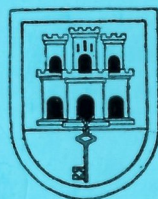


GIBRALTAR

HOUSE OF ASSEMBLY



HANSARD

24TH MARCH, 1987

VOL I.

REPORT OF THE PROCEEDINGS OF THE HOUSE OF ASSEMBLY

The Sixteenth Meeting of the First Session of the Fifth House of Assembly held in the House of Assembly Chamber on Tuesday the 24th March, 1987, at 10.30 am.

PRESENT:

Mr Speaker (In the Chair)
(The Hon A J Vasquez CBE, QC, 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 Zammitt - 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:

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

PRAYER

Mr Speaker recited the prayer.

CONFIRMATION OF MINUTES

The Minutes of the Meeting held on the 10th February, 1987, having been previously circulated, were taken as read and confirmed.

DOCUMENTS LAID

HON CHIEF MINISTER:

Mr Speaker, once again as is customary, it is time for me to rise and make an annual statement on the affairs of the Gibraltar regiment and HMS Calpe. As I did last year and because the statements are lengthy and detailed, I will table these Reports which are most satisfactory and in doing so hope that the House will join me in wishing those two Units every success in the future.

The Hon the Chief Minister laid on the table the following documents:

- (1) Report on the activities of The Gibraltar Regiment for the period April, 1985, to March, 1986.
- (2) Report on the activities of HMS Calpe for the period 1st September, 1985, to 31st December, 1985.

Ordered to lie.

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

The Air Traffic Survey, 1986.

Ordered to lie.

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

The Principal Auditor's Reports on the Accounts of the John Mackintosh Homes for the years ended 31st December, 1984, and 1985.

Ordered to lie.

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

- (1) Statement of Consolidated Fund Re-Allocations approved by the Financial and Development Secretary (No. 6 of 1986/87).
- (2) Statement of Consolidated Fund Re-Allocations approved by the Financial and Development Secretary (No. 7 of 1986/87).
- (3) Statement of Improvement and Development Fund Re-Allocations approved by the Financial and Development Secretary (No. 4 of 1986/87).
- (4) Supplementary Estimates Consolidated Fund (No. 5 of 1986/87).

- (5) Supplementary Estimates Improvement and Development Fund (No. 4 of 1986/87).
- (6) The Accounts of the Government of Gibraltar for the year ended 31st March, 1986, together with the Report of the Principal Auditor thereon.
- (7) The Accounts of Gibraltar Shiprepair Limited for the year 1985 together with the Report of the Principal Auditor thereon.
- (8) The Accounts of the Gibraltar Museum for the period ending on the 31st March, 1986, together with the Chairman's Report thereon.

Ordered to lie.

ANSWERS TO QUESTIONS

The House recessed at 1.10 pm.

The House resumed at 3.25 pm.

Answers to Questions continued.

The House recessed at 5.15 pm.

The House resumed at 5.55 pm.

MOTIONS

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I beg to move that: "This House takes note of the Accounts of Gibraltar Shiprepair Limited for the year ended 31st December, 1985". The Accounts of GSL for the year are, of course, late and the House, I think, will be familiar with the circumstances but perhaps I could just remind Hon Members that it was apparent at least twelve months ago that there would be insufficient finance to enable the company to continue in operation beyond the end of 1986 and the reasons for this are many and various and they are fully explored in the Price Waterhouse Report and have been discussed before in the House so I will not dwell on them. I should perhaps mention because I think it is relevant, that the company was obliged to spend money which was formerly earmarked for working capital needs on urgent capital expenditure largely because of the state of the facilities and the history of no capital expenditure in the yard prior to take-over. Additional works were required and there were also cost overruns on planned works. As the House will know, the ODA after considerable delay, replied to representations made by the Gibraltar Government and agreed to fund a proportion of the capital expenditure related to the

cost overruns I have just mentioned but the funds which they offered left the company still with inadequate finance and the company's problems were further compounded during 1986 by the industrial troubles during the early summer and the consequences of that. It was against the latter background that the Government commissioned the Price Waterhouse Report to carry out the consultancy and the question of any further financial support from the Government, for example, for GSL, was deferred until the Report became available at the end of the year. This, however, presented the directors of the company and, indeed, the auditors with a problem inasmuch as the Accounts for 1985 were ready before the due date but the directors were unable to sign and the auditors to certify the company as a going concern in the absence of assurances that the company could continue trading during 1987 after their existing financial resources were exhausted at the end of 1986 or early in 1987. The company therefore applied for and were granted under the appropriate section of the Companies Act a postponement of three months in the presentation of the Accounts which together with the directors' report thereon, were submitted to the shareholders on the 24th December, 1986. As the House will know from the Chief Minister's statement during the last meeting, the Government's assurances about finance support which have been made public, made possible the signature and presentation of the Accounts which were then delivered, the remaining processes were completed and they were delivered to the Government's Principal Auditor who is required by law, that is to say, the GSL Ordinance, to report on them before presentation to the House. The House might wish to know that the 1986 Accounts of the Company, I certainly hope that there will be no similar delay and I believe that they are already with the company's auditors, or rather the audit process has begun. It is usual on these occasions to make some comparison with the original APA proposals and I think I would like to make a particular point here. In 1985 the loss of £3.7m revealed in the Accounts compared with £3.2m in the original APA proposals and in the year just passed, 1986, the loss is likely to be £3m or slightly more compared with £2.3m in the original proposals. Here again I don't want to go into great detail on the reasons for this because, again, these are fully explored in the Price Waterhouse Report but I would like to say something about the cumulative position. I don't think it would be correct to compare the first three years of the company's existence since incorporation and I was careful to use the word incorporation rather than operation, with the original forecasts for the first three years made in 1983, and the reason for that is as follows: The Accounts for the first year, that is to say, 1984, should be ignored, I think, in making such comparisons. The original proposals did assume that start-up costs, which is essentially what expenditure in 1984 was before the company began trading, should be borne by the Government and not by the company, that is to say, they wouldn't appear on the company's balance

sheet and I think it was assumed that there wouldn't be a report on accounts for that particular period. Many things change, circumstances change, and for a number of reasons it was subsequently decided and I confess to being party to that decision when I was Chairman of the company, that the start-up costs should be borne by the company and the company should, indeed produce accounts for 1984 which were presented more than twelve months ago. This was done and I make this point because the company was not trading in 1984 and so it incurred a £1.9m loss described as exceptional in the accounting conventional use of that phrase and this should not be added to those of 1985 and 1986. One should start with 1985, I think, as being the first year of operation, one is making comparisons between now and the 1983 proposals by Appledore. It is 1987 which is the third year. In that year, of course, the third year, the APA original proposals were for a profit of £0.6m whereas now I think the company's hope is that it will be fairly close to a break even period for 1987. The House will be familiar with, if only from the many cheerful exchanges between the Leader of the Opposition and myself on this subject, with the arrangements for the issue of shares by the company which are taken up by the Government of Gibraltar from time to time. Obviously, the information provided in notes 12 and 13 of the Accounts is now of mainly historical interest. Further issues of shares since the increase on 11th March, 1986, mentioned in note 13 have, of course, taken place and that is in the light of the further ODA funding and, indeed, latterly the Government's decision to inject an additional £2m of equity capital into the company. The rather curious phrasing used in note 12 of the Accounts, "Creditors amounts falling due after more than one year", and the reference to "Government funding" is I think, again, an accounting convention to describe the advance which the Government made from time to time employing Section 10(1)(e) of the Public Finance (Control and Audit) Ordinance, advances which were outstanding as at the date shown and which was subsequently recovered or cleared by the issue of further shares. The same mechanism by which the company was funded within the ambit of Section 6 of the GSL Ordinance appears on page 7 in the Sources and Uses statement, sources and application of funds. It will be seen there 'Reduction in funding from the Government of Gibraltar through the issues of shares in 1985 - £5,101,408, and that is part of the same process that I have just described. Still on the subject of capitalisation and expenditure on fixed assets, the following comparison may be of some assistance to the House. At the 31st December, 1985, the share issue stood at £17m and expenditure on Government assets was £7.2m. At the 31st December, 1986, the corresponding figures were: share issue £21m and expenditure on Government owned assets £7.7m. These figures indicate, I think, quite clearly, that most of the expenditure on fixed assets, plant and equipment took place in 1985, some in 1984 of course, but the majority in 1985. I think

this does underline the point which is made in the Chairman's own report that refurbishment continued throughout most of 1985 and this certainly restricted the capacity of the yard to do business and contributed in no small way to the company's loss and I think that is something which one must take into account. Finally, the latest position as regards capitalisation. As of now there are £22m fully paid shares issued and £2m partly paid. As I said in answer to a question recently in the House, the total external funding including the ODA and the Government increments will be about £33m or possibly a little bit more, the total share issue is expected to be £24m and the final expenditure on Government owned assets £9m. In addition to the £2m injection of equity capital, the Government had, as the House will recall, earlier made an interest free loan of £1m. The company's ability to repay this after twelve months is obviously affected by the same circumstances as have influenced the Government in deciding to make an injection of £2m interest free, that is to say, by the way of equity capital and it would, in fact, be illogical to leave the £1m loan on the company's balance sheet and this also will be converted into equity participation so the Government's share in the company will be an additional £21m, I thought I should mention that particular point in case it gets overlooked. On the substance of the Accounts, as these have been overtaken by subsequent events, namely, in 1986 and the Price Waterhouse Report and what is really concerned more with current prospects, I will not go into detail on them, of course, at this stage, nor would I attempt to compete with the professional analysis of GSL's affairs which Price Waterhouse have prepared. I think the main feature that I see emerging from the Price Waterhouse Report dealing, obviously, with what I might call the financial parameters is the fairly substantial increase in sales of £6m or thereabouts in 1985 to £12m in 1986, which is 100% increase, and increasing to something like £18m in 1987. The case of the 1987 position is that it is, of course, I wouldn't say inflated but the figure is as large as £18m because of the very high RFA/RMAS work which the company expect to undertake. Indeed, in 1987 about half of the company's income is expected from RFA and RMA work. Beyond that some additional RFA/RMA work should be obtainable by the company but, of course, none is guaranteed and it will have to be obtained through competition. Clearly the pricing of such work, other things being equal, will be a very important factor affecting the company's future. There has, I believe, been a price differential of rather more than £1 per hour in favour of RFA work compared with commercial, if that is the right way of expressing it, and of course there is no guarantee that the advantages of that would be sustained in 1987. Against sales one of course must deduct cost of sales, both direct and

overheads and I think it is in this area that the company will find its greatest challenge. Materials and direct labour costs are expected this year to reach something rather less than £10m compared with overheads of just £8m. I think that in very, very broad terms gives one the picture of the company's prospects for a break even situation in 1987. As Hon Members will know the Price Waterhouse Report does go into some detail or at least it includes a few paragraphs on the question of overheads, paragraph 185 and subsequently. They mention that overheads, excluding interest, are anticipated to fluctuate round about this figure of £8m to £8½m during 1986, 1987, 1988 and 1989 making the further point that approximately half or £4.5m of these costs are fixed and do not alter with the level of activity within the yard. The remainder do vary with activity. I think the overheads appear to be rather larger than one would expect simply because of the conventions or the particular mix which the company have chosen. My own natural reaction to this was that a lot of the items which were included as overheads would have been regarded as direct labour or other on costs but I think this is simply a presentational matter, it doesn't involve the figure below the line. Nevertheless, I think it would be just as it is unrealistic perhaps for the company to expect sales to continue at a level of £18m in 1988, so the company will have to look for an increased volume of commercial sales if it is to maintain and, indeed, to increase profitability and assuming a variation in direct labour and material costs roughly proportionate to any reduction in volume, it is also clear that the company will need to make as, indeed, Price Waterhouse themselves have suggested very strongly, a real effort to reduce the existing level of overheads if profitability is to be achieved and that I think, Mr Speaker, represents as I see it, simply as the Government's financial adviser, the real challenge for the company in the near future. I commend the motion to the House.

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

MR SPEAKER:

I will take this opportunity to remind the House that this is a motion to 'take note' and therefore there will be no vote at the end of it. It is a full debate but there will be no vote at the end.

HON J BOSSANO:

We have, of course, Mr Speaker, noted the Accounts for 1986 previously because in 1985, on the 27th November, when the Financial and Development Secretary brought a motion asking us to note the 1984 Accounts which is, in fact, when he should have said what he has just said today, that is to say, for some reason best known to himself he tells us in 1987 that the 1984 Accounts should not be considered as a legitimate part of the accumulated losses of the company and he didn't tell us that in November, 1985, when he brought the 1984 Accounts to the House and he asked us to note them.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am sorry, if the Hon Member will give way. I meant strictly for the purposes of comparison between the APA proposals in 1983 and the present. I wouldn't agree precisely with his suggestion that I have said that they should not be regarded as part of the accumulated losses of the company.

HON J BOSSANO:

Strictly for the purpose of comparison he should have said that in November, 1985, when he asked the House to note the 1984 Accounts. It is totally irrelevant now because we are not noting the 1984 Accounts now, we did that in November, 1985. Whether it is for the purposes of comparison or for any other purpose and I have not suggested it is for any other purpose, what I am trying to point out, Mr Speaker, is that in the small contribution the Hon Member has made, what we have least heard about is the 1985 Accounts which he is asking us to note and which, in fact, in November, 1985, when there was only one month left of the year, he gave us an advance preview of and, of course, the actual outcome is considerably worse than what he told us in November, 1985, the situation was. He told us in November, 1985: "I will now say something more on these three points. As regards the current year, which is the first year of trading" - which is the year we are noting now - "the company was broadly on target at the end of September for its anticipated performance for the year as a whole, that is to say, the expected loss of about £3m for the first year of operation compares closely with that in the original forecast". If he told us then that it was, in fact, on target in September why hasn't he explained to us today when he is asking us to note the final outcome, what happened in the last three months of the year to put it so much off target? He doesn't know. Well, I would have thought that was a reasonable thing to expect him to answer if he is asking the House to note the Accounts and what he told us the last time was that in September it was on target

for its anticipated performance and he is now demonstrating to us a performance which is considerably worse than anticipated and where, in fact, in my reply in November, 1985, I pointed to a series of discrepancies between the projection and the figure he was then giving us which was a better one than he is giving us today and even now, in 1987, there is still no explanation being given. At the time, Mr Speaker, he simply tried to fob us off by saying: "These projections in 1983, these we are looking ahead and they were not firm predictions but, in practice things didn't quite turn out as they were". I would like to analyse, Mr Speaker, what the Hon Member has been telling us. The Hon Member has been telling us that working capital was diverted to capital spending and cost overruns. According to the original projection the position in the balance sheet in front of us should show a net cash position of £5.3m, that is what was projected and instead of having £5.3m in cash what they had which is shown on page 6 of the Accounts, is £200,000. That is a hell of a difference, Mr Speaker, we are talking about, the difference between £200,000 in cash in the bank and £5.3m in cash in the bank. Obviously, if that is the situation with which you start in 1986 and if you have got £5.3m in the bank earning you interest until you need to use it then, clearly, your performance for 1986 is going to be much better than if you start off the year with £200,000 in cash. I would have thought that would make a material difference to the results for 1986 and it is a material difference where the finger cannot be pointed at the people who work in the yard or at anything in terms of their performance or their output. The Hon Member has said that in the first year of operation the company, in fact, did not get the RFA work that they had expected and he also said that the fact that this capital spending took place is an indication that the refurbishment was still taking place and that it contributed in no small way to the loss because of the restricted ability to do business. What restricted ability to do business? The projection for the year was £6.1m of turnover of which £100,000 was commission leaving a net sales figure of £6m and the achieved sales figure is £5,968,817. So he tells us that because the capital spending went into 1985 and because the refurbishment was still taking place that it restricted the ability of the yard to do business and therefore it contributed in no small way to the loss compared to the projection. But it didn't restrict the ability to do business. The business done was £40,000 less than estimated in a turnover of £6m so it is nonsense. In fact, the target for turnover was achieved, nobody would quibble if somebody says in 1983: "In my first year of operation I am going to do £6m" and he is out by £40,000. That is not an indication that the yard was not able to do the work it was planned to do, it did it. The cost of labour including the overheads to which the Hon Member refers was projected in the original estimates to be £6.5m. We have a situation where Appledore when they obtained the tender in May,

1983, said: "When we start operations in our first year of business we are going to do £6m worth of turnover" and they have done £6m worth of turnover. All this business about the refurbishment and the delays and the loss of RFA did not affect the turnover, the turnover was the predicted turnover. They said: "We are going to spend £6.5m on manpower to achieve this turnover" and they didn't spend £6.5m on manpower, they spent less because what they have shown as the cost of labour, which is shown on page 10 of the Accounts which we are being asked to note, is £6.4m but the difference is not between £6.4m and £6.5m because in the £6.4m they have a figure of £230,000 on pension costs which in their original projections was not included as manpower costs, it was included as part of the expenses where there was a figure for employees' welfare benefits of £300,000 making up the expenses of £2.9m. In fact, what the Government should be telling us to note and what they should be explaining to us instead of us having to do it to them, is that in the first year the company said it would repair ships to the value of £6m and it repaired ships to the value of £6m; that it would pay the workers in the yard £6.5m to do that work and it didn't pay the workers in the yard £6.5m to do the work, it paid them £6,100,000 so the labour costs were £400,000 less than estimated but that, in fact, their loss for the year if we compare like with like and we take the assumptions in the original projections and adjust these accounts on those assumptions that, in fact, their total loss for the year is of the order of £1m/£1.5m higher than expected and that has to be explained and it cannot be explained because of labour costs being higher because I have just demonstrated that they were lower and they cannot be explained because the sales target was not achieved because I have just demonstrated they were achieved and if the House is asked to note the Accounts we should be having an explanation as to why they lost so much more money than they said they were going to lose if they didn't spend more money in paying the people who work there and if they sold the amount of work they said they were going to sell. That explanation has not been forthcoming and I really think if the Financial Secretary is going to come here with a motion asking us to note things then he ought to be able to explain to us what it is we are being asked to note and he has failed to do that. In this £2.9m of expenses, Mr Speaker, and I think we need, if we are noting the Accounts we are noting the Accounts for a purpose, we are noting the Accounts to see whether GSL in its first year of operations has come up to expectations or has not come up to expectations and we are all interested in doing that, those of us who thought it was the wrong decision and those on the other side who thought it was the right one, presumably we all want to know. What we find is that the expenses, and I am not sure if the comparable figure in the Accounts is what is shown here as administration costs. It says 'administration expenses - £3.956m'.

Is the comparable figure to that the figure of expenses shown in the original projections where the expenses were estimated to be £2.9m? If it is we have £1m difference. £1m difference on £2.9m would already be a substantial difference of the order of 33%. However, in the original expenses we have rates £1m which are not in the £3.9m because they didn't have to pay rates so that reduces the £2.9m to £2.4m. We have the cost of the employees' pension fund £300,000 which I have already demonstrated is shown in these Accounts as part of the wages and not as part of the administration costs which means now £2.1m and we have, to take another example, £200,000 of fuel for the tug and they haven't got a tug. There was also £1m to buy a tug and they didn't buy a tug. In the Coopers and Lybrand Report on the May, 1983, Project Study, Coopers and Lybrand mentioned that it might be more efficient and less expensive to, in fact, hire the use of a tug and that is, in fact, what GSL is doing. GSL is renting the use of the tug from the Alexander Towing Company. We should be told if the original thing included £1m for buying a tug and £200,000 for the fuel for the tug and there is no tug and there is no fuel, we are noting the Accounts, how has that money been used for something else because what it indicates is, in fact, that the differential in the outcome between what was expected to happen in the first year and what has actually happened in the first year is that there was a lot of hidden leeway already in that projection. The projection made originally was made in such a way that it provided for the possibility of overruns but it appears that all the overruns have swallowed all that fat that was hidden in the figures and needed even more on top and that therefore the outcome is much, much worse than appears from the final result and it is important to remind ourselves always that the two most obvious areas which are the cost of paying the people who are repairing the ships and the income from the ship owners are both on target or better than expected. That is to say, £6m sales and £6.1m cost as opposed to £6m sales and £6.5m cost. There is also a question of an amount of money provided for contingencies which included equipment that was intended to be purchased from the third year on and presumably all the money for the contingencies is now gone. So what we are talking about is, in fact, that the administration expenses shown here if they are the same thing and I cannot be sure if they are the same thing because I believe, in fact, what the House should have in order to do an honest and fair job of analysing the performance of the company, fair to the company itself and I think fair to the taxpayers of Gibraltar and the Members of the House who have been debating this issue since 1983, is to get comparable figures so that we can see where the differences are. But if we are talking about the same thing then we are really talking about administration expenses being doubled what they were originally, in fact, predicted as and if that is the case then really that is where the problem

has been going on in 1985. To what extent is that still the case in 1986? First of all, we are told that turnover for 1986, Mr Speaker, is £12m. I am just trying to check what the original figure for the turnover was. The original figure for turnover was £9.8m. Presumably, in fact, what we are talking about in year two is that the figure is now £12m instead of almost £10m partly because the 1983 estimates were based on 1983 prices, that is, unlike the 1982 Appledore proposals which included an element for inflation, the 1983 proposals did not include an element for inflation, they were at fixed costs so one would expect that in the second year of operation, in 1986 the £9.8m might have become something slightly higher and also because we have been told that there was £11m of RFA work that did not materialise in year one which was then pushed over into year two so then what we were talking about is, again the sales being roughly on target or, if anything, slightly above target. We haven't been told anything about manpower costs by the Hon Member when he has quoted the figure for sales but certainly the outturn on the profit again is now said to be £3m as opposed to an original £2.3m. So we are talking about a figure of £700,000 at this stage and I don't know whether we should assume that this figure is as much out as was the case with the figures that the Hon Member gave us originally for 1985 because apart from the figures that he has given in this House, the company itself in information sheets distributed to its employees in the course of 1986, for example, produced figures telling them what the turnover was and what the profits were and what the losses were and what the costs were and none of those compare with any of the figures that we have got here or that had been given previously by the Financial Secretary. One would have thought that if they sent out as part of an exercise of keeping employees up-to-date on what is happening, they ought to take the trouble to make sure that they are keeping them up-to-date with accurate information not with information that needs to be corrected subsequently. Of course, we are not going to say to the Hon Member that £3m is the audited figure and maybe by the time the Auditor has finished with the Accounts it won't be £3m it may be more but I think we are on safe ground in assuming that it won't be less. I think the Hon Member has said that the prediction for 1987 is breaking even. Well, I believe the prediction produced to the media by the company was a £200,000 loss for 1987. It may seem, I suppose, in the context of banding about millions, writing off £1m loan because that is essentially what the Government is doing by altering the loan into shares it is doing that because it knows that the loan is never going to be repaid and why have a loan there that they are never going to collect so they might as well convert it into shares. De facto by converting it into shares, of course, they are, in fact, buying shares at par which are already shown in the accounts of the company as being below par because the audited accounts for 1985/86

of which we already have a copy, Mr Speaker, which has been laid at this meeting of the House, mentions that the Principal Auditor has written down the value of the shares according to the balance sheet of 1984 and now we will have to write down the value of the shares again according to the balance sheet of 1985. And when the 1986 accounts are known, he will have to write down the value of the shares again. So every time that the Government of Gibraltar buys shares for a pound it is buying shares for a pound knowing that after each set of accounts it is worth less and less and less than a pound. So the £1m will be converted into £1m shares which from the moment they are bought are no longer worth £1m on paper and that is a clear indication that they do not expect the company to be in a position to pay back £1m otherwise it wouldn't be a very sound move to exchange an asset worth £1m for one worth less than £1m. Normally when shareholders convert loans into equity it is because they expect the share prices to be going up not coming down. I think it is also indicative of the prospects for the company that the Financial and Development Secretary - and we are grateful that he has tried to look that far ahead - looking into 1988 has mentioned the fact that the 1987 position of £9m naval work and £9m commercial work will no longer exist in 1988. In fact, the situation for the fourth year of operation in the projected original accounts was for a turnover of £20.7m virtually all of which being commercial work so the position that the company is faced in 1988 in terms of the level of commercial sales it has to achieve is the one they predicted they would have to face, they are not being faced with anything that was not already predicted in 1983 in terms of sales. Certainly, I think it needs to be pointed out that the prediction for employment has been drastically cut back and we are rather puzzled when we were told by the Hon Member in answer to questions previously that the question of productivity levels being achieved in 1985 which we thought was a significant piece of information to have if we were going to be asked to note the accounts, if we are being asked to note the Accounts and we have already looked at the Accounts before coming to the House and we find that in 1985 the sales are £6m, the manpower costs are £400,000 less than predicted and the manpower numbers are 100 people less than predicted, then it is difficult to understand how it is that the productivity was not achieved. That is why we asked the question previously and the Hon Member fobbed us off by referring us to the Price Waterhouse Report where Price Waterhouse is looking at the situation from now on and not at what was happening in 1985, Price Waterhouse wasn't here in 1985 to know what was happening. Price Waterhouse can only deduce what might have happened in 1985 the same as we are doing by looking at the accounts for 1985. They can perhaps make an assessment about productivity levels today in the yard by going in there and observing the way the yard is organised and, quite

frankly, what they have come up with in their reference to productivity does not say whether the yard is operating at the level of productivity that was expected of it in the projections of the tender document, it doesn't say that. It says what the level of productivity was compared to a hypothetical 100% British standard. That is neither here nor there, so what? We don't know how the projection of Appledore compared with 100% British standard either so we haven't got a common measure. What we think is reasonable is to say, fine, whichever way we want to measure it, sales per employee or unit labour costs or cost per pound of sales but relating it to the kind of internal figures that were produced in this original thing. And if Appledore originally said in terms of their cost of sales: "We consider that the cost of sales" - I believe, speaking from memory - "for the first year was something like £10 an hour", then was the result in 1985 £10 an hour or more than £10 an hour or less than £10 an hour? We think that is the kind of information that we are reasonably entitled to expect to be getting in 1987 because let us not forget, Mr Speaker, that when the original Gibrepair Bill was brought to the House of Assembly and we were saying: "What kind of control is there going to be politically and by the House of Assembly over a company that is going to be spending public money and maybe making more calls on public money?" And we were told: "Well, we will have a full session on the Accounts". Yes, but a full session on the accounts in 1987 about what happened in 1985. We want to know what is going to happen in 1988 and in 1987 because we can quarrel about what happened in 1985 but we cannot undo what happened in 1985, that has already happened and the same is true of 1986. The only thing that is useful about analysing what happened in 1985 and what happened in 1986 is in making sure that it doesn't continue to happen, that is what is useful about going back, not because we can correct it. Whoever made the mistakes, well they cannot be undone but what we cannot do is perpetuate mistakes that keep on costing us money. I believe, Mr Speaker, that we are not going to be able to achieve that kind of exercise unless we are able to get the kind of breakdown which presumably the Government itself will want to do or the Board of Directors will want to do or somebody else concerned with the commercial dockyard will want to do but we certainly feel we ought to be doing it. We feel that we have also got the responsibility and that if we are going to criticise we want to criticise armed with facts and figures and we feel if the facts and figures prove that the criticisms are unfounded then we won't criticise but I think it is in nobody's interest that we should have to spend a lot of time criticising things because we don't get the information and therefore we have to assume the worse because it is not unreasonable to assume that if somebody appears to be reticent, the Hon Financial and Development Secretary performs in this House as if he was a modest maiden frightened to lift her skirt one inch whenever we ask for details. We expect him to be more forthcoming.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Over my head.

HON J BOSSANO:

The figure, Mr Speaker, for the year in the Accounts is one that it is difficult to analyse because, for example, if we look at the explanation in the Accounts of the way the cost of water because of the poor state of the water supply system within the yard and the fact that there was a loss of water which presumably must have been going on before when the dockyard was under the navy but perhaps they didn't mind losing water, but that in itself seems to be on paper sufficient to explain the whole of the difference away. This is why it is obvious that there is more to it than that because if you have a situation where, first of all, you come and you tell people: "The outcome is not so bad because really I had said I was going to lose £3.2m and instead of losing £3.2m I have lost £3.7m which is £500,000 and of that £500,000, £440,000 is the water", and you say: "Well, right that leaves £60,000". And then they say: "And then there is a £1½m of RFA work, the industrial dispute, the disruption to the yard, the loss of sales" - all that is £60,000? If you overdo the explanation then clearly the difference between the prediction and the performance must be more than £½m.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

They have done very well.

HON J BOSSANO:

Yes, I can see, if the Hon Member follows that line eventually he will convince us all that we have made colossal profits in GSL at this rate. In looking forward to the current year, Mr Speaker, and the predictions for the current year which the Hon Member has made some reference in saying that for this year we are talking about a £3m loss on an £18m turnover, no, £3m loss was for 1986 on a £12m turnover and we are talking about breaking even on £18m. The expected result of year three in terms of sales, Mr Speaker, was £15m. We have an odd situation in that we are talking about year one and we find that in year one the sales achieved are the sales targetted. We find that according to their original projections stocks and work in progress are related to turnover and that is not an unreasonable assumption. That is to say, the more turnover you have got the more ships you have got in the process of being repaired at any one time for which you are spending money and on which you have not yet collected an income unless you have got some of your own money tied up there.

But, in fact, the stocks and work in progress in the original projection is something like £½m or £600,000 less than the outcome so we have got a situation where here, I think there is a breakdown at the back if I remember correctly for stocks and work in progress, yes, we have got work in progress £700,000, Mr Speaker, on page 12 and we have in the original projection which is Table 9(6) of this document, work in progress being £600,000. The stock is almost £1½m and in the original one the stock was £1.1m and not only was it £1.1m in the original one, as recently as the dispute in May, 1986, when we saw the sudden departure of the fleet-footed Brian Abbott, as recently as that, the Government issued a Government press release saying that the components of the expenditure was still £1.1m for stocks. That was a Government press release in 1986, yes, Mr Speaker, I keep copies of all the press releases, the trouble is I cannot always get my hands on them when I need them.

MR SPEAKER:

Have you got it there?

HON J BOSSANO:

No, but I can produce it, if they don't believe me I can produce it. The situation is that it is difficult to understand how in 1986 they didn't know what the stocks were in 1985 because they said in a press release in 1986 in explaining when there was this debate about how the money had been spent, the Government came out with a press release which looked as if it was a photocopy of a minute - perhaps that will remind them which one I am talking about - that is what it looked like and they broke down how the first £8m had gone and that included £1.1m in the first year in stocks and, in fact, we are now being shown in the Accounts that the amount in stocks in the first year was £1.488m. So we have got a situation where there is a discrepancy in stocks and work in progress in the first year of the order of £400,000 which may not contribute to the profit and loss situation but it certainly makes a difference to the cash flow situation. If we have got a situation where the stocks and work in progress figure is, in fact, as I have just demonstrated, Mr Speaker, £400,000 higher than the figure anticipated of £1.7m which is of the order of 25% more on the same turnover as was expected and if, in fact, Appledore explains that the stocks and the work in progress are related to turnover then is it reasonable to assume that if in 1986 the turnover is higher than in 1985 and in 1987 the turnover is higher than in 1986 then there is going to be proportionate increases in stocks and work in progress which were already much higher than anticipated and if so, why? How could they go wrong on things like that? I can understand

them saying: "We came in and we found all the water pipes leaking" but why were they wrong on stocks and work in progress by 25% when they are supposed to be experts and that is why we are paying them? We therefore need to consider, Mr Speaker, in analysing the Accounts which is what the Government is asking us to do by presenting them as they are required to do by the Ordinance and asking us to note them whether, in fact, it is reasonable to consider the projections and we are, of course, having to take shots in the dark because we do not have the business plan so we don't know how the company itself has arrived at these conclusions and we don't know how thorough a job the Government has done itself of analysing the company's business plan, we don't know whether the company has come to the Government and said: "Look this is my business plan" and the Government has said: "Good, at last we have got a business plan", period. Because really this is the business plan and presumably this is now updated but we don't have the updated version. If we had the updated version then perhaps we might stop looking at this and look at the new version and start monitoring progress from now on on the basis of the new version but that is not information that is available to us and therefore what we are looking at is what the Government is saying is being predicted compared to what the company said was being predicted when they got the contract and we must not forget that they got the contract on a number of things which included predictions of sales, predictions of employment and predictions of profitability with a lower level of investment than anybody else was saying was possible. They are not saying that now but originally one of the things when they were selected and there was a presentation in this House made to Government and Opposition by the team of consultants that selected them was that, in fact, at £25m they were the people who were predicting the most optimistic result with the lowest level of capital investment. That is why my Hon colleague asked him whether they thought that Appledore had been over-optimistic in order to get the contract and the Hon Financial and Development Secretary says: "No". Well, he wasn't here or was he here when, in fact, they were selected? When they were selected a presentation was made in this House and a press release was issued stating that at £25m apart from the fact of their international expertise which is a non-financial consideration, the main consideration for selecting them was that they were asking for £25m which was less than anybody else, they were predicting a better return on that money than anybody else in terms of profitability and a higher level of employment than anybody else. They were therefore more optimistic than anybody else but they were not being optimistic in order to get the contract, that is what the Government still believes today. I don't think everybody else is going to be as gullible as the Government appears to be on this issue. But to get back to the point on the accounts and the difference between the business

plan, if we are looking at these predictions on the basis of this performance and we have to do ourselves a certain amount of dissection of these figures and a certain amount of assumptions about the implications because if we have got a global figure, for example, the Financial and Development Secretary has not made any attempt to explain in the accounts this adding back that is shown on page 5 on the profit and loss which actually results in a gross profit being shown. Certainly that kind of operation did not feature in any of the original proposals and what does that concept mean? Is it that the overheads recovered are overheads that have been charged to items that are being capitalised as capital investment? In which case, fine, you can then reduce on paper the way your losses are shown so that if you have got people and you put them on the slop barge then you charge the cost of those people on the slop barge as an overhead cost which you then deduct from your running expenses. Therefore your profit and loss account looks better, you capitalise that, you inflate the cost of the slop barge so that the slop barge costs much more money than predicted and much more money than it would have cost to buy it anywhere else in the world and, of course, that is not a problem because you just issue shares to the Government of Gibraltar in exchange for that slop barge so now the Government of Gibraltar has got £2m of shares against a slop barge that they might be able to get some scrap value for unless they do with the scrap what they did in 1985 which is to let people walk away with it without charging them, then they won't get anything at all for the slop barge. Because, of course, there is a report which the company has decided to do nothing about, I don't know whether the Government is aware of that as the owners, which points out to the peculiar way in which scrap was disposed in the first year of operation. The Hon and Learned Chief Minister looks very surprised perhaps he can ask to be given a copy of that report. I can get him a copy if he wants, Mr Speaker, if I can find it amongst all my papers. But if I am correct in thinking that that is what overheads recovered means then, of course, it does mean that these figures could have looked much worse. What cannot be eliminated is the bottom line at the end of the day and whether we capitalise things or we show them up one way or we show them up the other, the reality of it is that the financial resources available to the company are considerably less than was predicted at the end of its first year of operation and that is why the company needed money otherwise they could not get the accounts cleared, that is why and that bottom line is the bottom line which shows a very large discrepancy between what was originally predicted in terms of the £5.3m of cash resources as opposed to £200,000 of cash resources at the beginning of 1986, and it is still a position which at the end of 1986 will show a discrepancy between the predicted performance of year two and will also be reflected in year three.

If the Hon Member is telling us in this House that in 1986 the result was a loss of £3m as opposed to a prediction of £2.3m, then what I have to say to him is also the points that I made to him last year when he was saying: "The company is on target" - which it isn't, it is out of target by, as we know on paper, £600,000, we believe much more than that but on paper £600,000. The original figure included £1m of rates, they haven't paid £1m of rates in the first year, and I assume I am correct in saying that they haven't paid £1m of rates in the second year? But they haven't got the £1m that was earmarked for rates and therefore this is why, Mr Speaker, it is not honest - and I am not saying that they have made away with the money - I am saying it is not honest in terms of presenting information to this House, if we are being asked to say: "How well is the company doing". Is it in anybody's interest that we should be given too rosy or too gloomy a picture? Isn't it better for all of us to know exactly what the position is and where things stand? Is it not the case that in 1987 they are going to have to pay rates? We have been told that they are. Does the Hon Member still say they are going to break even after paying rates which is what he told us just now?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes.

HON J BOSSANO:

He does, well I am not sure that he will be here in 1988 for me to ask him whether he can explain why they haven't. I think, Mr Speaker, clearly the degree to which we can draw conclusions by this comparison is limited. Perhaps since the Hon and Learned Chief Minister has agreed to make available the full report in confidence to my colleague I don't know whether that does include some of the detailed predictions which I believe can be made public. If we are talking about, for example, the fact that the company is predicting a turnover of £18m and predicting breaking even on that turnover or predicting a turnover of £12m and a loss of £3m on those £12m and we are comparing those figures with comparable figures produced when they obtained the tender, I don't see why other elements cannot also be publicly available. But, perhaps, if they are not going to be publicly available and that is a matter of judgement which the Government has got the right to hold a different view from one and we have got the right to disagree with them, if we are going to be able to see some of this information on a confidential basis then we shall take a closer look at that and see if that provides some of the answers but certainly with the statement that the Hon Financial and Development Secretary has made in presenting these Accounts to the House, we are totally dissatisfied with

the performance of the company, we are totally dissatisfied that this is accurate and we feel that, if anything, this understates just how badly they perform in comparison with what they predicted they would do. The only two areas where they appear to be really on target are on manpower costs and on sales which, at least, we can have the satisfaction where they are two crucial areas where nobody can point a finger at the people who are there because certainly I believe the people who are there, even in 1985, even with all the aggravation that they had in 1985, were still committed to doing a fair day's work which is what they were told was expected of them and I think they were doing it then and I think they are doing it now with, certainly more satisfaction because I think without a doubt the arrival of Mr Torsten Andersson in the yard and in Gibraltar did bring about a major change in attitudes. We are not, in analysing these Accounts, pointing to attitudes, we are pointing to economic performance and that is a different issue but certainly he brought a different change of attitude and I think that has been welcomed, I think, not only by those who work in the yard but by all of us in Gibraltar independent of our views about what the yard is.

HON CHIEF MINISTER:

Mr Speaker, I don't know how many more speakers there will be on the other side, I would like to make an exposition but I do have a commitment so perhaps we could leave it for tomorrow morning.

MR SPEAKER:

Does any Member of the Opposition wish to speak now?

HON CHIEF MINISTER:

I don't mean that, I don't mean that they should speak now, I mean the time that would be required to finish the debate because Mr Pilcher is going to contribute probably after I speak and then perhaps in the event we will not be able to finish tonight so in that case I will go home and take every word that Mr Bossano has said with me to bed and come back without the answer.

MR SPEAKER:

We all look forward to listening to whatever you have to contribute tomorrow morning at 10.30.

The House recessed at 7.10 pm.

WEDNESDAY THE 25TH MARCH, 1987

The House resumed at 10.40 am.

MR SPEAKER:

Before proceeding with the debate on the Accounts of Gibraltar Shiprepair, I understand that the Hon Mr Canepa wishes to give some information on a particular Question.

HON A J CANEPA:

Yes, Sir, I don't know whether the Leader of the Opposition is outside and he is able to listen to what I am saying but I am now in a position to clarify the apparent inconsistency between part of the statement that I was making in the main answer yesterday to Question No. 141 and the information which I then imparted in the course of supplementaries. The position, Mr Speaker, is that under our Ordinance there are no rules or regulations laying down manning levels for the crews hence the statement that I made in the main answer, and I quote: "There are no minimum levels for crew under the Gibraltar Ordinance". However, under Section 116 of the Merchant Shipping Ordinance, the Captain of the Port has power to detain vessels which are not sea worthy due to their being undermanned and hence the information that I was giving in the supplementary information that the Captain of the Port is in a position to determine the minimum levels of manning of ships.

HON J BOSSANO:

Can I ask for clarification. If the Hon Member has said that the Captain of the Port has powers to detain then, surely, it has nothing to do with whether the vessel is registered in Gibraltar or not but whether the vessel is in Gibraltar waters.

HON A J CANEPA:

That is so, it is regardless of whether a vessel is registered in Gibraltar or not.

HON J BOSSANO:

The question we were asking was about determining the manning levels for Gibraltar registered ships not ships of other nationalities.

HON A J CANEPA:

What happens in the case of Gibraltar registered ships, and I go further, is that the owner may request a certificate of safe manning and to get that certificate of safe manning then obviously it is the Captain of the Port that would have to determine the correct manning levels insofar as safety is concerned.

HON J BOSSANO:

But can, in fact, a ship owner that comes to Gibraltar and says: "I want to register my ship here" be told: "You have to have such and such a manning level otherwise you cannot register". Is that possible or not?

HON A J CANEPA:

There is a relevant Merchant Shipping Notice issued by the Department of Transport in the United Kingdom which will be extended to Gibraltar in due course. When that happens then the Captain of the Port will be able to act in the manner that Mr Bossano is suggesting. At the moment he is only able to do so when required by the owner of the vessel who is seeking a certificate of seaworthiness.

HON M A FEETHAM:

So the answer is, in fact, that at the moment he has no powers to determine the manning levels of ships registered in Gibraltar?

HON A J CANEPA:

Unless somebody asks for a certificate of safety and he will only have powers to do so, in any event, when the shipping notice that I have referred to and which I was having a look at this morning, is extended to apply to Gibraltar.

HON M A FEETHAM:

Mr Speaker, in fact, we do not meet British standards at the moment?

HON A J CANEPA:

Yes, we do meet British standards in respect of safety.

HON M A FEETHAM:

I am talking about manning levels.

HON A J CANEPA:

Yes, you do because a vessel could have a crew of fifty of whom thirty are seamen and it is the requirement for those thirty seamen that determines whether you are meeting British standards. The other twenty could be stewards or pursers and whether you have twenty stewards or eighteen stewards or fifteen has got nothing to do with the safety aspects, it is only in that context that there can be savings in respect of overall levels of crew.

HON J BOSSANO:

But at the moment, surely, Mr Speaker, the Hon Member has just said that we cannot require the ship to have thirty seamen or one seaman at all.

HON A J CANEPA:

That is the position at the moment.

HON J BOSSANO:

So therefore at the moment we are not meeting British standards.

HON A J CANEPA:

What we are aiming for, as soon as the relevant conventions are extended, is to be able to comply in respect of the Captain of the Port laying down the full manning levels in respect of safety.

HON ATTORNEY-GENERAL:

And, of course, Mr Speaker, the vessel can be prevented from sailing, a Gibraltar registered vessel sailing from Gibraltar if the manning is below safety standards, that is under section 116 of the Merchant Shipping Ordinance which applies to Gibraltar registered vessels as well as foreign registered vessels.

HON M A FEETHAM:

Mr Speaker, we agree to disagree on that.

MR SPEAKER:

We will come back to the debate on the GSL Accounts.

HON CHIEF MINISTER:

Thank you, Mr Speaker. Following on the introduction of the Financial and Development Secretary in the motion to note the Accounts of GSL for 1985 and his general remarks, we had the somewhat convoluted, to describe it kindly, contribution of the Hon Leader of the Opposition where he went through a number of details some of which I was able to follow, others I am afraid that I will not be able to follow until I see the Hansard and look at it with great care. In any case, if there are any matters there that I think are of sufficient importance, and in fact, they will be looked at by people better qualified than I to judge any matters that arise of importance there and I can assure the House that if there are any matters there that call attention other than the general comments and the trend which is followed by the Leader of the Opposition of any alarm or necessity to raise the matters either he will be given necessary explanations or it will be raised in the House. What I don't want it to be thought is and I don't think the Hon Member can expect me to deal with the areas that he has dealt with to the extent to which he has done. Therefore, my remarks will be of a general nature and refer, in the first place, to the statement which I made at the last meeting of the House where I gave a reasonably detailed account of the conclusions which emerged from the Price Waterhouse consultancy. I also explained why the Government had decided to provide up to £2m to GSL this year. Since then there has been considerable comment, particularly through the news media, on the affairs of the company and its future prospects. Despite the differences in views of approach between both sides of the House, I am nonetheless glad to see that we agree on the importance of GSL to the economy and on the need to ensure that the company achieves a firmer basis for future stability. There are, unfortunately, some people outside this House who prefer to make sweeping, dramatic statements questioning the whole concept of having a shiprepair yard at a time when the operation has barely emerged from its conversion or development phase. All I would say is that financing and running a shiprepair yard is surely not the same as running a shop in Main Street. I say all this, Mr Speaker, because we cannot look at GSL's future purely in terms of a balance sheet. There is, of course, a need to operate the company in commercial terms but equally there is a wider economic and human dimension. GSL is, for example, the largest employer in the private sector. It makes a significant contribution to the economy and to the shipping sector as a whole. It retains and attracts some of the skills for which Gibraltar has been renowned over centuries, it physically represents a natural use of our limited resources. These are some important factors which come into play when one has to assess and judge the merits of the operation. The results for 1985, as indeed for 1986, are not as encouraging

as one would have hoped for. The poor state of the infrastructure as well as the variations in the RFA work programme are the main underlying reasons for the higher loss in 1985. These spilled over into 1986 and, together with the disruptive costs of the industrial dispute that year, again added to the projected loss. For 1987 the indications are that the company should move close to break even, I cannot go any closer than that but I think it is pretty hopeful. As the Price Waterhouse Report reveals, there are a number of other areas which account for the state of the company's finances and which require close attention. I refer in particular to the overall financial management of the company and, in particular, the need to contain or reduce overheads. A condition of our £2m contribution to the company this year is that tangible progress must be made, and seen to be made, in this area. Even before the Price Waterhouse consultancy got off the ground, as I stated yesterday in reply to a question from the Hon Mr Pilcher, the GSL Board had taken steps to rectify the position and although I cannot reveal the nature of the action which has been taken, I can say that the Government is satisfied that this is the proper and effective way within the terms of the Management Agreement. Price Waterhouse has pointed to deficiencies which have been the subject of on-going discussions and concern at Board level since 1985. The GSL Board took appropriate action, Appledore have, for example, had to pay for a specialist review of GSL's computer system at considerable cost to them. Under the Management Agreement Appledore are totally responsible for the management of the company, not the GSL Board, the same goes for the employment and the industrial relations. The GSL Board and the Chairman have been very active in pushing the managers to correct the deficiencies highlighted in the quarterly internal audit report. Although the Government is looking for improved financial results, it is conscious of the need to see improved performance in key areas. The GSL Board has submitted a Business Plan for the next few years which provides a relatively firm basis in mapping out the company's drive towards viability.

HON J BOSSANO:

Could I ask the Hon Member to give way on a point of clarification there? This Business Plan, is it something that has been initiated by the management company and sort of approved by the Board or the other way round?

HON CHIEF MINISTER:

Initially, of course, the Business Plan is produced by the management but they are scrutinised, altered to the satisfaction of the Board. I know that because whenever the Chairman is in Gibraltar he always raises with me the importance of accurate and reliable and

realistic Business Plans that he can support. We do not only look forward to its successful implementation but we shall be monitoring very closely the extent to which progress is being achieved against target. The key assumptions are: sales, employment and productivity. As the Price Waterhouse consultancy confirms, the company has achieved good marketing results, I don't think that there can be any doubt about that. This is vital because, as we all know, the guaranteed RFA work comes to an end at the end of this year. Employment is not projected to increase much beyond current levels but the Government will expect, however, that level of employment to sustain the nucleus of some 500 Gibraltarians currently employed. That is the basis and the faith which we put on that and the aim, perhaps sometimes it has not been agreed generally, that we have always had and I think in general terms, looking as a whole, we can be proud of saying that no one who works in the dockyard has voluntarily lost or rather has not found work if he wanted to, either one way or the other. Those who wanted to stay found work there and fortunately the situation as described yesterday by the Leader of the Opposition is such that there is now a contented labour force and a committed labour force and I never forget the meeting I had with the foremen at the time when we were in conflict where people I had known for years, I know their commitment to Gibraltar and I know their commitment to the yard and I was very impressed not that I didn't know but sometimes when you see the people committed which is now what is happening with management that they have come down to shop floor level rather than people having to go up to offices and that is what happened on that occasion that impressed me very much and I think I can say with confidence that that has had a great effect on my thinking because it wasn't the ten or fourteen people that were there, it is what it represented and what was conveyed in acts of human and realistic terms that impressed me very much and I think, to some extent, modelled a lot of our thoughts and our policy on the matter. But it will continue to place particular emphasis on the training of Gibraltarian apprentices and the localisation of expatriate management posts. These are the two areas where we demand, as a result of the contribution that that should happen, training of apprentices and localisation of expatriates. I am glad to inform the House that the company's Business Plan, approved by the Board, already takes full account of this two important factors. As far as productivity is concerned, the improvements which appear to have been achieved in 1986 owe much to the improved state of industrial relations generally and I would hope to see a consolidation of this trend which is so critical to the future of the yard in which we have faith that given the goodwill of all concerned, will perhaps sooner rather than later, prove to be a very big asset for the future economy of Gibraltar.

HON J E PILCHER:

Mr Speaker, I have sat through the intervention of the Hon and Learned the Chief Minister. Initially, I wasn't very sure what he meant by the convoluted contribution and he also mentioned the word alarm but I think he missed the underlying theme and certainly the underlying theme has not been answered by the Hon and Learned Chief Minister which was the basis of the contribution of the Leader of the Opposition yesterday. There is no question anymore of us discussing or disputing the area of the £2m. This was discussed at length in the last House of Assembly and we did agree with the Government that there is more to Gibraltar Shiprepair Limited than just a balance sheet. We are talking of the economy of Gibraltar and the human aspect of the Gibraltarians working at the yard, that we accept, but I think the main point made yesterday by the Leader of the Opposition was that in noting the Accounts for GSL in 1985, we were in no position to be able to note the Accounts and compare them with the projections made by A & P Appledore in their original projections. I think if you look at the Report for 1984 and I accept what the Financial and Development Secretary said in his opening address in that 1984 was a particular year and really the Accounts of 1984 cannot be seen as a part of the initial projections by A & P Appledore because it was virtually start up costs and capital expenditure in 1984. But if you look at the Accounts of 1985 and try to compare them with the proposed commercial shiprepair operation which was the tender documents submitted by A & P Appledore, the way that the Accounts have been presented for 1985 is, I wouldn't like to use the word misleading, but it certainly does not compare like with like and what the Leader of the Opposition was saying yesterday was that this is what we would like to see in the House, a report on Accounts which show a like with like situation. I will give you an example. According to a question asked yesterday by myself on the No. 1 Dock, the answer was: "Work on No. 1 Dock was completed in October, 1985. Three vessels were repaired in No. 1 Dock. The value of the work totalled £1.83m". We are not sure but given the comments by Price Waterhouse that a lot of the work is being obtained at a loss and that this is good commercial management in that you have to establish a market first and therefore it is not bad practice to get initially ships at a loss. If in one of those ships and we don't doubt that it was, the Beaujolais was one of those ships repaired in No. 1 Dock, it was in fact the first one, then the £1.83m must refer to the Beaujolais. We all know because Brian Abbott himself said on television, the Beaujolais had lost £0.6m. If you look at the Accounts it says: "Turnover - £5.9m; cost of sales - £7.4m; overheads recovered - £1.6m; gross profit £172,000". Where is the £600,000 lost? How can the company make a gross profit when we

all know that they made at least £1m loss on their sales? We need to know what the overheads recovered are because we are not comparing like with like and the Hon the Financial and Development Secretary can look up at the sky for as long as he likes but the reality is that it is quite clear here what the projections were and here it is not clear what the projections were and there are other areas. Travelling expenses for the managing directors and the managers which the accountant himself says he doesn't like the system, where Price Waterhouse said they don't like the system implemented because there is no scale of travel allowance but the scales are approved by the managing director and the managing director's scales are approved by the Chairman. Where in the Accounts are the travelling expenses shown? How much is the travelling expenses of the managers costing us? Those are only a couple of examples. The Leader of the Opposition yesterday gave many other examples where administration expenses, £3.9m do not concur with the £2.9m shown, the company is not paying rates which is another £0.5m not shown anywhere. I think the underlying theme not answered by the Hon and Learned Chief Minister is the theme of presenting the Accounts to the House in a way that the House can understand them and can compare them with the initial projections and I don't accept what the Hon Financial and Development Secretary keeps on telling us which is that 'in making comparisons between the projections in the initial A & P Appledore proposals and subsequent developments, it is important to take account of the change in circumstances between the fact that the original submission and the commencement of the commercial operations and, indeed, subsequently'. It is not fair to us because he himself uses the comparison when he is talking about projected losses so why shouldn't we be able to use those projections that don't tally? When we use them we are told: "No, there is variation". When he uses them, the Chamber uses it, he uses it, Price Waterhouse refers to the projections and nobody at that stage questions the variations. The variations are only another red herring by the Hon Financial and Development Secretary to move away from the points that he cannot answer and those are many. Neither he nor the Government are in a position because they haven't analysed the Report. I am sure, and I stand to be corrected, that no Member of the Government has actually compared proposed commercial shiprepair operations with the Accounts and come up with the answers. We will see when the Hon the Financial and Development Secretary gets up and answers all the points that the Leader of the Opposition and myself are making. I accept that there were many points and that, obviously, some of the points will be answered in subsequent Houses and we ourselves.....

HON CHIEF MINISTER:

No, I didn't say that. I said that I would look at them and if they required answer I would deal with them.

HON J E PILCHER:

We will not allow the Hon and Learned Chief Minister to forget it, we will bring it up again if he hasn't done so himself. The Hon and Learned Chief Minister again, I think he failed to understand the point, again mentioned the infrastructure, RFA work, industrial disputes which were a cause in 1985 of a worsening of the scenario. But according to the Chairman himself, which is the point made by the Leader of the Opposition yesterday, there was only £2m loss all accounted for or basically all accounted for by the water loss. Where does the £1.5m of RFA work, where does the infrastructure, where does the industrial dispute fare in this balance sheet? The reality is it is hidden away under administration expenses, under overheads recovered, under many aspects which are misleading to this House, Mr Speaker. I cannot let the question of RFA work go by because we do accept that there has been a change in the contribution of RFA from year to year but we all know and the Chief Minister has just said it, that the crux of the RFA will come at the end of 1987 when the RFA work finishes and the Hon Financial and Development Secretary did say that it was possible after 1987 to try and get more work. He did at the same time nearly suffocate when he was making his contribution yesterday, I think he swallowed the wrong way and nearly suffocated when he said that, obviously this is no inference to the fact of what he thinks about being able to get more RFA work in the future. But it is always there and it is a point that obviously the company will try to get more work, RFA or commercial work, in the future. The thing that baffles me and I think it baffles the Opposition, is that everybody seems to have known what was needed to be done before we brought Price Waterhouse. I have a Chronicle here of the 14th March where Torsten Andersson in an interview said, the question was: "Is Price Waterhouse telling Gibrepar anything they did not know?" The answer was: "No", Andersson's reply was 'he feels that the Report is basically the GSL 1987 Business Plan turned into a Report'. The Chief Minister has said that the Board knew what had to be done before they brought Price Waterhouse so what have we done? Have we thrown away £100,000 of taxpayers' money? Since the Board knew what had to be done, the company knew what had to be done and the Government knew what had to be done why did we ask Price Waterhouse to come? And why is it that Price Waterhouse found so many faults? The Price Waterhouse Report is a very critical Report of the operation and we accept that and I think the Government has to accept that but there are even areas when Price Waterhouse came in February where they have shown dissatisfaction at some of the areas that have not taken the improvements that they would like to see. Obviously, I am not sure whether it was the Hon and Learned Chief Minister or the Financial and Development Secretary said that obviously

neither the company nor the Government have to accept everything that Price Waterhouse says, fine. But then the point is that we in the Opposition and I think again the Hon and Learned Chief Minister was guilty this morning of saying 'we knew what we had to do, the Board knew what we had to do but it is of such a confidential nature that we are unable to say it'. How does the Hon and Learned Chief Minister expect the Opposition to react to things which they know but they don't tell us? If it is a question of faith, which is a word that the Hon and Learned Chief Minister mentions quite a lot over the last few months, I am sorry but the Opposition can only look at facts, figures, factual statements and react to them and all we have is the Accounts and the Price Waterhouse Report. We do not have faith in the Government and we don't have faith in the management of the company. That, I think, we have made very clear. Again, I think another red herring about the Government wanting to protect the jobs of the 500 Gibraltarians. It is a red herring because if the Hon and Learned Chief Minister throws his mind back a couple of years, they were then defending the Appledore proposals on the ground that it would create 1,200/1,300 jobs in the economy within two or three years and it was the Opposition or the GSLP then that was saying: "No, what we need is a smaller naval base employing a less number of people". Today the Hon and Learned Chief Minister gets up and is defending 500 jobs when three years ago he was defending the tender proposals which said 1,300 jobs. He also tells us that in the new Business Plan the company is giving a new thrust to localisation of managers and apprentices. The old Business Plan had a main thrust on localisation and training. Again, three years ago highlighted by the AACR, highlighted by the Government today because that was also a very good selling procedure for the Appledore proposals. But the reality is that very little has been done about it up to today. The new Business Plan might include it but so did the old Business Plan and very little has been done about it. Apprentices, in fact, are on a decrease and the local management scene has not changed or has changed very, very little since the start of operation on the 1st January, 1985, and today we have already had something in the region of six or seven extensions at GSL because the local managers are apparently, and I say 'apparently' in inverted commas, according to the company not able to take over the job because of lack of training or lack of experience, etc. It is not enough to say 'the new Business Plan says so'. What we have to tell the company is if the old Business Plan said so why hasn't it been done? That is the difference between the approach of the Government and the Opposition. The Government continue to praise the managers, the Government continue to have faith in the company. The Opposition do not.

HON CHIEF MINISTER:

If the Hon Member will give way. I have said nothing to say that we praise the managers. I was talking of the Board as distinct from the management.

HON J E PILCHER:

The underlying theme, at least from here, appeared to mean, obviously, the Board which as the Hon Leader of the Opposition has just reminded me, included Brian Abbott at the time. That is the kind of analysis and that is why yesterday when in Question Time the Leader of the Opposition said and it is highlighted today in the Chronicle that we don't see why the Michael Casey Report cannot be made public today because the Michael Casey Report was a Report brought in by the Government of Gibraltar to actually give them an opinion, an expert opinion of this document, the A & P Appledore International Limited proposed commercial operation. I think with the benefit of hindsight, with this Report, with the Accounts, with the Price Waterhouse Report and the Michael Casey Report, we would be able to really do a good study on the proposals of A & P and whether or not they have been over optimistic as we claim or not over optimistic but a change of circumstances as the Hon Financial and Development Secretary has said. There are other points that I raised yesterday and I cannot really because in Question Time and I accept that the Speaker in Question Time has no option but to curtail the type of questioning, so since I knew that we had this debate coming I did not push on supplementaries on a couple of the questions, one of which was the question of productivity levels for 1985. I asked the Government: "Can the Government state whether the productivity levels at Gibrepair in 1985 reached the anticipated level?" The answer was: "It is the view of the company that productivity targets were not achieved in 1985 but that there has been a substantial improvement in 1986". Obviously when we ask in 1987 the answer will be the same because the productivity levels never seem to get to the levels that they wanted and yet it is quite clear that if the sales and the manpower costs have reached the planned levels of A & P Appledore, it is logical, it is like in one plus one makes two. If one element is right and the other element is right then the productivity levels must have reached not perhaps the desired level but I didn't ask the Government about the desired levels, I asked the Government about the anticipated level of the company so they must have reached the anticipated level so it is no good saying, like the Chairman says, that the industrial relations and I think the Hon and Learned Chief Minister also mentioned this a moment ago, the damaging effects in the market of the three week strike and the losses will continue at a level, it is pure nonsense. The sales are up twice as much

because we were unable to get £1.5m of RFA work and obviously if the sales were up and the manpower costs were slightly down the productivity must have reached the anticipated level. What certainly did not get to the anticipated level is the anticipated level of overheads which even Price Waterhouse says is still running as if Appledore were employing 1,100 workers. That is what Price Waterhouse says and that is one element, and I am glad that the Hon and Learned Chief Minister mentioned it, that needs looking into, the overheads of the company. But, of course, we need to know what those overheads are. It is not just good enough to say 'overheads recovered so much, expenditure so much', what are the overheads? Why is it costing us much more on overheads? Another point which I cannot leave unanswered is the question of the computers. Again, I did not really follow it through, the only supplementary I made was the supplementary on trying to establish the cost of the computer element which was, according to the Hon Financial and Development Secretary, another £150,000 in 1985 over and above the £1m that it cost us to buy the computers from A & P Appledore, computers which have never worked since 1984 and we have only recently been getting at the heart of the problem and yet in discussing the Accounts in 1984, we discussed them in November, 1985, the Accounts for 1984, the Hon Financial and Development Secretary told us that, yes, that the computers were, as far as his knowledge of the thing, that the computers were working. If I may just quote from Hansard: "Yes, it is working my latest information is it is working" because the Hon Leader of the Opposition asked him whether the computer, in fact, was working after an expenditure of £1m and he said: "Yes, it is working, my latest information is it is working although there have been teething problems". The computers have created an astronomical problem to the company, an astronomical problem highlighted by the accountant, highlighted by Price Waterhouse and which has cost the company a substantial amount of money on overtime expenses, on having to get clerical staff to actually check the things that the computers were doing. It is, I think, a situation which is accepted and yet we continue to pay A & P Appledore £150,000 in 1985 for writing and delivery of computer software, for installation and implementation of computer systems. Why doesn't the Gibraltar Government tell A & P Appledore that it is not going to pay or it should not have paid this money until the computers were working properly and why doesn't the Gibraltar Government charge A & P Appledore for every single penny cost to Gibraltar Shiprepair Limited as a result of the non-operation of the computers?

HON CHIEF MINISTER:

I think either it was yesterday or this morning that I stated that the GSL Board had taken action and that Appledore had to pay for a specialist review of GSL's computer system at considerable cost to them. I also indicated that not only had they made some stoppage of payment but that there were counter claims. I cannot go into details of those but it is not as wild as it sounds from the Hon Member. The Board, and I don't take any credit for that, the Board themselves, aware of the situation have, under the terms of the Management Agreement, refused payment and made counter claims.

HON J E PILCHER:

It is one point which I welcome because, obviously, as I was saying before, sometimes and I think the point was made by the Hon Leader of the Opposition yesterday, sometimes we are shooting in the dark, sometimes we are making comments because we are ignorant of what is going on because of this confidential situation and therefore all we can do as a constructive Opposition is to try and get information whichever way we can and if it is shots in the dark, well, then so be it. There are two other points that I would like to make. One is the point which I did make at the last debate on the Accounts and it is a question of the political responsibility of the Government in tackling the Gibraltar Shiprepair Limited whether it is questions in the House or whether it is debates. I do get the feeling, sitting at this side of the House, that the Hon Financial and Development Secretary is totally frustrated with Gibraltar Shiprepair Limited and, in fact, in his opening address when he sat down he pointed to this by saying 'and that is all I am prepared to say as the financial adviser of the Government', ie he was saying 'I am not prepared to enter into the realms of politics' and I concur with the Hon Financial and Development Secretary. He is called upon, I think, by the Government to answer not only questions on financial aspects of GSL but questions on policy of GSL and questions on the Government policy on GSL and I think it is about time that the Government took a decision, perhaps not one of political responsibility because we know clearly that, I think, the Hon Mr Canepa said on television and I know that the Hon and Learned Chief Minister have said that they will not appoint a Minister to take charge of GSL but I think it is unfair to have the Hon Financial and Development Secretary answering questions in the House which do not apply to him because he is only the financial adviser of the Government - and I will pass a box of tissues very shortly to the Hon Financial and Development Secretary. The other thing which is really a follow-up of that is that it is not enough to be told 'these things are happening but it is confidential, this we can show you, that we cannot show you'. We need to be able to analyse the

things quite clearly and as far as we are concerned Gibraltar Shiprepair Limited is a political responsibility because the Government of Gibraltar is the 100% owners of the yard and the policy matters of that Gibrepair operation can be and should be discussed at length here and any question on policy, on financial matters, etc should be aired here in the House of Assembly. Thank you, Mr Speaker.

MR SPEAKER:

Are there any other Members who wish to contribute to the debate? I will then call on the Hon the Financial and Development Secretary to reply.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Thank you, Mr Speaker. The Hon Leader of the Opposition and his colleague, the Hon Mr Pilcher, have set about me with their usual gusto for not delivering the sort of comparisons and justifications for the differences between the Appledore proposals in this famous document and the latest Accounts. I think I must make my position clear. With the greatest respect to Hon Members opposite, I am not in a position and I don't think I ever will be to answer detailed questions about Gibrepair or explain matters in the depth which might be required because I do not have intimate knowledge of the company's operations. The Hon Leader of the Opposition asked quite a number of questions in his speech and I am certainly not challenging his right to ask such questions, indeed I can understand his frustration and that of the Hon Mr Pilcher if it's genuine, if it's not genuine then I can also understand it but that is a different matter and some of this certainly appeared during Question Time and has appeared during Question Time on previous occasions. I am not making a political point about the responsibilities of Ministers or responsibility of Government for the affairs of what is, of course, a wholly owned company but it seems to me that if Hon Members do wish to go into the sort of detail that the Hon Leader of the Opposition has suggested he wants to go into and he seemed fairly insistent and his colleague seemed fairly insistent on this yesterday, then perhaps some other procedure might be considered by Hon Members for the purpose of meeting that particular requirement, I will explain what I mean in a minute. The fact is that there are political differences between the Government and the Opposition on the question of Gibrepair and that animates the exchanges on this subject in the House. It is something which obviously shouldn't animate me because I, like the Attorney-General, I ought to be politically neutral, I think it is probably easier for the Attorney-General to be politically neutral than the Financial Secretary because finance is essentially a subject with political content and so, of course, is Gibrepair and I find myself in the situation of being

both the Financial Secretary and the Financial Secretary (Gibrepair) on occasions. Having said that, I did make a note of a number of the points the Hon Leader of the Opposition and Mr Pilcher have raised as he made them. I certainly don't have the information at hand to answer all of them, some of them I can probably make an attempt to provide answers to but I think that the Leader of the Opposition must recognise and so must Mr Pilcher that they were both making political speeches and anything I say could obviously be construed as a political challenge. This is a situation I find myself in frequently in the House and it is certainly not my intention. I have been in the House long enough and I think I know the Hon Leader of the Opposition well enough to know that this can be so. For example, the Hon Leader of the Opposition raised the first point which I recorded, it may not be the first point he raised, was the fact that in the Accounts for 1985 in the balance sheet a figure of cash in hand and in bank on page 6 of the Accounts just over £200,000 and the Hon Leader of the Opposition compared that, I think I am right in saying, with the figure of over £5m which is shown in the original APA proposals for 1983. Naturally, when I heard him mention that I went to consult the said proposals. But, of course, I feel sure - perhaps I shouldn't say this, it sounds patronizing - I feel sure the Hon Leader of the Opposition knows the reason why there is a difference. In the first year's operation as shown in the Schedule of the original Appledore proposals, obviously assume that all the money from ODA or from whatever source, would come up front and I think one can confirm that by looking at the balance sheet figure, the figure of total equity for the year, share capital rather - £90m. I don't know when, I wasn't here at the time and I don't know who it was who pointed out that it was rather unrealistic to think that ODA would put up all the money at once, in actual fact as Hon Members will know they have rationed the money to a degree which on occasions we have not liked but that is the reason why £200,000 rather than £5m is shown there, that is one explanation. Another point I think I would have perhaps some sympathy myself with the point which both the Hon Leader of the Opposition and Mr Pilcher have made about page 5 of the Accounts, that is to say, the profit and loss account and the way it is drawn up. I think I must make a point, I think it is essential I do make the point that these are financial accounts prepared in accordance with financial conventions and, indeed, standard accounting practice. I myself, I must admit, found this particular presentation, turnover, cost of sales, overheads recovered, gross profit and administration expenses, a rather curious one. I am happy to say that so does, perhaps I shouldn't quote him, but so does Mr Brian Smith the new Financial Executive. But this, I think, is something which the auditors influenced and I think they are allowed to do it this way, SAP9, Mr Mor will obviously know the reference. It was in an attempt to, obviously the attempt failed, but it

was in an attempt to give what I might call a more, perhaps a simpler and more logical explanations that I in my opening speech I gave Hon Members some comparison between sales and manpower plus overhead expenses as I saw it in very broad terms. I think obviously I failed and I regret that.

HON R MOR:

Mr Speaker, can the Hon Member tell the House whether these Accounts as presented, would this be acceptable by the Commissioner of Income Tax?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, Mr Speaker, as far as meeting all the requirements of Company law is concerned, yes, but the Commissioner of Income Tax will obviously want to make his own assessment. The Hon Mr Mor will know, for example, that the view taken by the Income Tax Department of depreciation is different from the one which is taken by accountants preparing the accounts.

HON R MOR:

What I am trying to clarify, Mr Speaker, wouldn't the Commissioner of Income Tax insist that, for example, administration expenses are covered by a proper list of all the expenses attached to these Accounts?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

He may very well want more information but this is a published document and therefore it meets the requirements of Company law. The minimum requirement is laid down. The point I was going on to make was that the company do feel and I think it is a reasonable point but they have to be very careful how much they reveal in their published accounts because obviously this will be seen by their competitors and it is possible for someone who knows his way around accounts to deduce certain things which would be useful to a competitor.

HON J BOSSANO:

What competitor?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Well, again, I am not in a position to say who Gibrepair is competing with, I haven't got a list of names but they are in a competitive market.

HON J BOSSANO:

If the Hon Member will give way. Surely, if the Hon Member wants us to take him seriously does he expect us to believe that he himself believes the things he is saying? GSL competes on price in the market. Whether GSL pays £400,000 for the water or £100,000 for the water, is totally irrelevant. The ships come here because they ask for a price for a job and we give them the price that is cheaper than Cadiz and they come here. If we don't they go to Cadiz. It is a simple straightforward exercise, the price competitive market. We want to know the information because if we are being told public money is going into this company because the Government is reasonably confident that the company is going to succeed and the company is going to break even and the company is going to need £2m this year and nothing next year, we want to be able to judge the accuracy, how sensible a belief is that. That is why we need the information, the competitors don't need it, we need it in this House because we need to know whether we are putting in £2m this year, £3m next year or £4m the year after.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Very well, Mr Speaker, I will come back to that point in a minute because I think that and, indeed, the Hon Member has in a sense anticipated or rather leads me very well into what I was going to say. First of all, I felt I owed him a few further comments on the question of page 5 of the Accounts. It may not be necessary for me to explain this but to cost of sales one could add a proportion of overheads recovered or perhaps, I should say, deduct because the overheads recovered there represents part of the capitalisation of direct labour work plus an element of work in progress related to largely our old friend the slop barge, as Hon Members will know, and that is the reason for that rather curious entry, overheads recovered. About £1.3m I think relates to the item shown in note 7, tangible assets, yes, attributable production overheads, right at the end, £1,299,000 and the remainder which is over £300,000 is the work in progress element also attributable to what it says, own works capitalised, and that is, as I say, the rather curious explanation for the item overheads recovered. There was another point I mentioned, again in the context of comparisons with the original proposals, the relationship between stocks and works in progress. I think the Hon Leader of the Opposition said that one would expect that to move in line with turnover or business activity generally. As I see it there was a figure, I have looked again at the figures and they were forecasting rather less than £2m stocks and work in progress at the end of the first year compared with just over £2m, £2.2m.

HON J BOSSANO:

£1.7m we are comparing.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

£1.7m compared with £2.2m.

HON J BOSSANO:

Which is £½m difference.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

There is £½m difference, I think again an element of that belongs to the subject that I have just mentioned, work in progress. But to explain that in detail I think one would want to have the Finance Manager and the Production Manager and the GSL people present to give the explanation and likewise with something like productivity. I am simply not in a position to explain, I can certainly pass on what the manager of Gibreair, the managing director or any of his senior staff tell me or they might tell Mr Montado about productivity. I gave an answer in the House yesterday which was obviously considered unsatisfactory. I have, in fact, got a view from the managing director that the level of productivity in 1985 was roughly 35% below target. Here I give you that information, that is what he told me. I cannot tell you why it is 35%, I cannot explain the difference between that and the A & P Appledore proposals only the managing director or other members of GSL could do that. And this really takes me to the point on which I would like to conclude, Mr Speaker, because what I am really driving at

HON J BOSSANO:

Before he does conclude, can I just make a point there, Mr Speaker? The point, of course, is that if he is now able to tell us that the information he has been provided is that it is 35% below target, we can now go back here and check it. We can find out what the target was, we can work out what 35% below that is and we can then come back and do the work of checking the accounts. We are prepared to do that kind of work. We would have thought the Government itself, if the Hon and Learned Chief Minister has today said in his contribution that productivity is one of the key areas and every report from PEIDA onwards including the last one of Price Waterhouse, says that productivity is a key area, I would have thought that without the Opposition raising it the Government itself would say: "Now you have been operating for one year, how close have you come to achieving

your productivity target?" It seems they haven't asked this until we have asked them and they have gone and asked the company in order to be able to tell us. I would have thought they would want to know but certainly now that we have been given a figure we don't expect the Hon Member to do the donkey work for us, we will work on that figure.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Thank you very much. I am sorry, Mr Speaker, I am delighted to hear it because what I was driving at and perhaps I might run the risk of being driven away from the House for saying it, but this debate is not really the occasion to go into detail about the affairs of Gibrepair. Neither the information nor the witnesses are here and if the House really wishes to exercise its right to investigate the affairs of GSL in detail which seems to me not unreasonable, then perhaps it ought to constitute itself into some sort of Select Committee on the UK model. It would make far more sense, I think, for two reasons. First of all, it would enable the House to ask questions of those whether they are members of the GSL Board or senior executives who have the information and, indeed, the executive responsibility, and secondly, it would, I hope, enable the House to conduct that sort of investigation without political rancour. As Hon Members will know, that is the procedure followed in the House of Commons and I feel that it would satisfy the Opposition whilst still preserving the point that the Government does not itself wish to carry the political responsibility and that, Mr Speaker, is my final contribution to this debate.

MR SPEAKER:

That is, of course, the end of the debate and as I mentioned before, there is no vote taken and all I have to say is that the House has taken note of the Accounts of Gibraltar Shiprepair Limited.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I beg leave to move the motion which is standing in my name in the Order Paper. I hope, with your indulgence, Hon Members will not expect me to read it all out.

MR SPEAKER:

I feel sure that the Hon Member has the leave of the House not to read the actual Notice, it has been circulated so leave is granted.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, the motion standing in my name seeks to obtain the House's approval for the Second Schedule to the Licensing and Fees Ordinance to be amended in respect of two different charges. The first of these concerns the fee charged for attendance by Passport Office staff outside office hours at the request of the public. This fee is currently £21.50 per hour or part thereof, and is designed to recoup the average overtime costs to Government. It was last revised in November, 1983, and it is now proposed to increase it to £26 per hour. The second objective of the motion is to consolidate and rationalise the charges being levied on containers entering the Port. At present containers coming into the Port by sea are liable to Wharfage Dues and, after thirty days, to Rental Charges. Containers entering Gibraltar by land, on the other hand, only pay Rental Charges when discharged in the Port and do not enjoy any free period. There is thus some inequity and discrimination or imbalance between the two arrangements. It is accordingly proposed to abolish Wharfage charges which discriminate against containers arriving by sea, and to allow the free storage period enjoyed by containers arriving by sea to also apply to those arriving into the Port by land. All containers discharged in the Port will now be liable, after thirty days, to rental charges of £10 per day in respect of containers up to 25 feet in length, and £20 per day in respect of larger ones. These rates are those currently in force. Perhaps I should explain that the revision of Tonnage Dues, which was approved by the House at its last meeting in February, will offset to a large degree the loss of revenue arising from the abolition of Wharfage Dues. Mr Speaker, I now formally move in the terms of the resolution already circulated to Hon Members.

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

HON M A FEETHAM:

Can I just seek clarification? What we are, in fact, doing here is removing Wharfage fees from containers coming in through the Port by sea so as to have the same balance as the containers coming in overland, that is what we are doing. The fee itself is not changed, it is the level.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, the fees are unchanged.

HON A J CANEPA:

Mr Speaker, just to add, the question of container charges was first raised some months ago in the Think Tank that I Chair on Maritime Affairs. This really centres around the fact that although containers coming into the Port pay Wharfage Dues and Rental Charges if they remain in the Port for more than thirty days, container lorries and other goods vehicles entering Gibraltar pay no such charges unless the containers that they bring in are unstuffed at the Port and the argument naturally has been that this situation discriminates against Port users and makes for unfair competition as overland carriers can compete directly with freight charged by sea. So this measure should put the Port users in a better competitive position.

Mr Speaker put the question which was resolved in the affirmative and the motion was accordingly passed.

BILLS

FIRST AND SECOND READINGS

THE GIBRALTAR HERITAGE TRUST ORDINANCE, 1987

HON CHIEF MINISTER:

Sir, I have the honour to move that a Bill for an Ordinance to establish the Gibraltar Heritage Trust be read a first time.

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

SECOND READING

HON CHIEF MINISTER:

Mr Speaker, I have the honour to move that the Bill be now read a second time. As the House may be aware, the possible establishment of a Gibraltar Heritage Trust has been under discussion for some considerable time. It was agreed in principle by the Government last year but it is a complex matter which has required much study and discussion. The Government is particularly indebted to Mr Sam Alper whose enthusiasm, assistance and advice have been of great value throughout. I should also like to thank Sir Eldon Griffiths, the Chairman of the United Kingdom Society of Friends of Gibraltar and other members of that Society whose concern for Gibraltar's heritage and whose efforts in that behalf are greatly appreciated.

A strong impetus was given to this matter by the Heritage Conference held in London and Gibraltar last year and I hope the House will welcome and approve the Bill. I should like to draw attention to and comment briefly on some of the main features of the Bill. First of all, the Chairman and the Trustees of the first Board will be appointed by the Governor acting, of course, on the advice of Council of Ministers. This is necessary because there was no other way of bringing the Board into existence and Clause 8(6) provides for this. Future appointments to the Board will, however, be made by election at annual general meetings of the Trust, as provided in Clause 8(1) and (2), subject to the term of office of the first appointees as provided in Clause 8(5). The Board will consist of thirty Trustees and seven ex-officio Trustees. This may appear to be a large Board but the Government felt it most desirable, because the heritage belongs to the whole community, a very wide crosssection of opinion should be represented on the Board. We also considered that Trustees should be appointed or, in future, elected, in their own personal capacities and not on the nomination of public bodies or organisations in Gibraltar while, as I say, covering a very wide spectrum of society and of views. As the House knows, there have been occasions, in the past, of public controversy between the ideas of conservationists and the requirements of economic development. The Board has been so constituted as to contain within its membership, first, the advocates of conservation - and this includes historical records and flora and fauna, as well as the conservation of buildings and the architectural heritage; secondly, a number of businessmen who will be able to inject a commercial viewpoint; thirdly, a number whom I might describe as 'lay' members who will reflect public opinion generally; and, fourthly, a number of members with special expertise. During last year's Conference it was stressed, in particular, that economic development and the protection of the heritage are not incompatible - quite the contrary. The fundamental approach is to guide economic development in such a way as to respect the heritage. This will, in fact, enhance economic development as the latter will enhance the heritage. A prime example of this is the question of the Northern Defences. Their proper development will bring very substantial economic benefits to Gibraltar by providing a major tourist attraction; conversely, the development of the Defences, with all the necessary expert, historical and military advice available through the UK Society, will protect and preserve the Defences. The same principles will apply to other features of development and other heritage sites. There will, of course, be argument among the different elements in the Board of Trustees but I think this is healthy, and necessary, and I believe that, under the able Chairmanship of Lt-Col Porral, conflicting views will be reconciled so that the Board might give considered and responsible advice to the Government. Clause 6(1)(d) requires the

Board to assist the Government in the formulation of policy in respect of the matters set out in that Clause. Clause 6(2)(b) provides for the Board, if requested by the Governor, or if the Board thinks fit to do so, to advise the Governor on any matter relating to the objects of the Trust. There is, therefore, statutory provision for a close working relationship between the Trust and the Government, quite apart from the ways in which this relationship will develop in other respects. At the same time, it is, I think, generally accepted that it is desirable that the Trust should be entirely non-political. It is our hope that the Trust will receive all-round support in this House and indeed very widespread support in the community at large. Although it has not yet been statutorily established, the Board held an informal meeting last week. One of the items discussed at that meeting was the Bill now before the House and I understand that a number of amendments to the Bill were proposed and that these are being discussed with the Law Officers. Such amendments as may be agreed upon will then be introduced for discussion during the Committee Stage of the Bill and I will see that as much notice as possible is given to Hon Members opposite so that they can comment. I have had a word with the Leader of the Opposition before this meeting and because of other matters connected with the Trust concerned and he has agreed that subject, of course, to getting notice of the amendments of which there will be a number which I have promised, that we could take the Committee Stage and Third Reading of the Bill at the end of the Budget session. I don't think it will be controversial or take much time at the time when we will have finished, I hope, reasonably expeditiously with the Budget. Another matter dealt with by the Board was by what practical means the high degree of consultation which will obviously be necessary between the Government and the Trust will be achieved. My Hon Friend the Minister for Economic Development and Trade will have something to say on this aspect but one simple way of enabling the Trust to carry out its statutory function and functional roles is to supply the Trust with copies of Building Applications that go to the Commission - not the ones that are dealt with under what is called the Short Procedure of enlargement of a room, or a new bathroom, things like that - things that go to the Commission as a matter of administration of courtesy they will be sent to the Trust and they can raise the alarm if they wish to about any particular matter because, in any case, under the future Town Planning Ordinance there will be provision for an element of consultation in respect of planning projects for the future arising out of the reports that are made a propos of the Casemates building and generally because that was the idea that the Government had about matters. The day-to-day affairs of the Trust will be dealt with by a Management Committee as provided under Clause 10, subject to the restrictions laid down in the Second Schedule. At its informal meeting last week the Board

decided to appoint five sub-committees - on the Northern Defences and World War II Tunnels; on the Garrison Library; on Fund-raising; on Publicity and Public Relations; and on the Organisation of Tours and Talks on the Heritage. Although the Board has not as yet been statutorily established, the sub-committees will be starting their work very soon as some matters, particularly the future of the Garrison Library, for example, need early attention. The Board also decided, because of the nature of some of its functions, that members having an interest in matters coming before the Board should declare that interest and rules to that effect will be enacted and agreed. Clause 11 of the Bill provides for different classes of members of the Trust. Consideration is being given, by the appropriate sub-committee, to the different rates of subscription. The Board did, however, decide that the subscription for ordinary members should be £5 per annum. This is a very modest sum but the Board is most anxious that as many people as possible will decide to join the Trust and thus provide the widespread public support which is necessary. For its part the Government will be submitting to the House in connection with the Estimates provision for modest administration expenses to run the Trust and for the first time, subject to certain conditions, a substantial first grant to put the Trust into position to carry on a number of projects and to show - I hope it will be supported in due course when it is explained to the Opposition during the course of the Budget - will be supported by Hon Members opposite to show that we put our money where we put our mouth so that when the time comes it will be submitted with the Estimates for next year. The Board cannot collect subscriptions until it is legally established but this does not prevent people from enrolling now as members. The Trust will, of course, work very closely with the United Kingdom Society of Friends. To ensure the closest possible liaison, Mr Sam Alper, the Vice-Chairman of the Society in England, has been appointed to the Management Committee of the Trust while the Secretary of the Trust has been made a Director of the UK Society. Sir, I believe that the Trust can do a great deal of good for Gibraltar and take away a lot of political heat in matters that should not be the subject of political heat but should be the subject and concern of everybody. On the one hand its work of restoration and preservation of Gibraltar's very substantial heritage will undoubtedly be of benefit to the tourist industry; on the other hand, that work will also undoubtedly make Gibraltar a better place to live in and make us all even prouder of both the man-made and the natural heritage. I accordingly commend the Bill to the House.

MR SPEAKER:

Before I put the question to the House does any Hon Member wish to speak on the general principles and merits of the Bill?

HON J BOSSANO:

Mr Speaker, we will be voting in favour of this Bill and we support the concept although I think there has been, in fact, very little consultation, practically none, apart from the fact that half an hour ago the Hon and Learned Chief Minister asked me whether in fact we were in favour and whether we had any objection to the matter being taken after the second leg of this House when the Budget session is taken, quite frankly this is the product of the Government's thinking and consequently when we have gone into it in more detail we may wish to see some of the contents of it changed ourselves at the Committee Stage. I think on the principle of the Trust, clearly we ourselves have had reservations that in the context of taking decisions on economic development there is always a danger that politicians will be influenced by short-term returns by the very nature of things. That is to say, there will be a pressure on, and we think there is on the present Government, and we think it is likely that it will be the case with any Government that if they can see an immediate payback there will be a tendency to favour something that produces an immediate payback and therefore it is important, I think, to have something like this which will act as the guardian of the public interest and which will be able to raise the alarm whoever is in Government and therefore we believe that it is correct to see it as non-political in a party political partisan thing. That is to say, that it shouldn't be something that is independent of the political parties in Gibraltar but nevertheless enjoying the support of both sides of the House because we both recognise the desirability whoever is sitting on that side or this side would not change and therefore we might be there tomorrow and we might find that we would like to do certain things which we could see as having an immediate beneficial effect but which somebody else might say: "You are putting at risk more important things". In looking at development, clearly, I think we all want to see a prosperous Gibraltar but we do not want to see a Gibraltar that is changed beyond recognition and it is the balance between those two that the Heritage Trust can play a part in. It is also, I think, important in that, of course, the financial support that the Government says it will give the Trust which we will also vote in favour of, is necessary to get it on its feet but, of course, it's also something that makes sense from the Government's own point of view. That is to say, presumably the Government itself if there were no Trust would have a commitment to which they have referred in the past of improving the tourist infrastructure and I think on more than one occasion the Minister for Tourism has favoured the idea that we do better by spending the money on things here which are there to be enjoyed by the tourists and the residents alike than spending it, perhaps, outside the local economy

where sometimes it is difficult to quantify exactly what we are getting back in exchange for the money that we are spending. For example, I remember at one stage that there was a reduction in the level of money that was being spent in promotion in UK and if we look at the performance of the tourist arrivals there doesn't seem to be a direct correlation between whether the budget goes up or down and the tourists that come up or down. I think, certainly, the more attractive Gibraltar is the more people will want to come and see it and the happier the people who live here will be. Therefore to the extent that that is one of the purposes of the Trust I don't think anybody can quarrel with that. I think also it is difficult, in fact, to have a situation where we are using historic buildings and opening them up for the public and maintaining them and do that other than on an on profit-making basis. That is to say, the pressure for a commercial return if we just give out places to be developed and I am not talking now about changing the physical characteristics so much as opening them out in terms of charging for people to visit very much, for example, like the Museum has always been sort of Government owned but independent of Government and running its own affairs but being able to count on Government support. Clearly, it is an extension of that concept into other areas that we need and to my knowledge that is the way it is done everywhere else because, in fact, if a businessman is going to put money into the project then unless it is a question of somebody who may have a particular private hobby or liking for that venture, on normal commercial criteria the businessman will say: "If the return on capital is less doing this than doing something else, well, I will do something else with my money". Therefore the Trust itself must be primarily concerned with the preservation of those assets and only concerned in opening them up to the extent that that will help to subsidise the cost but the primary thing must not be the money that it is making. The actual composition of the Trust and the nomination initially by the Governor suggests that there is some element of Government influence on that selection of the Trustees.

HON CHIEF MINISTER:

If I may just, having identified and obtained the consent of the Chairman, it has to start somehow if it is a Government initiative, that has been done entirely by him and those helping him and the Government has really not had any say in choosing people at all. Those have been chosen with the full consent and knowledge and advice of the Chairman. We have had very little involvement, in fact, if I may take advantage of this interruption, I would like to say that there has not been much consultation, we knew the concept from previous remarks that the Opposition would not be opposed and, in fact, we haven't had much time, we only had time to look at it

at Council of Ministers just before and about the time that the Bill was being printed as there were other pressures and as I knew there would be a long interval between now and the Committee Stage, I knew we could discuss matters in detail. I apologise if I didn't do it before.

HON J BOSSANO:

I am grateful for that clarification from the Hon and Learned Member because, in fact, the point I was going to make was that if we are looking at this on the basis of a bipartisan approach, it is the only thing on which we have a bipartisan approach, then let us get our lines of communication right. If the Chairman or the Board and, of course, we support wholeheartedly the selection of Lt-Col Porral as Chairman. We think that he will do a very

HON CHIEF MINISTER:

Indeed, if I may, a thought that crossed my mind, if I may say so, I understand that the Chairman has had discussions with the Leader of the Opposition about the matter which shows the element of non-political involvement in this.

HON J BOSSANO:

Yes, in fact, Mr Speaker, the Chairman approached me on his own initiative because he himself felt that before accepting he wanted to know that it wouldn't be something that would then be opposed by us on this side and, in fact, we are very happy with the choice of person and we think he will do a very good job and if he is going to be mainly responsible for selecting the people who will be nominated to the Board, fine, as far as we are concerned, that is the end of the story because it follows logically, I think, that if we have the trust in him then we must give effect to that trust by letting him get on with the job which we think he will do very well. Therefore, I think, the only thing that we need to perhaps remark in terms of the Trustees is the question of the ex-officio Trustees where we have got a situation where the composition at the moment of the Board is that there are thirty Trustees plus seven ex-officio, a total of thirty-seven which seems almost like a general meeting but still. That Board itself sets up the Management Committee and in theory because we have had a very superficial look at the Bill, it would seem that the Management Committee could finish up being the Chairman and the ex-officio Trustees. It says it has to be not more than eight Trustees appointed by the Board.

HON CHIEF MINISTER:

Yes, but they are not necessarily part of the working executive committee.

MR SPEAKER:

Perhaps that would be a matter to go into in Committee Stage, a general remark, most certainly.

HON J BOSSANO:

We are trying to get advance information because if we are satisfied on points then we won't bring amendments at the Committee Stage, Mr Speaker. When we look at the ex-officio Trustees what we have really is seven people two of whom are MOD and five of whom are office bearers who presumably will in there be reflecting Government policy.

HON CHIEF MINISTER:

The Trustees' policy, helping the Trustees.

HON J BOSSANO:

I would have thought, Mr Speaker, that if somebody is in a Board by virtue of the position he holds in the civil service then by implication he is there to make sure that the policy of the department in which he serves, for example, the Director of Crown Lands would be presumably there as a Trustee to make sure that the policy of the Crown Lands is reflected to the Trustees if there are areas where there are conflicts of policy between what the Trustees want to do and what the Crown Lands want to do. He can't very well be there and say: "As Trustee I support this and then as Director of Crown Lands I reject it".

HON CHIEF MINISTER:

No, they will advise and will be co-opted to the Executive Committee as required but they will not be the members of the Executive Committee as pointed out by Clause 7.

HON J BOSSANO:

We are not very clear that that, in fact, is there but I think perhaps what we would like to make sure is that the Management Committee does not consist of the ex-officio members, we think that the Management Committee should consist of the lay members.

HON CHIEF MINISTER:

On that I can give you a clear undertaking.

HON J BOSSANO:

I think that is the only other point of detail that I needed to raise, Mr Speaker, and we will give the matter some more thought between now and the Committee Stage.

HON CHIEF MINISTER:

We will give you notice of the amendments.

HON H J ZAMMITT:

Mr Speaker, Sir, the Bill of course is very welcome. I am talking on the general principles of the Bill, there are, of course, amendments as the Chief Minister has mentioned that I assume the Opposition has already looked at despite the fact of the short notice. There are certain points which I think personally require clarification, particularly section 6(b) on page 58 which we will have to be careful as to the absolute clarification of the acquiring and disposing of property. Does that mean - and I suppose I should not go into that now, Mr Speaker, but probably at Committee Stage for that. Another one is on page 60 and that is that 'the Board's property shall not be regarded as property of or held on behalf of the Crown'. Again, I think that requires clarification. But one very strong point that I would like to make to the House, in general, Mr Speaker, is the eventual possibility of the Heritage Trust being able to open up the heritage of Gibraltar and make substantial sums of money. I say this, Mr Speaker, and I witnessed it only two week's ago in York, that one very small area which is run by a Trust, has made over £3m profit in one year and I can assure Members that if we could not provide twenty high features of our heritage from the Phoenicians right through to modern times then I would eat humble pie. And what I would like to be assured of, I think it would be wrong to find a Trust with several millions of pounds - and I don't want to appear to be exaggerating - in a few years time

HON J BOSSANO:

It sounds like GSL to me.

HON H J ZAMMITT:

Well, Mr Speaker, I am speaking because I have just come back from York and there one is guided by two things that have happened which I think would be wrong for Gibraltar. One is to find a Trust with several millions of pounds or find a very affluent Trust and yet we as the guardians of the people cannot afford to give away a little betterment, (1) because it is the people's heritage and it belongs to them, and (2) that in York funds are being diverted to Denmark. I don't think it would be proper to find our Trust here diverting heritage going back to the evacuation of our Genoese friends from Catalan Bay and go back to Genoa, quite honestly. I think those are the things that need tightening up. Other than that, of course, I wholeheartedly support the Trust, I think it is the only way that it will function and function well and I am not just thinking of the preservation and conservation of the buildings that we have that don't really generate financial activity as such, but the very many sites, particularly, Mr Speaker, the Second World War Tunnels that today could be exploited to the benefit of Gibraltar. The Hon Mr Pilcher asked me a question earlier on in this meeting, Sir, as to the number of people who visited St Michael's Cave. And when you compare that, Mr Speaker, with the number of people that cross the frontier it is one in ten, so 90% of the people entering Gibraltar may be seeing the Rock Apes but are certainly not going to St Michael's Cave and a much smaller proportion is not going to the Galleries and even a lesser proportion go to the Moorish Castle. I think, Mr Speaker, that we have a market of 10,000 virtually a day and I accept that they are not all tourists because there are non-tourist people crossing the frontier but we could do much, much better than places that only have one item to expose, the Vikings in the case of York, we could do possibly twenty if not more and I think it would reap a tremendous amount of money. I don't think I will be in the House, Mr Speaker, in ten or fifteen year's time to see the benefits but I think that we should be very careful, those of us who are today formulating legislation on the Trust to have some safeguard that the community of Gibraltar in protecting its history and heritage, the community as a whole derives some benefit and not just the Trust to inflate its very worthy cause but a time must come when they will have no spending capacity and it will be a matter of income and I think, Sir, that we should be very cautious so that all of us and our children and grandchildren will benefit from that, Sir.

HON J BOSSANO:

Could the Hon Member give way before he sits down? There has been no indication of it but it is something that has just occurred to me by virtue of what he is saying. We take it that the Government has not, in fact, thought of in any way shifting to the Trust the places that are now run by the Tourist Office like the Moorish Castle or St Michael's Cave or anything like that? Is that something that has been looked at at all or not?

HON H J ZAMMITT:

No, Government hasn't considered it, I can assure you, but I have a feeling that the Trust might well say: "This is a source of revenue and a source of income", I have a feeling, I don't know. There are some which I would willingly give over this very moment, the Tower of Homage is one, but I have a feeling that, obviously, if we are talking of history and heritage I think it would be like having a supermarket with three meat stalls as opposed to one, I assume, but that is my own personal opinion, Sir.

MR SPEAKER:

Any other contributors?

HON A J CANEPA:

Mr Speaker, the Chief Minister made reference in his intervention to a number of amendments which will be coming at Committee Stage, perhaps, which are being considered and proposed by the Board and it is clear from the intervention of my Hon Friend, Mr Zammit, that Ministers have also given some consideration and have identified the need for some amendments in respect of fundamental matters which we shall also be bringing at Committee Stage. Normally one wouldn't dwell on these but because they are fundamental they go to the root of the matter in respect of one or two things, I think they ought to be highlighted. The first one, of course, is in respect of Clause 9(2) of the Bill where it is stated: "The Board's property shall not be regarded as property of, or held on behalf of the Crown". I don't think that that can be accepted in a situation in which there is a transfer of property, the Crown in its defence capacity transfers to the Government of Gibraltar, say, the Northern Defences which is the Crown in its civil capacity and then that the Northern Defences should be vested in the Trust and they cease to be Crown property. That to me personally, involved as I have been in the struggle to get more and more land transferred from the MOD, that is not accepted in principle and God only knows what could happen in ten, fifteen or twenty years

time, so that is a matter which is being closely considered. The other one, of course, is the question of the funds of the Trust and their relationship to the Consolidated Fund. This is Clause 14(4) where it says: "For the avoidance of doubt it is hereby declared that any moneys or other assets standing to the credit of the Fund at any time shall not form part of the Consolidated Fund". Again, I think, that has to be given much more careful thought. I don't think that you can have a complete alienation of that forever more. You could have the assets and the moneys in the Fund of the Heritage Trust accumulating out of all proportion and a future Government might go through a rather lean period financially and I don't think that that is acceptable forever more. We don't know in exactly what shape an amendment will take but it is a matter that we have to give further thought to. The Chief Minister also referred to the fact that I would be dealing in greater detail with the question of consultations on planning matters generally and for that purpose I held a meeting with Colonel Porral, the Chairman designate of the Board, on the 13th March, this was shortly before the Steering Committee was going to meet. He raised with me an important aspect of the way in which the Trust should fulfil its general responsibilities for the preservation of Gibraltar's heritage. The specific powers which the Bill will confer on the Trust relate to the properties which will actually be vested in or administered directly by the Trust but there is no doubt in my mind that the Trust has a wider if less specific function in regard to Gibraltar's heritage generally. The object of Colonel Porral's approach to me was to establish the ways in which this wider function or responsibility could be properly and effectively carried out. In particular, the Steering Committee of the Board of the Trust felt that this could not be done if the Trust did not have a real say before decisions are taken in such matters as general planning and development, the demolition of buildings and the architectural design of new buildings and of buildings undergoing structural alterations particularly in what can be regarded as the old part of the City. I have explained to Colonel Porral that the Government cannot devolve its powers and responsibilities in these matters, when I say the Government ultimately, of course, the statutory authority is the Development and Planning Commission, to an outside body but that we as the Government will ensure that there would be the highest possible degree of consultation with the Trust and that if necessary and in order to assist in the process of consultation, the Government might agree in due course to a member of the Board or the Trust being co-opted to the Development and Planning Commission. I say if necessary because they seem to have mixed views about the matter. The Chairman himself has got mixed views as to whether there is any point in having a member co-opted who would be one member out of, say, eight or nine on the Commission and whether it isn't possible to establish a different method of

consultation that can be more effective. Clause 6(1)(d) of the Bill before the House lays on the Board the duty to assist the Government in the formulation of policy in respect of the matters which are set out in that Clause. In addition, Clause 6(2)(b) requires the Board to advise the Governor, that is, Ministers, because we are dealing with a defined domestic matter, on such matters relating to the objects of the Trust as may be referred to the Board or as the Board may think fit. If full effect is to be given to these provisions it will clearly be necessary to refer to the Board for their views and advice all matters falling within the general aims and objects of the Trust. I have given the appropriate assurances to the Chairman designate in writing to enable him to communicate these to the informal meeting which was held on the 17th March, last week. As the House knows, Mr Speaker, it is the Government's intention to bring a Bill before the House later this year to amend the Town Planning Ordinance in order to provide for a form of participation in planning matters. The Government, naturally, regards the Heritage Trust as being in a very special position in this respect, not only and, obviously, because of its objectives but also because of its membership. The Board of the Trust is to consist of no less than thirty-seven Trustees, seven of them ex-officio. There will be, of course, a Board of Management to deal with the day-to-day matters on behalf of the Board and of the Trust as a whole. The composition of the Board of Trustees has been designed in such a way as to represent a wide cross section of the whole community and furthermore to gather within the Board as much as possible the expertise in relevant matters which is available locally. For these reasons the Government considers that the Trust can play a most useful role and that it must be given the appropriate opportunities to enable it, in fact, to do so. The Government intends to make these opportunities available administratively in the ways that I have described and in advance because of its special and widely representative position of the enactment of legislation, of public participation generally. The question whether some further statutory powers should be conferred on the Board is something that can be considered at some future date, the matter can be kept under review in the light of developments and in the light of experience. But we on this side of the House, Mr Speaker, look forward to a constructive and a fruitful relationship with the Heritage Trust.

HON M A FEETHAM:

Mr Speaker, I think the fact that a number of Members of the House have stood up at this stage to speak on the Bill despite the fact that there will be amendments brought to the House, shows that both sides of the House consider this Bill to be of great importance because it will fill a vacuum in Gibraltar's heritage and in

Gibraltar's future which has been lacking in the past. When I actually looked through the Bill, having accepted that there is the need for the concept of the Gibraltar Heritage Trust, I found that I was getting rather muddled in my own mind where we were going to draw the line between the responsibilities of Government in certain of its functions which have been highlighted by the Minister for Economic Development in some aspects, and the responsibilities of the Trust. It could well be that if we don't handle this Bill properly at this stage and at the Committee Stage so that what we actually achieve at the end of the legislation is something which will be worthwhile, we could find ourselves heading for problems and in conflict at a later stage and I think it is of great importance that whatever we do and whatever we legislate at the end of the day is something which is going to be workable. As I understand it in the UK, for example, the Property Services Agency are responsible for ancient monuments and so on and there are areas where it is seen best that certain aspects of British history is entrusted in the British Heritage Trust. But there are clearly very defined areas of responsibility and clearly the lines are very well drawn. I don't know who has actually, and I am not going to blame the Hon Attorney-General, I am not quite sure from where this Bill has been drafted. One of the things I would like to know is if it has been drafted on the lines of the British Heritage Trust or is it a combination of what the Attorney-General's Chambers or whoever has drafted the Bill, considered would be in line with Government policy and would be best for Gibraltar. If that is the case I think that there is going to be a slight difference of approach at Committee Stage. What I want to say is that the number of points which have been raised, in fact, I did see at the time when I looked at the Bill, I think there have been some very good points raised which show to what extent before we pass this piece of legislation we ought to know and everybody should be clear what are going to be the responsibilities of the Trust, to what extent they are going to have the powers to do whatever they want and to what extent it doesn't conflict with the powers of Government to govern in certain areas, Mr Speaker.

HON MAJOR F J DELLIPIANI:

Mr Speaker, I am glad the Chief Minister has said that the Committee Stage of the Bill will be taken at a later date. I think we must look carefully at this Heritage Trust in order that we strike the right balance - the word has been mentioned already. I am more concerned about people than anything else and to start talking of the Trust in Gibraltar in the same breath as the British Trust in UK with so much land available and so little land in Gibraltar, we must be very careful that we don't create a monster which we cannot control both in the terms of what we can do for the people of

Gibraltar and if it is money-making where is the money going? I want to see the money going back to the people of Gibraltar to build more housing. While I support the fact that we must have some kind of Trust to look after some of our past history in terms of buildings, etc I am more concerned with people. If somebody said to me: "If we knock 400 feet off the Rock of Gibraltar and we solve the housing problem of Gibraltar for the rest of our lives and you have an investment of £10m including inflation", I would knock 400 feet off the Rock of Gibraltar, I am sorry. I am more interested in people. I am glad that we are going to have more time to look into the Bill because although I support the idealism of heritage I am more interested in people and the way they live.

HON H J ZAMMITT:

Mr Speaker, on a point of clarification.

MR SPEAKER:

The Chief Minister has the right to reply and I am sure he will give way to you.

HON CHIEF MINISTER:

I will stand up and I will give way.

HON H J ZAMMITT:

Thank you, Sir. I think I omitted to say one point, Mr Speaker, but in York, in fact, they are concluding an agreement whereby the Trust donates 15% of their profits after all expenses to the York Council.

MR SPEAKER:

Does the Hon and Learned Chief Minister wish to reply?

HON CHIEF MINISTER:

Dealing with the last part of the contribution of the Hon Mr Feetham I would like to say, first of all, that Ministers as such have had very little to do with the drafting of the Bill. It has been left to those entrusted with the setting up of the Trust that have been influential in that and that is why when it came to Council of Ministers we saw for the first time things that we thought had to be amended. The other one is that I think the Bill is a mixture of a number of things, one of it is the Museum Committee and other areas in which a Trust of this nature, I don't think it follows blindly any matters, I think it had to be done to measure and therefore other

than the input that we will put as a result of this debate and the amendments that will be brought, really there has been, apart from the principle of setting up the Trust, there has been very little political input into the matter hence you see how some Ministers have reacted. First of all, I believe that the arrangement which has been agreed to by the Chairman of the Board and my Hon Colleague about consultation and so on and avoiding having statutory powers within the Government which I think ought not to be encouraged, I think is understandable. In fact, there was a letter of understanding, a letter which, in fact, before it was sent was submitted by those who wanted to receive it and seen by the Minister, amended by him and being the consensus of discussion for the record of a letter of the extent to which the Planning Commission will take account and be in touch with the others. But perhaps we have to learn as we go along a little, perhaps a little time later we will see if there are any faults and we can come back and amend. I think the main thing in a matter of this magnitude because it is a major matter for Gibraltar historically, I think, we are doing something very important. I think we can come back again and if we see any faults or any mistakes or anything like that, we can come back and do it because as the Hon Leader of the Opposition has rightly said, hopefully we are starting a bipartisan approach to this matter because whatever we do now will have effect on people who will benefit by it in the future and therefore it is very well talking about long-term but, in fact, this is what is happening, we are deciding a pattern. To some extent I do not agree entirely with my Hon Friend, Major Dellipiani, about saying he is interested in people and he would knock off part of the Rock, I don't know whether I would or not, I would have to consider it, but the point is that it is the environment in which people live that is so important and therefore you are looking after people by preventing certain monstrosities because the quality of life will improve with the pattern of what you are doing.

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

HON CHIEF MINISTER:

Mr Speaker, I beg to give notice that the Committee Stage and Third Reading of the Bill be taken at the Budget Session.

THE SPECIFIED OFFICES (SALARIES AND ALLOWANCES) ORDINANCE, 1987

HON CHIEF MINISTER:

Sir, I have the honour to move that a Bill for an Ordinance to make provision for the salaries and allowances to be paid to the holders of specified offices be read a first time.

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

SECOND READING

HON CHIEF MINISTER:

Sir, I have the honour to move that the Bill be now read a second time. This is a hardy annual which by virtue of the Constitution requires certain officers not to be paid directly under the Estimates but to be paid statutorily to ensure, to some extent, their independence and the lack of political influence. It follows the pattern of the equivalent in the United Kingdom and the fact that in the United Kingdom several agreements have been reached with some top civil servants with which this is analogued which require two stages in an annual review hence in the case of the Governor it provides for two stages as well as in the case of the Attorney-General, Financial Secretary and, indeed, the Principal Auditor in three stages. I commend the Bill to the House.

MR SPEAKER:

Before I put the question to the House does any Hon Member wish to speak on the general principles and merits of the Bill?

HON M A FEETHAM:

Yes, Mr Speaker, as a matter of information, is the Government satisfied with the staff confidential report made out on behalf of the Attorney-General and the Financial Secretary to warrant them an increase this year?

HON CHIEF MINISTER:

We do not see that, they are entirely independent, left entirely to answer for themselves.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Just for the sake of the record, Mr Speaker, I would like to point out that I am not, in fact, getting the increases and my salary will be lower than the amount shown here. I would like that to be recorded in Hansard.

HON J BOSSANO:

The Hon Member needs to go to the Union.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, Margaret Thatcher.

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

HON CHIEF MINISTER:

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

This was agreed to.

THE TRADE MARKS (AMENDMENT) ORDINANCE, 1987

HON A J CANEPA:

Mr Speaker, I have the honour to move that a Bill for an Ordinance to amend the Trade Marks Ordinance to afford registration for service marks be read a first time.

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

SECOND READING

HON A J CANEPA:

Mr Speaker, I have the honour to move that the Bill be now read a second time. Sir, the Trade Marks Ordinance enables the proprietors of Trade Marks registered in the United Kingdom under the provisions of the Trade Marks Act of 1938 to have such Trade Marks registered in Gibraltar. In the United Kingdom the Trade Marks (Amendment) Act of 1984 amended the 1938 Act, this was done with effect from the 1st October last year, to provide for the registration of service marks. In case anybody doesn't know, Mr Speaker, a service mark is a mark used in relation to services for the purpose of indicating that a particular person is connected in the course of business with the provisions of those services. Examples of service marks are, for instance, the 'M' of MacDonalds; the black horse of Lloyd's Bank; the house umbrella of Abbey National and so on. Sir, the Bill before the House proposes that the proprietors of service marks which have been registered in the United Kingdom under the 1984 (Amendment) Act should be able to have such service marks also registered in Gibraltar. Mr Speaker, I have the honour to commend the Bill to the House.

MR SPEAKER:

Before I put the question to the House does any Hon Member wish to speak on the "general principles and merits of the Bill?

There being no reply, Mr Speaker then put the question which was resolved in the affirmative and the Bill was read a second time.

HON A J CANEPA:

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

This was agreed to.

THE TRAFFIC (AMENDMENT) ORDINANCE, 1987

HON M K FEATHERSTONE:

Sir, I have the honour to move that a Bill for an Ordinance to amend the Traffic Ordinance be read a first time.

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

SECOND READING

HON M K FEATHERSTONE:

Sir, I have the honour to move that the Bill be read a second time. The purpose of this Bill is entirely to deal with licences for self-drive cars and the main features of the Bill is that the Traffic Commission shall have the discretion to grant such licences and the criteria which they will take into account are set out there. In particular, I would mention that facilities are available to a licensee for the garaging and maintenance of the motor vehicles at his disposal and his ability to provide assistance in the event of breakdowns. Another criteria is that the number of vehicles in a fleet of self-drive cars shall be a minimum of seven and that there shall be an upper limit also set at the discretion of the Committee. The present number is three and we feel that a bigger fleet is required. The licence will determine at the end of August every year so it will not be an indeterminate licence as it is at the moment. Also the fees for the first grant of a licence are set out and for the transfer of a licence and for the renewal of a licence. One important feature, Sir, is in sub-section (4) which quite simply says 'omitting the word

"seven" and substituting the word "two". What this means, Sir, is that a vehicle must have a maximum age of two years, at the moment it is seven years, it is felt that it should be no more than two years with the intention that to all intents and purposes vehicles used for self-drive should be almost brand new. I commend the Bill to the House, Sir.

MR SPEAKER:

Before I put the question to the House does any Hon Member wish to speak on the general principles and merits of the Bill?

HON J C PEREZ:

Mr Speaker, although the Bill in itself does not seem to be of a controversial nature, there are certain amendments being proposed which I think should be more fully explained by the Hon Member. For example, he is saying the minimum of three cars is no longer satisfactory and putting up the minimum to seven vehicles, I think it is. A minimum is not the ceiling and as I understand it most licence holders have not got the minimum today. But if by any chance there are self-drive operations with three vehicles, I believe that they would be in an awkward position to be able to adjust from now to the 31st August to the requirements here. I am not in a position to know how many licence holders at present only have three vehicles self-drive. If by any chance there are people in this position it could be that on the 31st August when the Bill comes into effect, they might have trouble in (a) acquiring the number of vehicles that the Ordinance is requiring as a minimum, and (b) perhaps renewing all their vehicles to comply with Clause 4 which would require them to have only vehicles which are two years old. In fact, whilst we on this side agree that it is preferable to have cars as new as is possible, I think the change from the requirement of having cars changed every seven years is a bit too radical to change it to two years. Perhaps the Hon Member might consider a different length of service for the car. I accept that since the frontier opened, self-drive vehicles need to be in a better condition and need to be renewed more regularly but my advice on this is that perhaps three years would be a better level than the two years being proposed by the Government. I would be grateful if the Hon Member clarifies what his information is and what, in fact, has led him specifically to change these points.

MR SPEAKER:

Any other contributors?

HON M A FEETHAM:

Mr Speaker, just one small point. One of the things which, in fact, is already contained in the legislation because as my Hon Colleague has said, we are really talking about attempting to improve the standard of the vehicles which are let out to people, for a variety of reasons, and also increasing the numbers of vehicles which would be licensed, in other words, from three to seven. But one of the things which is already in the legislation which you are actually repeating again and which I wish to emphasise myself, that the Commission should bear in mind is that because you are increasing the number of motor vehicles you have to make sure that the garage facilities which they have got are suitable because otherwise what is already happening today, not only have we got a lot of traffic in Gibraltar but we have got a lot of self-drive car operators which have got a business address and cars parked all over the place when they should be in garages and not on the public highway. This is one of the problems that you are going to be faced with and you must insist, when you increase the number of vehicles, that they have got adequate facilities available for them.

HON J L BALDACHINO:

Mr Speaker, I have no quarrel with what the Hon Member is trying to legislate in this Bill but after hearing what my two colleagues have said, I think that Government should consider giving those people who are now in the business of self-hire cars a time lapse where they can change from the present Ordinance to what the Bill is now trying to do in this legislation.

MR SPEAKER:

I will then call on the Mover to reply.

HON M K FEATHERSTONE:

Yes, Sir, to take the Hon Mr Feetham's point first. It is obviously one of the criteria that the facilities for garaging and maintenance will be of very great importance when the Commission are considering licences at the moment. As far as the Hon Mr Perez has mentioned, there are to my knowledge no licencees at the moment who have fewer than seven vehicles so it will not create any hardship for anyone. The idea of reducing the age of the vehicles down to two years, I think, follows the practice in the United Kingdom where it is considered really essential that self-drive cars which are perhaps not looked after by the driver as much as if it were his own car tend to suffer considerably more wear and tear and I do feel that two years is a reasonable figure.

HON J C PEREZ:

Will the Hon Member give way, Mr Speaker? I believe that there might be a couple of operations which have fewer than seven vehicles. If this is the case would the Hon Member be prepared to extend the date of application so that it would allow these operators more time to be able to comply with the requirement of having seven vehicles and, in fact, perhaps also to change the vehicles that they might hold because you must recall that the requirement at present is seven years and there are operations that might need to change all the vehicles they presently have or perhaps to apply a reducing scale so that we might end up in a situation where the vehicles can be changed over a longer period of time.

HON M K FEATHERSTONE:

I accept that. I think that perhaps the 31st August may not be long enough to give these people the opportunity to change their vehicles if they should and I would not object to an amendment at Committee Stage to put back that date to a later date.

HON J C PEREZ:

If the Hon Member will give way. I am only saying this in case these things happen. I myself am not informed that they could arise. Perhaps if we leave the Committee Stage of this Bill for a subsequent meeting of the House so that if there are any people affected they can make representations then we might even be able to enact the Bill on the date being proposed by the Hon Member because if the effective date of the legislation is going to be the 31st August anyway, there is no reason why we should take the Committee Stage and Third Reading at this meeting of the House.

HON M K FEATHERSTONE:

I would like to take the Committee Stage today, if possible, because we have a number of applications which we would like to process and they have been waiting some considerable time. But if you would like to put the date back from the 31st August to, say, the 31st October there will be no objection. I commend the Bill to the House, Sir.

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

HON M K FEATHERSTONE:

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

This was agreed to.

THE SUPPLEMENTARY APPROPRIATION (1986/87) (NO.2) ORDINANCE, 1987

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I have the honour to move that a Bill for an Ordinance to appropriate further sums of money to the service of the year ending with the 31st day of March, 1987, be read a first time.

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

SECOND READING

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I have the honour to move that the Bill be now read a second time. In accordance with convention I do not propose to make a speech but I would like to give notice, Mr Speaker, that there will be an amendment at the Committee Stage to the Bill, in effect the deletion of Part II of the Schedule, Improvement and Development Fund including the amount which is shown there, £33,000 and a consequential amendment, the deletion of the existing Section 3 and subsection (4)(ii), the reason for this being that the money will not be spent and therefore the supplementary will not be required. I commend the Bill to the House, Sir.

MR SPEAKER:

Before I put the question to the House does any Hon Member wish to speak on the general principles and merits of the Bill?

There being no reply, Mr Speaker then put the question which was resolved in the affirmative and the Bill was read a second time.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

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

This was agreed to.

HON CHIEF MINISTER:

I would like to state, Mr Speaker, before the Attorney-General moves that the House resolves itself into Committee, that we do not propose to proceed today with the Income Tax (Amendment) Bill. We are not ready with the explanations that I promised Members and we will only take it when we are in a position to justify it.

COMMITTEE STAGE

HON ATTORNEY-GENERAL:

Sir, I have the honour to move that the House should resolve itself into Committee to consider the following Bills clause by clause: the Specified Offices (Salaries and Allowances) Bill, 1987; the Trade Marks (Amendment) Bill, 1987; the Traffic (Amendment) Bill, 1987, and the Supplementary Appropriation (1986/87) (No. 2) Bill, 1987.

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

THE SPECIFIED OFFICES (SALARIES AND ALLOWANCES) BILL, 1987

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

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

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

THE TRADE MARKS (AMENDMENT) BILL, 1987

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

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

THE TRAFFIC (AMENDMENT) BILL, 1987

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

Clause 2

HON M K FEATHERSTONE:

Sir, I beg to move an amendment in Clause 2, new section 77, subclauses (5) and (6) that the date be altered to the 31st October.

HON J C PEREZ:

We have just had the discussion, Mr Chairman. I welcome the move although I am not too sure that we should rush into this without actually knowing what we are talking about. We don't know how old the cars of the present holders are and we don't know whether they are in a position to be able to change them. In fact, we are going to support the amendment because it is going to give them six months instead of three months as at present but I am not too happy with it.

Mr Speaker put the question in the terms of the above amendment which was resolved in the affirmative and the amendment was accordingly passed.

HON ATTORNEY-GENERAL:

Could I make one further amendment, Mr Chairman, to Clause 2, the new section 77A(2), it shows the 31st August again, I have just noticed it, Mr Chairman, it should be changed to the 31st October.

Mr Speaker put the question in the terms of the above amendment which was resolved in the affirmative and the amendment was accordingly passed.

Clause 2, as amended, was agreed to and stood part of the Bill.

Clauses 3 and 4 were agreed to and stood part of the Bill.

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

THE SUPPLEMENTARY APPROPRIATION (1986/87) (NO. 2) BILL, 1987

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

Schedule

Schedule of Supplementary Estimates Consolidated Fund No.5 of 1986/87

Head 2 - Crown Lands was agreed to.

Head 4 - Education was agreed to.

Head 8 - General Division was agreed to.

Head 16 - Medical and Health Services

HON MISS M I MONTEGRIFFO:

Mr Chairman, I just wanted to say on the Medical side that we are very pleased to see the money for the AIDS equipment.

HON M K FEATHERSTONE:

I would say that the equipment has already arrived.

Head 16 - Medical and Health Services was agreed to.

Head 20 - Prison was agreed to.

Head 21 - Public Works

HON J BOSSANO:

Mr Chairman, on the importation of water, can we just ask has there been any problem with the output of the desalination plant or is it that there, we are just trying to figure out whether, in fact, the desalination plant is functioning?

MR SPEAKER:

You are asking why we are importing water in other words.

HON J BOSSANO:

Presumably, we are importing water because we are selling more water, that is obvious. What I am asking is, is the new desalination plant meeting its targetted output?

HON CHIEF MINISTER:

Pulling.

HON MAJOR F J DELLIPIANI:

Mr Chairman, the desalination plants are working above their load factor. In fact, last week we had to close down one because we couldn't have more water in the reservoirs because we had to do some work on our reservoirs and we just had to close it down. I will leave it at that, Mr Chairman.

Head 21 - Public Works was agreed to.

Head 22 - Telephone Service was agreed to.

Head 23 - Tourism was agreed to.

Head 26 - Pay Settlement

HON J BOSSANO:

Mr Chairman, this is an increase in the sum of £1,300,000 provided at the Budget which covered industrials and non-industrials and I have asked three distinct questions and the indication that I had from the Financial Secretary in answer to questions in this House was that, in fact, the provision for industrials would not be met, that the final cost was going to be left at the budgetted cost. I asked whether that included the £460,000 which is part of the £1.3m. Am I right in thinking that therefore this additional cost is exclusively for non-industrials and that, in fact, the non-industrials may have actually taken up a shortfall of the industrial side as well?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, as far as the first part of the question that is true, Mr Chairman. There have been a number of agreements over the norm of 5%, for example, the firemen got 7% and that represented approximately £18,000 increase; the Police 7½% which represented £38,000; nursing grades, doctors and consultants together got 7% 8% 9%, that sort of rate, and that was £96,000; allowances to Elected Members I see were 8.8% which meant an additional £7,000; nursing allowances another £50,000. Overall this, I think, accounts for most of the £150,000. I don't think it is true to say that it is £150,000 plus a proportion of the £460,000 but a large proportion of the £460,000. I am not quite sure about the mechanics of that, I would

like to look into it. It certainly will be an under provision compared with the estimates but the estimate I gave yesterday was itself an estimate. That is to say, the £11.8m I quoted was an estimate of the amount provided for industrial wages. I can't really answer the second part of the Hon Member's question.

HON J BOSSANO:

We are in Committee Stage. Perhaps the Hon Member can find the information and let me know. The point I am trying to establish is, in the light of information that he has given me previously, if we have got a situation where, for example, there is an element of wages in the Public Works Department which is one of the biggest users of industrial manpower and we have voted in the Budget last year £1.3m of which almost £½m was the 5% estimated for industrial workers then, presumably, if the original money provided for the industrial workers in the Public Works Department was not used up because of unfilled vacancies and absenteeism and what not, which is the explanation we have been given then, clearly, the amount that was needed to increase the wages is not needed because the increase of the wages can be absorbed by the unused element of the old wages. Therefore the fact that that portion of the £1.3m has not been needed would suggest that it is still in the £1.3m. If we are now voting £150,000 does that imply that we have used the whole of the £1.3m which means we must have used it up for somebody else because the reallocation to Heads of Expenditure that takes place means that, in fact, the £1.3m can be used to meet any of the wage reviews for anybody. The implication that I have drawn is that, in fact, to the extent that we have spent less on the pay of the industrials that money has been used to meet the pay of the non-industrials and on top of that we need £150,000.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, that, in fact, Mr Chairman, is how the Hon Leader of the Opposition has reacted to the information in much the same way as I did myself. There are, in fact, other factors, restructuring I think of PTO's, clerical, secretarial and senior grades which I haven't mentioned, I haven't quantified them. The fact is that we are very much at, as I understand it, in formulating this we really react to the demands of individual spending departments who say whether they need the supplementary or not or whether they can reallocate so the situation is a little bit more complicated, I think, than both the Leader of the Opposition and I, our first reaction, think. I will certainly enquire into this because I am curious about the matter myself but I am assured that the money is certainly needed.

Head 26 - Pay Settlement was agreed to.

Schedule of Supplementary Estimates Consolidated Fund No.5 of 1986/87 was agreed to.

Schedule of Supplementary Estimates Improvement and Development Fund No.4 of 1986/87

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move that Part II be deleted in its entirety.

MR SPEAKER:

May I ask as a consequential amendment, do you have to delete in the Schedule the heading 'Part I' too or is that essential for section 4(1)? Do you have to delete the heading 'Part I'?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, take out 'Part I'.

HON J BOSSANO:

We would like to have some explanation what the equipment was that was required that is no longer required?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am not responsible for putting it there, let's be quite clear, I wouldn't like to see any supplementary estimates at all really. It has been taken out because after the supplementary had been authorised it was reported by the Tourist Office that the money could not be spent so I think it is inappropriate to put in a Supplementary Bill before the House something which is not going to take place.

HON J E PILCHER:

Why couldn't it be spent? We don't understand it.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

That is something, again, I cannot answer for.

HON H J ZAMMITT:

It is very simple, Mr Chairman. The money given to Government for the purchase and for the improvement of some of our sites, Members will recall that it was impossible for the tendering to go out in time within this calendar

year so we purchased part of the equipment such as chairs, lighting, fixtures and the like but some have not arrived and will not arrive before the end of the financial year so it will not be required.

HON J BOSSANO:

So, in fact, what we are saying is that it isn't that this thing is not going ahead, it is that it will be going ahead in 1987/88.

HON H J ZAMMITT:

Very much so, yes.

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

Clause 2 was agreed to and stood part of the Bill.

Clause 3

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I move the deletion of Clause 3, Mr Chairman.

Mr Speaker put the question which was resolved in the affirmative and Clause 3 was accordingly deleted.

Clause 4

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I move the deletion of the existing Clause 4, subsection (2), Mr Chairman, and the renumbering of the existing Clause 4 as Clause 3 and to delete the words "Part I of" in the new Clause 3, Mr Chairman.

Mr Speaker put the question which was resolved in the affirmative and Clause 4 (renumbered Clause 3), as amended, was agreed to and stood part of the Bill.

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

THIRD READING

HON ATTORNEY-GENERAL:

Mr Speaker, I have the honour to report that the Specified Offices (Salaries and Allowances) Bill, 1987; the Trade Marks (Amendment) Bill, 1987; the Traffic (Amendment) Bill, 1987, with amendments; and the Supplementary Appropriation (1986/87) (No. 2) Bill, 1987, 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 put the question which was resolved in the affirmative and the Bills were read a third time and passed.

ADJOURNMENT

HON CHIEF MINISTER:

I now move, Mr Speaker, that the House do adjourn to the 27th day of April when we will be considering the Budget and the Committee Stage of the Gibraltar Heritage Trust Ordinance and anything urgent that might arise.

Mr Speaker put the question which was resolved in the affirmative and the House adjourned to Monday the 27th April, 1987, at 10.30 am.

The adjournment of the House to Monday the 27th April, 1987, at 10.30 am was taken at 1.25 pm on Wednesday the 25th March, 1987.