insurance (Benefits and Unemployment) Insurance Ordinance as guidelines for the application of these benefits. Retirement Pensions were payable on the 3rd October, 1960, as a transitional measure to British Subjects or other persons ordinarily resident in Gibraltar who were insured under the Social Insurance Scheme and the wives or widows of such persons and who failed to qualify for Old Age Pensions under the Social Insurance Contributory Scheme. The conditions for entitlement to Retirement Allowances are:- (1) the claimant must have attained the age of 65, 60 in the case of a woman; (2) he must have been over 65 years of age, 60 in the case of a woman on the 3rd October, 1965; (3) he must not be entitled to an Old Age Pension under the Social Insurance Scheme; (4) he must have retired from regular employment; (5) he must have a satisfactory employment record, ie an average of 40 weeks employment a year since the beginning of 1963. Notwithstanding the above conditions no person is entitled to Retirement Allowance unless:- (a) he was in receipt of such a pension at the 31st March, 1973; (b) at any time after that date he becomes entitled to such a pension by reason of having been in insurable employment including, in the case of a woman, by reason of her husband having

been in insurable employment in Gibraltar which commenced before that date. Persons who are Gibraltarians or other British Subjects who are 65 or over and have been ordinarily resident in Gibraltar for at least ten years out of the twenty preceding years may qualify for an Elderly Persons Allowance. If the applicant is in receipt of a pension or allowance under the Social Insurance Ordinance or any other law of any country including Gibraltar which provides for the payment of Old Age Pension or Benefit of a like nature as a pension for services rendered or other form of Supplementary Benefits, the rate of allowance will depend on the rate of pension or other allowance the applicant is receiving. The rate of Elderly Persons Allowance is £16.30 per week and the maximum rate of Retirement Allowance is £33,60 per week.

HON J BOSSANO:

Mr Chairman, I think the Minister was asked at some stage whether somebody who was in receipt of Elderly Persons Pension would continue to receive it if he ceases to reside in Gibraltar and he answered yes.

HON DR R G VALARINO:

Yes, Mr Chairman, if he has applied and has obtained the benefit before going over to Spain or anywhere else the answer is yes because it obviously conforms with the Ordinance. If he, however, resides somewhere else and then comes to Gibraltar he obviously does not get it because he has got the residential qualifications to adhere to.

HON A J CANEPA:

Unless he were to be in a position to apply for Supplementary Benefits and get, I think, it is the non-householders rate because he has no other income. Let us say that if somebody with no income takes up residence in another household in Gibraltar where there are wage earners, that person would be entitled under the Supplementary Benefits Scheme, if he is a Gibraltarian, to apply for the non-householders rate.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 14 - Labour and Social Security was agreed to.

Head 15 - Law Officers was agreed to.

Head 16 - Medical and Health Services

Personal Emoluments

HON MISS M I MONTEGRIFFO:

Mr Chairman, I would like to raise the question of the Dental Clinic Assistant which we have been mentioning for a number of years. There are two Dental Clinic Assistants working at the Health Centre but only one appears in the Estimates. Can the

Minister confirm whether a post has been created and whether the anomaly will now be corrected?

HON M K FEATHERSTONE:

I understand a paper to this end has just been circulated, it will probably be approved very shortly.

HON MISS M I MONTEGRIFFO:

Mr Chairman, the other point refers to the post of Dietician which again appears here with a token provision. We cannot understand, Mr Chairman, why the Minister is still undecided as to whether the post should be filled or not. The answer that he gave us in the House was that if the consultant coming in May could adequately look after the needs of the Diabetic Association then he did not think that the post would be required.

HON M K FEATHERSTONE:

I said that the Consultant coming in May would be able to look after the Diabetics insofar as the need for a Dietician was concerned but we would be advertising during the year for some student who perhaps would like to take up the post of Dietician.

HON MISS M I MONTEGRIFFO:

Mr Chairman, can the Minister say why there are two posts of Clerical Officer on a temporary basis this year?

HON M K FEATHERSTONE:

These are to work out the Form 121 and the Form 106 that are needed.

Personal Emoluments was agreed to.

Other Charges

HON J BOSSANO:

On Maintenance and Running Expenses of the Market, it is not a large amount of money but proportionately it shows quite a big increase and if we look it is double two years running, that is, it was £3,800 in 1984/85; £7,800 in 1985/86, and £15,700 in 1986/87. Is there a particular reason for this?

HON M K FEATHERSTONE:

I think this includes the maintenance of the market which has quite a lot of features that are needed to be done to it. The breakdown - dog food £1,200; dog disc £1,000; sundries £1,500; maintenance and repair of market £3,000; maintenance and repair of kennels £1,500; weights and scales £1,800; electronic fly-killers which need to be renewed £1,000; essential repairs to the cold room £3,000; installation of water heaters £1,000.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 16 - Medical and Health Services was agreed to.

Head 17 - Police

Personal Emoluments

HON J BOSSANO:

We did vote, I think, in a supplementary vote, the increase in the establishment during the year but I have noticed in the Abstract of Statistics and I think there was a mention in the Annual Report of the Department of a certain amount of concern about an increase in crime rate being experienced following the influx of people as a result of the normalisation at the frontier. I think this is an area which has always been of concern to people, generally, that there could be a deterioration in the very high standard that Gibraltar has got of having a very low crime rate. Does the Government feel that the provision that we have got will enable the Department to keep a check on this and, hopefully, bring it back to what it used to be from the level it is reaching?

HON ATTORNEY-GENERAL:

There has been an increase of twelve officers as well as the eleven civilians. I take it that the Commissioner of Police is satisfied with that twelve, if he had wanted more no doubt he would have asked for more and no doubt he will keep the position under review as to whether more officers are required.

HON CHIEF MINISTER:

Despite that the element of overtime is also heavy.

Personal Emoluments was agreed to.

Other Charges

HON J E PILCHER:

Mr Chairman, Subhead 10 - Traffic Control. Could I enquire what exactly the Hon Member means by Traffic Control?

HON ATTORNEY-GENERAL:

The removal of derelict vehicles.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 17 - Police was agreed to.

Head 18 - Port

Personal Emoluments

HON J BOSSANO:

In Personal Emoluments, Mr Chairman, when we asked the question, I think, in relation to the Shipping Registry we were given an answer at the time which doesn't seem to make much sense because I think we were told that if the Government showed how many we had there then we might have a situation where the Board of Trade might think we didn't have enough. In fact, we are showing how many people we have got there and what we were asking for at question time which has been reinforced in looking at the provision in the Estimates of Expenditure, is for an identification of the cost of the Shipping Registry, very much the same kind of philosophy that we keep on bringing up under other Heads of Expenditure. I think it is important for the Government and for the House to know how much money is being put into this so that we can judge what return we are getting for it. As it is, we are showing the manpower requirement and what I would like the Government to consider is whether in future they cannot have a breakdown of the Port with the normal Port expenditure and the Shipping Registry separating the cost of the two.

HON A J CANEPA:

Yes, obviously what there is there could be costed at around £35,000 a year. Let me say that when the Council of Ministers accepted the policy of setting up our own Marine Administration and trying to boost Shipping Registry business, we were not too concerned about how cost effective it would be insofar as the Government were concerned. We did not think that we would necessarily recoup in directly increased revenue to the cost of the expenditure but we saw that as the contribution that the Government would be making to the general economy elsewhere by way of increased business in the financial sector, by way of increased business in solicitors' firms and so on. In fact, it is curious to know that there is one particular legal firm whose entire work seems to be Shipping Registry business so it can be fairly lucrative. Having said that, however, I am very concerned at the moment about the future of the whole thing because subsequent to the Estimates being circulated to the House and, in fact, only last week we have received a letter from the Department of Transport in the United Kingdom where they are basing themselves on a certain ratio that they have. Apparently, for every six or seven ships on your Register you should be engaging the services of one surveyor and they are telling us already: 'Look, chum, you ought to have fifteen surveyors but because of rather peculiar reasons we think that if you were to employ ten it would be alright'. If this is the attitude which the Department of Transport is going to take I am afraid that we are not going to get anywhere because if they expect us to employ ten surveyors before they will extend the safety of the SOLAS Conventions to Gibraltar then I am afraid the whole thing is a non-starter. We cannot employ ten surveyors for the present seventy or so ships that we have on our Registry. It would put the cost up to over £100,000 which will make it totally cost ineffective for the Government. Where are we going to find people from, from overseas, no doubt. At the moment we know that the chances of employing two surveyors having regard to the

local market, as it were, there have been three applicants, one of them a local man living in the United Kingdom, another one a retired expatriate now resident in Gibraltar, and the third is somebody working on a yacht. That does not make any demands on our resources by way of housing. If we have to bring ten surveyors from outside Gibraltar where do we house them? If that is the attitude of the Department of Transport, I am afraid that we are in a pickle. We are in a pickle because there would be little point in amending the legislation, it won't be a meaningful thing and if we stay as we are we are in serious danger of being branded as a flag of convenience. This is something that has really been worrying me over the last week or so and I am going to be giving the matter my attention as soon as this meeting of the House is over to see where we take it from there. I know we shall be having to make representations no doubt to London but I am told that the Department of Transport are very, very difficult about these matters and here you have a Department of the British Government not giving us reasonable opportunities to develop an area of the economy that we could develop. We seem to be squeezed from all sides. I am sorry that I have gone at such length, Mr Chairman, but if I give those explanations the Hon Member, I think, will realise that there isn't a great deal of point in pressing much further on this at the moment.

HON J BOSSANO:

Mr Chairman, I am grateful to the Hon Member for the explanation, in fact, and perhaps he could keep us abreast of developments because he knows that is an area that we have thought had potential and of which we have had an interest over a number of years.

HON A J CANEPA:

Yes, I will do that, Mr Chairman.

HON J C PEREZ:

Mr Chairman, just to clarify one point. Is that the requirement that the Department of Transport is insisting on?

HON A J CANEPA:

They are insisting on that requirement before they will extend the SOLAS Conventions to Gibraltar.

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 18 - Port was agreed to.

Head 19 - Post Office, Savings Bank and Philatelic Bureau

(1) Post Office and Savings Bank - Personal Emoluments

HON J C PEREZ:

Mr Chairman, complaints have come our way about the performance of the counter service because of the increase of sales, presumably because of the tourists, that it is almost impossible to go into the Post Office without having to queue up and in most instances there are only two counters available to buy normal postage stamps. Presumably, this is because there is not enough staff in the Department to have other counters working at the same time.

HON G MASCARENHAS:

Yes, Mr Chairman, I have had those complaints as well on a number of occasions. I cannot quite understand why I should get those complaints. It is very rarely that you only have two.

HON J C PEREZ:

For the postage stamps only.

HON G MASCARENHAS:

For the postage stamps, very rarely, usually it is three. The business has increased, obviously, you can see from our revenue that business is going up but I cannot understand because the peak is between 11 o'clock and 1 o'clock and as I stated yesterday, during my speech on the Appropriation Bill, we are maintaining the opening hours during the lunch hour and that should have made a difference. Unfortunately, people will go between 11 o'clock and 1 o'clock, at least local people. I can imagine that tourists don't have much choice because they are here more or less at that time but if you went to the Post Office at 10.30 in the morning you would have no problem. But I cannot quite understand that because when it is a public service people tend to complain, yet if you go to one of the major banks in Gibraltar you will see the queues three times the size of the Post Office queue and yet nobody will complain.

HON J C PEREZ:

I have received the same complaints about the banks but I make representations to the bank and not here because you are not responsible for the bank. I make representations to you because you are responsible for the Post Office.

HON G MASCARENHAS:

Mr Chairman, I think we have the machines out there and you will note under Special Expenditure that we are providing Stamp Vending Machines. These are not additional, these will replace the ones that we have there which are sometimes broken. I think it goes down to the peak times. From 11 o'clock to 1 o'clock in the morning you have a lot of people turning up at the Post Office but I don't think it is warranted to have extra people just for those two hours when the Post Office is open from 9 o'clock in the morning.

HON J L BALDCAHINO:

Mr Chairman, the vending machines will not help in any way what my Hon Colleague has brought up because the vending machines are only for a small amount and normally people who go to the Post Office are people who work in businesses and have to buy a larger number of stamps that they would normally get from the vending machines.

HON G MASCARENHAS:

This is the unfortunate thing, that you have many people queuing up at the counter for a 22p for London and they will stand in that queue instead of using the machines but sometimes when it is tourists they haven't got the right change.

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

(2) Philatelic Bureau was agreed to.

Head 19 - Post Office, Savings Bank and Philatelic Bureau was agreed to.

Head 20 - Prison was agreed to.

Head 21 - Public Works

Personal Emoluments

HON J C PEREZ:

I wonder whether provision has been made under this Head to introduce the new Shift System in the Distillers?

HON MAJOR F J DELLIPIANI:

No, Mr Chairman, because the matter is under discussion.

HON J C PEREZ:

So the Government haven't yet made up their minds whether they will introduce the new Shift System in the Distillers or not?

HON MAJOR F J DELLIPIANI:

It is not a question of the Government, I know what I want. The matter is being handled by the Industrial Relations Office.

Personal Emoluments was agreed to.

Other Charges

HON J C PEREZ:

Mr Chairman, under Subhead 14 - Rock Safety Measures and Coastal

Protection, does that cover the cost of the coastal protection measures for the area where the asphalt plant is, above the asphalt plant in Catalan Bay? I remember in the House some time ago I suggested that perhaps a survey of the area would be something which the Government would consider and now even more so because since there is talk about the site where the Caravan Site used to be being developed perhaps it would be useful for some money to be spent in surveying the area because there are continuous complaints about rock falls in the area and I think we need to be sure that the area is safe, both for the development and for the residents in Catalan Bay obviously.

HON MAJOR R J DELLIPIANI:

Mr Chairman, this is a very complex matter. I am glad the Hon Member has brought it up. The fact is, Sir, that all the areas which the Department consider to be dangerous are monitored. They are physically monitored by looking at it through binoculars to see whether there is expansion, etc. The danger when you are dealing with this side, is that if you try and do any repairs or take away any prominent rockfalls that might appear to be in danger by the mere fact that you are working in the area you can cause more damage. What is intended and it is a long-term project, the area in question might just come under what we are thinking of, is the digging up of what we call a 'catch bench' area over the top of the water catchments so that if there is any rockfall, instead of rolling down the catchments straight down to the road below because we will be doing what we call a 'catch bench', this is where the sand quarry comes in, the rock will fall on the catch bench and fail to roll down but it is a very long term exercise. The only thing we can do is by physically looking at it and seeing where the potential dangers are but if we try to do anything physically on the cliffside we could cause greater problems than there exist at the moment. It really is a very delicate balance which our engineers are very concerned about.

HON J C PEREZ:

Mr Chairman, I can understand the constraints in this type of situation but, surely, if there are reports of rockfalls in a given area continuously throughout the year and the Department itself has a site beneath those areas where the people are continuously complaining about the rockfalls, surely the Department should at least consider resiting the places that they have there and leaving them empty before a nasty accident happens because we could have a situation where one of these stones falls on one of the Public Works Department workers and injures him badly.

HON MAJOR F J DELLIPIANI:

There are certain areas where there are rockfalls but it is something that one has to accept. People who have lived in Catalan Bay know that they live in an area which is prone to rockfalls. There is nothing we can do with nature. If you take it to that extreme we should really move the whole of the Catalan Bay Village somewhere else because by the very nature

of the formation of Gibraltar this is subject to rockfalls. It is a risk, I think that the men working there know that they are under such a risk and I think they are paid something for working under those conditions.

HON J C PEREZ:

Mr Chairman, under Subhead 24, Maintenance and Improvements of Highways, I notice that there is a separate vote for the improvement of highways in the Improvement and Development Fund and I would like the Hon Member to give me, if possible, now if not at a later stage, a breakdown of the works that are intended to be done in the year and a breakdown on which works are going to be paid by this vote and which works are going to be paid by the Improvement and Development vote. Still on the same subject, I would also like to know whether the resurfacing of Main Street which the Chamber of Commerce announced that the Government had told them they were going to do before June, is to go ahead and when is it intended to start?

HON MAJOR F J DELLIPIANI:

Quite a few questions, Mr Chairman. First of all, Mr Chairman, on the general question of the whole of the programme of highways under this vote and under the Improvement and Development Fund, I would prefer to give it to the Hon Member because it is quite extensive and, as the Hon Members know, I think I cooperate with the Hon Member on all matters. On the question of the Main Street resurfacing, we have been looking at this matter for some time. The Chamber of Commerce wanted, in fact, from the bottom of Engineer Lane to the top of City Mill Lane to be given priority and we would hope to have done it by June but in actual fact there are other areas of Main Street which really require resurfacing and, some structural work to be done which are in a far worse condition than this. Although we will try to do this one before June, we might have to go to other areas of Main Street which need it more. May I also add that because we haven't been doing resurfacing works for a long, long time, it is only through the Winston Churchill Avenue that our men have picked up the skills again and I think everybody will admit in this House that it is a fairly good job we have done. We want to use this experience and improve on it and do it in the Main Street area but I am not going to be conditioned by making the Main Street area, this particular area, precede the other area even though I would like to, I still have to look at the worse areas in Main Street which have structural faults and if I have to do that first and Mr Seruya will complain, it doesn't matter.

HON J C PEREZ:

Mr Chairman, just to point out to the Hon Member that if, in fact, his intention is to carry out the works before June, my own opinion of the matter is that his Department should get on with it very quickly because I cannot imagine a resurfacing of any part of Main Street being carried out with thousands of tourists coming and going. I think it is going to be awkward to do it in the peak tourist season. That is why I asked him whether he still intended to do it before June because I would have thought that this would be better done in the season where the amount of tourists coming in is less.

HON MAJOR F J DELLIPIANI:

I am not trying to be a tourist expert. I don't know really what the peak seasons are because last year most of the tourists came in the winter and I think there was a drop in summer. I think the priority should be in the Main Street area. Whether this has to be done in June or before June, we have to look whether there are possible dangers.

HON J C PEREZ:

Mr Chairman, on the vote of Maintenance of Buildings, the Hon Member did promise me privately that he would give me a breakdown of the £618,100 by Department.

HON MAJOR F J DELLIPIANI:

I will do so again.

HON J C PEREZ:

Is the Hon Member not in a position to give it to me now?

HON MAJOR F J DELLIPIANI:

No, I can give you half of it.

HON J C PEREZ:

Mr Chairman, let me make the point that I have been given to understand that all of that money has, in fact, been allocated to different Departments even though it is in the Public Works vote and the point I have made consistently is that if the money has been already allocated why isn't it charged to the Head to which it has already been allocated? The argument that has been put to me is that if there is so much for Education and then the Department decides that instead of repairing one school they want another one repaired, it would then be impossible to change this. But then this can be done under a statement of reallocation which is frequently done during the year. My point is why if the Department already has a programme and they have already allocated the £618,100 to different work projects which are for different Departments, why isn't this being charged to the different Heads and not put in the Public Works vote when, in fact, it is a vote similar to the one in Housing where it is charged to Housing but the Public Works does the work but it should be charged to the Public Works Department itself.

HON MAJOR F J DELLIPIANI:

May I, Mr Chairman, clarify a couple of points. The first one is that any works which are under £10,000 is not controlled by the Department. The other thing is that we have done a redeployment of labour so that we can tackle Government buildings and offices and, again, we are talking of six painters which we are employing to do this work. If the Hon Member will bear with me, when he comes to my office I will give him the figures, not only of the Departments which are under £10,000 but how we intend to use the remaining sum.

HON J C PEREZ:

I take the argument of the Hon Member. I am not insisting that he should tell me what the works programme for the year is now, I already asked him that in my main contribution and he has already said that he was prepared to give it to me in his office. What I am saying is that if the money has already been allocated to different works programme, why should it appear as an expenditure in the Public Works vote when it should appear as an expenditure in the Department where the maintenance is going to be carried out? When the Hon Mr Featherstone was Minister for Public Works, one of the arguments used was that the whole of the vote couldn't be allocated because the Department needed certain flexibility. In my contribution this year I have accepted that the Department should continue to have certain flexibility but that the vote itself is too large to be allocated in this manner without telling the House where the bulk of that money is going to be spent on.

HON MAJOR F J DELLIPIANI:

Mr Chairman, again I will say that, first of all, we have to deduct the different Departments where there are votes of less than \$10,000 from this vote. Then again I will say that there are so many areas.....

HON J C PEREZ:

Will the Hon Member excuse me. Is the Hon Member indicating that there could be a wages element in the \$618,000?

HON MAJOR F J DELLIPIANI:

It is always this element. Materials about 30%. If I don't have this money I cannot pay the men. The materials element here would be about 30%.

HON J C PEREZ:

I have made two points in bringing this point up on the three years that I have been in this House, Mr Chairman. One of the points was that we thought that the House of Assembly should have a bigger say in where the money should be spent and in that respect I would ask the Hon the Minister for Public Works to see if next year he could bring the breakdown of how the Department intends to use that money before we vote the money. But then I would make another point which is a new suggestion which perhaps the Hon the Financial and Development Secretary might be able to adopt and that is that at least perhaps once the money has been spent we could see this sum of money disappearing from the Public Works Head in the final figure of the account and appearing in each Head where the money has already been spent because I think that this money like the vote for Maintenance of Housing should be charged to the Head where the maintenance is being charged. Similarly, you could argue in defending this vote that the \$1,600,000 for Maintenance of Housing if that work is carried out by the Public Works, should be included in that vote as well.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Certainly we will consider that.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 21 - Public Works was agreed to.

Head 22 - Telephone Service was agreed to.

Head 23 - Tourism

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

Other Charges

HON J E PILCHER:

Subhead 3, Mr Chairman. I see that entertainment and travel has been increased by some £3,500.

HON H J ZAMMITT:

This is due to the increased volume of press visitors to Gibraltar, of visiting journalists.

HON J E PILCHER:

Subhead 9, Mr Chairman, Printing and Stationery, there is a substantial increase there of £15,500.

HON H J ZAMMITT:

Mr Chairman, more leaflets, of course, are today having to be provided due to the number of tourists coming in but I would like to mention here that despite the very substantial increase we have had something like £30,000 of literature sponsored by the Bank of Credit and Commerce that produced a very nice map of Gibraltar and other brand names that are taking up quite an amount. I should point out that today we are considering printing a particular brochure and we are talking of at least half a million copies of whatever we produce.

HON J E PILCHER:

Subhead 16, Mr Chairman, International Marketing. I note from the footnote that this was previously provided for under London Office 'Advertising and Field Sales'. Does this mean that the \$95,000 would be controlled for international marketing locally?

HON H J ZAMMITT:

Yes, Mr Chairman, the £300,000-odd that we had in the London Tourist Office as we were then directing our advertising campaign just in Great Britain, we have now divided that and this amount will be mainly for Spain and Morocco and other destinations excluding Britain.

HON J BOSSANO:

Mr Chairman, Tourist Surveys, the Government originally allocated in the approved estimates £2,500 and they only spent £500 and we are only putting in £1,000 this time. Wasn't that an important part of the recommendations that there should be Tourist Surveys?

HON H J ZAMMITT:

Yes, Mr Chairman, precisely because of that now, because we have a full complement of our own staff now we are now able to conduct our own Tourist Surveys so we are taking it up because we think it is very important to have the information that we are looking for.

HON J BOSSANO:

So the cost is shown somewhere else now? We seem to be spending less money, Mr Chairman, is it that the cost is shown somewhere else?

HON H J ZAMMITT:

No, Sir, it is due to the fact that our own people can do it as opposed to before when we used to have to employ students coming back from England and now our own staff absorb this very important task, Sir.

HON J E PILCHER:

Mr Chairman, on Subhead 17, Minor Works. I think the Hon Minister for Tourism did say to my colleague, Miss Montegriffo, that some of that money was going for the restoration of ancient monuments. Could we get a breakdown of the £21,000?

HON H J ZAMMITT:

Mr Chairman this morning Miss Montegriffo who was asking about the upkeep of our historic sites and monuments and in that item there is £9,000 for repairs to historic sites and embellishment of monuments.

Other Charges was agreed to.

Special Expenditure was agreed to.

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

Other Charges

HON J E PILCHER:

Mr Chairman, I see on Subhead 6 - Public Relations, an increase of £9,500. Can I get an explanation for that?

HON H J ZAMMITT:

Yes, Mr Chairman, last year we had no public relations despite the fact we had to make some additions and some payments for the previous year and we dispensed with our public relations people last year. It is highly recommended today that we do take up public relations and although we have not as yet employed anybody we are asking for representations to be made for a decision to be taken to take on public relations again.

HON J E PILCHER:

Mr Chairman, Subhead 9 - Advertising, £112,300. I know that this is not a new vote but again contained in the Advertising and Field Sales. This will all go in advertising Gibraltar in the UK?

HON H J ZAMMITT:

Yes, Sir, the London Office will all be in the UK. Of course, under this particular Head we do have the brochures which although they are printed in the UK they are distributed internationally. We have one main brochure. Although I should say, Mr Chairman, I suppose, within this that we have been able to agree with some tour operators to have a joint brochure which Members will be seeing within the next few weeks which, of course, will cut down costs because of the volume.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 23 - Tourism was agreed to.

Head 24 - Trading Standards and Consumer Protection was agreed to.

Head 25 - Treasury

Personal Emoluments

HON J BOSSANO:

Could I suggest to the Financial and Development Secretary, Mr Chairman, that he might borrow some money and restore the number of Economists that we have since he is now in the process of borrowing to meet recurrent expenditure? I think I was told at

the previous meeting of the House that we were not going to lose bodies in that area and I thought the Hon Member was nodding very vigorously at the time as if he agreed with me but yet I see that in the provisions that we are making we had under the Economic Planning and Statistics Office fourteen members of staff in last year's establishment and we have got twelve in this year's establishment, having lost the Assistant Economist and four Clerical Assistants. The regrading I thought would still be without any loss of numbers of people employed. We had one Economic Adviser, two Economists as SEO and one Assistant Economist. It means we have got one person less because the other two have been upgraded but we still have the same number of people.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

The two next most senior people have been upgraded but we haven't lost anyone else because there was one supernumerary who has now been reclassified.

HON J BOSSANO:

According to this we had one Economic Adviser, two Economists and one Assistant Economist which is four and now we have got two Economic Advisers and one Assistant Economist so we are short of one person, are we not?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

That is the Economic Adviser.

HON J BOSSANO:

And when, in fact, I asked previously in the House about the new appointment I then followed that up by saying I thought it was very odd that if more importance was going to be given to the question of economic planning, we should finish up with one person less.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think, if I remember rightly, Mr Chairman, he said he was rather glad that more emphasis had been given to economic planning in the Chief Minister's Office.

HON J BOSSANO:

We were given to understand that one person was going to be retained supernumerary to maintain the same manning level and then I think that was corrected in the course of the exchanges to say that it was going to be made permanent and not supernumerary.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

But that is reflected here.

HON J BOSSANO:

No, it isn't reflected here because we are still short of one person which is the person that has moved to the Chief Minister's Office who is presumably no longer part of the Economic Planning and Statistics Office.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

But he was never supernumerary.

HON J BOSSANO:

I know he was never supernumerary, Mr Chairman, that is why he ought to be replaced.

HON CHIEF MINISTER:

The numbers are the same.

HON J BOSSANO:

No, the numbers are not the same.

HON A J CANEPA:

What is happening is that there is a restructuring which is resulting in more Clerical Officers and the output of Clerical Officers is greater than Clerical Assistants.

HON J BOSSANO:

We are replacing four Clerical Assistants with three Clerical Officers but surely that doesn't compensate for the loss of one Economist from the Unit? If we do this then that doesn't say much for the Economist, Mr Chairman.

HON A J CANEPA:

We now have, Mr Chairman, two Economic Advisers who are expected between the two of them to cover the whole spectrum of the work that Mr Montado and the two Assistant Economic Advisers were covering previously and we had a young graduate who has now become an Assistant Economic Adviser and who is also beginning now to deliver the goods.

Personal Emoluments was agreed to.

Other Charges

HON J BOSSANO:

Could I just make a point? The rates refund, Subhead 23, Mr Chairman, of £400,000, does that mean, in fact, that the increase in rates for the whole of the commercial sector is £1m or is this based on the people who are known not to be in arrears and consequently that figure is limited to the people who would qualify by that criteria?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I wondered if the Hon Member was going to be sharp enough to pick up the fact that arithmetically 40% does not represent £400,000 of the amount which we would raise. Yes, there is an element here of assumption about the amount which we will recover which is not arithmetically consistent with 40% of the total amount of the increase to the commercial sector this year, there is an element of estimating approximation about this.

Other Charges was agreed to.

Subventions

HON J C PEREZ:

Mr Chairman, the Hon and Learned the Chief Minister in his contribution in rounding up in the Appropriation Bill said that the Hon the Minister responsible for Traffic would be giving a wider explanation about the subvention for the Gibraltar Quarry Company.

HON M K FEATHERSTONE:

Yes, Sir, the situation with the Quarry Company was to the extent that the losses over previous years had built the overdraft up to a rather high figure and a viability study was undertaken by the Company's Auditors to see whether the Company could ever become viable. The Auditors came to the conclusion that the possibilities of the Company's viability per se were reasonable within the next eighteen months but they could not see the Company becoming viable if they had to carry the burden of the high overdraft which was running at over £175,000 having been built up by losses since the inception of the Company. They therefore suggested that the Government might like to take a leaf out of the British Government's book where they gave a write-off amount to companies such as the Coal Board, etc and suggested that the Government might like to make a subvention to the Gibraltar Quarry Company to remove past losses and put the Company on to a firmer footing so that they

could go ahead without the burden of the heavy overdraft and this is the intention of the subvention at the moment.

HON J E PILCHER:

Subhead 30 - Contribution to Gibraltar Broadcasting Corporation, I see that the revised estimate for last year was £596,000 and the estimate for 1986/87 is back to £570,000 irrespective of the fact that an extra £26,000 were spent last year.

HON A J CANEPA:

The extra £26,000 in the revised estimate is accounted for by the pay review so you can expect that there will be a revised figure for 1986/87 which is likely to be, in the event, higher than £570,000. It comes under Head 29.

HON J BOSSANO:

Fair enough but presumably the wages have not gone down? If, in fact, it was £570,000 before it was known how much the pay review would cost, one would have expected like every other subhead of personal emoluments or whatever, that if we are not cutting down the subvention for GBC in 1986/87 then the figure there would be the same as the revised figure.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, in previous years, I think it has been the custom to increase the subvention because of GBC's financial difficulties. This year, of course, they have revenue from advertising to take into consideration so that that particular contingency is less likely to occur.

HON CHIEF MINISTER:

The subvention is normally or has been up to when the income of the Corporation was static was to make up the cost with a Government subvention and then also sometimes for extra equipment they would ask for £25,000 and having regard to the kind of cuts we were making to other departments we would say: 'No, you can only have £15,000 or £18,000'. The fact that they are doing better doesn't mean that every penny they get we give them less but they are able to expand a little and at the same time part of the income that is coming makes the need for the subvention to be less and this is negotiated with the Corporation every year and therefore it is part less subvention in the sense that they have much more money but it doesn't mean that the cut is all that they have had extra. There was going to be a surplus of some £15,000 which had it remained like that would have reduced this year's subvention. It didn't because, as I

mentioned before, they said: 'Can we use this money that we have got over from last year's subvention for these things that you haven't given us provided you don't take it into account in next year's subvention'. Therefore the subvention is not decreasing by every extra penny that they have except that it is true that as they get more income the subvention will be less and they will be providing for more things that they are not providing now.

HON J C PEREZ:

Mr Chairman, if I can turn back to the contribution of the Hon Mr Featherstone. Since he said that the views of the Auditors were arrived at after a viability study, could we perhaps be given a copy of that viability study so that we may see whether the judgement of the Government has been the correct one?

HON M K FEATHERSTONE:

Yes, Sir.

Subventions was agreed to.

Special Expenditure was agreed to.

Head 25 - Treasury was agreed to...

Head 26 - 1986 Pay Settlement

HON J BOSSANO:

Mr Chairman, I notice that last year the contribution for the pay review was reduced. Is it because there has been delay on settlement or is it that, in fact, the Government overestimated it last year because they are estimating even more this year?

HON A J CANEPA:

Teachers have got to be paid at the end of this month in respect of the 1985 pay review.

HON J BOSSANO:

So that, in fact, is included in the £1,300,000, that is why it is much higher than last year?

HON A J CANEPA:

Yes.

Head 26 - 1986 Pay Settlement was agreed to.

Head 27 - Contribution to Improvement and Development Fund

HON J BOSSANO:

Mr Chairman, I would like to raise again the matter which we raised on the general principles of the Bill because I don't think we have been given a satisfactory explanation by the

Government why they do not wish to provide a greater contribution to the Improvement and Development Fund than the £1½m that they are proposing. The position is that a policy had been introduced in this year's Budget which, quite frankly, is a major departure from everything that has been said in the House up to March last year and if we had not queried it there would have been no indication of it. That is to say, there was nothing in the opening statements by the Hon and Learned the Chief Minister and the Hon Financial and Development Secretary on the Finance Bill to indicate that all the thinking on financial prudence of the last fourteen years are now out of the window and we are in an entirely new ball game with new criteria where the determining factor for Government borrowing is not the requirements of its capital expenditure programme but, in fact, the presence of willing lenders, that seems to be the major thing. As long as there are people around willing to lend money to the Financial and Development Secretary he is happy to borrow. Having borrowed he doesn't know what to do with it because he is not spending it. He obtained the authority of this House against our vote for using that money for recurrent expenditure but he is not using it for recurrent expenditure. He certainly didn't obtain the authority of the House in the Loans Empowering Ordinance to finance tax cuts which was something that he almost let out at the Finance Bill and then quickly retracted but certainly that would not have been.....

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No.

HON J BOSSANO:

Yes, Mr Chairman, because he said one could borrow either to finance expenditure or to finance tax cuts and I asked him which he was doing and he didn't give me an answer. In fact, he cannot say he is borrowing to finance tax cuts because the Loans Empowering Ordinance did not include that as one of the things that he could borrow for, it said he could borrow to meet recurrent expenditure. What is he borrowing for? He is borrowing to increase Government reserves having told us that there is no such thing as a prudential level of reserves. The only reason the Government can have for not wanting to provide this money to the Improvement and Development Fund is that there is no requirement to spend the money in the Improvement and Development Fund. It is questionable why they want to borrow money if they have got nothing to spend it on. But they cannot say they have got nothing to spend it on because they have told us there are a lot of things they would like to spend money on which they have not been able to spend money on because the ODA has not provided it and they have told us that they themselves are very conscious of the desirability and the need to give a greater impetus to Government housing and we have got a very limited amount of money in Government housing under Head 101 under the Improvement and Development Fund. In fact, we haven't even got enough money there being spent to use up the money from the sale of Government houses which was the whole justification for the sale of Government houses. The total amount being provided on the expenditure side falls short of the estimates on the revenue side but if on top of that they

are not using the money that they are borrowing then what is the use of saying that they want to spend in this development? What is the use of saying, for example, that they are giving emphasis to tourism by the money they are spending on it and we were told in the Finance Bill to wait for the Appropriation Bill and here we are, we are near the end of the Appropriation Bill, and we were told by the Hon Mr Zammit, the Minister for Tourism, of his disappointment that the ODA was not forthcoming with the provision of finance for the tourist projects he would like to see. The ODA is not behaving any better or any worse than the Financial and Development Secretary who has borrowed £2.8m and will not give it to the Minister for Housing for housing, will not give it to the Minister for Tourism for tourism, will not give it to the Hon Mr Canepa for infrastructure, so in fact the Financial Secretary is doing exactly the same with his borrowed money as the ODA is doing with their grant and consequently I don't see how the Government can on one hand be critical of the lack of provision of money for capital investment by ODA and be so reluctant themselves to spend the money they have borrowed.

HON CHIEF MINISTER:

I feel we are going round in circles with this. First of all, it would not have been prudent when these estimates were prepared and the Improvement and Development Fund estimates were prepared, nor would it have been possible to assess how much money would be given from the Consolidated Fund to the Improvement and Development Fund because there had been no response to the aid submission. So the estimates for the Improvement and Development Fund were modest and in any case we didn't know which projects would have priority. We knew we would be able to provide some funds for housing inevitably but we didn't know exactly what the response was going to be. The tax cuts bear no relation to this because if we had had to have tax cuts with borrowed money we wouldn't have done it. I think it would be dishonest apart from whether it would be prudent or not. I could come next year for £5m, give goodies to everybody and then go to the elections shortly after but it is just, from a political point of view, not tenable and therefore it doesn't arise and, in fact, the amount of money that we are giving in income tax is because we have sufficient after that to leave a comfortable surplus. About the money that has been borrowed and has not been repaid, so to speak, which is what the Hon Member said. First of all, if you have the new page 5, the revised estimate for 1985/86 of revenue is £64,912,700. That includes the £2.3m from last year. In the estimates for 1986/87 the recurrent revenue provides for £69,923,600. That provides £4m which come in and £4m which go out and £2m which come in. As a result of that we come to the position where after making the necessary provisions that will be done for the Funded Services, we will have a working capital, you call it surplus, you call it whatever it is but it is cash flow too. We are owed, as you see from the accounts of the Auditor's Report, we are owed a considerable amount of money in rent, in rates, electricity, water, this is the working capital. When we talk about what is a prudent reserve whether you have a reserve or not you must have working capital and I would have thought that the minimum of working capital is the maximum of

your cash flow requirements. We have the result of the ODA, we don't know how we will react, we don't know what our reaction will produce but having regard to that, now that we have at the end of the day £8½m in the kitty, so to speak, part of it is in assets due to us in uncollected bills, we can think again what is going to happen to the Improvement and Development Fund. We can come to the House whenever it is required, the money is there, the money has been funded for some things but can be allotted to something else and when we make a proper study of it we will say how much money we can afford. I am not saying that in that way we are going to eliminate the total amount of the loan into the Improvement and Development Fund, I don't think we can afford £4.3m in the Improvement and Development Fund, perhaps we cannot, we will see what the priorities are and what the requirements are. When we see that we will come to the House and ask for an extraordinary appropriation and that is to transfer whatever we consider is required from the Consolidated Fund to the Improvement and Development Fund when we know what we are going to use it for. It is no use putting it there now and leaving it blank, that is the answer.

HON J BOSSANO:

I am, of course, perfectly satisfied with that answer, Mr Chairman, which now takes us back to where we were in March, 1985, and for the last fourteen years then it means that the radical change announced by the Financial and Development Secretary is not taking place and it means that the last four Financial Secretaries were right and we are still pursuing a policy of looking at the money we have in the Consolidated Fund Balance which is the old general revenue reserve on the basis of the liquidity or the.....

HON CHIEF MINISTER:

No.

HON J BOSSANO:

Yes, that is the argument the Hon and Learned Chief Minister is expounding.

HON CHIEF MINISTER:

No, I was only putting a scenario of what the thing looked like, it doesn't affect the policy of the financial strategy at all, it is mere fact. The philosophy behind borrowing as part of the whole thing is still there if we want to use it. We borrowed it because that year we needed it in order to balance the budget, we knew that it had a good probability of not calling on, is fair to say, but we had to be prudent in case things did not materialise as we thought they were going to.

HON J BOSSANO:

I am saying, Mr Chairman, the explanation of the Hon and Learned Chief Minister is, as far as I am concerned, perfectly

acceptable. If the money has been put into the general revenue reserve at this stage and last year on the basis that it was wiser to have it there and wait the outcome of the ODA negotiations before deciding what to use it for and how much to use it for, is a perfectly reasonable argument and we accept it. If, in fact, it doesn't represent that and it represents a totally new approach to borrowing where you borrow for recurrent expenditure whether you need it or not or you borrow to put the money into your reserves whether you need it or not, then it is a major departure in policy and one that cannot just be slipped in like that and one which we feel very strongly about and one which we need to be convinced about because, quite frankly, I don't think you can tell the people of Gibraltar and the House of Assembly something for fourteen years in a row as the right way in which to conduct our finances and then suddenly say: 'What we have been saying for the last fourteen years doesn't mean anything. We are now adopting a totally new thing and for the last fourteen years we have been wrong all the time'. I am perfectly satisfied with the explanation of the Hon and Learned Member and therefore, as far as we are concerned, fine, if during the year they feel that the time has come to move some of that money and mobilise it and put it in the Improvement and Development Fund we will be happy to support the Government when the time comes.

HON CHIEF MINISTER:

But let me make it quite clear that that does not do away with the other option which the Financial Secretary has mentioned and it is not necessarily right and I am surprised from a person of the Left to feel that a change should not take place if it is for the better. The fact that we have been doing it thirteen years may or may not have been good, that doesn't matter. The point is whether what we are doing now is right or not because we may have been wrong all those years or may have been right then and we are right now because things change and the pattern of the economy has changed and the whole structure of the future is likely to change and therefore to changing circumstances you have changing attitudes.

HON J BOSSANO:

Mr Chairman, the point is that if we have been wrong for the last fourteen years and we are about to change, this is a major policy decision which I think the Government has got to come out into the open over and say: 'As from now we have changed totally our approach to borrowing money. We think that instead of doing what we have done in the past which is to borrow when we needed to borrow, we now believe in borrowing as long as there are willing lenders around the place and even if we have got no money in which to spend what we have borrowed, we will still borrow it because why not borrow if there are people willing to lend? And what is wrong with it when the rest of the world is up in its ears in debt, why shouldn't we be like the rest?' If that is the philosophy that has got to be brought to this House and defended publicly and we will then make a judgement on that. If that is not the philosophy and that was the philosophy that was being suggested before in the earlier contribution, then, and I think the Hansard will show as these things always

do, whether I am correct in what I am saying or not. Then, as I am saying, if the Hon and Learned Member checks what he is saying now and what was said before he will find that there is a fundamental point of principle at stake which he seems now to be saying: 'Well, that option is still there'. A few hours ago that wasn't being said, a few hours ago we were being told that, in fact, the way that we had approached the question of public borrowing before was totally wrong and the Financial Secretary's defence of the situation was that he was not answerable for what all his predecessors did and he couldn't explain why he was not answerable for what he did last year except to say that now we were in a new situation from last year. Last year the Hon and Learned the Chief Minister told the House he was borrowing £2.3m and the way that he phrased it could only mean one thing, that it was force majeure. He was saying: 'Because we are expecting to have a mere £1.7m in our reserves, we are going for the first time in our history to borrow £2m to put into reserves'. I think it is reasonable, I don't think it is asking too much, it is reasonable to say: 'Well, if you don't have £1.7m and you have much more then you don't have to do this undesirable thing that you were forced to do, so what is your reason for borrowing the £2.3m?' He has given a good explanation now, the reason for borrowing it is that they want to have it there and if they find that they need to use that money for the Improvement and Development Fund in the event of their final negotiations with ODA, then the money is available so they don't want to move it until they see that they need it. Well, that is fine, we certainly don't want to suggest anything to them that might prejudice them in their negotiations with ODA, far be it for us to suggest anything like that, but certainly the explanation we are getting now is different from the one we got before and the one that we are getting now is acceptable to us, that is the point I am making.

HON CHIEF MINISTER:

I still don't exclude the other one and it is not for me to speak for the Financial and Development Secretary, he has his own ideas about finance which we regard as being valuable and we may or may not follow them when the time comes according to the need. Obviously, we would not have gone for £2.3m in last year's loan if we hadn't had an expectancy of something better because otherwise we would have had to come this year. The point is that when you get a situation like that you won't get people to lend and people are willing to lend and we are also bringing money back into Gibraltar that was in bonds in the United Kingdom and it is a bigger commitment for the people to have it here and for us to have that money. It started that way because we had an expectancy. It has been useful to have it, it has now been proved useful to have money available and in reality we finish off with a net, if you want to call it that in that point of view, with a net consolidated bank balance of - if you take away £4.3m - £4m. But that doesn't prevent us from carrying on borrowing if we believe that it is in the interest of the Government.

Head 27 - Contribution to Improvement and Development Fund was agreed to.

New Head 28 - Contributions to Funded Services

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move the inclusion of a new Head of Expenditure, Head 28 - Contributions to Funded Services - in order to eliminate the projected deficits in the Electricity and Housing Funds. It is proposed to provide as follows:- Subhead 1, Electricity Undertaking Fund - £1,550,600; Subhead 2, Housing Fund - £1,552,100 making the total for this Head £3,102,700. The new figures in the last column, ie for the increase or decrease compared with the revised estimates, as my staff insist on calling them, or the forecast outturn as I would like to call them, for 1985/86 are: Electricity Undertaking Fund - an increase of £163,300; Housing Fund - a decrease of £1,414,200 and a decrease in the Head of £1,250,900 compared with the revised estimate for the forecast outturn for 1985/86.

Mr Speaker put the question which was resolved in the affirmative and New Head 28 was agreed to.

Part II - Improvement and Development Fund

Head 101 - Housing

HON J C PEREZ:

I notice that there is only £21,000 being estimated for the Police Barracks Walkways and the Hon the Minister for Public Works said that there had been two studies commissioned, one which was a major one and involved getting people out of the Barracks costing £300,000 and another one which would cost approximately in the region of £70,000 to £80,000 yet there is only £21,000 put into the projects for this year. Can the Government explain why this is so?

HON CHIEF MINISTER:

There was one point that I wasn't clear in my mind and I have just got it. I think it hasn't been dealt with sufficiently and that is the mention of the fact that there was no accounting of the money of the home ownership scheme.

HON J BOSSANO:

No, I was saying, if the amount of money being spent under Head 101 - Housing, is less than the amount of money being estimated to be raised by the home ownership scheme and therefore if the Government defended the policy of selling houses to owner occupiers and we asked whether the money would be used to build new homes and they said yes, we would expect that if they are budgetting to raise whatever it is in income, if they have got home ownership scheme estimated revenue £645,000, we would expect that there should be building of new houses estimated expenditure £645,000 because that is what the money is going to be for.

HON CHIEF MINISTER:

That is a good point but in reality what we have credited are the amounts that have been received like the £250,300 which is the sale of Shorthorn and the others. That is expected, it all depends when it becomes available and so on. Certainly when that money materialises we intend to use every penny out of home ownership into homes, there is no doubt about it.

HON J BOSSANO:

But it is not possible to tell that, Mr Chairman, from the estimates of revenue and expenditure because from the estimates of revenue and expenditure the Government has got home ownership scheme receipts estimated £902,300 and if we look at the estimates for the building of new homes there isn't an estimated £902,000.

HON CHIEF MINISTER:

Of course, because we don't know whether the amount estimated for this year will materialise or not.

HON J BOSSANO:

The point is we certainly wouldn't support the idea that one is selling existing Government property in order to finance painting pre-war properties.

HON CHIEF MINISTER:

No, we will not subscribe to that.

HON J C PEREZ:

Mr Chairman, I was querying why it was £21,000 because there were two estimates for the Police Barracks, one of £70,000 to £80,000 and the other one of £300,000 and why there is only £21,000 in the estimates.

HON MAJOR F J DELLIPIANI:

Mr Chairman, the £21,000 covers two different buildings which are Police Barracks because we have done it from design works and we have estimated that one will cost £7,000 which is the smaller one and the bigger one which is in the town area will cost £14,000. We will be able to do both of them for £21,000.

HON J C PEREZ:

Do you mean to say that the repairs that are going to be done are going to be done to both Police Barracks, the one in Scud Hill and the one up in Castle Road and that the cost of the whole of the repairs is going to be £21,000?

HON MAJOR F J DELLIPIANI:

Yes, because of what we call medium-term repairs which could last anything between ten to fifteen years for both of them will be £21,000.

HON J C PEREZ:

How is it, Mr Chairman, that the Hon Member had a study which said that the Police Barracks in the Castle Road alone, the minor works that needed to be done to the corridors cost in the region of £70,000 to £80,000 because for the major works the Hon Member gave a figure of £300,000 and you had to take people out of the houses and reallocate them with houses but the minor works for the repairs of the corridors of the Police Barracks of which I have been making representations in the House and in writing to the Hon Member, the cost of that project was in the region of £70,000 to £80,000.

HON MAJOR F J DELLIPIANI:

Yes, Mr Chairman, as I said, we have done a study of how to tackle it and we have been able to bring the cost down to £14,000 for one and £7,000 for the other. The cost of the major repairs to last, say, sixty years would have entailed the rehabilitation of all the people living there and that would have cost £300,000. The revised cost of temporary repairs which would last anything between ten and fifteen years has now because of the works carried out by the structural engineer and the quantity surveyor come down to this figure. All credit to the engineering expertise of the Department.

HON J C PEREZ:

Mr Chairman, there is no doubt that if credit needs to be given to the engineering section of the Department by all means I will be the first one to do it but I would rather wait to see the works completed and see what kind of works the Government is intending to do because however good the experts in the Public Works Department are, Mr Chairman, I cannot see that there should be such a big fluctuation for the programme of works in one Police Barracks only that was going to cost from £70,000 to £80,000 for those works to now cost £14,000 in one Barracks and £7,000 in the other. I would remind the Hon Member that he gave a commitment that it would be included in last year's estimates and then in writing he said that it hadn't been possible and that he was including it in this year's estimates but I would perhaps wait until the repairs are carried out and see to what extent the Government is repairing the dangerous conditions of the corridors because I am afraid that I am not convinced that such a costing should have been reduced considerably without the Department having given up certain works which were included in the other costing.

HON MAJOR F J DELLIPIANI:

Mr Chairman, I will do what I always do. I haven't got such a good memory for figures as other Members. I am willing for the Hon Member to come to my office to look at past figures, to look at the design work of my engineers and then he can vouch for himself.

HON J C PEREZ:

We have already arranged three meetings.

HON MAJOR F J DELLIPIANI:

We can do it all in one meeting. Mr Chairman, the Hon Member opposite knows that I am always very willing to meet him any time he wants.

HON J L BALDACHINO:

I have got a couple of things I would like to raise. If I may ask, I know that the Hon Member in his contribution on the Appropriation Bill gave an explanation. He said that those things that had an 'r' which is the reserve vote were going to be done. Why is it that they have a reserve vote for those things shown with the 'r' beside in the estimates and what was it subject to? Why reserve if they are going to do it anyway? That is one of the things, the other thing is, Mr Chairman, why is it that on Subhead 12 - 19 Willis's Passage - they have it down as a revote and other things which carry on extra amount and include a revote of so much because there is a difference between the estimated cost of the project in 1986/87 to what it was in 1985/86 of £30,000, why is it estimated as nearly double now than what it was in 1985/86? Will 19 Willis's Passage be going to the Housing Waiting List or what is it for?

HON MAJOR F J DELLIPIANI:

First of all, it was just going to be a problem of doing repairs because of a lot of dry rot termites, etc, in the building. We have carried a further study and we have been able, in fact, to do a programme of decanting the people in Willis's Passage and doing a modernisation programme which will provide a certain number of units which are in great demand by the Housing Department.

HON J L BALDACHINO:

I raised the other question, Mr Chairman. Why is there a reserve when the Hon Member said on the Appropriation Bill that it was going to be done again. I have reason to believe that this was subject to ODA funds but it appeared as the debate went that this was not the case, why a reserve vote on this?

HON A J CANEPA:

We may not want to make a start on all of them this year. What we didn't want to do was to come to the House, vote the funds and then leave it at that. We wanted to retain control, in other words, the matter has got to be referred back to Ministers before a start is made. If you just provide funds here without an 'r' the Public Works, as the agency for the Government, will go through the normal procedure of going out to tender and so on. Here before they actually do that they will have to refer the matter back to Ministers.

HON MAJOR F J DELLIPIANI:

I can answer about the Laguna Estate, Mr Chairman. The one that we have put an 'r' to the Laguna Estate additional storey, it is not only because we have to go back to Council of Ministers, it is because we are building in a high density area and what we want to do is to control the speed at which we build to be able to observe the impact on the social atmosphere or social consequences of increasing the density of that area, for example, car parks etc. This is why apart from the fact that things have got to go back to Council we want to see when we start building there the extra storeys what problems are going to be caused.

HON A J CANEPA:

The other thing is this, let it also be said that here we have three projects which are not going to be completed in 1986/87, there is a balance to complete. Once we make a start we have to provide the money to complete the projects and the difference between those three and the others is that the others are all going to be contained within 1986/87. We have this unknown regarding the ODA submission, now we have to look at the whole matter. We think that this is the best way to provide with the limited funds that there are, to provide a modicum of housing, this has been our thinking all along but we really want to consider the matter again, this is the thinking.

HON J BOSSANO:

I think our concern is that since we feel that so little is being done on new housing, apart from the Laguna Estate the rest is just bedsitters or backlog of maintenance or painting of pre-war houses, in fact, the only thing apart from bedsitters is the Laguna. If that goes there is nothing left.

HON A J CANEPA:

I share that view completely and I shall so be expressing it. I will be pushing very hard for us to go ahead with it. I think we have a political, a social, a moral commitment to this.

HON MAJOR F J DELLIPIANI:

Mr Chairman, the question of the Alameda Estate bedsitters, in fact, they are not really bedsitters they are something better,

they are a one bedroom flat though they are actually called bedsitters, it is only meant for couples. In fact, it is to tackle the overhousing situation within that area itself. I don't think you will ever find a cheaper way of building a one bedroom flat for £8,000 each and this is the study that the department has been doing through the year in Knight's Court and St John's Court. They have been value for money.

HON J L BALDACHINO:

If the Hon Member could explain because what the Hon Member has said and what the Hon and Learned the Chief Minister said in answer to a question from my Hon Colleague, the Leader of the Opposition, doesn't tally.

HON A J CANEPA:

We have to be careful with different people.

HON J L BALDACHINO:

The Hon Member was saying that the money they were going to get from the sale of Government houses and other things would go into housing therefore what the Hon Member said that they now have to look at it in another way in the light of what the ODA are going to give, really to me bears no relation because if we are going to allocate the money that we get from housing to housing why should we now look at.....

HON A J CANEPA:

If the Hon Member will give way. We are going to allocate the money that we get from housing for housing but we are making certain assumptions with regard to the sale of Government houses. The assumptions are that we can, in fact, effect in this financial year but what if we don't? What if we get caught up in legal niceties? It took three or four years to sell Shorthorn. Because of the experience that we gained there we think that we can sell much quicker but before the end of the month there is going to be a meeting with the people at Rosia Dale and if the response is good and the sales are effected quickly and there is no problem with mortgages, yes, we think we can get the whole thing through but let Hon Members also note that under revenue I hope that the item 'other sales' is not regarded by them as being housing, it isn't housing, it is income coming in in respect of other developments. For instance, Water Gardens I think is included in 'other sales'. And the revenue that we get from Water Gardens cannot go to housing because that is only going to reimburse the Government for having already spent £400,000 on re-providing the Ice Box at North Front.

HON J L BALDACHINO:

Just one last question, Mr Chairman, in case they do allocate the money. What Estates did they have down to carry out the painting on or if they are going to carry out the painting in Estates, which Estates?

HON A J CANEPA:

The maintenance and painting?

HON J L BALDACHINO:

Subhead 15 - Painting of Estates, which Estates do they intend to paint?

HON MAJOR F J DELLIPIANI:

One that comes to mind immediately is the Alameda Estate.

Head 101 - Housing was agreed to.

Head 102 - Schools was agreed to.

Head 103 - Port Development was agreed to.

Head 104 - Miscellaneous Projects

HON J C PEREZ:

Talking about the Ice Box could we have Subhead 7 explained - Lifts, Old Ice Box?

HON A J CANEPA:

This is to provide more room there for storage, provide a mezzanine floor because this is a transit shed now and more space is required because of the greater movement of cargo. To provide a second storey in the Ice Box which is now the Transit Shed.

HON J C PEREZ:

Surely the storey must have already been provided if you are now going to provide the lift or are we going to have the lift without having the second storey?

HON A J CANEPA:

Yes, vis-a-vis to enable us to get on the second floor.

Head 104 - Miscellaneous Projects was agreed to.

Head 105 - General Services was agreed to.

Head 106 - Potable Water Service

HON J C PEREZ:

Mr Chairman, Subhead 2, I would like if possible to know what the result has been to date on the drilling? Have we found oil now that it is cheap?

HON MAJOR F J DELLIPIANI:

This study has not yet been completed. All the data collected has to go to UK where the whole thing is computer analysed.

HON J C PEREZ:

Is the money that we are voting now already being spent on the study or the actual drilling?

HON MAJOR F J DELLIPIANI:

We are talking of £53,677 which is a revote.

HON J BOSSANO:

We have now used all the money, Mr Chairman, so what we are saying is, having spent a total of £355,000 drilling for something, have we come up with anything?

HON MAJOR F J DELLIPIANI:

We have come up with some areas where there is water. We don't know yet whether it would be worth spending the necessary money to extract it but the study is being carried out in the UK and they might want to come over again to do further tests in other areas.

HON J BOSSANO:

Mr Chairman, the Water Catchments which is a new item, because I remember when we had a number of years ago, I think we had Colonel Hoare as Minister for Public Works, there was a situation where in fact the Government told us that it was not worth spending money on restoring the Water Catchments and if we are now spending over £½m it must be because it is worth it presumably, could we have some explanation?

HON MAJOR F J DELLIPIANI:

There is a study by Wallace Evans on the Water Catchments and there are two conclusions. There is one which costs £x to remove the whole of the Water Catchments so that it doesn't constitute a danger and then doing replanting to be able to

hold all the sand, etc and it comes to £x. Then there is another one of repainting and renewing the whole area and it comes to £Y and it is almost the same as £X but you are left with the Water Catchment area so the obvious conclusion is that if one has the money one should go to reinstatement when you can get something rather than to take it off and do all the necessary exercises to stabilise the sand above. But this also includes what I was talking about which is the catch bench.

Head 106 - Potable Water Service was agreed.

Head 107 - Telephone Service was agreed to.

Head 108 - Public Lighting was agreed to.

Head 109 - Electricity Service was agreed to.

Head 110 - Crown Lands

HON J BOSSANO:

Mr Chairman, my colleague, the Hon Mr Baldachino, raised the question of Vineyard and I think we got some satisfaction from hearing the comments of the Minister for Economic Development on the question of the lease and the fact that the Land Board would make it known to the developers that they took a dim view of the development being resold on a 99-year lease which obviously would mean that people at the end of the 99 years would then have to presumably return their properties to the developer who would then sell them again for another 50 years. But I think there were a number of other issues raised and certainly we are not happy to vote this money for the Vineyard. We don't know what kind of control the Government has got over the original lease, that is to say, having given the lease they may only be able to use a certain amount of moral pressure and they may not be able to control the kind of terms upon which the Estate is being resold. However, if we are spending public money to provide them with water, sewage and electricity.....

HON A J CANEPA:

If the Hon Member will give way. The question of what we are spending. The development company is going to have to pay in respect of the provision of these services a certain amount. They are going to have to pay what is for their sole use. To the extent, however, that these services are also going to make it possible for other developments in the area to take advantage of the provision of these services which would otherwise, if the whole thing had started from scratch, would have been more costly, to that extent they won't have to pay

and I think that the position is that potable and salt water supplies they would be required to pay the whole amount. Sewage they are paying the whole amount. Telephones I think that they are paying the whole amount. And where the situation is different is in respect of the electricity sub-station which will also afford a sub-station for other developments in that area. Therefore, there is a proportion which is being worked out as to how much of that electricity sub-station is going to be for this development and that is the amount that we will expect these people to contribute. It is partly offset by revenue.

HON J BOSSANO:

I notice that there is a £70,000 contribution under receipts in Head 102 but the point I was making is that if we are talking about the degree to which pressure can be put then if the Government is in a position to have to make these connections then I would have thought it was in a position to put pressure and certainly our own concern is that the Government in looking at the development of land and the provision of land for the Vineyard project has done what we consider to be the correct thing, that is to say, in giving more importance to the social benefit to Gibraltar than to the economic benefit to Government revenue. They might have been able to get more money by letting it for commercial development with luxury flats beyond the reach of Gibraltarians and therefore we believe that is the right thing to do, if we don't want to finish up with a Gibraltar where none of us can afford to live, but if at the end of the day the development is then going to cream off that advantage then the Government has foregone a certain amount of revenue and the intended beneficiaries are not receiving it and I think that is a very serious situation from the Government's point of view and clearly we want to express our concern about this. I know that the Minister for Economic Development already in his own response indicated that he wasn't happy with that situation but there are a number of other issues and one got the impression, Mr Chairman, that in fact the Government may not be able to dictate terms to the developer in that respect. One of the issues, for example, mentioned by my colleague, Mr Baldachino, was this business of people being told that the contract that they have to sign - and I have seen a copy of it - is that they are required to agree to keep the place in a tenable condition. They have to agree to wallpaper the inside of the flat or paint it every seven years. These are the kind of conditions you find in a Government Tenancy Agreement. Even the Government apparently is not doing that to the people that it is selling the flats to as sitting tenants.

HON A J CANEPA:

First of all, these problems have not been brought to the Government's notice, I checked on that this morning. We had become aware of the question of the length of lease some time ago and four or six weeks ago the Land Board when it met took a view on that. But these other problems that have not been brought to the notice of the Government though I understand that there were meetings last week but the Director of Crown Lands has not been approached on the matter. Let me say from personal experience that these are details that can be thrashed out and ought to be thrashed out without involvement from the Government. I know that sometimes conditions are put before purchasers at the stage where an agreement to buy is reached which are totally unacceptable. I happen to know of an instance where conditions were going to be put which were the kind of conditions that the Government did not impose on its own tenants. For instance, if you buy a house and your daughter marries she cannot live with you because that constitutes a new family and she couldn't live with you. This is a nonsense, no one is going to buy a house and put up with that sort of condition but this is the normal-thing that was then sorted out between the legal representatives of the two sides. Quite honestly the advice that I would give to the people involved is that they have got to approach the developers, as I am sure they are doing, and these matters have got to be thrashed out. If they cannot make headway and unreasonable conditions are going to be placed before them, I would say that unless there are sound technical reasons why a room should be papered, to insist on papering is not reasonable because one may prefer to paint rather than to paper, unless there are technical reasons that require a certain type of wallpaper. If unreasonable demands are going to be made that is the stage, I think, at which the Government perhaps could be involved. But as I say, I don't know the details, I am aware of the fact that meetings were held last week, I am aware of the fact that Members of the Opposition attended part of a meeting but the Government has had no approach on the matter.

HON J L BALDACHINO:

I understand what the Hon Member said that a negotiation process could take place. The thing is that the letter from the legal advisers of the company is not giving that option to the purchasers, I have got a copy here. In the last paragraph, which I read on the Finance Bill....

HON A J CANEPA:

I wasn't here at the time, I just heard about it.

HON J L BALDACHINO:

I will read it for the Hon Member's benefit. It says: 'We enclose an agreement for your approval. We would be grateful if the agreement could be returned duly approved as soon as possible since our client wishes a change of contract to take place prior to the end of this month' - this was on the 9th April, he has now changed to mid-May. The second paragraph read: 'If a change does not take place prior to the said date, we reserve the right of our clients to withdraw the offer for sale' - in other words, what they were saying was: 'if you don't sign this agreement then we are going to withdraw the offer that we made to you' without giving the right of trying to negotiate.

HON A J CANEPA:

I think what it says is they reserve the right, that doesn't mean that they are going to do it.

HON J C PEREZ:

Mr Chairman, basically it is that there are some tenants which I know of anyway, who are prepared to lose their deposit because of the conditions attached to the contract and the Government should be concerned in the sense that it defeats the whole purpose of the project and the whole purpose of trying to get off the ground the home ownership scheme.

HON A J CANEPA:

What I am saying is I don't know other than what I have heard. With all due respect, the people concerned before they went to Members of the Opposition and got Members of the Opposition involved, should go to the Government. Let them go to the Director of Crown Lands first of all and then if the response from the Government is inadequate, that is the stage at which to go to the Opposition. We should not be discussing these matters here this evening when I, who had something to do with the launching of the project, know nothing about it other than what Hon Members have brought to this House. I don't think this is the way to proceed.

HON J BOSSANO:

Mr Chairman, the point is that the House is being asked to vote money for the Vineyard project and the connection of the Vineyard project and therefore it is right time to bring this to the attention of the Government and we are not sure whether the Government can do anything about it.

HON A J CANEPA:

Neither am I because I am not sure and because I do not know what the problems are.

HON J BOSSANO:

Certainly we will take the response of the Minister to what we have said and convey the message back to the people concerned that they should at least start off by approaching the Government and making the Government or the Director of Crown Lands aware of the terms of the contract because I think for many of these people this is a totally new thing like it is for us and therefore their reaction and, quite frankly, our reaction when we say it was that they felt because they know that the developer has got a waiting list, they were then caught in between two stools. They were saying to us: 'We are looking for advice. Suppose I say 'I don't agree with the terms' what is to stop, since there is a waiting list, the developers saying: 'Well, look if you are not interested, fine, I have got a queue waiting who want to buy'.

HON A J CANEPA:

Of course, I realise that but I hope Hon Members will agree that it is not a very satisfactory state of affairs when I have got to cause questions to be asked from a member of the staff of the Crown Lands Department who has a personal interest in the project that information be obtained from him because we have no other information officially.

MR SPEAKER:

I think the matter has been ventilated, I think it is clear now what the Opposition is saying.

Head 110 - Crown Lands was agreed to.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I move that the total of expenditure shown in Part I of the Schedule where the total of expenditure is shown, substituting the figures '£55,582,100' for the figures '£52,479,400'.

Mr Speaker then put the question which was resolved in the affirmative and Part I of the Schedule, as amended, was agreed to and stood part of the Bill.

Clause 2

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move that the words 'fifty two million four hundred and seventy nine thousand four hundred pounds' be deleted and the word 'fifty five million five hundred and eighty two thousand one hundred pounds' be substituted therefor.

Mr Speaker then 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 'fifty two million four hundred and seventy nine thousand four hundred pounds' be deleted and the words 'fifty five million five hundred and eight two thousand one hundred pounds' be substituted therefor.

Mr Speaker then 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 nine million two hundred and five thousand and forty three pounds' be deleted and the words 'sixty two million three hundred and seven thousand seven hundred and forty three pounds' be substituted therefor.

Mr Speaker then 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 House resumed.

THIRD READING

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I have the honour to report that the Finance Bill, 1986, and the Appropriation (1986/87) Bill, 1986, with amendments, have been considered in Committee and agreed to and I now move that they be read a third time and passed.

Mr Speaker then put the question which was resolved in the affirmative and the Bills were read a third time and passed.

ADJOURNMENT

HON CHIEF MINISTER:

I beg to move that this House do adjourn sine die.

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 9.25 pm on Monday the 21st April, 1986.

