

# GIBRALTAR

## HOUSE OF ASSEMBLY



# HANSARD

**19<sup>TH</sup> MAY, 1999**  
(Vol. I)

(1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> June 1999 - BUDGET)

REPORT OF THE PROCEEDINGS OF THE HOUSE OF ASSEMBLY

The Fourteenth Meeting of the First Session of the Eighth House of Assembly held in the House of Assembly Chamber on Wednesday 19<sup>th</sup> May 1999, at 9.30 am.

PRESENT:

Mr Speaker ..... (In the Chair)  
(The Hon Judge J E Alcantara OBE)

GOVERNMENT:

The Hon P R Caruana QC – Chief Minister  
The Hon P C Montegriffo – Minister for Trade and Industry  
The Hon Dr B A Linares – Minister for Education, Training,  
Culture and Youth  
The Hon Lt-Col E M Britto OBE, ED – Minister for Government  
Services and Sport  
The Hon J J Holliday – Minister for Tourism and Transport  
The Hon H A Corby – Minister for Social Affairs  
The Hon J J Netto – Minister for Employment and Buildings and  
Works  
The Hon K Azopardi – Minister for the Environment and Health  
The Hon R Rhoda – Attorney-General  
The Hon T J Bristow – Financial and Development Secretary

OPPOSITION:

The Hon J J Bossano – Leader of the Opposition  
The Hon J L Baldachino  
The Hon Miss M I Montegriffo  
The Hon A J Isola  
The Hon J J Gabay  
The Hon J C Perez  
The Hon Dr J J Garcia

IN ATTENDANCE:

D J Reyes Esq, ED – Clerk of the House of Assembly

PRAYER

Mr Speaker recited the prayer.

CONFIRMATION OF MINUTES

The Minutes of the Meeting held on the 25<sup>th</sup> February 1999, having been circulated to all hon Members, were taken as read, approved and signed by Mr Speaker.

DOCUMENTS LAID

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

1. The Electors (Registration) Rules (Amendment) Rules 1999.
2. The 1995 and 1996 Reports and Accounts of the Gibraltar Development Corporation.

Ordered to lie.

The Hon the Minister for Tourism and Transport laid on the Table the Air Traffic Survey 1998.

Ordered to lie.

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

1. Statement of Consolidated Fund Reallocations approved by the Financial and Development Secretary (Nos. 6 to 8 of 1998/99).
2. Statement of Improvement and Development Fund Reallocations approved by the Financial and Development Secretary (No. 4 of 1998/99).

Ordered to lie.

#### ANSWERS TO QUESTIONS

The House recessed at 11.45 am.

The House resumed at 11.55 am.

Answers to Questions continued.

The House recessed at 1.00 pm.

The House resumed at 3.05 pm.

Answers to Questions continued.

The House recessed at 5.03 pm.

The House resumed at 5.20 pm.

Answers to Questions continued.

The House recessed at 7.40 pm.

**FRIDAY 21<sup>ST</sup> MAY 1999**

The House resumed at 2.35 pm.

Answers to Questions continued.

The House recessed at 4.50 pm.

The House resumed at 5.10 pm.

Answers to Questions continued.

The House recessed at 7.35 pm.

The House resumed at 7.45 pm.

Answers to Questions continued.

The House recessed at 9.37 pm.

The House resumed at 9.50 pm.

Answers to Questions continued.

#### **COMMITTEE STAGE**

#### **THE INSIDER DEALING (AMENDMENT) BILL, 1999**

HON ATTORNEY-GENERAL:

I have the honour to move that the House should resolve itself into Committee to consider the Insider Dealing (Amendment) Bill 1999, clause by clause.

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

## Clauses 1 and 2 and the Long Title

HON J J BOSSANO:

We raised some questions in the general principles of the Bill. We actually, I believe, voted against the original Insider Dealing Ordinance anyway but in addition, I think, on this occasion we asked for the reasons for these amendments and I think, at the time, the Minister was not here and the Chief Minister said he hoped we would be able to get the answers in the Committee Stage.

HON P C MONTEGRIFFO:

Mr Chairman, the amendments are really very straightforward but perhaps I can give a little background as to how they arise. They arise actually from dealings between the Financial Services Commission and another regulator – I do not think I should divulge the identity of the other European regulator – but dealings with another European regulator that has had the need to assess a company wishing to access business to which this Ordinance is relevant. In other words, there is an issue between the Gibraltar regulator and a foreign regulator within the EA where the issue of the transposition of the Insider Dealing Ordinance was discussed. In liaising with that other EA Authority, Mr Chairman, it emerged that two sections of the Ordinance had not been properly transposed. On further investigation it was discovered that indeed there was an argument that could be raised to the effect that the way we had transposed these provisions of the directive were not complete and indeed we had reference to the way this had been done in the United Kingdom. In the United Kingdom the two changes to the subsections are in fact what is contained in their law and the two changes are very simple; to remind hon Members it is essentially the addition of the words “on grounds of legal privilege” in subsection (7) of section 12. In other words, it limits the ability to deny the granting of information only if it is under the umbrella of legal professional privilege, that is the UK provision and it seems just to have been left out of our Bill when we did this. There was no policy consideration that went into the exclusion of

those words when we considered the transposition here. Secondly, and perhaps more importantly and where hon Members might have had eyebrows raised is the power now granted to the Minister to actually dispense with banking confidentiality where the Minister so thinks that in the interests of an investigation under the Insider Dealing Ordinance that is appropriate. That, Mr Chairman, replicates the powers of the Secretary of State for Trade and Industry in the United Kingdom, it therefore was felt appropriate to have the same power here domestically. Obviously the power is a very significant power that would be exercised only in the context of a situation where there were clear criminal proceedings that were being contemplated and where, as a matter of the exercise of public policy consideration, it was felt appropriate for the normal provisions of banking confidentiality to be dispensed with but most importantly it replicates UK provisions and therefore what we are seeking to do here is to leave beyond doubt that we have properly transposed this directive. We are now doing so in a way that in these two measures actually replicates the UK provisions and we have thought of these as completely unobjectionable and indeed beneficial and it will certainly lay to rest the anxieties expressed by one other EA regulator that actually went through this with a fine tooth comb and found these two areas that they believed were not properly transposed in Gibraltar.

HON A J ISOLA:

Mr Chairman, may I just ask, I am not entirely clear what the Minister was saying was that these are provisions that directly emanate from the transposition or they are being used because they know the UK which may or may not be above the minimum standard required by the directive itself. And, if they do in fact derive directly from the directive itself, are there similar provisions on the Ministerial ability to remove that confidentiality provisions, is that a direct EU requirement?



HON P C MONTEGRIFFO:

The position is not that simple or that clear, Mr Chairman. The changes to the Ordinance to be introduced by the Bill are in response to the view, on advice, that paragraph 2 of Article 8 of the directive and paragraph 2(a) of Article 10, those are the relevant Articles in respect of which these provisions are relevant, are not fully transposed other than with these changes but those sub-articles, as Opposition Members will be able to see when they turn their attention to it, does not actually mention legal professional privilege at all nor does it mention Ministerial powers. If I can read it briefly, it simply says, Article 8(2), "competent authorities must be given all supervisory and investigatory powers that are necessary for the exercise of their functions where appropriate in collaboration with other authorities". The UK interprets that to mean that it means there must be made as wide part as possible which means the only thing one can really limit oneself to not giving is things that fall under the heading of the legal professional privilege. The second case, sub-article 10(2), "the competent authorities may refuse to act on a request for information (a) where communication of information might adversely affect the sovereignty, security or public policy of the state addressed". The view taken in the UK is that that provision is properly discharged by allowing wide powers to be exercised in this context and in the UK by reference to Ministerial powers of intervention which allow even banking confidentiality to be set aside in appropriate circumstances. So the answer in a nutshell is the advice received is that it is directive driven but is directive driven not because it explicitly says, "you shall do (a), (b) and (c)" but because it sets certain objectives which the UK has interpreted in the case of the UK are met by these mechanisms which we have been persuaded it is reasonable for us to replicate in our domestic legislation.

HON A J ISOLA:

Mr Chairman, was any thought given at the possibility of, like in many other areas, having a provision whereby the making of the requirement could be authorised by a court of law in application with the same criteria or guidelines that the Minister would use?

HON P C MONTEGRIFFO:

I think, Mr Chairman, the fact that the UK had powers of Ministerial persuaded us that that was the easiest and most appropriate route which to go down. It would mean that Gibraltar was not taking a view that was different, it was something that was not controversial, it is not something where, for example, there is an element of what we call "regulatory arbitrage" where Gibraltar would have a benefit by doing this differently. These are powers that exist in the UK and Gibraltar should be seen to have as strong powers in persuading other EA authorities of our proper transposition of these directives and we thought it entirely sensible that we should follow the UK thinking on these two provisions.

HON A J ISOLA:

Mr Chairman, bearing in mind the sensitivity of that particular point of banking confidentiality and secrecy, are Government aware of any other Ordinances which may have to be amended in a similar way or is it just limited exclusively to the Insider Dealing Ordinance? There is no other regulator somewhere else knocking on another Ordinance saying, "What about this one?"

HON P C MONTEGRIFFO:

I am not aware of any such issue.

HON J J BOSSANO:

Mr Chairman, I can understand that the main consideration is that if there is business to be gained or lost that is what is, but we were not happy with the original Ordinance anyway. The explanation we were given the last time was that if it was possible to engage in an activity which was taking place in a quoted share in the United Kingdom it would be an offence if the person was doing it in the United Kingdom, the fact that he was doing it from Gibraltar could be interpreted as insufficient transposition in the Member State UK of the obligation of the Member State UK because, of course, we are talking here about Insider Dealing in relation to shares quoted in a stock exchange and we do not have a stock exchange in Gibraltar although the original Ordinance makes the provision for the event that we might have one. But it is dealing with somebody living in Gibraltar on the basis that he is committing an offence because he is engaged in using inside information in the dealing of shares in a stock exchange in the United Kingdom. That is unlike any other transposition of any other directive in that in every other directive we are treated as a parallel Member State not as an integral part of the Member State UK. I think that was breaking new ground and it was breaking new ground in that the Minister was appointing the competent authority for the implementation of the Ordinance and we are now going one step further in that the Minister, simply because it is the Secretary of State in the United Kingdom is the one that can decide that banking secrecy is overruled because it is considered it is necessary. Well, all I can say is that when we have had legislation in the past in this House I would remind the Government of the argument that they sometimes used when they said, "What is important is what we are putting in the law not the common-sense with which the law will be applied because tomorrow there could be a lunatic sitting in the Government benches". That is what they used to say when they were in Opposition, I do not know whether they have come to the conclusion that today there is a lunatic sitting in the Government benches and that therefore it does not matter anymore. That used to be the nature of the argument.

HON CHIEF MINISTER:

Is the hon Member saying that even when in other countries in Europe powers are held by Ministers that notwithstanding his sort of constitutional boldness he does not think that the same powers ought to be exercised by Ministers in the case of Gibraltar? Is that his position?

HON J J BOSSANO:

No, that is not my position nor is my position that the constitutional relationship should not be changed piecemeal without proper check and balances, which used to be his position. *[HON CHIEF MINISTER: That is still my position.]* That is still his position. But I suppose the check and balances is that he checks us and we balance him, is that the idea?

HON CHIEF MINISTER:

No, he checks and balances us. Checks and balances does not mean that Ministers do not do things.

HON J J BOSSANO:

No, it does not mean that. It simply means that they screw things up, that is all it is.

HON CHIEF MINISTER:

Subject to scrutiny. *[HON J J BOSSANO: Subject to scrutiny.]* That is what democracy is, is it not?

HON J J BOSSANO:

Of course, democracy is that one scrutinises and then when one does not get an answer one lumps it. No, if the Chief Minister wants to know how I feel about it, I think that while I can understand the practical desirability of not doing things which hold up potential business and I can see the compelling reason in that

area, anything that generates new business for Gibraltar and jobs is welcome, I really think that we raised issues of principle in legislation which do things for the first time – I know that when I raised that argument in the general principles of the Bill the Chief Minister argued that it was not raising new issues. [HON CHIEF MINISTER: *What is the new principle?*] Well, I think there are two new principles, one in the original Bill was the fact that on this occasion and on no other occasion instead of the legislation being transposed in Gibraltar as every other piece of Community law has been, in deeming Gibraltar to be a separate Member State, we are integrated with the United Kingdom on the basis that it is an offence.....

HON CHIEF MINISTER:

I see, that part. I thought the hon Member was assessing that the new principle was that the powers had been transferred to Ministers which is hardly new since we learned the trick from the Opposition Member.

HON J J BOSSANO:

No, the powers are not being transferred from the Governor to the Minister because it is not a power the Governor has in the first place. What we are being told is that we have legislation originally which says that if one wants to go to a bank and get information about somebody having been involved in using privileged information to sell shares in the London Stock Exchange, one needs the agreement of the banker to do it and now we are being told that if the banker does not agree to do it, the Minister can tell the banker, "You will do it". I suppose it is conceivable that there could be a Minister who if he is stepped on by the Treasury will go and step on the Bank Manager, that is not prohibited by this Ordinance. We are giving power to the Minister but we are giving power to the Minister for presumably, in the case of the Secretary of State the only guy who will step on the Secretary of State is Tony Blair and as we know from bitter experience in Gibraltar the only one that does not step on the Government of Gibraltar in the Foreign Office is probably the charwoman but barring that

everybody else can do it. As far as we are concerned, Mr Chairman, the arguments have not been sufficiently compelling to make us support the Bill.

Question put. The House voted.

For the Ayes:	The Hon K Azopardi
	The Hon Lt-Col E M Britto
	The Hon P R Caruana
	The Hon H Corby
	The Hon J J Holliday
	The Hon Dr B A Linares
	The Hon P C Montegriffo
	The Hon J J Netto
	The Hon R R Rhoda
	The Hon T J Bristow

For the Noes:	The Hon J L Baldachino
	The Hon J J Bossano
	The Hon Dr J J Garcia
	The Hon J J Gabay
	The Hon A J Isola
	The Hon Miss M I Montegriffo
	The Hon J C Perez

Clauses 1 and 2 and the Long Title stood part of the Bill.

The Third Reading to be taken at a subsequent meeting of the House.

ADJOURNMENT

The Hon the Chief Minister moved the adjournment of the House to Tuesday 1<sup>st</sup> June 1999, at 2.30 pm.

Question put. Agreed to.

HON CHIEF MINISTER:

May I just indicate to Opposition Members that we will be taking the Budget debate at that sitting.

The adjournment of the House was taken at 1.40 am on Saturday 22<sup>nd</sup> May 1999.

**TUESDAY 1<sup>ST</sup> JUNE, 1999**

The House resumed at 2.45 pm.

PRESENT:

Mr Speaker ..... (In the Chair)  
(The Hon Judge J E Alcantara OBE)

GOVERNMENT:

The Hon P R Caruana QC – Chief Minister  
The Hon P C Montegriffo – Minister for Trade and Industry  
The Hon Dr B A Linares – Minister for Education, Training,  
Culture and Youth  
The Hon Lt-Col E M Britto OBE, ED – Minister for Government  
Services and Sport  
The Hon J J Holliday – Minister for Tourism and Transport  
The Hon H A Corby – Minister for Social Affairs  
The Hon J J Netto – Minister for Employment and Buildings and  
Works  
The Hon R Rhoda – Attorney-General  
The Hon T J Bristow – Financial and Development Secretary

OPPOSITION:

The Hon J J Bossano – Leader of the Opposition  
The Hon J L Baldachino  
The Hon Miss M I Montegriffo  
The Hon A J Isola  
The Hon J J Gabay  
The Hon J C Perez  
The Hon Dr J J Garcia

ABSENT:

The Hon K Azopardi – Minister for the Environment and Health

IN ATTENDANCE:

D J Reyes Esq, ED – Clerk of the House of Assembly

DOCUMENTS LAID

The Hon the Chief Minister moved under Standing Order 7(3) to suspend Standing Order 7(1) in order to proceed with the laying of various accounts on the Table.

Question put. Agreed to.

The Hon the Chief Minister laid on the Table the following accounts:-

- (1) GRP Investment (Holdings) Ltd – 1995/96.
- (2) GRP Investments Co Ltd – 1995/96.
- (3) Gibraltar Commercial Property Co Ltd- 1995/96.
- (4) Gibraltar Community Projects – 1996 to 1998.
- (5) Gibraltar Land (Holdings) Ltd – 1995/96.

- (6) Gibraltar Joinery & Building Services Ltd – 1996 and 1997.
- (7) Westside One Co-ownership Co Ltd – 1995/96.
- (8) Westside Two Co-ownership Co Ltd – 1995/96.
- (9) Brympton Co-ownership Co Ltd – 1995/96.

Ordered to lie.

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

- (1) The Report and Audited Accounts of the Gibraltar Broadcasting Corporation for the year ended 31<sup>st</sup> March 1996.
- (2) Statements of Consolidated Fund Reallocations approved by the Financial and Development Secretary (Nos. 9 and 10 of 1998/99).

Ordered to lie.

## BILLS

### FIRST AND SECOND READINGS

#### THE APPROPRIATION (1999-2000) ORDINANCE 1999

The Hon the Financial and Development Secretary moved under Standing Order 7(3) to suspend Standing Order 7(1) in order to proceed to the First and Second Readings of a Bill.

Question put. Agreed to.

#### HON FINANCIAL AND DEVELOPMENT SECRETARY:

I have the honour to move that a Bill for an Ordinance to appropriate sums of money to the service of the year ending with the 31<sup>st</sup> day of March 2000, be read a first time.

Question put. Agreed to.

#### SECOND READING

#### HON FINANCIAL AND DEVELOPMENT SECRETARY:

I have the honour to move that the Bill be now read a second time.

Mr Speaker, I will be confining my contribution at the Second Reading to an outline of the context of the Appropriation Bill. I will then give way to the Chief Minister to present the Government's budget.

This year the Appropriation Bill is in four parts. First, the House is being asked to appropriate £100,229,000 for departmental expenditure as set out in Part I of the Schedule to the Bill. A further £20,568,000 of Consolidated Fund charges, not requiring a vote of the House, brings the total Consolidated Fund expenditure for 1999/2000 to £120,797,000. Hon Members will see from the Government's estimates that the Consolidated Fund revenue for the year is projected at £133,169,000.

The second part of the Bill concerns the appropriation of £10.1 million being sought from the Consolidated Fund reserve. This is primarily to finance improvements and developments and expenditure.

Part three of the Bill seeks the appropriation of £24,944,000 to the Improvement and Development Fund. The various categories of capital and economic projects are set out in Part III of the Schedule to the Bill. The sources of finance include the £10 million to be appropriated from the Consolidated Fund Reserve to

which I referred earlier - £10 million of borrowing, with the remainder coming from the sale of Government properties, EU grants and various miscellaneous funds.

Mr Speaker, this year there is an additional fourth part to the Bill concerning the Contingencies Fund. This is the fund established under the Constitution for urgent and unforeseen expenditure. Hon Members may recall that when the public finances were restructured in 1997, the Government closed most of the Special Funds. One of those funds closed was the Government's Insurance Fund which had £1 million balance at that time which was then transferred to the Contingencies Fund with the authority of this House. I explained to hon Members during last year's Estimates debate that the Government were putting in place new comprehensive insurance arrangements. This has now been done and the need to retain a Contingencies Fund of £1.4 million is no longer considered necessary. The House is therefore being asked to reduce the Contingencies Fund by £1 million and return it to its former level of £400,000.

Finally, I have circulated to hon Members some replacement pages to the Estimates.

HON J C PEREZ:

Would the Financial and Development Secretary give way? I am afraid that he faxed me a copy of that on Friday but other Opposition Members have not yet received what was supposed to have left his office last Tuesday. I am sorry, they have come in today.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I certainly have my copy with the amendments here. None of the changes in the represented pages have any impact on the appropriation being sought in the Bill. There are one or two additional editorial type of amendments to which I will draw attention at the Committee Stage and that is to the Book of

Estimates. Mr Speaker, I give way to the Chief Minister and in so doing I commend the Appropriation Bill to the House.

Discussion invited on the general principles and merits of the Bill.

HON CHIEF MINISTER:

Thank you, Mr Speaker. I do not know how copious the Chancellor of the Exchequer's notes are when he delivers his budget speech to the House of Commons and I have no intention of comparing mine with his but still, I think Mr Speaker will understand that in addresses of this nature it is important to be correct as to detail and therefore my reference to my notes may be more copious than they would normally be in non-budget addresses.

Mr Speaker, the two greatest impediments to economic management and planning are the poor range and quality of statistics available to the Government and the lack of a recent model of the Gibraltar economy, that is, a recent Input/Output Study. This not only impedes economic policy transparency in terms of the information that Government can provide to this House, to employers and to trade unions – it also prevents the construction of credible national accounts and conventional economic growth and performance statistics.

There have been two previous input/output studies into the economy of Gibraltar, the first in around 1981 and the second in 1987. These studies looked at the economy in the context of specific and major extraneous events happening at that time; in the case of the earlier 1981 study it was the anticipated closure of the naval dockyard and in the case of the 1987 study it was the impact of the opening of the border with Spain. Since then, the structure of Gibraltar's economy has changed significantly having adjusted to the effects of further, substantial defence cuts, the considerable growth in home ownership and the diversification flowing from the development and expansion in financial services, tourism and port activities, including the post-GSL contraction in shiprepairing activities. The economy has therefore not only

undergone continuous major change but has also been increasingly exposed to market forces such as fluctuations in interest rates (which remain high in real terms) and the relative strength of sterling, notably against the peseta. It is also increasingly exposed to the impact of, what I might call, external institutional pressures or changes which increasingly interfere with the way that our domestic economy works. These include EU measures and legislation dealing with issues as diverse as the environment, health and safety, workers' rights, and tax harmonisation agendas.

In such a situation it is all the more important in order to determine optimum economic policies, to be able to analyse each sector of the economy and the way in which they interact with each other. The Government have therefore commissioned economic consultants to undertake a further input/output study of the Gibraltar economy. The purpose of the proposed study is to provide a detailed model that will simulate the behaviour of the Gibraltar economy in response to a wide range of influences. It will enable Government to analyse, plan and measure the economy, the effectiveness of medium and long-term strategies and policies and to predict the likely income of changing circumstances and conditions.

The Input/Output Study which will take around a year or so to complete, will form an important quantitative basis for that strategy. The study will measure the economic significance and the impact of change in each of Gibraltar's sectors of final demand, that is, the direct and indirect changes in the level of activity relating to sectors such as financial services, tourism, port activities and the Ministry of Defence. The model will, however, be refined to produce a micro-economic assessment of the nature of the different activities within each sector. In the tourism sector, for example, it will be possible to measure the relative income, employment and fiscal benefits within the visitor mix to Gibraltar. Similar analyses will be made for changes in final demand to the different types of activities in the finance sector or the different forms of port activity from bunkering to shiprepair and marina activity.

The consultants have already expressed serious concern about the poor state of economic statistics availability in Gibraltar from the point of view of both Government and private business activities. The consultants, who are the same ones who did the 1981 and 1987 studies, have observed that fewer reliable statistics are available compared to the situations in 1978 and 1988 which they attribute mainly to the rundown of the resources of the Statistics Office since 1988.

As the House knows, I have myself lamented the deficiencies in the statistical database on a number of occasions. Government are determined to correct these at the earliest opportunity. The consultants have been requested to include this in their study. A number of limited steps have already been taken by Government to improve the situation. The computerised processing of trade statistics is being reviewed and reprogrammed. The compilation of Employment Survey statistics has reverted to its original employer questionnaire format. The Tourist Survey is to be revised in terms of its sampling frame and coverage. Fortunately, we have the results of the Family Expenditure Survey published last year which provide reliable estimates of consumer demand and serve, in conjunction with other data, as control totals to check on turnover levels and leakages within the domestic economy. This is an important part of the construction of the Input/Output tables. There remains, however, further detailed work to be done. With the help of the Input/Output team, the Government hope to equip Gibraltar with quality, reliable economic statistics that are so necessary for sound economic analysis and long-term economic management.

Mr Speaker, the essential elements of the Government's economic plan, as set out in our 1996 election manifesto were:- To establish more, better structured and supervised training and apprenticeship opportunities. To establish business start-up schemes and to nurture existing small businesses. To focus on and promote tourism, financial services and the port. To attract new businesses to Gibraltar and obviously to create additional levels of employment.

Although there is still much to be done, we are proud of the progress to date in all of these areas. When we arrived in office in May 1996 there was either no, or very poorly focused, Government infrastructure in respect of the financial services centre, tourism, training and employment. Today we have a structured and well-resourced finance centre division within the Ministry of Trade and Industry led by a Finance Centre Director; we have a structured and managed tourism capability in the form of a Tourism Ministry and a Tourist Board with its own dedicated management and a new Training Unit and training infrastructure within the Ministry of Education and Training led by a Training Officer. Government will continue to concentrate on training initiatives as the essential means of equipping our people to be able to do the jobs that the economy is, and will continue, to generate in the coming years. There has been reform too in the Employment Service in respect of which my Colleague, the Minister for Employment, Jaime Netto, will be announcing important imminent developments during his own contribution to this debate. My ministerial Colleagues with responsibility in these areas will report to the House on the achievements of these new organisations, during their own contributions to this debate. All this has enabled the Government to be more proactive in these areas and to improve the development and implementation of policy and support to the economy. I would like to pay tribute to my Ministerial Colleagues and to the staff of those departments for these achievements in a relatively short period of time.

The private sector of our economy comprises several sectors and although each faces different opportunities and challenges, overall the state of the private sector economy is good as reflected in all the reliable economic indicators available to the Government. For example, Employment levels. In January 1998 the level of Gibraltar unemployment stood at 599. In January 1999 it stood at 402. In March 1999 it stood at 388. This represents a fall in unemployment from January 1998 to March 1999 of 35 per cent. The Opposition Members may be nervous about the statistics but there is a difference between laughing at a value judgement that I might make and laughing at raw statistics

which are produced on a monthly basis. It is most encouraging to see the considerable number of jobs being created in new ventures. The satellite projects are beginning to recruit. The new Victor Chandler offshore gaming operation now employs 244 people. The new Check-out Supermarket currently employs 83 people. Cammell Laird's ship repair operation now employs 171 people.

Another indicator of the state of the private sector is Government revenue. Government revenue from PAYE and Company tax continues to rise, despite the substantial cuts in personal tax that we have introduced during the last three years. Personal income tax revenue has increased from £41.4 million in 1995/96 to a forecast £47 million in 1998/99. Import duties have risen from £20 million to £25 million, although exact comparability is distorted by the effects of the increased duty on petroleum and tobacco and other changes introduced in the import duty review.

Another indicator is international telephone traffic. One useful barometer of economic activity is the volume of international telecommunication traffic. This has grown by 4.5 million minutes or 26 per cent between April 1996 and March 1999.

And so, Mr Speaker, a brief word on each of the sectors which will be covered in more detail by the Ministers responsible for them.

The finance centre appears, by all indicators, to be busy with levels of activity either holding up in some sectors or rising in others. This is reflected in rising employment levels in the industry revealed in a finance centre survey and, for example, in the rising number of companies formed in Gibraltar. Three thousand nine hundred and seventy-two companies were formed in 1998/99. This is the highest number in any year since 1991/92. In the year to March 1996 the figure stood at 2919. The figure for the year ended March 1999 therefore represents a 36 per cent improvement over the year to March 1996. Government direct revenue from that source has doubled from £600,000 to nearly £1.2 million over the same period. The finance centre is now repositioned as a well regulated centre of international repute.



That was one of our key policy objectives in arriving in office. The industry nevertheless faces several challenges in the years ahead, from which I have no doubt that it will emerge in good, albeit modified shape. These challenges include the European Union 4<sup>th</sup> and 7<sup>th</sup> Company Law Directives, the proposed directive for a withholding tax on savings, the European Union Tax Code, the OECD initiative to combat so-called harmful tax measures and the EU Commission's intention to apply state aid rules to tax incentives. My hon Colleague, Peter Montegriffo, the Minister for Trade and Industry and with responsibility for financial services, will give a situation report in relation to these issues during his contribution to this debate. However Government are actively and intensively engaged in these issues, both at a technical and a political level. The Government will take such steps as are necessary to protect, as far as conceivably possible, Gibraltar's interests in these areas. We will continue with our policy of structured and systematic marketing and promotion of the finance centre and also with new product development, both of these in conjunction with the experts in the finance centre.

Work continues to reposition our tax system and finance centre products as necessary to comply with unavoidable international legal obligations and irresistible international trends. The policy will remain to open new opportunities for the finance centre, whilst protecting and preserving to the greatest possible extent, the historical, existing business of our centre.

Tourism continues to respond positively to the range of focused Government policies in this sector and to the intense and tireless energy and work of the Minister for Tourism, Joe Holliday. The hotel refurbishment programme is almost complete and will, as envisaged by the Government, provide a sound basis for further growth in the sector. The statistics are most encouraging, showing year on year rises in persons entering Gibraltar in private motor vehicles, coaches and coach passengers and pedestrians entering Gibraltar; yachts calling; tourist arrivals by air and staying in Gibraltar, and hotel occupancy. Cruise liner calls rose this last year spectacularly.

The Government will continue our programme of street embellishment to enhance not only the living environment of residents, but also the quality of our tourism product and experience. Casemates represents a significant contribution to this process, as well as to local economic and commercial activity. Government envisage doing the same at John Mackintosh Square with the demolition of the elevated Piazza. It remains a policy priority to increase air services to Gibraltar. The new coach and ferry terminals will also represent major enhancements to the tourism infrastructure.

The Port continues to see growth in bunkering, cruise ship calls and ship repairing activities. This year will also see major investment and organisational and management restructure in the Port, with a view to making port management more responsive to commercial considerations whilst, at the same time, maintaining current high standards of maritime control.

Within the general commercial sector, external factors beyond Government's control are creating difficulties within certain business activities. The persistently strong pound is adversely affecting the retail trade (and therefore the wholesale and distributive trades) as Gibraltar prices become less attractive to visiting shoppers and prices in Spain become commensurately more attractive to Gibraltarian shoppers. The recent and continuing difficulties at the border benefits some local businesses but adversely affects others.

The private sector is an important source of local employment which must be nurtured and helped when it needs it. During the last two years the Government introduced Gibraltar's first ever package of measures aimed at helping the private sector. This took the form of rates reduction, Government commercial rents reductions and reductions in various import duties. Recently we introduced the new Employment Ordinance to address illegal labour and thus create a level and fair playing field for all businesses. Special rules will be introduced in this respect to help businesses that rely on casual labour.

I can now announce the following package of additional measures to help businesses, especially small businesses, by reducing overall business costs. Company tax is, in effect, a major business cost. It seems right to the Government that, in order to encourage small companies to maintain jobs, and where possible, increase jobs, that some allowance be made to small companies in respect of the rate of tax that they pay. Accordingly with effect from the tax year 1999/2000, which begins on the 1<sup>st</sup> July 1999, small companies will pay a reduced rate of company tax at 20 per cent instead of the current 35 per cent. A small company is one which makes a profit of less than £35,000 in a year. There will also be a system of marginal relief for companies making a profit between a lower limit of £35,000 and an upper limit of £105,000 on the basis of a marginal relief fraction of 3/40. This tax rate reduction is worth up to £5,250 to a small company earning profits of up to £35,000. It will apply only to companies trading in commercial activities. These will be defined as trading companies who earn less than 20 per cent of their revenue from property or investment income. Most European countries have a small company tax rate and Gibraltar now has one as well.

Mr Speaker, property costs represent one of the biggest burdens on small businesses. The Government have already delivered some help in the form of rent reductions in Government-owned properties and a 20 per cent rates discount. Government will further assist small businesses in sectors currently adversely affected by the strong pound or otherwise in need of help. Accordingly, the rates poundage on commercial properties, which is currently 62p in the £1, will be reduced from 1<sup>st</sup> July 1999, by 5p to 57p, a further reduction of 8 per cent. When added to the existing 20 per cent reduction announced last year to those who pay on time, which will now apply to the new poundage, the overall effective reduction in rates to date amounts to 16.4p out of a total poundage of 62p or 26.45 per cent. Unlike the 20 per cent which (subject to prompt payment) was a reduction for all businesses, this additional reduction is restricted to those sectors affected by the strong pound and others in need of assistance. Poundage reduction will therefore apply at this stage only to premises used for the following activities: (1) Retail in Goods; (2)

Wholesale in Goods; (3) Construction, manufacturing and repair (except premises used in connection with the production, distribution and sale of electricity, water and telecommunication services). (4) Transport and distribution.

The Government wish to facilitate investment in new plant and equipment by small companies. At present capital investment is allowable for tax purposes mainly at the rate of 25 per cent per annum on a reducing balance basis. This discourages investment. Accordingly, with effect from 1<sup>st</sup> July 1999, the cost of capital investments in plant, machinery and commercial vehicles limited to an aggregate value in one year of £30,000 may be offset in full against profit in the year in which the expenditure is incurred. Investment in excess of £30,000 in aggregate will be allowed at the current rate but on a straight line (rather than a reducing balance) basis. This accelerates substantially the period of time over which the cost can be offset against earned profits.

Hon Members will recall that last year the Government halved import duty on motor vehicles provided that they were imported by established local traders and we did this as a means of improving the competitiveness of local traders in face of uncompetitiveness introduced by a rising and strong pound. In the view of the Government and indeed of the judgement of the motor vehicle trade, this has worked well and Government will now extend that principle to the following goods on which duty is, with effect from today, reduced to 6 per cent from 12 per cent but only for trade imports, that is, commercial imports by locally established wholesalers or retailers. The goods affected are furniture and furnishings; domestic appliances, commonly known as white goods; and motorcycles of less than 50cc engine capacity.

Companies contribute to the Insolvency Fund at the rate of £26 per employee per annum. Given that the Insolvency Fund is currently over-funded, contributions will be reduced as from 1<sup>st</sup> July 1999 by 30 per cent to £18.20 per employee per annum. Those companies that have already paid the current year in advance at the old rate will receive a refund as soon as administratively possible. Furthermore in order to reduce the

administrative burden to companies of computing and paying this levy, as of 1<sup>st</sup> January 2000 it will be added to and therefore collected through the social insurance contribution stamp.

Mr Speaker, whilst on the subject of social insurance contributions, whereas between 1989 and 1995 social insurance contributions increased every year by about 10 per cent, but since 1996 have been increased only once, notwithstanding that, I can say now that there will be no increase in Social Insurance Contributions in January 2000. The stamp, however, will be increased to include the amount of reduced Insolvency Fund contribution as I have just announced.

When the EU directive on maternity pay was implemented in Gibraltar in January 1996 by the previous administration, the maternity leave pay entitlement in the statutory minimum amount was made payable by the employer. This represents a heavy burden on business, especially small businesses. In every other European Community country maternity leave payments are made by the Government as part of the social security system, in all countries they are funded by the Government, in some countries, the United Kingdom for example, they are physically paid out by the employer on the basis of a reimbursement by the Government but that is a matter of mechanics. The statutory minimum is paid out of Government social security funds. Accordingly, as of 1<sup>st</sup> July 1999 maternity pay in the current statutory minimum amount will be paid by the Government through the Department of Social Security. Furthermore, social insurance contributions will not be payable during the 14 weeks of maternity leave absence. This represents a saving of £80 per week per employee on maternity leave, which over the 14 week entitlement period amounts to £1120. Government are considering and will shortly make an announcement about the introduction of a qualifying period for entitlement to maternity pay.

I turn now to public finances. Government revenues remain healthy and robust. Revenue for the financial year just ended, 1998/99, are forecast to turn out at £130.6 million. In 1996/97 Government revenue stood at £119 million. The increase in

revenue is due mainly to rising yields from PAYE and Company Tax, and import duty – both of which reflect increased economic activity, and also improvements in arrears collection. Expenditure meanwhile has risen from £106 million in 1996/97 to £114 million forecast outturn for the year ended March 1999. In 1997/98 it was £104 million. Excluding Consolidated Fund Charges of £19.6 million on a forecast outturn basis for last year, departmental expenditure is forecast to turn out at £94.4 million in 1998/99 against £86.3 million in 1997/98. This represents an apparent increase of £8.1 million. That apparent increase of £8.1 million in 1998/99 over 1997/98 is accounted for principally by the payment of moneys from the Consolidated Fund to the Social Assistance Fund amounting to £5.7 million which previously used to come from import duty receipts via the Gibraltar Investment Fund. This is therefore not an increase in expenditure at all. The other two items which account for the £8.1 million is the payment in 1998/99 of two years pay settlement for 1997 and 1998 and also the additional cost of the Millbury contract in respect of the management and staffing of the new Social Services Agency.

The result of buoyant revenue and a tight control on recurrent public expenditure has resulted in a recurrent budget surplus in 1998/99 of £16.63 million, equivalent to 14.5 per cent of total expenditure and 12.7 per cent of total revenue. Expenditure in the Improvement and Development Fund is forecast to have reached £16.84 million last financial year. About £13 million of that was funded out of the Consolidated Fund, or put another way, the recurrent budget which had, as I say, a surplus of £16.63 million.

The £16.84 million spent on capital projects in the Improvement and Development Fund was spent on Government's on-going infrastructure improvement programme principally as follows:- £3.25 million on housing projects; £1.31 million on schools, youth and cultural facilities; £3.1 million on tourism, roads and the port; £6.3 million on general capital works, including beautification works, rockfall safety works, Government computerisation and works on Government buildings and capital works at the Gibraltar Health Authority, and £2.5 million on capital investment related to trade and industry.

Mr Speaker, despite our tax cuts and the current high level of investment in publicly funded capital projects, the Government have been able to increase Consolidated Fund reserves during the year to 31<sup>st</sup> March 1999 by nearly £3 million. Consolidated Fund reserves stood at £40.34 million at the end of the last financial year, compared to £37.4 million at the end of the last but one financial year, that is a year on year increase in the level of reserves of 8 per cent.

When remaining cash balances held in Government-owned companies are taken into account, overall Government reserves have grown from £41.3 million in April 1996 to £48.8 million in April 1999. Public debt, meanwhile has remained static at £61.4 million during the last three years – we inherited a public debt of £65.7 million which we have reduced by £4.3 million as at 31<sup>st</sup> March 1999. All of this puts to the sword the absurd statements that one still hears in certain politically die-hard quarters, that this Government are simply spending the money left in the kitty by the previous administration. The reality is that we have paid for our capital expenditure programme out of budgetary surpluses generated during our term of office. We have increased the size of the kitty, or the reserves; we have reduced public debt and to boot we have so far, without including the measures that I will announce later today, returned £12 million of Government revenue in tax cuts to the people of Gibraltar. We are therefore proud of the combination of prudence and fairness to the taxpayers of our stewardship of public finances.

Turning now to the current financial year, the subject matter of the Appropriation Bill under discussion. On the recurrent expenditure side, the departmental expenditure is estimated to rise by £5.9 million, or 6.2 per cent this year over last year. This is mainly accounted for by the following major items: A provision of £2.5 million for supplementary expenditure, which includes £1 million for pay settlements; A £300,000 rise in the cost of educational scholarships; A £200,000 rise in environmental expenditure; A £300,000 rise in the Government's contribution to the Gibraltar Health Authority; A £300,000 increase in industrial wages; A £1.1

million increase in contribution to the Social Assistance Fund by the Consolidated Fund; A £200,000 provision for roads and sewers maintenance; and a £1 million increase for minor departmental expenditure. Total recurrent expenditure including both Consolidated Fund charges and departmental expenditure, is estimated at just under £120 million, up from £114 million.

Consolidated Fund revenue is being estimated to come in at the end of the current financial year at £133 million, compared to £130 million forecasted outturn in the last financial year now ended. The recurrent budget surplus estimated for the current financial year is therefore £13 million. The falling budget surplus reflects the cost to Government of tax cuts, business assistance measures, and other measures to increase support to the community.

This year's Improvement and Development Fund expenditure on publicly funded capital projects is estimated at £25 million. Last year we were able to spend only £16.8 million. The difference this year is that several major projects are under way at the start of the year and expenditure related to them, which now begins to kick in, in a significant manner, when added to expenditure on projects initiated during the year is likely to mean that we will be able to spend more this year than last year. But, of course, it is entirely possible that we shall not be able to spend the whole of the £25 million projected in the Bill. Any Improvement and Development Fund expenditure during the current year over £15 million may be financed from an increase in public debt of up to £10 million. Such expenditure, that is to say, expenditure in the Improvement and Development Fund in excess of £15 million, can be funded either from the Government's budgetary surplus and reserves; or alternatively from debt. If its done from debt, it is axiomatic that the reserves will be preserved. If it is done from reserves, they will obviously fall, but debt will be maintained at current levels.

The summary of the estimated financial position for the current year 1999/2000 which is set out at page 4 in the Estimates booklet is struck on the basis that any Improvement and

Development Fund expenditure this year in excess of £15 million will be financed from a £9 million increase in public debt. If it happens in this way, public debt may have risen in March 2000 from £61.4 million to £70.5 million. But Government reserves will also have risen from £40.3 million to £43.6 million on the basis of estimated revenue and expenditure. Whether or not and to what extent it materialises, depends on variables such as the size of the revenue surplus generated during the current year and the actual level of Improvement and Development Fund expenditure that we are able to incur during the year, both of which will become clearer as the financial year progresses. As the position becomes clearer, Mr Speaker, Government will decide whether to fund the last bit of Improvement and Development Fund expenditure from debt or reserves. Obviously, if we decide to fund that from Consolidated Fund reserves we shall need to come back to the House with a Supplementary Appropriation Bill.

Improvement and Development Fund Expenditure this year is spread across a broad range of economic and social programmes. These include:- £4.1 million on housing projects, including housing estate refurbishment; £1.3 million in school improvements; £5.9 million of Tourism, Port investment and roads refurbishment; £10 million of general capital works, including rock safety works amounting to £1.9 million and most of that relates to the rockfall in the Camp Bay area, beautification works amounting to £2.3 million and also new sports and leisure facilities; also included in the bid this year is £2.5 million of Trade and Industry projects, including two new industrial parks.

So, Mr Speaker, I move to the area of personal taxation. In recent months we have heard some extraordinary statements from some Opposition Members. The Hon Mr Baldachino has said, "the rich are getting richer, and the poor are getting poorer". The Leader of the Opposition, in his May Day message this year desperately rummaging around for his lost working class champion's spurs said, "The clock is being put back, and it is up to us, the Socialists in Gibraltar, to change the direction in which our society is moving". This would be amusing if the cynicism were not quite so great. Let us examine who put the clock back and who is moving

it forward. Let us examine the direction in which society is now moving, and whether the workers that the Leader of the Opposition has tried to convince are now worse off, are likely to want to change its direction. In this examination I set aside all issues of fairness in the recruitment process or of the enormous improvement in terms and conditions of employment now enjoyed by hundreds of workers in Government linked companies like JBS and Gibraltar Community Projects (ex SOS) and Calpe Cleaners. I limit myself entirely to matters of pay, and specifically to matters of take home pay. The Leader of the Opposition spoke in his May Day address of how quickly achievements of the past could be reversed. The stark reality of the matter is that no Government have done worse for the interests of workers and the low paid than the Opposition Members were when they were in office. The only thing that we have reversed in this area, is the tax increases, systematically, year in year out, imposed by the Leader of the Opposition on already over-taxed and low paid workers. Social Insurance contributions is a regressive tax because it is charged at a fixed flat rate regardless of wage level. This means that, in effect, the lowest paid are most heavily burdened by it. For example, £21 per week for someone earning £200 a week is a much heavier burden than for somebody earning £400 a week. One would expect somebody who writes a May Day message resurrecting ideas about the defence of the interests of the working class and about alleged disparity in income levels to have done something positive in eight years of office about this regressive tax which, above all others, strikes at the interest of the low paid. Alas, instead the GSLP administration raised workers' social insurance contributions by 10 per cent, much more than the prevailing rate of inflation, in each year that they were in office, except the last, obviously for electoral reasons.

This Government on the other hand, the one that the Leader of the Opposition says are taking society in the wrong direction and moving the clock of working class interests back, have introduced only one rise in Social Insurance contributions and, as I said earlier, no rise will take place next year either.

I can also announce that the Government are considering options for the introduction of a new system for the levying of social insurance contributions whereby the level of social insurance contributions are linked to how much a worker earns. This means that the lower paid will pay less than higher earners.

Similarly, for eight years the Opposition Members, when in Government, failed to increase tax allowances or income tax bands to keep up with inflation. This had the practical effect of increasing the tax paid by workers as a share of their wages every year between 1988 and 1996. The effect of these failures were that the net disposable incomes, that is to say, take home pay, of workers fell every year from 1988 to 1996. What is more, the fall was greatest for the lowest paid, precisely because of the Social Insurance contribution increases which hits the lowest paid hardest. Therefore, during the years 1988 to 1996 workers on incomes of £5,000 per annum lost 10 per cent; workers on incomes of £10,000 suffered a reduction in net disposable income of 5.4 per cent; those on £15,000 lost 3.8 per cent; those on £20,000 lost 2.9 per cent, and those on £25,000 lost 2.4 per cent. Therefore, given that the poorest lost most and the richest lost least, the reality is that it was under the GSLP Government that the rich got richer and the poor got poorer. The position is even worse when price inflation of nearly 40 per cent over that period is taken into account. People were substantially worse off every one of the years that the Opposition Members who wrote their May Day message a month ago were in office.

In contrast, under this Government, and as a result of our policy of not having annual increases in social insurance contributions, and as a result of having increased personal tax allowances each year to restore their value to 1988 real values, net take home pay has risen every year in 1996, 1997 and 1998 and will do so again in 1999. Workers can of course feel, see and assess these things for themselves but even a cursory glance at the figures serves to demonstrate that workers are unlikely to feel that their interests require a change of direction. Indeed their pay packets have benefited considerably from the change of direction that occurred in May 1996.

We have, of course, already complied with our main manifesto commitment in the field of taxation. We said that we would increase personal allowances to restore and maintain them at 1988 real values. We said that to do this we would raise a single person's tax allowance from £1450 to £2015. It has been £2050 since last year. We said that we would raise a married couple's allowance from £2800 to £3892. It has been £4000 since last year. We said that we would raise elderly persons married allowance from £450 to £625. It has been £630 since last year. The single elderly persons allowance has also risen from £320 to £440.

We promised to abolish estate duty between spouses. We have abolished it altogether.

In our 1996 election manifesto we said that in the longer term, the next stage of income tax reform, should be a review of tax bands to bring about a reduction in the burden of taxation on the lower paid PAYE employees.

We are delighted to be able to make an early start on that today. Under the present income tax thresholds taxpayers pay 20 per cent on their first £1500 of taxable income and 30 per cent on the next £5500. This means that on the first £7000 of taxable income, tax is payable in the amount of £1950. With effect from the tax year commencing 1<sup>st</sup> July 1999, tax will be payable at 20 per cent on the first £3000 of taxable income and at 30 per cent on the next £4000. This will mean that on the first £7000 of taxable income, tax payable will amount to £1800, a reduction across the board of £150 per annum. In addition to that, the following personal allowances are also increased:-

Personal allowance	by £75 from £2050	to £2125
Wife allowance	by £75 from £1950	to £2025
Old age (Single)	by £25 from £440	to £465
Old age (Married)	by £35 from £630	to £665
Child	by £75 from £650	to £725
1 <sup>st</sup> child studying abroad	by £110 from £700	to £810
2 <sup>nd</sup> child studying abroad	by £50 from £600	to £650

1st handicapped child by £60 from £1100 to £1160  
2<sup>nd</sup> handicapped child by £65 from £950 to £1015  
1<sup>st</sup> handicapped child abroad by £135 from £1200 to £1335  
2<sup>nd</sup> handicapped child abroad by £60 from £1100 to £1160  
Blind person's allowance (which has not been raised since 1987) by £115 from £250 to £365  
Private Nursery fee allowance by £20 from £500 to £520

Family support benefit is a discretionary welfare benefit which is not presently paid consistently to all children in Gibraltar. In addition, the present discretionary system suffers from the unfairness that eligibility is lost where one parent earns in excess of £20,000, subject to small amounts of marginal relief, but not when both parents together earn up to £39,999. This means that families with a joint income of just under £40,000 get it, while others with income from just one wage earner of just over £20,000 do not. To redress this, as from 1<sup>st</sup> August 1999 eligibility will be to children whose combined parental income does not exceed £30,000. In addition, it will be paid at the higher rate of £40 per month, it is presently paid at £30 per month, to children whose parental combined income does not exceed £15,000. From 1<sup>st</sup> August 1999 all children, other than as is the case now the first child, will be eligible, regardless of nationality, provided that either parent has been present and established in Gibraltar for at least 10 years and the child is lawfully present in Gibraltar. In future this benefit will be known as Child Welfare Grant.

The Government acknowledge that the cost to parents of maintaining grant supported children at UK universities is an ever increasing burden on family economies, particularly in the case of fixed income families. Accordingly, the departmental allowance will be increased by £2500 from £6000 to £8500. When one applies this to the formula it represents a decrease in parental contribution of £250 per annum. In the case of families whose joint parental income does not exceed £20,000, the departmental allowance is increased by £4000 from £6000 to £10,000 which will represent a decrease in parental contribution of £400 per annum.

At present, up to £600 of interest income paid on deposits with a building society are exempt from income tax. Following the redefinition of building societies as credit institutions, in common with banks, with effect from 1<sup>st</sup> July 1999 the existing tax exemption will also apply to deposits held at banks in Gibraltar.

I have often said that, in our view, it is not the role of Government to hoard money at the expense of unnecessarily high levels of taxation. The role of Government is to raise monies to provide decent, modern public services, to invest in our future and to make provision for a reasonable and prudent level of reserves.

The Government are satisfied that we have made provision for our public services; we have made provision for investment in our public infrastructure; we have made provision for increased reserves; we have already reduced taxation considerably; we have just announced and in the past had already announced, assistance to small businesses to enable them and to businesses generally to enable them to maintain levels of employment. The Government consider that in those circumstances it is right to return a share of the surplus left after the Government have been able to do all these things, to whence it came which is the pockets of taxpayers, it is and will remain the political philosophy of this Government in matters of income tax that having made a prudent provision for the collective needs of this community, as represented by the Government on the one hand, that the surplus of funds left over should be shared with individuals who are entitled to retain the greatest possible share of their own earnings for the benefit of their personal economies. We believe that this budget and the measures that I have announced today represents a prudent and fair balance between those two equally legitimate competing interests and I therefore have not the slightest hesitation in commending this Bill to the House.



HON J J BOSSANO:

Mr Speaker, the Chief Minister would have no hesitation in commending the Bill to the House irrespective of the contents of the Bill and the people around him would have no hesitation in their adulation irrespective of what he said so I do not think the end remarks or the end response signifies anything.

Let me say that it would be easier for us to make an assessment of what the Government consider to be prudent or what the Government consider to be appropriate in terms of reserves if one could discern any difference in the self-congratulatory tone depending on the results. It is quite obvious if we look at previous statements in this House at budget that if it so happens that the estimated level of surplus is £7 million as it was in the estimate presented in 1998/99, the Government tell the House that that is what is considered to be the prudent level and if it turns out that the outturn is £16 million then the Government tell the House that the £16 million level is a prudent level. So it is not that the Government have a philosophy that says, "If we have a surplus of £7 million that should go into the reserves but if we have a surplus of £10 million, since we think £10 million is too much, we will do something to bring it down to £7 million again". That is not the case and therefore to say, "I have no hesitation in deciding that this year's estimates of £13 million is the prudent level of surplus" because of course a year ago £7 million was the considered prudent level of surplus and the year before that, when the Government were intending to rundown the reserves to £12 million, when we asked from the Opposition what their philosophy was, the answer was that although they had not yet spent the £20 million that there was then in the kitty they had every intention of doing so. So it is simply the case that what is appropriate happens to be what materialises and it is also the case, from the copious notes that the Chief Minister has read, having been told by Mr Speaker that he would not read his speech and he seems to have done more reading this year than every before, I do not know whether it is just to spite your remarks, Mr Speaker, obviously I have no choice but to have copious notes because I am reacting to what has been said so I cannot come prepared

and, in any case, I have never been able to produce prepared texts nor have I ever wanted others to produce them for me. But given the content of the statistical analysis that has been made, it seems to me that the Government pay very little attention to the information that they give in this House in answer to questions because the answers we have received over the year to questions on a whole range of financial statistics, which bore some sectors of the press according to their editorials, nevertheless come in useful once a year which is when we sit here and we hear an explanation of the state of the economy which does not tally with the information that has been provided. We know, of course, that the Government do not do a great deal of reading of the answers to the questions before they come to the House because it is more than once that the answer that is given, even though it is in written form, is not in fact the correct answer to the question that has been drafted and in some cases we have to wait to get the answer at a later stage.

Turning to the technical content, as opposed to the political content, of the speech in support of the estimates, I would like to start off with the contribution made by the Financial and Development Secretary. Let me say, Mr Speaker, that I do not think it is a very acceptable state of affairs to have, when one arrives in the House, replacement pages for estimates which were tabled in the House in April. It is difficult to understand how it was that in April the Treasury thought that they had paid £1.4 million to Moroccans who had left in the last financial year and they discover in June that they had not paid it, that they had paid £700,000 less. If they had discovered it earlier I would have thought it would have been reasonable for that information to have been communicated to the Members of the House who had been looking at these estimates on the premise that the money had been spent which seemed strange given that during the course of the year we had been told that the take-up had not been as high as the Government had wanted it to be. We also have, in addition to that change, which produces a new page in replacement of page 5 where we are told that the outcome for the year was £700,000 less in expenditure from the reserves than the printed book shows, we also have this change to page 4 where



the recurrent expenditure we have been told should show £119,897,000 instead of £120 million. And this is because the £900,000 of debt repayment is being shown as a charge to the reserves rather than coming out of the recurrent expenditure. Mr Speaker, we had a similar – I will wait until the Financial and Development Secretary explains to the Chief Minister what it is I am talking about.

HON CHIEF MINISTER:

No, if the hon Member will give way. I will tell him, it is actually the other way around but I do not see why he has to be offensive about it. The reality, if he wants to know the answer to that, Mr Speaker, is that it is not in order to pass something from above the line to below the line, it is in order to prevent it being accounted for in both places as it presently appears.

HON J J BOSSANO:

I am well aware of that. It is quite obvious that it is being accounted for in both places and in case the Chief Minister has forgotten, it was accounted for in both places last year and the same correction was made last year. True, but we do not expect, Mr Speaker, that in June 1999 we get a replacement page because £1 million has been shown twice and the same thing happened a year ago and the same replacement page was produced a year ago. But it is even worse than that because a year ago when I pointed this out to the Chief Minister as an anomaly, the fact that it is in the two places, he took great objection to the word anomaly and, in fact, in drawing his attention to it I said, "Perhaps if it is not an anomaly then it must be an innovation". He then found that innovation was quite acceptable because he is a very innovative person. Well, the only problem with his innovation of last year is that the innovation has been removed from the forecast outturn. If we go back to what happened, and let me say that when I raised this point a year ago I explained that it was not just a question of appearances, it was also a question that we actually felt quite strongly that as had been the case all the time, until a couple of years ago, the

servicing, the capital repayment of the public debt was a charge on the Consolidated Fund and was not shown as a separate item and if there was a payment in one year, for example, in 1996 the General Sinking Fund received from that year's revenue £20 million but actually reduced the public debt by £30 million. Of the £30 million debt that was repaid in 1995/96, £20 million came from that year's revenue. If we are going to go back and compare how strong or weak or whatever this year's financial outturn is, then we can only do it by using the same methodology in making the comparisons. Let me say that last year, in introducing the change the Government originally in the draft estimates in the House did not show the amount that was coming out of the Consolidated Fund to repay debt as a separate item, it was included in the figure of the total estimated expenditure and therefore the total estimated expenditure, if we look at last year's estimates, was £115 million and that included £1 million of debt repayment. In the same exercise this year we see a repetition of that happening. When we come to the Consolidated Fund charges the direct charge on the Consolidated Fund which does not require the appropriation of the House, originally in 1998/99, included a public debt repayment of £1 million and that was shown in page 26 of last year's estimates. Of course, the £1 million there meant that the total expenditure of that year was £115 million and the draft estimate brought to the House showed that. The Government then said, "We are taking it out of the reserves" and that is where the double counting came in, because it was already included in the £115 million. We have now, this year, a position where the estimates before the House which were circulated earlier, showed £120,797,000 as the estimated expenditure for the year 1999/2000. This was on page 4 and, of course, the £900,000 shown as public debt repayment on page 4 was already included in the £120 million, this is where the double counting came in. But when we go back to the actual body of the estimates, on page 17, we have total recurrent expenditure £120,797,000 and that is not being altered so we have a summary on page 4 which tells us total recurrent expenditure is not going to be as was printed £120 million, it is £119 million but page 17 still says that total recurrent expenditure is £120 million. What did the Government do last year with these figures? I will tell

him because when I told him last year he was unwilling to concede the point or unable to understand it, I am not sure which it was. But he can find the same operation happening in the forecast outturn for 1988/89. If we compare the position in 1988/89 with the estimates for last year brought to this House, then if last year they put £1 million of public debt repayment on page 10 of the estimates, then the figures on page 5 this year should reflect the amount that has actually been paid out of that £1 million in debt repayment and it does not. Yes, because there has been £100,000 paid and that is shown in the Consolidated Fund charges..... [Interruption] Yes, the Consolidated Fund charges are part of the £119 million and the Consolidated Fund charges in the previous year, apart from the £114 million and the £114 million for 1998/99 include the debt repayment. There has not been double counting but what has been done was that last year they removed it from above the line and put it below the line and then in the forecast outturn they put it back where they had it in the first place. The fact that the figure this year at the end of the year happens to be £100,000 instead of £1 million, if I can draw the Chief Minister's attention to the place where this is in the estimates. If he looks at the summary of the expenditure the summary of the expenditure obviously includes the Consolidated Fund charges which are not part of the Appropriation Bill. In that summary of expenditure the original figure was for a total amount of £1 million, this is on page 20 of this year's estimates, and the public debt repayment shows an outturn of £1000. Given the fact that the Government say the public debt repayments must not be included in the figure, the £19,600,000 should in fact, to be consistent with the argument that they have put this year, have been reflected in the outturn has not been included. Presumably if for some reason, because I can only suppose that the maturity of the debentures last year did not take place within the financial year as they had expected, that is the only possible reason that that could be why it has fallen within this year rather than the last. But when the matter was pointed out last year, the argument that was put in answer to that was that it was a perfectly correct way of dealing with it which we agree that there is nothing either correct or incorrect about it, it is equally legitimate to show it in one place as to show it in another, obviously what cannot be

done, as was done by mistake last year and again by mistake this year, is to show the amount twice and it has to be removed from either one end or the other end but as far as we are concerned in the outturn for 1998/99 the amount that was actually paid is included not as coming out of the reserves but as forming part of the forecast outturn of recurrent expenditure. In terms of other changes that we are getting, we are also getting a new page for the Employment and Training Board. Here in the new page for the Employment and Training Board what we have is, first of all, in the circulated estimates of April we have an amount which is shown in the forecast outturn as being reimbursement to the Government from the Employment and Training Board of £760,000, conspicuous by its absence from the contributions that have been made so far although this is a very peculiar entry, one that was not there in last year's estimates, one that is being repeated in this year's estimates, one that is shown in the forecast outturn and one for which no explanation has been provided as if it did not matter.

HON CHIEF MINISTER:

Can I perhaps suggest, if the Leader of the Opposition would give way, that the reason why he has not had explanations on this minutiae is because we are supposed to be debating the principles of the Bill, the details come in Committee Stage.

HON J J BOSSANO:

I suppose £1 million is minutiae for the Chief Minister. I would have thought that the principle at stake here is that the income of the Employment and Training Board last year was increased from £1.2 million to £1.8 million, £600,000, and that was a 50 per cent increase in the training levy. This is not minutiae, this is a matter of principle and the principle was that employers were being asked to pay £3 instead of £2 for training and that the money instead of going for training is going into the Consolidated Fund as reimbursement to the Government. The Chief Minister might think that is a minutiae, I think it raises an important point of principle. In fact, the Minister for Employment at the time

described it as a tax and although we questioned whether it was a tax, it is quite obvious that he must have had a crystal ball and knew where the money was going to finish up because the money has finished up not in his department for his use but in the pockets of the Treasury and therefore it has turned out to be a tax. The point that I am raising, far from being a minutiae, is a point that it is an important point of principle. First of all because it was not something that was put there a year ago or explained, as a change of policy at any time during the year, we have only discovered the decision after the event. In the estimates of last year there was no previous years' expenditure reimbursement to the Consolidated Fund. There was a current year reimbursement and we questioned the logic of having the Government give the ETB £145,000 and the ETB give the Government £250,000. We questioned the logic but, of course, we questioned the logic because we assumed that the Government were going to give £145,000 to the ETB as a contribution towards training. The result was not only did they not give the £145,000 and kept the £250,000, but on top of that they charged the ETB £760,000 for money provided by the Government in previous years of training and they have included in this year's estimates another charge of £836,000 in respect also of previous years' training so not only are the Government not paying anything at all from general revenue for training, that is the whole of the training is being met by the employers' training levy and the contribution from the European Social Fund, the whole of it, not only that, since the whole of it is not being spent on an annually recurrent basis the surpluses are not retained for training in the future or for when they may not get so much money from the EEC, no, they are being reimbursed to the Government. Well, I would have thought that that is an important point of principle which is not something that has happened before in previous budgets and which is being introduced as an innovation by the Government and no mention or explanation has been made nor has attention been drawn to it. In fact, there is also the peculiar amendment in that the original appendix B in the estimates show that the ETB receipts for this year were supposed to be £760,000 from a balance brought forward and it is quite obvious that just like they made a mistake of counting twice the money going to repay the debt, they have

made the mistake of counting twice the money that they were being reimbursed because they did the two things. With the £760,000, with the same money they did two things: (1) they kept it and carried it forward and (2) they gave it away and gave it back to the Financial and Development Secretary. Since they realised that they cannot use the money twice, they have corrected that and the amendment in the page that has been circulated today in fact shows that the £760,000 is no longer being carried forward but the figures are not changed because the EEC is stepping in to rescue the Government and the amount of money they are going to get from the EEC goes up by £700,000. Either, Mr Speaker, these figures are simply altered to square the balances so that the bottom line is unchanged or it is very strange that in terms of estimating the money that they were going to bring in from the European Social Fund the House was told in April that the forecast outturn was £1.1 million from the European Social Fund and that we expect another £1.1 million in the next 12 months and we are told today, "No, we do not expect another £1.1 million, we now expect £1.8 million". That is a very substantial increase in the amount of money that has to come in from the EEC and we would like to have an explanation how it is that today they have come to the conclusion that the European Social Fund will be paying £1.8 million in this current year, which is very welcome that it should be so much more than was expected, but why it is they did not know it at the time that the estimates were provided and they put £1.1 million. I must say it has all the hallmarks of somebody deciding, "Well, since we have got to correct the £760,000 at the top what do we do? Let us add £600,000 to the training levy and make that estimate £2 million instead of £1,940,000 and let us add £700,000 to the £1.1 million and make that £1.8 million and then the total at the bottom stays the same". That is what it looks like but if it is not what has happened then we would like to have an explanation at some stage when other Ministers contribute or maybe when the Financial and Development Secretary, if he wants to say something at the end of the general principles or at the Committee Stage. The estimates, in fact, explain this reimbursement procedure as being the recovery of expenditure of £3.1 million in 1996/97; £1.1 million in 1997/98; and £1 million in 1995/96. Obviously, when the money was paid into the ETB in

those years from the Consolidated Fund it was paid on the basis that from the overall revenue of the Government money was being given to provide support for training schemes or vocational cadets or whatever. I do not think it was the intention then that this should in future be recouped and therefore it is a new philosophy that the money that has been spent in the past three years by the ETB should now be recovered by the Treasury from the ETB's income from the EEC or from the training levy of employers. It certainly seems strange that the Government should have thought it necessary to increase that £1, which we support on the basis that it is for training but we do not support on the basis that it is for anything else but if it is money that is going to go into more training, fine. But it is quite obvious that it is not going to go for more training; it was obvious then that it was not going for more training because they were not increasing the amount of training funds by 50 per cent but it does not make sense, in any case, Mr Speaker, in the context of the things that have been said today. If we are talking today about the need to reduce what the employers pay, if we are talking about need to have a lower rate of tax on small businesses, then on the one hand we have a Government that say, "We are going to help the private sector and instead of paying £26 to the Insolvency Fund they are going to pay £18 but instead of paying £104 as a training levy, when it was £2 a week, they will pay £52 more". So they remove the Insolvency Fund contribution, they take off that £8 and they add £52 to the training levy when they are not going to use it for training. They are going to use it to charge present employers for money that has been used for supporting training schemes going back to 1995/96. There seems to me to be a contradiction in terms of policy in doing one thing in one hand and another with the other. Admittedly they were not both done at the same point in time and maybe at the time that they did it they were not so confident of the revenue flows that they would have as they are today but when we look at those revenue flows, when we look at the results that we have in the outturn for this year and in the projections for the next. The Chief Minister has said in his contribution that the evidence that they have is that the private sector is doing well and he has talked about the reflection of this in the high level of revenue that the Government are collecting. Of

course, he did not believe at one stage in his career that the revenue that the Government collected was any indication whatsoever of the state of the private sector, he always used to argue that in order to know what the state of the private sector was one had to be out there working and that if the fact that the Government were collecting higher levels of revenue was no indication of anything. It is not a view that he holds with the same degree of conviction apparently today as he used to in the past but be that as it may, let me say that in any case the figures that we have before us do not support his thesis. We do not have evidence here or indeed in the answers that he has given to questions that I have put over the years when I have been monitoring, as he knows, the progress of collections related not just to the year in which the revenue is collected but the year in respect of which it is collected which is perhaps even more important. Because of course, if we make a projection of the state of the private sector or if we make a projection of the reliability and solidity of Government revenues then we need to know to what extent the present earnings are yielding revenue and to what extent the revenue reflects a higher level of collection of past taxes. That I think is a very important distinction.

In the figure that was brought to the House a year ago we have a sum anticipated of £122 million in collections and the outturn is now predicted to have been £130 million. The difference of £8.5 million in terms of trying to identify, there are small items going one way or the other which can cancel out but in terms of trying to identify big sums of money which make up that £8.5 million, what we have is £5 million – the biggest item of the £8.5 million – being the import duty which is £25 million instead of £20 million and which is projected to remain at £25 million. It is, in fact, incorrect and the Chief Minister knows that it is incorrect, to say that the £25 million, that is to say, the fact that there are £5 million more is a reflection of the level of trade that is taking place in Gibraltar because it is not the case. In 1997 and 1998 when we were looking at import figures the Chief Minister said in his contribution that the figure had come down from £24 million in 1996 to £20 million because of the drop in the sales of cigarettes. In fact, it had come down from £22.7 million to £20 million. But, in fact,

what we have today is that the increase is not simply an increase because of the increase in duty which happened way back in 1997, but an increase in volume and the whole of the £5 million; that is to say, in the estimate of £20 million to £25 million, the whole of the £5 million is due to that. Therefore other goods, which account and have always accounted for a relatively small share of the total. There are three items that make up the picture and have always made up the picture but those other goods are at best static. So that is not an indication that the revenue is higher by £5 million because there are £5 million more in import duty because of the turnover of the private sector being better, it is not the case. It is, of course, the case that the Government have £5 million more than they expected and let me say that last year when I pointed out to the Chief Minister that he was conveniently ignoring in all this the fact that they had stopped providing any funds for Community Care, his reply was that given the fact that there was less money coming now in from cigarette sales it was regrettably a price that had to be paid that Community Care would not have more money provided because it was not coming in. Well, now it is coming in so there is no reason why it should not be giving it except that they do not think that there is any need for it. So, in fact, whether it comes in or it does not come in is a totally irrelevant consideration and that particular argument which he put a year ago in reply to my pointing this out to him, that the entire surplus would disappear if he had repeated the £15 million or anything near the £15 million grant to Community Care, his argument was that because they were funded, predominantly if not entirely, from the duty on cigarettes and this was no longer coming in in the same volumes, if he wants I can point the page where he said it, Mr Speaker. Well, this is no longer the case because, in fact, the entire improvement in import duty is due to that reason. If we look at the other elements there is a £2 million increase in the amount collected in income tax. The estimate of £47 million, of course, includes non-PAYE as well as PAYE but when we look at the amounts that have been collected in respect of PAYE what is obvious from the answers that have been provided in questions in the House, is that the tax payable by employees in the private sector is a diminishing proportion of the total every year. That can

only mean one or two things and it probably is a combination of both which is that earnings in the private sector are not keeping up with earnings in the Government sector and numbers in the private sector are not keeping up with numbers in the Government sector. If it is a combination of one of the two I think the most probable answer is that it is part of one and part of the other but, of course, it is another indicator that the Chief Minister is wrong when he says the estimates reflect the soundness or the health of the private sector because it is as healthy or as unhealthy as it was in 1996 when, according to him from the Opposition, it was in a state of disaster and all this improvement that is supposed to have been brought about by all this new Government organisations, well they may produce an improvement in the health of the private sector whether it is healthy or unhealthy but if it is anything it is marginally lower than it was in 1996, it is not even marginally higher. If there are improvements they have not yet arrived. We have got serious doubts that the money that is being put in this, just like I must say that the input/output study which I will have more to say at a later stage, Mr Speaker, past experience of the input/output study do not show that they have proved to be particularly suited to the structure of the economy of Gibraltar in terms of their predictive value. I think we only need to remember what the input/output study produced by PEIDA predicted and what materialised in terms of variables or when the MOD study was done using the same input/output model, how out of touch with reality the predictions turned out to be. So it seems to me that if we are going to be spending more money on more consultants, I would have thought the Government would do well to take a close hard look at what the consultants produced the last time round if they are going to use the same people with the same methods. I think, in fact, the last time they were not contracted by Gibraltar, I think they were contracted by the UK as part of the UK aid in the period of the MOD cuts.

Continuing, Mr Speaker, therefore with the components of the difference we have the element of the ETB which I have mentioned. That is to say, if we look at the original estimated revenue, the original estimated revenue was that there would be

no reimbursement of money from the ETB to the Government. If we compare the £130 million this year with the £122 million of last year, £750,000 of that difference is the fact that the money has been passed from the ETB back into the Government and it was not intended a year ago that this should happen. So that is not, in fact, an indication of improved revenue of anything, it just means that they have spent less money in the ETB than they planned to do and that instead of being allowed to retain that money they have been asked to give it back even though the money was not coming from the Government themselves in this year. There is £0.5 million of company tax and at first sight one might conclude, well perhaps after all here we have at last an indicator that there must be some improvement taking place in the profitability of the private sector because in company tax they budgeted to collect £10.5 million and they have now forecast that they have actually collected £11 million, £0.5 million more. However, Mr Speaker, if we take a look at the footnote in the estimates on page 10, one will see that it says, in respect of the money shown for the telecommunication dividends, "From 1998/99, corporation tax in respect of the dividends not refunded to subhead 6(18)" which means that, in fact, the corporation tax payable by Gibtel was not presumably included in the original estimate and is reflected in the outturn because this was not a note that I recall being there in the estimates that were prepared for the House a year ago when the original estimate was put. Perhaps the Chief Minister can look at that point and tell me whether I have interpreted the footnote correctly. The 1997/98 figure was £10.75 million so if we have a position, Mr Speaker, where in 1997/98 the tax was credited to Head 6, subhead 18, which is dividends, what we have is that in 1997/98 there is a figure for dividends of £1,026,462 from Gibtel but in that £1 million is included the company tax on the Government's share of the dividend because the Government received their dividend gross of tax. In 1998/99 the dividend goes down to £800,000 and as I understand it the footnote is to explain that it is not that it is going down because Gibtel is paying less benefit to the Government, it is going down because instead of being shown there it is now being shown as part of the corporation tax which is in Head 1, subhead 2; and therefore when we compare the £11 million outturn with the previous year

of £10.75 million the whole of the difference between the £10.75 million and the £11 million is the shift of the £200,000-odd from Head 6, subhead 18 to Head 1, subhead 2. So I am afraid that the improvement in the corporation tax is not an indication that there has been an upturn in the profitabilities of companies in 1998/99. However, the Government are, in fact, expecting £0.5 million more in the next 12 months and last year I asked but did not get, that we should have an indication, because this is going back to the question of the central arrears unit of which we have heard nothing on this occasion but which featured prominently last year and equally prominently the year before that, and I asked at the time, because it made sense if we are looking at recurrent revenue and recurrent expenditure just like the Government may argue that things that are one-off should not be shown as recurrent expenditure then up to a point one-off collections of backlogs are worth identifying on the premise that they will not be repeated every year. The same argument applies on both sides, on the expenditure and on the income. Well, I do not know whether the £0.5 million that they are planning to collect in company tax in the next 12 months, I can only assume that they do not expect to collect £0.5 million more as a result of reducing the tax for small companies; if anything we ought to be expecting to collect less, not more, but having announced that small companies are going to be paying 20 per cent instead of 35 per cent which, as the Government have said quite correctly is something that exists in most European countries, the small company tax for people with either a low turnover or a small number of employees or perhaps a lower level of profits, I am not sure that the profits is such a significant amount in terms of defining a small company but anyway, the point is that one assumes, since nobody is suggesting that the estimates be changed, that the £11.5 million already assumes that whatever revenue will be lost because it goes down from 30 per cent to 20 per cent, assuming any small companies are making profits of which they can neither pay 20 per cent or 30 per cent, that has already been taken into account, that the £11.5 million is post that change because nobody is suggesting that the figure should be changed. But, of course, if the £11.5 million that is there is the expectation in terms of collections then I have to say the answer

to recent questions on the assessments shows that there has been for 1996/97 and 1997/98 some small decline in the level of assessments from 1995/96 when it was, I think, at £10.5 million. Therefore I can only assume, from the answers that I have had to the questions and the figure that there is in the estimates, that the extra £0.5 million over the next 12 months is not a reflection that in 1998/99 company profits have gone up and that is supposed to be producing a greater yield but that there is going to be a more effective collection of arrears of company tax than was the case in the last 12 months.

The collection, of course, of arrears was one that last year, Mr Speaker, we had difficulty in analysing in relation to one particular item which was the question of the electricity arrears which was raised on several occasions during the budget and then on several occasions during the rest of the year and even in the last meeting of the House when, in fact, the answer that was given to the question of arrears was not arrears at all but collections inclusive of arrears even though the question that been tabled was quite specific in asking for a breakdown of the arrears. And this is because at the time last year when the figure was shown at £8.8 million, which was an increase of £1 million than the preceding year, we asked is it that the sales of electricity are increasing or that the collection of arrears is increasing and we were told it was the latter. In August when we put a question on this there were indications that, in fact, it was not happening. My hon Colleague will be dealing with that and I hope the Minister will be explaining that position when he comes to make his contribution but irrespective of that, I have to say that as a result of putting together the information that has been provided in different answers what is clear is, of course, that what they were hoping to achieve was not in fact a reduction of the arrears but to stop the escalation of arrears and I think that was not immediately obvious either from looking at the figures or from the replies that we got. That is to say, arrears of electricity had gone up by £1 million in the previous year, £1 million in one year and what the Government were saying a year ago when they said, "We are going to collect £8.8 million" was not that they were going to reduce the arrears from the figure of £5 million as we thought we

had been told, what they were really telling the House was, "We hope to stop it going up to £6 million" because in fact when we started asking questions about billings what we have discovered was that the billings were running a year ago at the £8.8 million and that what had happened in the preceding year was that the actual arrears had gone up from £3 million in 1996 to £4 million in 1997 to £5 million in 1998 and that they are still at £5 million now and that, in fact, what the Government were planning and what they appear to have achieved is that they stopped it going up from £5 million to £6 million. I am surprised that that explanation which is the explanation we have concluded after doing an enormous exercise was not provided, since it seems to be a straightforward explanation that could have been given a year ago when we raised the question. Why is it that the Government are planning to go up in collecting from £7.8 million to £8.8 million? Perhaps they did not want to say to the House, "Because when we have collected £7.8 million we have actually sold £8.8 million and the arrears have gone up by £1 million and what we are hoping is that that, which has happened for two years, will not happen again this year". Perhaps the answer when we were not given that clear-cut and simple explanation is that it was in the context of so much song and dance being made of the effectiveness of the Central Arrears Unit precisely over those 24 months. It was in those 12 months when we were being told about the effectiveness of the Central Arrears Unit that those arrears went up. In that context as well, Mr Speaker, we were told that there was this contract with LPS for the collection of those arrears which was not producing results, apparently because they were not getting the information that they required or the co-operation that they required from Lyonnaise des Eaux to enable them to collect those arrears and that one of the reasons why the arrears were mounting was because Lyonnaise was being more aggressive in collecting their share of the bills, the water element, than they were in the electricity element. But, of course, we were told then that there was no money in the estimates to pay LPS precisely because that situation was not satisfactory and was being ended. We have now seen that money was paid to LPS in the last 12 months and that money is going to be paid to LPS in the next 12 months and



presumably that means that whatever problem there was has now been cured.

There is, in addition, Mr Speaker, in this part - I have not got past the beginning of the estimates, I am still on the first page - there is also this reference to the £1 million and the Contingency Fund. The Financial and Development Secretary reminded us that at the time that the Government Insurance Fund was dissolved the reserves in that Social Insurance Fund were paid into the Contingencies Fund and that was shown in the estimates at the time. He tells us that there is now in place insurance cover and that consequently the money is no longer required. Well, I am afraid that that explanation might have sufficed if the Government Insurance Fund had not been dissolved. If the Financial and Development Secretary had kept the Government Insurance Fund with the £1 million in it and then said, "I am now taking out private cover and paying premiums and consequently I do not need the Insurance Fund, I will now dissolve it". Then that explanation might have fitted what was happening, but this is not what happened. What has happened is that the Government decided to dissolve the Insurance Fund some considerable time ago and presumably at the time that they dissolved it negotiated or obtained quotes for insurance cover and instead of deciding to put the balance of the Insurance Fund in the Consolidated Fund, they chose to put it in the Contingencies Fund. The Contingencies Fund, as the Financial and Development Secretary says quite correctly, is in fact covered by the Constitution but the Constitution says one cannot take the money out of the Contingencies Fund. What the Constitution says, Mr Speaker, is that the money in the Contingencies Fund is there for one specific purpose, it is not there to meet insurance cover or anything else; it is there to meet the expenditure for which there is no provision in the estimates and which is a matter which cannot wait and cannot be left until provision can be made and what is provided in the Constitution is that once the money is taken out of the Contingencies Fund, which it is done by the authority of the Financial and Development Secretary, it is an advance from the Contingencies Fund to meet that specific expenditure and that advance is refundable by means of a supplementary estimate laid

before the Assembly and an Appropriation Bill introduced as soon as possible for the purpose of replacing the amount so advanced. Well, I do not see how the Financial and Development Secretary can now ask us to remove from the Contingencies Fund £1 million and transfer it to the Consolidated Fund because I do not think we have got the power to do it. In fact we have no power to do anything at all with the Contingencies Fund in this House, the only thing that we have got is an obligation under the Constitution to restore to the Contingencies Fund any money the Financial and Development Secretary takes out to meet, in the words of the Constitution, "urgent and unforeseen need for expenditure for which no other provision exists". So the Fund is there so that the Financial and Development Secretary faced with an urgent and unforeseen need for expenditure for which he can find no Head or subhead or virement that he can make use of, goes to the Contingencies Fund, takes the money out and then comes back to this House. I do not think anybody in the House or in the Government, to my knowledge, has ever produced any scientific formula as to what should be the level of the Contingencies Fund in relation to overall Government expenditure. It seems to me that the money that was established there at one stage at £200,000 - I think in our time in Government we put it up to £400,000 or £200,000 to £300,000 - but it was not based on any parameter of relativity between the size of the Contingencies Fund and the size of expenditure simply on the premise that if in an inflationary world if there was going to be an unexpected unforeseen need for expenditure then with the passage of time the need for resource to deal with the unforeseen would need to grow with time. I believe that the way the money is now being removed from the Contingencies Fund is not consistent with the provisions in the Constitution. We have got the power to vote money out and although in fact in the estimates it is presented on the basis of the money being repaid as if it was a loan, it certainly was not put to the House that we were lending money to the Contingencies Fund at the time that we put it in nor has the Financial and Development Secretary, in the words that he used in his introduction to the Appropriation Bill today, indicated that it is a loan which is being repaid because if it is a loan that is being repaid then I do not see what the House has got to support or



approve to or agree to or anything. If it is a loan being made and the loan is being repaid then why should it feature in the Appropriation Bill?

HON CHIEF MINISTER:

Will the hon Member give way at a convenient moment? Mr Speaker, just for the benefit of the hon Members at this stage, obviously I will come back to it in more detail during my reply which may not be until the end of this week. Suffice it to say that all these assertions that he makes are not shared by the Government who have opinions to the contrary. So I just do not want him to think that the issues to which he is addressing and announcing categorical expositions have not been thought of or addressed by the Government, they have been addressed and thought of in great detail. The legal advice that we have differs from the conclusion to which obviously he has made for himself, I do not know whether with the benefit of advice or just on his own reading of the provisions.

MR SPEAKER:

We will adjourn now for 10 minutes.

The House recessed at 5.00 pm.

The House resumed at 5.18 pm.

HON J J BOSSANO:

Mr Speaker, I was drawing the attention of the House to the decision of the Government to remove the £1 million which had previously been contributed to the Contingencies Fund. I note the comment by the Chief Minister that they have looked into this and taken legal advice. Well, irrespective of that, we are going on the basis, first of all, that of course this has never happened before and therefore there is no question of their being able to point to

any previous occasion when a similar transaction took place. And on the letter of the law, I do not think there can be any question of what the law says. The Public Finance (Control and Audit) Ordinance says, "The Contingencies Fund shall consist of monies from time to time appropriated thereto and all monies so appropriated shall be paid from the Consolidated Fund into the Contingencies Fund". That is, as far as we are concerned, what we did originally; we appropriated the money from the Consolidated Fund into the Contingencies Fund which is something that has happened before. There is nothing in the law about money being removed from the Contingencies Fund and being put back into the Consolidated Fund. What the next subparagraphs of Section 44 of the Public Finance (Control and Audit) Ordinance says is, "The Financial and Development Secretary shall apply the money in the Contingencies Fund in accordance with the provision of Section 67 of the Constitution". The law does not provide for anything to be done with it other than what the Constitution says and what the Constitution says is that the Financial and Development Secretary, if he is satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, has got the power to make advances from the Fund to meet that need and that any advance made from the Contingencies Fund is followed by a supplementary estimate, which is, as I quoted before, laid before the Assembly and an Appropriation Bill. Nobody is saying here today, "We are taking out £1 million because of some unforeseen emergency" it is simply that it is more convenient to have it in the Consolidated Fund than in the Contingencies Fund but, Mr Speaker, when the estimates for the previous year were brought to the House when the money was put in, it was put in on the basis that it was a contribution and a contribution is money that is appropriated and not money that is lent, as far as we understood it at the time; the intention was not to make a loan. If what we are doing is simply saying, "Well, because the Government now want to take it we shall deem the money to have been lent instead of appropriated" well maybe that is the same methodology that is being used to assume that the money from the EEC to the ETB is going to be £1.8 million simply because they have got to remove £700,000 that they had put in as a double entry or that the money

from the levy is going to be £2 million because they have got the £40,000-odd element to take care of. But, frankly, we I think have got an obligation to draw attention to this and to question it because of course that is why the matter is being brought to the House, so that we look at it and do our homework on it and then express our views and that is what we are doing.

Mr Speaker, moving on from that particular element, in looking at the revenue I pointed out that there was this unusual unprecedented strategy of charging the ETB for previous expenditure funded by contributions from the Consolidated Fund which are now being clawed back. I think another element in the forecast outturn and the estimates in terms of Government revenue which require some explanation which has got, it is not a parallel but has got perhaps a resemblance to this transaction, is the fact that the amount that is being charged to the Social Insurance Funds by the Government for managing those Funds has shown an astronomical increase over the last 24 months. If we take, on page 13, the management charges from the Government to the Social Insurance (Closed Long-Term Benefits) Fund, we can see that the operation of that fund by civil servants produced a charge to the fund of £303,000 in 1997/98; £374,000 in 1998/99 and £415,000 in the forthcoming year. This is an increase of 37 per cent over two years and it seems higher in terms of administration costs over that period than is compatible with the movement of wages in the period under consideration. It has always been the case that the cost of managing the fund, the cost of making payments to senior citizens is carried out by the Government but not paid for out of general revenue but paid for out of the income of the Social Insurance Fund, that has always been the case. But in the absence of any other explanation we can see nothing here that explains why the costs - this one, in fact, shows a higher cost than any of the other ones but even the others are all showing increases which are not of the same order but showing increase which should perhaps reflect more the effect of the increases in salaries in the civil service and that is what we would expect and that is what has always been the norm. Here we have got a situation where from the management of the Social Insurance Fund, in fact, the four funds will have

provided the Government in the year that we have just finished with £623,000 as compared with £498,000 in 1997/98, an improved Government revenue of £150,000 but only because it is coming out of the income of the Social Insurance and the Pension Funds.

In a number of other cases the changes in the revenue, Mr Speaker, as I mentioned earlier, in some cases are up or down but the net effect is that they tend to cancel out. I would, however, question how it is that we have, for example, in the case of the Shipping Registry a figure in the estimates of £156,000 and an outturn of £53,000. The £156,000 was a major improvement in 1998/99 over 1997/98. The House will recall that the Government decided to terminate the contract for the Shipping Registry to lose the Category 1 status that Gibraltar had and then to have it reinstated as a result of it being done as a Government rather than a contracted out facility. If they were expecting that to result in revenue of £156,000 and they have only achieved £53,000 and they are only budgeting for £53,000, that is not an indication that they got the money later in the year or that they got less and they are expecting it to catch up. What we are being told in these figures is essentially that shipping registration is now expected to bring in one-third of what the expectations were a year ago and I think that requires an explanation.

Mr Speaker, I notice that the port departure and arrival tax outturn is £140,000 and £140,000 is the projection for the next year which is, again, an indication that there is no increase in revenue from this source and it may well be that the explanation is this concession for repeated visits but if that is the explanation then we would like to have confirmation of it. Because in the absence of any other explanation a figure like that would indicate a static volume.

The management of the Savings Bank, Mr Speaker, is one of the elements that has contributed to the higher estimate of revenue shown for the forthcoming year. Let me say that in the appendix at the back which shows the projected income and expenditure of the bank it is quite obvious that it is the result of recently

announced changes in interest rates that are creating the differential between income and expenditure which is going to enable the Government to make a profit of £2.5 million on the Savings Bank. I would have thought that the Savings Bank is being put in a position of not being competitive in the market if it is going to have a situation where the rates that are being offered are being substantially lowered at the same time as the commercial banks are being given the same £600 concession as the building societies. I do not know whether it is the view of the Government that they do not particularly want to encourage the Savings Bank to be the medium into which people put their savings but certainly we feel very strongly, and it was one of the reasons why it was done in the first place, but we knew that there was a certain volume of money that was being kept in the United Kingdom and in other places but mainly in the United Kingdom in Government debentures and UK Government Savings and this is why we thought it was necessary to provide tax advantages and attractive interest rates to get that money back to Gibraltar and a lot of it came back and a lot of the money in the Savings Bank is money of not very sophisticated investors who perhaps have got worries about putting it in the hands of financial experts or investing it in unit trusts or in stock exchange instruments or whatever and they think, quite rightly, that the Gibraltar Savings Bank which has got a copper bottom guarantee in its constitution in that the interest and the capital is 100 per cent guaranteed by the Gibraltar Government is a safe haven but we believe that the interest that those depositors should get should be an attractive rate of interest, we believe that they tend to be small investors with unsophisticated – not all, there may be a few investors with large sums of money but by and large I think a lot of the people who finish up getting gratuities from the Government put the money straight in and the money never leaves the Treasury, it just moves from being a lump sum payment to a retiring civil servant to being a debenture or a deposit in the Savings Bank. Therefore to the extent that the improvement in Government revenue, from this particular source which is now going up to £2.5 million from £1.8 million, it is an increase of £700,000, is the fact that the differential has been widened and that the interest rates have been lowered. We feel that this is the wrong policy and that in the

light of other statements being made in helping different sectors then it is in the interest of the pensioner sector and in the interest of the Government, we believe, that the Savings Bank should continue to be the home for a lot of the pensioner savings and that therefore it should be able to hold its position in the market and the recent interest rates are not indicative of that. If, in fact, the rates do not retain their competitiveness then it is quite obvious that the estimates will not materialise because sooner or later people will start – I do not suppose there is a tendency because there tends to be a certain inertia in these things and once one puts money in an institution one tends not to withdraw it even if the rates drop but certainly the Government may well find that the natural turnover of the bank in that new deposits come in as others are redeemed may not happen if the rate is not able to maintain a position, in fact, where previously I think it was, if anything, slightly above the going rate in the market and I believe it is now below from the figures that I have seen gazetted.

Moving on, Mr Speaker, to the statement that was made as to the indications that there are of what is happening in the economy and the extent to which the figures in the estimates of expenditure are a reflection of the performance of the economy. Let me say, as I said in last year's estimates when the question of the calculation of GDP came up, the GDP calculations in Gibraltar have been made always, as far as I am aware, on the basis of the classification in the blue book on national accounts in the United Kingdom. Whether that classification is as accurate when one tries to reduce it to the economy of a town as opposed to the economy of a nation, but certainly the GDP of everybody is based on the same method of calculation and there is no other way that I know that anybody else has devised anywhere else of calculating GDP other than using that instrument. In the case of the calculations in Gibraltar, certainly the income seems to be a more reliable method than the expenditure side and there tends to be a discrepancy between the figures produced by the two methods of calculation, the income method and the expenditure method. But now we have no calculation of GDP and therefore what do we have to go on to get an assessment of what is happening in the economy as a whole and to what extent what is happening in the

budget of the Government is a reflection of what is happening in the economy. Well, Mr Speaker, I said earlier on in my introduction that it seemed to me that on more than one occasion the answers to the questions that we put in this House are given as if somebody was writing the answer and the Minister was standing up and reading it without having looked at it before he comes here and without, if one likes, making a judgement of how realistic is the answer that has been prepared and how accurate it can be. In Question No.237 of 1999, I asked, "What is the number of employees in the public and private sectors in October 1997 and April 1998?" and I was told by the Chief Minister, "The information sought would normally be available when the Employment Surveys are published but the information is collected as raw data by the Income Tax Office and passed by them for analysis and used by the Statistics Office". Therefore the information that we had was the raw data. However much analysis one applies to the raw data, what is clear is that the raw data could not possibly be correct, the raw data we were given, and it should have been obvious I think to the Chief Minister that they could not possibly be correct because it would be very bad news indeed if it was correct. The figures we were given was that in April 1998 the total full-time employment in the public sector was 2,744 and in the private sector was 7,187 making a total of full-time workers of 9,900 and the figure for part-time workers came to 133 and 1,346 public and private making a total of 1,479 and that produced a total workforce for Gibraltar of 11,410 full-time and part-time. The comparable figure in April 1997 is 13,000; that would have meant that in the last 12 months we had lost 1,600 jobs in the economy; that could not possibly be right and no amount of analysis, I put it to the House, can convert 11,400 jobs into 13,000 jobs. If anything, one would have thought raw data would be more than refined data and that the raw data might lead to some removal of numbers because there might be double counting. When we get the answer in the House obviously on the surface, it looks okay, it is only when it is compared with statistics provided previously that the anomalies begin to show and I do not know on what basis the Government feel that the private sector is doing well but I can tell the Government that on the basis of the answer of Question No.237, that there are 8,500 jobs in total in

the private sector, it means a loss of 400 jobs net in 1997/98 and this is to April 1998. At the same time in respect of 1998 we were told by the Minister for Employment, in January, that the figures that he had just published on vacancies opened and filled during 1998 were very encouraging and that they show a significant increase in the number of new jobs being created in the economy. Well, if we have a significant increase in the number of new jobs being created in the economy in 1998 and we have, in answer to Question No.237 a decline up to April 1998, it must have happened post-April 1998 and that is impossible because to have gone from that figure back to above the previous figure, all the indicators in fact are that there is very little movement overall and within that very little movement overall, it can only mean that to the extent that there has been new jobs created in new industries, like the one that was mentioned by Victor Chandler; let me say that in fact that which started off some years ago with Ladbrokes moving their operation from Brussels to Gibraltar and the publicity that has been given to the advantages that Gibraltar has for the gaming betting industry by being able to use a VAT free base and a tax free base where there is no betting tax. If that indeed creates, and we hope that it will, but if that creates a flow of newcomers into the economy creating white collar jobs and making demands on the telephone system and on all the infrastructure that we had the foresight and the wisdom to provide in previous years so that it is all there now to be used, if that happens then that is fine but then all the new units and all the new ministries are in the wrong business. What we need to have is a Minister for Gambling going round getting betting shops to come to Gibraltar because that is where the growth is happening. Then the two pillars of the economy would become the gambling and the exports which is producing £5 million of import duty and we can all have the high moral ground of how well provided we are. Mr Speaker, I hope the Government will have an opportunity to go back and look again at the figures in Question No.237 because, in fact, we are naturally assuming that the answer that was given was incorrect because we do not believe that there has been a huge decline in the number of jobs and particularly because, in fact, the decline in these figures is more in the public sector than in the private sector which is very peculiar when one thinks of it.

One would have thought, Mr Speaker, that by the 31<sup>st</sup> January 1999 the Government would know how many people they had in employment in October 1997 but here we have a figure that says the public sector in October 1997 employed 2,901 persons and the public sector in October 1996, a year earlier, employed 3,996. So here we have a loss, according to this information, between October 1996 and October 1997 of 1,000 public sector jobs; that cannot possibly be correct. But it is not as if we were asking information in October 1997 or in November 1997, the information was being provided in January 1999 about October 1997 and it is not as if it was something that suffered from the lack of response of employers because we are talking about the public sector and the biggest component of the public sector is the Government themselves and the Government themselves employ more than 2,900 people. So either they have left the MOD totally out or some other peculiar explanation for this but it is really incomprehensible that based on PAYE returns in January 1999 there should still be an absence of information about Government public sector employees in October 1997 and April 1998. The figure for the private sector, Mr Speaker, which was given as 8,300 in October 1997 and 8,500 in April 1998, compares with the figures in the preceding financial year which were published in August 1998 and which referred to October 1996 and April 1997 and the comparable figures there are 8,979 and 8,967. So what we have is that in the first year of the present administration, in 1996/97, the only Employment Survey that has been published so far indicates that in fact there were on two specific dates 8,979 and 8,967 persons in employment in respect of which PAYE payments had been made. That difference of 30 in almost 9,000 is not a significant difference, it has no statistical significance, 30 up or 30 down. What it indicates is that whatever changes may have been taking place within the 9,000 jobs in the private sector, if there were more jobs in one area there were less jobs in another area but the total was, give or take a few dozen jobs, we are talking about 1996/97 – 9,000 jobs in the private sector. If we look, Mr Speaker, at the PAYE returns for the private sector, that is consistent with that level and if we look, not at the open contracts which has been given by the ETB because I think at the last meeting of the House the Minister for Employment mentioned

the figure of 14,000 open contracts at the end of March and the fact that on a previous date, sometime in 1998 a figure of 17,000 had been given but I think throughout it is being recognised, and that is what at least one section of the new law is supposed to cure is that employers have not bothered to inform the ETB when people have left their employment and consequently the open contract figure necessarily is on the high side. This is why when we look at the number of jobs that were filled in 1998, Mr Speaker, given that 4,021 were filled and 3,600 were cancelled and given that the cancellations is by everybody's recognition not 100 per cent, what we are likely to see, I put it to the Minister, when the system is working as it should he will find that that gap is not there so even if he is getting 4,000 jobs cancelled and 4,000 jobs filled, it does not mean an expansion in the number of jobs in the economy. We wish it were, it would be something to celebrate for all of us because, after all, Mr Speaker, irrespective of who takes the political credit for it, at the end of the day if the beneficiaries are going to be Gibraltarians who would otherwise be unemployed then the House should be happy with that result but regrettably the figures do not justify that analysis.

If we look, indeed, Mr Speaker, at the estimates for this year and we look at the figure that has been put in terms of the income of the Employment and Training Board from the training levy, again other than this last minute addition of £60,000 which would represent 20,000 man weeks at £3 per head.... *[Interruption]* If we look at the figure on page 114 of the estimates, Mr Speaker, we see that the actual amount collected in 1997/98 was £1.2 million and that the estimate for 1998/99 was £1.8 million. The estimate is 50 per cent higher than the figure for the previous year and, of course, the levy went up by 50 per cent so what therefore that indicates is that there was no expectation of an increase in the levy from more people being employed and the outturn confirms that. If we actually divide that figure by the £156 a year levy, which is what a man year represents, then we will see that we come up with a figure of something like 11,800 jobs. In fact, there are, according to the Employment Surveys, some 13,000 employees so we do not see that the ETB figures are indicative indeed of any growth at all in the employment market so if we look

at the ETB figures; if we look at the PAYE figures; if we look at the numbers given in answer to questions, they all indicate one thing; the only discrepancy between all those statistics and the one figure that appears to be higher is the number of unexpired contracts and the number of unexpired contracts, if the new provisions in the law work, I put it to the Government will now come down to this figure which is confirmed in every other source. Consequently, regrettably, the optimism of the Chief Minister that the revenue figures were indicative of a sound private sector indicating some kind of growth is simply not substantiated by facts. In last year's estimates the Chief Minister finished his contribution in the House by saying that the policy of the Government was to continue to have small steady growth in the private sector as if small growth was somehow better or more reliable than fast growth, a view we do not share but the fact is that there is no small growth or if it is so small, is so small as to be almost invisible. Clearly in an economy such as ours we agree entirely with the view that our economy, by its very nature, is an open one and one that needs to be responding to new parameters, new competitive pressures, new rules that other people make which may suit them but not suit us, there is no choice. Of course, Mr Speaker, everything that we have been doing in Gibraltar since the position of the British Government became clear in 1984 with the closure of the Naval Dockyard has been precisely to readjust our economy. It was started in 1985 on the bulk of huge sums of money provided by the British Government which mainly finished back in UK and with lots of experts from UK whose best qualification at being experts seemed to be that they made recommendations which benefited them more than they benefited Gibraltar and we completed that exercise with our own efforts between 1988 and 1996 and it is the result of those efforts; if the Government are now able to say, "We have got a state of the art telecommunications" it was because that required an effort in 1989 without which we would not have a state of the art telecommunication and if we did not have it Victor Chandler would not be here. Therefore all those things that needed to be done, needed to be done first and if they had not been done they would not be able to take the credit for anything that is happening now and if we had not filled in the land in

Montagu Basin the Government would not be able to worry about people getting drowned by bathing in an area where there is a sign that says one should not go down the steps and bathe because the Montagu Bathing Pavilion would still be there and people would still be paying one shilling and sixpence and we would not have any of the developments that we have there. We did, at the time, what needed to be done and now our job is, Mr Speaker, to question how efficiently those assets are being put to use because that is what is taking place now. There are no new assets being created. Putting a lot of potted plants on promenades that exist because the land was reclaimed is not in the same category as reclaiming land and there is one fundamental difference; that the land that was reclaimed that was not sold previously is still there to be sold and if it is sold now it comes in as land sales in the Improvement and Development Fund for which there are substantial amounts shown in the estimates. The estimates show the contribution to continuing development in our capital expenditure from the sale of land and the creation of a land bank and the placing of land from that land bank into the market was an important part of the long-term economic strategy and economic management of the direction in which Gibraltar had to go whenever there were opportunities for investment and investors came in and wanted to have flat land that could be developed; not land at 90 degrees which was the only thing the MOD ever got rid of in which one had to be a steeplejack to build anything and that flat land was not there. Now that the land is there, there is no reason why if the Government decide that they should embellish those areas they should not go ahead and do it but let us not forget that the difference between the two is that the embellishment makes the place more attractive for those who are here and those who visit us, as the Government have said quite correctly, but it is an embellishment which is not per se revenue generating; it is an embellishment which requires then subsequent sums on it to keep it up to standard. Therefore these are not the creation of assets out of the capital account in the way that putting up an industrial park is an asset. If the Government think it is an asset, well I can assure the Government that if they believe that all one had to do was plant a few palm trees to get the place flooded with tourists spending vast amounts

of money, everybody else would have been doing that well before us. [HON CHIEF MINISTER: *But they did except that they did not lose 10 years.*] Well, Mr Speaker, I do not believe that they did and certainly it could not have been done 10 years ago because there was water and all the flats would be waterlogged in salt water 10 years ago. At one stage I was trying to see if we could import plants from Israel that survived in salt water in order to cut down on the expenditure of watering the plants but it did not work.

The amounts of money that have been put in the Improvement and Development Fund this year, I think, in the original estimates in 1997/98 the Government accepted that their expectations, with the benefit of hindsight, were not going to be fulfilled. We have seen that, in fact, again this year, there has been less money spent than had been provided but I think one particular concern is that when we look at the revenue side in terms of receipts in the Improvement and Development Fund, we see that the amounts coming in from the Konver and the Interreg and the Objective 2 seems to be very low. Perhaps the Minister for Trade and Industry when he speaks would put our minds at ease on this particular aspect. We have a position where on the Improvement and Development Fund, Mr Speaker, the estimates indicate that on Interreg the figure estimated on the expenditure side was £450,000 and the forecast is £250,000 and there is an estimate for this year of £305,000; on Konver projects we had an original estimate of £2 million in 1998/99; we have a forecast outturn of £600,000 which is an underspending of £1.4 million – this is on page 112 of the estimates. We would have expected, if there has been an underspending which can happen because the date is an arbitrary one, bills can come in after the 1<sup>st</sup> April, but if there is an underspending in the year that has just ended of £1.4 million why is it that in this coming year we are only providing for £50,000? One would have expected that the balance to complete the £2 million would be in this year and if it is not in this year why is there nothing in the final column which says, “Balance to complete”? How is it that we started off in 1998 with the expectation of spending £2 million of Konver projects and we have finished up in the expectation of spending £650,000?

HON CHIEF MINISTER:

Mr Speaker, if the hon Member will give way. Just so that he can better understand the position. One of the changes to the presentation of the Improvement and Development Fund is that expenditure now appears in the Head where it naturally belongs rather than putting everything which is EU funded in Head 106 simply because it is partly EU funded. So many of the projects which have nothing to do with the Department of Trade and Industry, which used to appear here on Head 106, simply because that is where the EU funding Head was, have now been spread about the other Heads in the Improvement and Development Fund where they naturally belong. I would be very happy at the Committee Stage to give the hon Member a detailed list of where they have gone to from that Head 106. But I can assure the hon Member that the Konver allocation is earmarked to be spent in its entirety before the funds run out.

HON J J BOSSANO:

Well, Mr Speaker, I am glad to hear that. If I turn to page 104 which shows not the spending of the money but the receipt of the money, in fact, I assume from the answer that we have been given that even if the spending is distributed amongst a number of Heads the income will all be in the one Head and in the one Head what we have is that having anticipated a year ago that they would be receiving £500,000, notwithstanding the fact that they have spent £600,000 they have only received £177,000 and that in the forthcoming year they are expecting to receive another £500,000 and that makes a total of £677,000 because in the column which says, “Actual 1997/98” there is a zero so it means that out of the £2 million Konver to date, irrespective of how much we have spent, we have only actually received £177,000. I would also like confirmation, in fact, Mr Speaker, that the amount that is shown as spending is the total amount, I take it, and not the EU proportion of the amount so that in fact if a project is shown as costing £600,000 that is the cost of the project on the expenditure side but only a share of that will be coming from the Konver funding.



HON CHIEF MINISTER:

If the hon Member will give way. That is precisely the reason underlying the change in presentation. In other words, that when everything was shown under the Department of Trade and Industry on the expenditure side, it was very difficult for the House to actually assess the real cost of the project because everything was just parked under something labelled "EU grant – Konver". So the hon Member is entirely right, the receipts is the element of EU funding which we expect to receive during this financial year but the expenditure Heads reflect the full cost of the project or at least as much of the cost of the project as is intended to be incurred during this year. The hon Member expressed an element of surprise that there was only £500,000 in terms of revenue on the EU Konver projects, I would ask him to cast his mind back to a discussion that we had, I think, at the last Question Time on the fact that our obligation is not to spend it this year but to commit them this year and therefore that is a reflection of what we think we will get this year on the basis of expenditure as opposed to commitment. Everything will be committed on time, it has been committed on time but in terms of actual expenditure by the 31<sup>st</sup> March next year we do not think that on the Konver projects we will get the other figure.

HON J J BOSSANO:

Mr Speaker, on the amount that we have got coming into the Government for the coinage, there appears to have been a lower level on the income side than was anticipated. I note that the issue of circulating coins in 1998/99 is £727,000 but it goes down to under £600,000 in the year that we entering into. I would have thought that when we are talking about circulating coins the estimates should, for one year to the next, follow what is currently happening and therefore I would like to have an explanation as to why it is that they are expecting a drop in the number of Gibraltar coins that will be put into circulation in the next 12 months as compared to the last 12 months. In the first part of the estimates, when the figures are shown on the royalty payments from Pobjoy,

we also have a peculiar fluctuation in that the 1997/98 figure is almost £93,000; they assumed it would go up to £120,000 – this is on page 13 – and we have finished with a figure of £67,000 and for the next year we have commemorative coins £54,000 and royalties £100,000 and the £54,000, in fact, is a new item which was not there previously, one can only assume, well there is a footnote saying it was in the Post Office before, but can I ask, in fact, Mr Speaker, how come that having expected that the royalties of coins would show quite a significant improvement from £93,000 to £120,000 we finished up with £67,000 and now we are expecting again to go up to £100,000?

On the Social Assistance Fund, we have of course this year, as was the case last year, the whole amount being funded from the Consolidated Fund, that is to say, it was only in 1997/98 that the Government provided less money because there was already a reserve there. I see that the forecast outturn shows that there has been a balance brought forward of £477,000 which then went down to £281,000 and this year the Government are budgeting on the basis that the balance in the account would be only £11,000. I appreciate that there is nothing to stop more money being put in during the course of the year, if needed, by either virement or from the supplementary funding head but I would have thought, given the very nature of the Social Assistance Fund, it would be wiser to keep, if one likes, a float not as tight as the £11,000 shown and that, in fact, is what was previously being done. It is one of those funds where the Government kept a more substantial sum of money because, frankly, if one is budgeting so tightly that the balance between the predicted expenditure and the income is £11,000, it would not require much of a social problem which would need discretionary payments that are made from this fund for that money to be used up very quickly. I would have thought it would be wiser to keep it more in line with what has been the case before and we see that in the balances carried forward in previous years were £476,000 in 1997/98; it was estimated at £100,000 in 1998/99 and it finished up being £281,000 and this year we are only estimating £11,000. I would also seek confirmation that the changes that are being announced in terms of the payment of Family Support Benefit which is going



to have the name changed, presumably that is still being funded from the provision on page 119 of £740,000 for Family Support Benefits. Whatever the effect of the changes may be it appears from these estimates that they are not expected to cost anything because there is certainly no indication here that the changes are going to produce a cost to the Government since a year ago they provided £750,000 they have actually spent £740,000 and they are providing £740,000 this year and if indeed they are going to spend more than £740,000 as a result of the changes, then I put it to them that the comments I have just made about the narrowness of the margin of £11,000, that takes care of the £11,000 if there is any cost involved.

Mr Speaker, in summarising, let me say that as I have always tended to do, I have sought to look at the estimates on the basis of the information that is being provided here and on the basis of the information that we have been gathering throughout the year as a result of questions in order to put together a picture which will enable us to make a judgement on what is the state of the position of the public finances in terms of the obligations that there are to be met in our community and in terms of the ability with which we can face the future with confidence.

The level of activity in the private sector reflected in this and indeed I remember that last year, Mr Speaker, I wondered how it was that the private sector was having such difficulties in the line of the growth that was taking place in imports and then it turned out that the growth was not taking place in imports because the figures we had been provided were incorrect and the Government, strangely enough, only discovered that they were incorrect as a result of us putting a question subsequently referring to the previous incorrect figures. Certainly our judgement, based on the information available, is that to the extent that that information is accurate, then it shows that the private sector has replaced some activities by others in terms of employment but that its profitability is, if anything, marginally lower now than it was in the tax year 1995/96 based on questions provided by the Government as to assessments made for 1994/95, 1995/96, 1997/98. In those years we have seen that

there is a difference but that the difference is not very big. So, first of all, it is not true, as was suggested at the time, that the amount that was being collected was because of a huge amount of back-payments bunching up, this is not true, this happened the year that £15 million were collected in income tax and not subsequently; that the £11.5 million that is being collected this year is in fact very close to the figure that has been there since 1994/95 and 1995/96 which is, of course, considerably more than it was in 1988/89 when it was a level of £2.5 million. So what we have is a situation where the taxable profits of the private sector have gone from a quantum which produced under £3 million of company tax a year to a quantum which produces three times that much, £9.5 million to £10 million, that the Government are collecting about £11 million a year because they are still collecting some arrears but that, in fact, if they are collecting less on what is due this year they are more or less balancing it by the collection of arrears and that that is true in a number of areas except in PAYE. In PAYE, Mr Speaker, there is a masking and therefore when the Government put an interpretation on their own figures in the statement that the Chief Minister read out which contained, unusually for him, a lot of statistics this year, and then he starts to call people all sorts of names, he enjoys doing that..... [HON CHIEF MINISTER: Does he not remember when he was sitting here and I was sitting there?] Mr Speaker, when I was sitting there and he was sitting here, what I do remember is that I never started the name-calling and when I am sitting here and he is sitting there, what I remember is that it is still happening.

MR SPEAKER;

But you do not remember what I said at the very beginning?

HON J J BOSSANO:

I do as well, I am not calling him any names, Mr Speaker, you said nothing about referring to name-calling, you said we should not call each other names and I am not calling him names, I am simply recalling that we have done it, that is all. I am pointing out that it gives me no pleasure, it seems to give him one, and I

certainly think it is better for the House and better for Gibraltar that we should not touch on it, quite independent of the fact that the Rules prohibit it, Mr Speaker.

MR SPEAKER:

Only the Speaker gets the credit for that. Carry on.

HON J J BOSSANO:

Yes, Mr Speaker, I am quite happy to give you the credit for reminding us that those are the Rules and that we should stick to them.

Therefore, Mr Speaker, the Chief Minister is wrong, I am not saying he is lying, I am saying he is wrong.... *[Interruption]* Mr Speaker, I am the only one to lie in this House, we are not supposed to say that we lie, we are supposed to say we are economical with the truth, I think is the phrase in parliamentary language. I am not allowed to call him a hypocrite but I am allowed to say he is hypocritical, then all I can say is that if he says that I am the only one who lies in this House, he is being hypocritical. *[Interruption]* I see, Mr Speaker, the important difference is not to get caught, now I understand him. Now I understand what the moral high ground means, it means one can engage in the most heinous crime, the one crime one must not commit is to get caught. That is the professional sort.

HON CHIEF MINISTER:

He is the only man on whom it has been proved, everybody else it is just his allegations.

HON J J BOSSANO:

Well, I suppose, if I went round taping other people's conversations I might have lots of proof about what other people get up to but it is not a habit I indulge in, Mr Speaker.

MR SPEAKER:

Are you finishing now?

HON J J BOSSANO:

I am rounding up, Mr Speaker, if he would let me. He has got lots of other opportunities but he cannot resist it, he has to jump in.

Mr Speaker, therefore he is wrong in deducing from the figures that he gave earlier in his contribution, that the fact that there is a £47 million collection of tax shows buoyancy in the economy in terms of the tax yield reflecting levels of incomes because the figures that he has given in answers to questions in the House indicate that one of the things that is happening within the global figure that is shown in the estimates is that there are two factors. One is that there is a greater proportion of collection on time and that is not an indication of higher incomes, that is clearly evident in the trend over the last three years if he measures, as I have done, the answers that he has given which show the percentage of tax collected in the year due. And the other factor is that in each year the proportion, coming from the private sector is lower. Those two elements in the figure are part of the analysis we have made and therefore, regrettably, that analysis does not allow us to come to the conclusion that he has come to and we have to say we believe that that conclusion is incorrect. It would be better if in fact the figure that we have before us were showing ballooning incomes and if it meant that the fact that people are paying £47 million is a reflection of the fact that they have made huge increases in earnings which allows them to pay £2 million as a percentage of those earnings because that would be an indication of the buoyancy and the prosperity which, regrettably, there is no evidence of in any of the elements in the estimates and more particularly in all the questions since the last estimates all of which have been questions which are there for one purpose and that is to put pieces of the jigsaw together in order to complete a picture. As I said at the beginning, there is clearly one element in the economy which is new and which appears to have very high prospects which is the operation of Victor Chandler which the

Chief Minister mentioned and which I am glad to see is being welcomed and encouraged by the Government because it seems as if that could lead to other people following and that would mean that we would then have a new source of revenue; one that is not susceptible to the machinations of our neighbour, I do not know to what extent that might be affected by the ideas in the European Union on harmonisation but from what I have seen so far, betting does not seem to be on their hit list yet, maybe we should not draw too much attention to our success in that area then otherwise it might join the hit list. Certainly it is quite obvious, Mr Speaker, that the vulnerability of the sector, in terms of tax advantages, whether we are talking about that operation or any other operation, is one which is in the gun sites of the Spanish Government and certainly the last meeting that took place in May of the Finance ECOFIN under "Any other business" there was a submission by the Spanish Government on combating tax fraud and it is something that I hope the Government are investigating just in case it so happens that we feature somewhere in that document which, of course, would not catch any of us by surprise.

Mr Speaker, one other thing that the Chief Minister, I hope will have an opportunity to refer to when he answers, is this question of the alleged report that has been made by the Chambers of Guy Stagnetto for the Government, obviously if it is a report for the Government we would want to know where in the estimates is the provision to pay for it so that we can see what it has cost and to see whether it happens to be value for money. Let me say that, as far as we are concerned, if there is merit in engaging somebody to make an evaluation, the Government have said that they are going to bring in consultants to do an Input/Output Study and to look at all the sectors and their prospects and interlink between the different bits of the economy, it is quite obvious that the political risk assessment because of the attitude of the Government of the Kingdom of Spain is something that is difficult to quantify but something that is part of the equation and I think that there is a debate which is genuine and legitimate as to how we assess the threat that that poses for us all in Gibraltar and how we combat it. In what forum that can be done? How it is done? Whether somebody should put a paper that enables us to

study it, is a different issue but I think that the fact that somebody does an exercise of that nature is less reprehensible than the fact that one should learn about it by leaks in the Spanish press. That, I think, is what is completely unacceptable.

HON CHIEF MINISTER:

If the hon Member would give way. Mr Speaker, as always, well perhaps not as always, but as is getting increasingly commonplace, Opposition Members make all sorts of public statements including now statements in this House on the basis of accepting at face value what they read in the right-wing Spanish press. I would have thought it was legitimate for the hon Member to stand up and ask me or he could have asked me over tea or he could have phoned me this morning to say, "Chief Minister, is there any truth in what I have read in the ABC newspaper?" But what I think is completely illegitimate is for the hon Member not to bother to find out whether it is accurate and then make public statements which not only assumes that it is accurate but then goes onto castigate the Government for not revealing to the House and for having to find out from leaks in the Spanish press which itself assumes that the leak is true. I do not know if the Leader of the Opposition has found a new ally in the pro-PP Government mouthpiece which is what the ABC newspaper is. He obviously has not heard the 1.30 pm news on GBC radio which I would have thought was more relevant than reading the Sunday Spanish press. If he had heard the news broadcast at lunch time today on his own radio station and paid less attention to the right-wing Spanish Sunday press he would have discovered that there is no truth in the statement in the ABC newspaper that the Government have commissioned a report from Mr Stagnetto or from anybody else and therefore everything that he went on to say about having to find out about these things through Spanish press leaks are entirely without foundation.

HON J J BOSSANO:

Mr Speaker, I am not surprised that the microphone keeps on packing up on his side, it is understandable, if I were a microphone I would be doing the same thing.

It is quite obvious that giving way to the Chief Minister in the expectation that he will behave in a civilised way, I ought to have learnt by now that it is not going to materialise. I have asked a perfectly legitimate question, I have not made any accusations. *[HON CHIEF MINISTER: Yes, he has.]* I have not hectorred or lectured and he cannot help it, he has got to stand up and go on the attack.

HON CHIEF MINISTER:

On a point of order, Mr Speaker.

HON J J BOSSANO:

What is the point of order?

HON CHIEF MINISTER:

Yes, the point of order is not for the hon Member to adjudicate, it is for the Speaker.

HON J J BOSSANO:

Well, Mr Speaker, it is for you to adjudicate whether I sit down or I stand up.

HON CHIEF MINISTER:

No, on a point of order the hon Member must sit down, if Mr Speaker wishes to hear it.

MR SPEAKER:

Whether it is a point of order or not.

HON CHIEF MINISTER:

Mr Speaker, on a point of order. The hon Gentleman is responsible for the accuracy of the statements that he makes in this House. He cannot stand up there now and say that he has asked a civilised question and not made any insinuations because the fact that caused me to rise to my feet was precisely the fact that he was lamenting the fact that he had had to discover this through leaks in the Spanish press and that the Government had not come clean about it. That is not asking a civilised question, Mr Speaker, that is an insinuation which is inconsistent with the factual assertion that he has just made.

MR SPEAKER:

The thing is this, you cannot ask whether a report in a newspaper is true.

HON J J BOSSANO:

I have not. I gave way to the Chief Minister because he asked me to give way and I gave way to him because presumably he wanted to volunteer something that he knows that I do not, it seems he does not know anymore than I do. These were my words, Mr Speaker, and all we need to do is to rewind the tape and we can hear them again, and I said, "If somebody wants to do a report on the Constitution or on the dangers for Gibraltar of the attitude of the Spanish Government that is less reprehensible than that one should find that out by reading the Spanish press". Now, Mr Speaker, there is a saying in Spanish which has to do with a certain part of the anatomy catching fire which I will not repeat and therefore all I can say is that if he jumps in such a defensive mood.....

HON CHIEF MINISTER:

But you see, Mr Speaker, there is another Spanish saying which refers to fish and fowls and by what the hon Member has just said he is admitting the very point that I was complaining about which is that he was making an insinuation and having been caught out he then tries to pretend that he was not.

HON J J BOSSANO:

I have not given way. On a point of order, he is completely out of order, Mr Speaker.

Well, Mr Speaker, what I have said is that that was not what I said originally.

MR SPEAKER:

No, but what you meant is that this had been done.

HON J J BOSSANO:

No, Mr Speaker, the point that I am making is that if it is true that such a report exists – and I do not know whether it is true or not..... [*HON CHIEF MINISTER: Then it would have been better.*] Then it would have been better that we should have got it and not from ABC. The problem with the Chief Minister is that since..... [*HON CHIEF MINISTER: He wants to get away with it.*] No, nobody wants to get away with anything, Mr Speaker. We are fortunate in Gibraltar that the Prosecuting Counsel is not jury and judge otherwise every time any of us question the minutest atom in the molecules of his brain as being anything other than total perfection, we would stand condemned. The Moorish Castle would be overflowing with people. [*HON CHIEF MINISTER; Only when they do it dishonestly.*]

MR SPEAKER:

Order, order. Carry on with the estimates.

HON J J BOSSANO:

I am trying to carry on, Mr Speaker, but he does not let me. It is quite obvious that he is the most unruly Member of this House who you cannot shut up, that is quite obvious.

MR SPEAKER:

I do and he obeys.

HON J J BOSSANO:

In any other context he would be a hooligan but in this House he cannot be because that is not allowed by the Rules.

MR SPEAKER:

Do not tempt me.

HON J J BOSSANO:

Let me put the Chief Minister's mind at rest because he gets very agitated and that is not going to do his health any good. What I was saying, Mr Speaker, is that if Mr Stagnetto says he did not do it for the Chief Minister or the Chief Minister did not commission it, which is what the report said on GBC, well I am not questioning whether it was commissioned or was not commissioned. I am saying if it exists then what is more reprehensible is not that it should exist but that we should not know that it exists because it has been made available here or because we have been told about it here. We should not find out these things at second hand. If it does not exist, it does not exist. My understanding is that the report on GBC was one in which Mr Stagnetto denied that he had made any report for the benefit of the Government of Gibraltar commissioned by the Government of Gibraltar and therefore, to that extent, what I said initially was that if, in fact, there had been such a report commissioned then when the Chief Minister had his right of reply – that is all I said – we would want to be pointed to

where the money was for that report. And I was also making a general point, Mr Speaker, because of course if we are talking about the political threat to Gibraltar by Spain and our ability in Gibraltar to survive irrespective of Spain's hostility, and these are important considerations, they are important considerations in when we are looking at a Government that spend £10 million a month. Is it not a perfectly legitimate position to say to ourselves, "We are so confident that we are invulnerable to Spanish machinations that we are able to project that our economy is so robust, that notwithstanding two hour queues, notwithstanding their campaign against us in the EEC, we can in fact be confident that we will generate money to meet £10 million a month of expenditure, to keep on bringing consultants and experts" as if we were the most complex society in the Western hemisphere that needs to be constantly analysed by people and on top of that the Government feel that even though they are not putting any money into Community Care when the time comes that they need the money there will be no problem in meeting it and the Government are confident that notwithstanding the fact that they are not putting any money aside for repayment debt, when the time comes they will be able to repay the public debt. All those considerations, it so happens, that because this report has come out.....

MR SPEAKER:

I am sorry, I now rule as a fact no more reference to the report.

HON J J BOSSANO:

Well, Mr Speaker, if you now rule that then I will make no more reference to the report.

MR SPEAKER:

Or Mr Stagnetto.

HON J J BOSSANO:

Or Mr Stagnetto. Irrespective of that, Mr Speaker, what I am saying is that implicit in our judgement of the wisdom of the decisions that the House is taking in committing itself to expenditure must be an element of evaluation of what is our strength in resisting a Spanish campaign against us and that debate is a debate which we feel is legitimate to indulge in but it is perhaps necessary to consider how and in what circumstances and under what parameters we do it but certainly if we want to secure the long-term future of our country and the viability of our economy and nothing in this budget is doing anything other than spending the money that is coming in with the Government not even being sure how it is coming in except that there is so much of it coming in that they feel they can spend it. Of course, the same could have been done in the past and if the same had been done in the past the resources would not have been there.

The House recessed at 6.40 pm.

**WEDNESDAY 2<sup>ND</sup> JUNE, 1999**

The House resumed at 9.35 am.

**Debate continued on the Appropriation (1999-2000)  
Ordinance, 1999**

MR SPEAKER:

We will continue with the Second Reading of the Bill.

HON J J HOLLIDAY:

Mr Speaker, as Minister with responsibility for Tourism and Transport, I would like to comment on aspects of the complement of the Ministry for Tourism and Transport, which is Head 6, and then on the expenditure in respect of Other Charges and on the Improvement and Development Fund expenditure and finally on Revenue.

The most significant change would appear to be an increase in the complement of the Traffic Department, from 15 persons to 23 persons. Those members of the Licensing Department who previously came under the control of the Accountant General have now been incorporated into the Traffic Department. I believe that this is a logical move, as now both the clerical and technical staff of the Licensing Department and the Motor Vehicle Test Centre come under the one roof.

The other matter I would like to highlight in respect of staffing relates to staff services under the Gibraltar Development Corporation. The complement is being increased by two permanent Visitor Information Patrol Officers, who will be supplemented during the summer months by an additional three officers. This will allow the Gibraltar Tourist Board to improve the range of information services which it can offer to visitors. Provision is being made for this under Subhead 13, Tourism Information Services.

In addition, there is provision for Temporary Assistance for the Tourist Board in order to introduce a History Alive scheme of costume re-enactments of events. The purpose behind the introduction of this scheme is to keep those visitors who come to Gibraltar on day-trips for a longer period of time. It will also add a certain amount of visual activity to the city centre.

Obviously, when the new Coach Terminal is finished, there will be an assessment carried out of staffing needs to ensure the proper operation of this important visitor entry point. In addition, an

Information Office will be established in the Terminal manned by Tourist Board personnel.

In respect of Head 6C, Transport, the salaries bill last year was less than expected because there were vacant posts for part of the year on the department's complement. Insofar as Industrial Wages is concerned, the cost is being contained at about the same level as last year.

Mr Speaker, the Government will be seeking to address all issues in relation to the manning of the Roads Department during the course of this financial year. There has already been a partial restructure of the Department at management level. It is envisaged that negotiations with the Staff Association concerned will bring about the planned restructure of the industrial complement of the Department. The policy of the Government is to guarantee the long-term employment of the workforce in this Department. However, there also has to be value for money, and the work programme must achieve the targets set by Government. This will mean that certain major jobs will be put out to tender and will be done at the same time as the in-house labour force address their programme of works and maintenance. I will have more to say on this matter shortly.

The final matter which I wish to highlight in respect of Personal Emoluments is that the pay review for non-industrials has resulted in higher costs in respect of salaries, and I attribute the increased expenditure throughout Head 6 primarily to this.

Under Other Charges – Tourism, before I analyse Head 6A, Tourism, I would like to set out the Government's policy in relation to tourism. There are four principal markets which the Government are seeking to develop. They are the short-break market; cruise ship and yacht visitors; the day-tripper market and the conference and incentive market. The first of these markets is a relatively new product, which reflects changes in demands for holidays from the UK market, which continues to be our principal catchment area. The last of the four categories is a totally new area for Gibraltar. Although there has been lip service in the past

to promoting Gibraltar as a conference destination, the truth of the matter is that the facilities available here until recently have not been adequate to cater for the demands of conference organisers.

The policy of Government is to widen the appeal of Gibraltar beyond the British market and to create a significant demand for Gibraltar holidays in Spain. It is for this purpose that a Tourist Office was opened in Madrid in January 1999. There will be a concerted campaign over the next few months to raise the profile of Gibraltar as a holiday destination in Spain. This campaign will include features and advertisements in journals and adverts on billboards. The recent visit by Spanish journalists needs to be seen in the context of this marketing drive aimed at the Spanish market.

This does not mean that the British market is to be neglected. Following the top Travel Press visit in April 1999, Gibraltar will act as host for the CARTA Conference in June 1999. CARTA represents independent travel agents and tour operators in the UK, and their presence in Gibraltar is therefore an excellent vehicle for promoting the many niche markets where Gibraltar can do well. Later on this year, Gibraltar also hopes to attract the annual conference of the Institute of Journalists. These are all high-profile events.

Mr Speaker, the Government have dedicated much effort in building up the tourism industry in Gibraltar. Considerable success has been achieved, as reflected by the visitor arrival statistics. There were over 6.5 million visitor arrivals through the land frontier in May 1998 compared with 5.8 million in 1997. These figures can be broken down as follows: the number of pedestrian visitors is up very substantially from 1.5 million to just over 2 million, signifying an increase of 28 per cent. Foreign-registered vehicle arrivals went up from 1,472,317 in 1997 to 1,507,916 in 1998, an increase of 2.5 per cent. Of greater significance is that 4,208,906 persons entered Gibraltar in their private motor vehicles in 1997 and this increased to 4,500,405 in 1998, an increase of almost 7 per cent. The number of coaches

which arrived is at an all time high, at 12,957 coaches in 1998 compared with 11,685 in 1997, an increase of over 10 per cent. Obviously, the number of visitors on coaches has consequently increased. Tourist arrivals by air in respect of visitors staying in Gibraltar has increased from 33,949 in 1997 to 35,890 in 1998, a rise of almost 6 per cent and this is echoed by the increase in the number of bed nights sold by hotels. This increased from 143,646 in 1997 to 144,538 in 1998. Indeed, the average length of stay at hotels has gone up from 2.99 days in 1997 to 3.44 days in 1998 and hotel occupancy has risen from 39 per cent in 1997 to 43.1 per cent in 1998. The number of cruise calls stood at 135 in 1999 compared with just 99 calls in 1997, an increase of 36 per cent, and the prognosis for this year is particularly healthy with about 200 cruise calls expected - another all-time record. The number of yachts calling at Gibraltar has also increased from 3,998 in 1997 to 4,079 in 1998, and a former downward trend has now been well and truly reversed.

Upper Rock admissions in 1998 stood at 709,349 compared with 631,185 in 1997 and 538,727 in 1996. This represents an increase of 12.4 per cent in the last year and almost 32 per cent in two years. Admissions at the Museum have gone up from 14,704 in 1997 to 18,180 in 1998, an increase of 23.6 per cent. Cruise calls are staying in Gibraltar on average for a longer stay.

Mr Speaker, I have to stress that what I have been quoting are real figures based on actual counts of persons and vehicles. They are not the result of mathematical formulae but actual numbers and these obviously speak for themselves.

HON J J BOSSANO:

If the Minister would give way. Does it mean that they have been calculated any differently from the figures in the published survey in the previous year? Is that true of the previous years' figures or only of this year's?



HON J J HOLLIDAY:

No, these figures have been calculated and counted for exactly the same as in previous years. What I am saying is that the numbers that I have quoted are not based on any mathematical formulae that the Statistics Department used in order to come up with any particular calculation for valuation purposes. All we have done is quoted actual bodies that have come physically through the entry points that I have quoted during my address.

The first subhead which needs to be highlighted is subhead 8 – Marketing, Promotions and Conferences. The projected spend in respect of this item has been increased to £825,000. The House will note that expenditure on this item last year surpassed the estimate which stood at £650,000. The reality is that, although it may seem like a very large sum to spend on marketing, there are many calls on the Tourist Board budget and in order to make some impact on the market it is necessary to invest in this area. I would now like to give a breakdown of the way in which the £825,000 will be spent. The first item is advertising including consumer advertising, direct response advertising, general trade and travel advertising, conference and incentive travel advertising and advertising for the Spanish market, a total of £352,000. Literature, including the production of brochures, the UK/GTA brochure, brochures for the Spanish market, production of "The Key" newsletter for travel agents both in the UK and Spain - £138,000. Promotional Material, including production of posters, video updates, new transparencies, corporate gifts, etc. - £25,500. Promotional Activity including travel trade personnel training in UK and Spain, consumer and travel trade roadshows in UK and Spain - £37,450. Familiarisation trips for travel agents from UK and Spain and press visits for both travel writers for the general press and specialist travel press - £45,000. Travel Fairs, including World Travel Market, Medcruise, Seatrade, the London Boat Show, Confex and EIBTM, FITUR and SITC in Spain, the Dive Show and the airline Routes exhibition - £130,550. Events staged in Gibraltar, including the Gibraltar International Regatta, the Blue Water Rally, the Dog Show and the CARTA Conference for independent UK travel agents - £27,500. Contracts for the

Advertising Agency in UK, the Conference Bureau and subscriptions to professional bodies - £69,000.

Obviously, there may need to be changes in the amounts spent on each general subdivision so that unexpected opportunities which arise during the course of the year can be maximised.

The next significant item on which I would like to comment, Mr Speaker, is new subhead 9, Apes Management, which Government have recently discovered to be of significant interest to Opposition Members. Government are currently in the process of finalising the details of a contract with both GONHS and Mr Mark Pizarro in order to provide for a proper, structured programme for ape care including health care and health screening. The cost of food and staff services for the apes was previously covered by the Sights Management Limited contract, which the Government terminated in February 1999.

The advice received by Government from learned persons in the field of ape management was that the Rock Apes were not being cared for properly. Government want to address this matter vigorously, and therefore the funds to allow for this are being put in place. Once the new strategy is in place, there should be no repetition of the events which have led to ape packs splintering and causing distress to residents of Catalan Bay late last year and to the residents of Moorish Castle Estate and the northern section of the Upper Town area this year. Indeed, Mr Speaker, I welcome the opportunity to indicate that the ape problem at Moorish Castle Estate is in the process of being resolved. The animals which have now taken up residence in the area will be captured and removed elsewhere at the earliest opportunity.

Turning now to subhead 10, Hotel Training School, the amount budgeted last year under this subhead included the cost which is paid to the students who enrol on the course. This is in fact paid by the Ministry for Employment and does not therefore need to be reflected in the Tourism Head of Expenditure. This explains the drop in expenditure projected under this subhead.

Mr Speaker, I am pleased that the third intake for the school has just been recruited and the new students have just commenced their training. The first intake has now completed eight months training and the second intake is now in its fifth month. The prospects for the school are encouraging, and the recent letters in the press from students enrolled on this course show just how much benefit is being derived by Gibraltarian youngsters who are committed to training and employment in the hotel industry in Gibraltar.

Under subhead 10, I wish to highlight the £25,000 which will be spent on Customer Care Training. I know that this initiative has been welcomed by many companies in the private sector and by representative bodies such as the Chamber of Commerce and the Federation of Small Businesses. Training is important at all levels. Tourism is primarily a service industry and it is helpful to have a Customer Care programme for improving standards both within the public and private sectors. The Training is being provided by AQS, a specialist UK company which carries out customer care training for the Welsh Tourist Board, and abroad for countries like Canada and South Africa.

I have already commented on the increased spend on Gibraltar Development Corporation salaries, which impacts on subheads 11 and 13, and so I will not repeat myself at this stage.

Subhead 12 relates to the operation of the Tourist sites. Staff Services are essentially the costs of the salaries of the former Sights Management employees who were absorbed by the Gibraltar Development Corporation. Running expenses relates to the costs inherent in maintaining the main Government-operated tourist sites. The total cost of this is estimated at £645,000. This sum compares favourably to the sum in excess of £1 million which was spent by Government under the terms of the former Sights Management contracts. The savings generated permit additional expenditure to be dedicated to new activities which were not covered by the former Sights Management Limited contracts, such as the Apes management programme and the

provision of better cleaning services for Tourist Sites. I believe that the Government are now getting value for money.

I cannot conclude my remarks on tourism, Mr Speaker, without publicly thanking the members of the Tourism Advisory Council which advises me on tourism matters. These are Brammie Benatar, Brian Callaghan, James Gaggero, Eddie Guerrero and Ken Robinson. I am grateful to them for giving freely of their time.

I also wish to acknowledge the good working relationship during the course of the year with the President of the Chamber of Commerce and the Chairperson of the Federation of Small Businesses and the Chairman of the Hotels Association, all of whom I meet regularly in order to maintain dialogue on matters of mutual interest.

I now move on to Other Charges – Airport in Head 6B – Transport. I do not think that these figures require comment. The estimate for this year is in line with last year's forecast outturn.

I nevertheless welcome the opportunity to highlight the fact that the number of air arrivals at Gibraltar has increased from 83,200 in 1997 to 91,100 in 1998, a rise of 9.5 per cent. Furthermore, there has been an increase in air arrivals of a further 4.5 per cent in respect of the first four months of this year compared with 1998, showing a healthy rate of growth, particularly as the winter months are the leanest for airlines.

Insofar as attracting new airlines to Gibraltar is concerned, the Government continue in discussion with several airlines. There are a number of opportunities which are being explored. However, this is a complicated area, particularly given the high operating costs for the Gibraltar airport compared with competitor airports in the region. Government are nevertheless committed to supporting airlines which wish to establish new services to Gibraltar be it from UK airports or elsewhere.

Under Other Charges – Roads, there is only one real matter which I feel needs to be highlighted, this relates to subhead 5,

Materials and Other Costs. This is basically the cost of materials for works which are carried out in-house by the direct labour force. There was an underspend in the last financial year for a variety of reasons, none of which were foreseeable. The amount budgeted for this year is in line with the funds which were available last year and they reflect a realistic estimate of the work which can and will be carried out by the Highways Department.

In keeping with Government policy to involve the workforce of the Highways and Sewers Department more closely, the programme for works will be undertaken by direct labour is now in place. There is in fact more work to be done than can reasonably be done in a year. I have undertaken personally to the men involved that the programme of works which will be funded from the Improvement and Development Fund will in no way reduce the volume of work which is earmarked for the men in the direct labour force to undertake. It is simply a case that different types of jobs will be carried out by the direct labour force and others by outside contractors.

The programme of works to be carried out by the direct labour force will include the following resurfacing work: Part of Europort Avenue, by the Rowing Clubs (which I believe has now been undertaken since the beginning of this financial year); Part of Calpe Road; Cornwall's Lane; Lower Witham's Road; Part of the area of Europa Point; Red Sands Road; The top of South Barrack Road; Castle Street; Governor's Parade; Tank Ramp and Tarik Road; and Buena Vista Road.

When I come to the Improvement and Development Fund, I will give details of the works which are scheduled to be put out to tender in respect of road improvements and resurfacing.

Government wish the Highways Engineer to be more closely involved in forward planning and the development of short, medium and long-term strategy of this department. To this end, the office of the Highways Engineer will shortly be moved to Duke of Kent House and the depot will be supervised by another engineer.

Moving on to Other Charges – Traffic. There is nothing of major moment to comment on with regard to Other Charges in respect of Transport - Traffic, Head 6-D. The only increases under the Motor Vehicle Test Centre reflect the fact that the clerical and administrative staff of the Licensing Department now come under this Head instead of that of the Accountant General.

Insofar as Gibraltar Security Services is concerned, I would first of all like to highlight that the unit has been re-housed at New Harbours. Their former premises were utterly inadequate, and this issue has now been resolved. I am also pleased that the unit has acquired a new tow-truck to commence the renovation of its fleet of vehicles. During the course of the year, I hope to finalise discussions with the employees of the unit with regard to their conditions of employment.

Finally, in respect of traffic matters, I would like to publicly recognise the assistance of the Traffic Commission, and its Chairman, Mr Bryan Clark, whom I am in contact with regularly to discuss matters in relation to both traffic and transport.

Moving on to Other charges – Port. Insofar as the Port Department is concerned, Head 6-E, there are only two changes from the position as estimated for last year. The first is in respect of the amount earmarked for Maintenance of Launches. There was until recently a Port Maintenance section of the Port Department. It is now intended that some maintenance work should be done by private sector companies, to supplement in-house expertise. The additional funds earmarked for this is £7,000.

The other increase in expenditure will be in relation to oil pollution training, where the funds available for this have been doubled. The preparation of the Port to combat any oil pollution incident is a matter to which the Government attach great importance particularly given the volumes of bunkers which are being supplied to ships in the Bay of Gibraltar.

During this last year, for the first time there was a marketing drive to promote both the Port and the Ship Register. The first event was a presentation at the Baltic Exchange in London. This was followed by a similar presentation in Athens, the most important maritime centre in the Eastern Mediterranean. This second marketing initiative was funded by a partnership of Government and private sector players in the port sector. It is my intention that the Port of Gibraltar should be run on more commercial lines in the future and marketing will continue to play an important part.

Insofar as port activity is concerned, there has been a sustained growth in business. Including off Port limits calls, there were 5,574 ships which called at Gibraltar in 1998, compared with 4,834 in 1997, an increase of 15.3 per cent. The number of ships which called at Gibraltar in 1996 was 4,505 and in 1995 it was 3,784. Over this four-year period, the increase has therefore been over 47 per cent. The gross tonnage of these vessels was 117.3 million tonnes in 1998 compared with 101.8 million in 1997, an increase of 15.2 per cent over the previous year. The 1996 gross registered tonnage of ships calling at Gibraltar was 92.8 million and in 1995 this figure was 69.1 million. The increase over four years has therefore been just under 70 per cent. This represents a substantial increase in the volume of shipping at Gibraltar and of business.

Government will shortly be making a policy statement with regard to the recommendations of the Port Study, which have been generally accepted. There will be changes consequent on this matter which will be introduced over the next few months. One area where there will need to be discussion with the staff associations is the manning of the Port Department and the future plans for the Gibraltar Port Authority. These discussions will commence shortly.

Some of the changes are designed to grow the Off-Port Limits business, to increase the scale of berthing fees and tonnage charges which apply to port users, to raise fees in respect of matters for which there is no charge at present, to increase the land available to the Port for commercial use, to introduce security

measures into the whole of the commercial Port and to reassess traditional working practices.

The Government consider the Port is a valuable asset for Gibraltar and that it needs to be developed. It is leading the way by investing in the Port.

HON J J BOSSANO:

Mr Speaker, before he moves on. I asked about the fact that in the Shipping Registry fees the outturn is one-third of what was expected and the projection for the next 12 months is still at that level. I do not think it is a point that the Minister has dealt with.

HON CHIEF MINISTER:

Mr Speaker, the Minister is addressing the general principles of the Bill. The purpose of the Minister's address is not to respond to the points that the hon Member has made, he is expressing his departmental speech. The issues of detail that the hon Member has raised in his address have been carefully noted and will be addressed in its proper time which we consider to be the Committee Stage of this Bill, with all the other issues that he has raised and there are quite a few of them.

HON J J BOSSANO:

With all due respect to the Chief Minister. The revenue Heads are not the Heads we go through when we come to the Committee Stage and, in fact, he has given a lot of detail, it seems to me. If the Minister has just said that they are marketing increasing shipping registration, I would have thought he ought to be able to indicate the explanation for that. If he does not want to do it now, fine.

HON J J HOLLIDAY:

Mr Speaker, no I would like to clarify, before I complete my speech I actually will be addressing some of the issues under the

revenue section and in fact I intended to deal with that matter before I finish.

Moving on now to Other Charges - Shipping Registry. Finally, insofar as expenditure on Other Charges is concerned, I turn to the Ship Registry. There is only one significant additional item of expenditure under this Head, this is the £10,000 which has been budgeted for the hosting of the Red Ensign Group Conference which took place in Gibraltar from 25<sup>th</sup> to 27<sup>th</sup> May this year. Government believed that it would be helpful to the Gibraltar Ship Registry that this conference should be held in Gibraltar as it helps to grow the perception among ship owners that Gibraltar is a Category 1 Register within the Red Ensign Group which offers many advantages to ship owners, not least because of Gibraltar's membership of the European Union.

The conference has been highly successful, not because I say so but because this is the view communicated publicly by the Chief Executive of the UK Maritime and Coastguard Agency, the MCA. I am delighted that this was the case.

Turning now to the Improvement and Development Fund, Mr Speaker. Head 103 covers Tourism and Transport. Subhead 1 provides for the annual expenditure on beaches, and for the provision of new planted areas. In addition, work will be carried out to improve tourist sites. Specific projects which are earmarked are the next phase of the comprehensive tourism signage project; and a continuation of the City Walls floodlighting project. In addition, there will be minor improvements carried out to tourist sites, including work on the City gates and the upgrading of equipment in public toilets.

There will be a public consultation exercise in relation to the planned beautification of Catalan Bay. This will then be followed by an improvement programme. This will complement the attractive work which is being carried out on widening Sir Herbert Miles Road. Devil's Tower Road will then be up for improvement, but this project will not take place during this financial year because there will be insufficient time to commence this major work.

In addition, Government have now commenced a study which will lead to a fully-fledged programme to regenerate the east side beaches covering the area from the north end of Eastern Beach to the south end of Catalan Bay. Part of the scheme will cover the "East Side Disaster Area" which Government inherited from the previous administration. Obviously, there will be an environmental impact study carried out together with a study of various options which will result in works being carried out to prevent sand being eroded from the beaches. It is an exciting flagship project for the Government, and it will totally revolutionise the way in which Gibraltarians will be able to look to the East Side beaches for leisure and recreation during the long summer months.

Subhead 2, Enhancement of Tourist Entry points, consists of two principal projects: the completion of the Coach Terminal and the improvement of the Land Frontier building. It is estimated that the new Coach Park will be completed and in operation by August 1999. This will be a tremendous benefit to the many thousands of visitors who arrive at Gibraltar on coaches. Indeed, 116,807 persons arrived on 3,102 coaches in the first four months of this year. They deserve far better facilities than have been available up to now for this important segment of the tourist market and they will shortly be enjoying them.

Another of the entry points which will be coming on stream shortly is the Ferry Terminal, which is due for completion in August 1999. This Terminal building is considerably larger than the old, shabby Ferry Terminal but has been designed to echo the style of the original building. This project is partly EU-funded.

By the autumn, the Gibraltar Tourist Board will be operating three new facilities to welcome tourists in the same area: the Cruise Terminal, which has been highly praised by many users; the Coach Terminal and the Ferry Terminal.

The Land Frontier improvement project is more complicated. It makes no sense to commence work on enlarging and improving the existing building with the height of the tourist season just

round the corner. Much will be done in terms of preparatory works at this stage but the major works will not be carried out until the winter months.

There are other projects on the drawing board which will assist with the tourist development of the Gibraltar product and which will at the same time contribute to the bid by Gibraltar for recognition and listing by UNESCO as a World Heritage Site. They involve the restoration of some of the major elements of our cultural heritage. A long-term plan is presently being prepared and preliminary studies will be carried out to determine exactly which projects need to be carried out, at what cost and within what time-scale.

Subhead 3 covers Airlines Assistance. On the one hand, funds have been earmarked to assist both GB airways and Monarch Airlines with the high landing charges at Gibraltar Airport compared with other airports in the region. On the other, money is available to assist new airlines to commence operations to Gibraltar. In this connection, as I have already informed the House in answer to questions from the Opposition, I am reluctant to give information with regard to the airlines which are interested in operating to Gibraltar until such time as there is a definite programme in place. I look with confidence to this financial year as one during the course of which at least one new airline will come on stream.

Subhead 4 will practically complete the Hotels Assistance Scheme. Most of the hotels have now finished their refurbishment programmes or will shortly do so. The only notable exception is the Caleta Palace Hotel, which is presently involved in major work refurbishing its bedroom stock and common facilities and building a conference centre. Already, the prospect for hotels is far better than it was and I attribute this directly to Government assistance under the Hotels Assistance Scheme. It is Government's intention that the improved performance on the part of hotels should be sustained. Frankly, Mr Speaker, I believe that the quality and standard of Gibraltar hotels compare favourably with international

standards and this will undoubtedly convert into much-desired repeat business.

I would like to highlight, in connection with hotels, that the feedback which I am receiving, particularly from regular visitors is that they believe that the standard of hotels is far higher than it used to be. This is reflected by the reports I have from the hoteliers that not only are occupancy levels increasing but their yield is also up. Customers are prepared to pay higher rates for a better product and this is more money which is coming into the Gibraltar economy.

In tandem with this, and as part of a responsible approach by Government, there are arrangements with hotels to reduce their historical arrears to Government in respect of charges for utilities and municipal rates. Some of these debts date back to 1991. I am confident that the repayment of these old debts will be achieved over the next few years. What needs to be highlighted at this stage is that the growing level of debt in this sector was arrested some time ago by Government and the tide has now turned. The debts are reducing.

Once the hotel refurbishment and improvement programme is completed, Government intend to introduce a grading system for hotels. Already, talks are at an advanced stage with an entity which grades hotels in the United Kingdom with a view to extending their hotel inspection and grading system to Gibraltar.

Subhead 5 is the funding for the new Motor Vehicle Test Centre. The centre at North Mole Avenue is simply a stop-gap measure. I hope to announce shortly that work will commence on the new test centre, which will be an extension to the existing centre at Eastern Beach Road. I regret that work did not commence on this project during the course of the last financial year. The machinery for the new Centre has been identified, following a tender process, and the tender for the construction of the new building is about to issue. Obviously, the building has to be designed round the machinery and it was not possible to issue the tender for the construction works until the machinery had been chosen. I look

forward to the completion of this project so that the Motor Vehicle Testers can work in more pleasant surroundings.

Subhead 6 covers traffic enhancements, including bus stops. It is intended to upgrade bus stops during the course of this financial year. Some of the older bus stops are a disgrace and this matter needs to be addressed vigorously. In addition, this subhead will cover expenditure in respect of the purchase of additional parking meters and new motor vehicle clamps.

Subhead 7 will cover road construction and resurfacing. The roads which it is intended to put out to tender to resurface are the following: The Upper Rock, from Signal Station Road and part of Willis's Road; Market Place; Western Arm Phase 1; North Mole Road, from the junction with Waterport Road to the junction with Europort Avenue; Waterport Road and Devil's Tongue Road; Sir Herbert Miles Road; Europa Road; Rosia Road.

In addition, work will be carried out on some retaining walls at Arengo's Palace and South Barrack Road.

Over and above this, work will continue to link the attractive North Mole Avenue with the Coach Park, a project which is now well under way, and which will continue as far as Waterport Fountain. The entrance to the city from the area of the Port and the Coach park will be totally transformed.

Finally, subhead 8 covers infrastructure improvements for the Port Department. The bulk of the funds being made available will be used for the purchase of new launches for the Department. The first new launch will be delivered by the end of 1999. It is a Halmatic Talisman 49 launch, which will greatly improve the Port Department's ability to police Port waters and to carry out the many duties of the Port Authority which require the use of a launch. This is in fact the first time that the Port Department will acquire a newly-built launch since 1946. Other launches acquired since then were obtained second-hand.

A draft contract for the purchase of a second launch is being considered, and it is envisaged that an order for this second new launch will be placed shortly. The views of the Port Department indicate that this second launch should primarily have a search and rescue function.

Two of the other items of expenditure under this subhead are the funds earmarked for the introduction of Port Security and for the purchase of equipment to counter oil pollution. A tender in regard to the security works will issue shortly. It is important that the Port should become a controlled zone, which will be policed by Port Department personnel. This will be of benefit to the cruise industry. It will also be beneficial to all port operators, as it will prevent accidents occurring to people who have no business to be in the commercial Port.

Insofar as pollution equipment is concerned, the basic rule is that "the polluter pays". However, Government will not sit idly by waiting for a decision - perhaps from a Court of law - to determine who has been guilty of causing a pollution incident. When an incident occurs, it must be tackled promptly and the culprit eventually forced to cover the cost of cleaning up. To this end, it is necessary for Government to purchase a supply of detergent and dispersants which will be to hand in case of need as a basic emergency stock. The total package which Government have put in place in respect of combating oil pollution consists of the purchase of emergency supplies of equipment and chemicals; training of personnel and conducting exercises to test readiness to counter oil pollution and finally our membership of Oil Spill Response Limited. A prudent strategy is in place in this area.

Finally, funds will be made available for the purchase of further diving equipment, for replacement of fenders, for replacement of the Port Lookout windows, for re-siting the Port Social Club and for the purchase of pontoons.

Mr Speaker, the Port is flourishing as a bunker supplier. The volumes handled in 1998 have been very significant and have confirmed Gibraltar's position as the number one bunker supplier in the Western Mediterranean; 2.5 million tonnes of bunkers were supplied to shipping and in addition 6.5 million litres of lub oils. The Government wish to encourage further development of Gibraltar as a bunkering port, and also to expand into other areas of port activity. This new financial year will therefore see a continuation of Government investment in the Port and the further development of what was previously an under-utilised asset.

With regard to the proposed container Transshipment Project, the preliminary work continues. Government will not take a final decision in this regard until such time as the two preliminary studies are completed. One study is a market study, to determine the traffic in containers in the region and therefore the likely success that a transshipment terminal could have in attracting business to Gibraltar. The other is a technical study to assess the best place to site a container transshipment facility.

Head 104 - Infrastructure and General Capital works Subhead 11, Storm Water Drains and Sewers Replacement, will cover the works which were planned for this last financial year which had to be postponed, namely the replacement of the old collapsed sewer which extends from The Convent to Ragged Staff and the laying of a new surface water drain from the junction of Main Street with Cooperage Lane and Landport. The timing for the commencement of the work on the replacement of the old collapsed sewer will be assessed once the Lover's Lane road widening project is completed.

Part of the storm water drain replacement project has been carried out, in the area of Casemates Square. A further part remains to be done, in the area of Corral Road, to provide for an exit from the new storm water drain to the sea. I look forward to these works being completed before the onset of winter rains.

Finally, I wish to touch briefly on the Casemates project. Although this is not being funded by my Ministry, Casemates will play a central role in the development of Gibraltar tourism. In addition to being a focus for visitor attention, together with the other squares along Main Street, I believe that the Square will prove to be a focus for nightlife, something which has been lacking in Gibraltar for far too long. The blend of restaurants, with the possibility of "al fresco" eating, with commercial units specialising in commercial activity which complements and expands on the traditional shopping experience of Main Street, is a recipe for success. I look forward to the opening of the Square in time for the new Millennium.

Finally, Mr Speaker, on revenue, the revenue which will accrue to Government through activity of my Ministry is at revenue Head 4, subheads 1 and 5 and revenue Head 6, subheads 43 to 58.

There are only a few points which I would like to highlight. Gaming Licences, which are at revenue Head 4, subhead 5, were previously collected by the Accountant General. They will continue to be collected by the Licensing Department staff, which now come under my Ministry. The projected revenue from this source for this year will be in line with last year's estimated outturn.

Subhead 43 of Head 6, Tourist Site Receipts, shows that the number of persons who are visiting the Gibraltar tourist sites is on the increase. It is projected that this increase will continue this financial year, and that the additional revenue which will accrue to Government will total £100,000.

Insofar as Head 6 subhead 45 is concerned, Airport Departure Tax, the drop in income from 1997/98 to last year is due to the introduction of a year-round tax of £7 per departing passenger travelling to UK instead of a tax which varied depending on the season of the year. The drop is not significant as it represents just over £10,000, however I am confident that this shortfall will be made up through increased visitor arrivals by air in the months to come.



HON J J BOSSANO:

Is it not the case, Mr Speaker, that at the time it was said that it would have no effect because it was being balanced out, am I correct?

HON J J HOLLIDAY:

That is correct, Mr Speaker. When we assessed the new level of departure tax, this was levelled at £7 being an approximate average. The average has shown that there will be possibly a £10,000 drop assuming that the level of passenger flow is maintained. I am hoping and, as I have said during my address, I am confident that this shortfall will be met by increased passenger flow and the trend is showing that there is an increase in air arrivals so there should not be a decrease in passenger tax collected at the end of the year but we are making an estimate based on existing performances rather than what were our expectations.

Mr Speaker, the income derived last year from Vehicle Testing, Head 6, Subhead 48, was considerably lower than anticipated. This is because a significant number of motor vehicles which were between four and 10 years were not presented for an MOT inspection as there was no need to have an MOT certificate in order to renew the annual road licence. This year, no car which is over four years old will be able to get its road tax disc unless it has had an MOT, so it is anticipated that the number of vehicles which will be tested will be considerably higher than last year, and hence revenue from this source will increase. I would nevertheless like to emphasise that the annual testing of motor vehicles which are over four years old is not designed as a revenue-raising measure. The principal criteria for Government are safety issues, the Government are following the UK model where there is annual testing of motor vehicles. Indeed, in the UK, vehicles which are three or more years old need to be subjected to an annual MOT test, so the practice in England is even stricter than in Gibraltar.

The revenue which is derived from the Port will increase substantially over the figures contained in the estimates when the recommendations contained in the Port Study are put into effect. However, as the new levels of port fees have not yet been agreed, the estimates simply reflect the existing fee structures.

It is projected that there will start to be a gradual increase in the fees generated by the Shipping Registry. The trend which resulted in the departure of ships from the Gibraltar register has been arrested, consequent on marketing initiatives in this field on the back of Gibraltar reopening its full Category 1 Red Ensign Group register. Government took too optimistic a view of the volume of business that would be generated from this source in the first year of operation. I believe that this source of revenue will be consolidated and will grow over the coming years. I trust that this will clarify the matter which was raised by the Leader of the Opposition during his contribution yesterday.

The rate at which ships have flagged into the Gibraltar register has been on average one per month over the last five months. There are now several bareboat registrations, and a niche market for Gibraltar would appear to be emerging in the Eastern Mediterranean to maximise on cabotage opportunities within the EU which the Gibraltar Flag offers and which other Red Ensign Category 1 registers, with the exception of the UK, cannot offer.

Moving on to the estimated revenue totalling £140,000 for the year 1999/2000, from Port arrivals and departure tax which was raised by the Leader of the Opposition during his contribution yesterday, I wish to inform the House that this level of revenue is based on the new incentive scheme offered to cruise companies where reductions are given with increase in the frequency of calls. This incentive has been well accepted in the market and has attracted an increase in the number of cruise calls. The actual direct revenue has not been effected, however it is clear that the indirect benefits from the increased number of cruise calls is a very good support to the economy.

Mr Speaker, there has been much activity in those areas which fall under my ministerial responsibility in the last 12 months. There is still much more planned in the months to come. I believe I have cause for satisfaction in the estimates of expenditure in respect of Head 6, of the infrastructure investment plans and of the estimates of revenue for my Ministry.

HON H CORBY:

Mr Speaker, this is the first budget session that I have attended in this House in which one of the Members of the House elected at the last elections is now not with us and I am of course referring to my good friend the late Hon Robert Mor, my opposite Member. I miss his sense of humour and wit and I shall miss his intervention in this House.

In last year's budget, in jest, he said that the only time in which my ministry could shine was in the budget session. I know that having done the job himself when in Government he knew quite well the pressure and demands made not only on the Minister himself but also on my ministry.

Having said that, Mr Speaker, before I deal with matters directly related to my Housing and Social Security Departments portfolio, I would like the leave of the House to dwell on a subject dear to my heart – drug rehabilitation – on which significant progress has been made during the past 12 months.

It was certainly a very proud moment for me earlier this month when I stood by the Duchess of Gloucester at the Inauguration Ceremony of the New Hope Trust at Bruce's Farm which I hope will be a great success. As hon Members know I have personally been working – both within and outside the House – for almost 15 years towards this end.

Bruce's Farm is the ideal location for such a much needed facility and I hope it will become a home from home for the people who use it.

The New Hope Trust Rehabilitation Centre will be funded by the Government at a cost of £140,000 a year and it is modelled on the UK Broadway lodge centre. It will be run by a trust comprised of four people who are all volunteers, there will also be paid salary personnel in the centre on a 24-hour basis. The volunteers in the Trust are Gladys Perez, Louis Diaz, Louis Bruzon and Roger Estella.

It gives me great satisfaction to have this project see the light of day during my first term of office as a Minister of this Government.

Now let me turn to housing. We have achieved four major tasks during the course of the year. In the first place I can finally report to the House that the last tenants from the pre-fabs were decanted into Government post-war accommodation. This has resulted in the area being cleared and a much-needed free parking area becoming available to the great benefit to the people of Gibraltar and tourists alike.

The past 12 months have also seen the housing agency embark on a process to renew its housing allocation programme to make it year 2000 compliant. The opportunity has been taken to update the system to fully computerise the agency and hopefully provide a better service to the public.

This year will see a major breakthrough in housing allocation with the completion of the refurbishment of Edinburgh House. To a greater extent than ever before, Edinburgh House becomes available for Gibraltarian families. Services quarters of the past now become the domain of local families, most certainly a sign of the changing times.

This allocation to applicants on the housing waiting list will greatly alleviate the needs of people who require accommodation and show this Government's commitment to cater for the accommodation needs of those who cannot afford to buy their own property but deserve to be housed adequately as indeed should be the case for all families within our community.

Another landmark in this Government's social housing policy will unveil itself during the course of the year when Bishop Canilla House will be completed. This is a new concept for Gibraltar in that these flats have been specially built with the needs of the elderly in mind. The flats will be allocated with a view to helping our senior citizens enjoy a better quality of life.

Similarly linked to the Government's belief that our senior citizens deserve to enjoy as comfortable an existence as we can provide for them in recognition of a lifetime's dedication to work and their families, are the changes we have introduced within the Social Services Department over the past three years, lest hon Members might have forgotten we have now successfully completed the third year in our first term of office.

We started off in 1997 by bringing forward the actual payment dates of old age pensions and widows benefit from the 10<sup>th</sup> of each month to the 1<sup>st</sup> to provide a better service to our pensioners. In January 1998 we provided a further opportunity to pay arrears of social insurance contributions to those persons who were eligible to pay arrears on 6<sup>th</sup> January 1975, but did not elect to do so at the time. This applied to those persons with an incomplete contribution record in respect of periods of actual employment in Gibraltar at a time that they were exempted or prohibited by law from contributing to the social insurance scheme because they either earned more than the £500 ceiling, or were self-employed. I am pleased to say that a total of 614 persons availed themselves of the opportunity thereby enhancing their pension payments.

Also under the overall umbrella of improvements to social security, the handicapped person allowance which had remained at the same rate since 1988 was substantially increased in June 1998 from £14.70 to £21.50 for persons under 19 and from £21.70 to £31.70 for those 19 and over.

On social insurance contributions, the Government have maintained the contribution rates at the same level as in 1998.

In keeping with the Government's programme of ensuring efficiency to the public within the Department of Social Services and appropriately as we approach the new millennium, it is our intention to go for full computerisation. The first stage of this exercise has been put in place and payment of pensions and other benefits have already been successfully computerised. The next stage of computerisation is being studied and should be implemented as feasibly possible.

Whilst on the subject of drugs rehabilitation, the Government are also participating and supporting a Royal Gibraltar Police campaign in the media aimed at making the public aware – youngsters particularly – of the dangers involved in experimenting with drugs.

I am of the view that no effort should be spared in driving this message home. My ministry is happy to be associated with "Operation Triangle" along with other Government departments, essential services and social groups in this worthwhile effort to educate the public on this crucial matter. The campaign involves advertising in the media and a series of eye-catching events, the first of which is a mini-Olympiad and Family Fund Day at Marina Bay which will be taking place on the 5<sup>th</sup> June and we hope will be supported by the public at large.

Quite independently to these efforts, the Government are combining work in this field from the Health, the Education and the Social Services Departments in pursuing a determined strategy to counter drug abuse.

The upkeep of the prison is yet another of my responsibilities. Moorish Castle prison has undergone major refurbishment. The refurbishment programme spanning over a four year period is quite comprehensive, involving amongst other improvements, the re-laying of water supply and electricity distribution systems; re-roofing new switchboard room and security cameras system; toilets; bathrooms and cell bars renovation. The total cost of the programme which now goes into its final year is £247,632. The female wing, which was in a dreadful state, was recently

refurbished at a cost of approximately £20,000 and was funded by the Foreign and Commonwealth Office via The Convent.

Mr Speaker, in finishing, I would like to end my contribution by thanking my staff for supporting me in every venture and also for their hard work during the year.

HON DR J J GARCIA:

Mr Speaker, I note this year in his contribution, the Minister for Tourism has been considerably more conservative than in his previous years and perhaps it has been very wise that he has decided to take that course of action since it is particularly important, I think, with regard to this Government, to measure what they say and compare that to what they actually do. In the course of my intervention, Mr Speaker, I hope to go through that in various areas to establish what has been said and what exactly has happened.

I think the starting point has to be obviously the figures and the estimates themselves. I am grateful because the Minister has mentioned, with regard to certain subheads, queries which we had in the Opposition and which he has already clarified. But certainly at the Committee Stage we will be mentioning subheads 5, 7 and 8 on which I believe there has been no clarification and perhaps seek further clarification on a series of other points.

Mr Speaker, it is increasingly clear that any analysis of tourism must necessarily start from the figures and the statistics and the way these figures are compiled. Concern therefore is twofold. First, at the way in which the surveys have been conducted and, secondly, the question of how representative a sample actually is. The Chief Minister referred to the unsophisticated system of information collection and analysis and in opening his address this year he also referred to the figures and to their reliability in certain areas in certain cases. I think the most glaring one, which both the Chief Minister and the Minister for Tourism have failed to mention is the question of visitor arrivals from Morocco. In answer to questions last year we were told that in 1995 there were 3,100

visitors spending £100,000; in 1996, 9,500 spending £700,000; and in 1997, 20,700 spending £3.1 million. We now know the number of visitors from Morocco in 1998 and the number staying in hotels and the amount that they spent was completely miscalculated by the Government. The visitor arrivals by sea showed a dramatic increase from 3,100 to 9,500 to 20,700 in 1997. The Government estimated that 11,000 of these visitors in 1997 had stayed in hotels for an average of four nights each. This translated into a 700 per cent increase in visitors from Morocco, a 400 per cent increase in occupancy of hotels from the ferry and a 100 per cent increase in tourist expenditure. When the Opposition questioned the increase in ferry visitors and the knock-on effect that this had on the hotel visitors and tourism expenditure in the House in September 1998, the Government defended the figures. The Chief Minister said, in response to Question No. 404 of 1998, "The Government are content otherwise we would not give the information to the House, that the information that is given to the House is accurate". Speaking of that period in his budget speech last year, the Minister for Tourism said, "the tourism spend during the same period by people staying in our hotels more than doubled from £8 million to £17 million. Such results are not obtained by themselves; they require much hard work, effort and commitment and these have been forthcoming". We now know, Mr Speaker, it was due neither to hard work nor to effort nor to commitment, it was due to the figures being completely incorrect, as the Opposition had pointed out in the first place and the Government refused to accept. Finally, in response to Question No. 129 in February this year, the Chief Minister admitted that the figures were not correct explaining that this was caused by an oversight, that the figures for visitor arrivals from Morocco in 1997 and 1998 were not adjusted to include passengers who were resident in Gibraltar. When the Opposition behave in a constructive and in a responsible manner in bringing up this question, it was the Government that stubbornly and almost arrogantly refused to accept the possibility that these figures were completely wrong only to acknowledge this fact six months later. The second issue in relation to the figures has to be in terms of the sample. For example, in all of February 1999 two people who had stayed at a hotel were interviewed at the border, seven

people for the whole of March 1999 and one person for the whole of April with 20 at the airport in each month. In April 1999 there were 182,023 crossing the border of which one person who stayed at a hotel was interviewed. On that basis, Mr Speaker, the figures were calculated. This begs the question as to how representative the samples are and casts out as to the accuracy of the figures being given.

I move on now to the question of marketing. To speak of a tourism policy is a contradiction in terms, there is no tourism policy. What is in place, simply involves spending hundreds of thousands of pounds, attending trade fairs and exhibitions all over the place in the hope that more people will come to Gibraltar. If for want of a better word we want to use the word "policy" then the Government's tourism policy is like one of those pirate holiday brochures, full of pretty pictures printed in attractive colours on thick glossy paper, bursting with promises and failing to deliver the product. Everything they do is a success. Is it not about time that Gibraltar should be seeing some results from that success? The money that they are spending has to be justified by the return and it is clear that in proportional terms the return is not there. People in Gibraltar whose livelihood depends on the Government's success in this area and who listen to what the Government are saying are wondering what is going on? Where is the project Gibraltar; the Gibraltar experience; the theme park with Donald Duck walking up Main Street that the Chief Minister promised? This is the daily barrage of propaganda that the people of Gibraltar have been subjected to since 1996. Where are all the people and why is trade in Main Street not booming? They painted an extraordinary picture; a combination of Alice in Wonderland and Peter Pan with the Chief Minister presiding over this dream, having tea with the Mad Hatter and lunch with the Queen of Hearts unaware that this fantasy world that was promised was and remains very distant from the harsh day-to-day reality of life. From what the Minister has said, all they intend to do this year is spend more money on more marketing to advertise and attend more trade fairs in more places and then wait and see what happens. That is having no policy at all. What the Government are doing is throwing more and more money away in

a haphazard way without measuring the results. The estimates tell us that the marketing budget now stands at £825,000; do the Government measure the effects of how that money is spent or do they not care about the financial consequences of the economic fiasco of events like the Carreras Opera Concert that they staged? So much has been spent in hotels, on marketing and in beautification but no effort seems to be made to measure the results and to maintain the concept of value for money. Mr Speaker, the odd figure may have gone up here and there, I can only say that those of us in the Opposition should very well hope that something or other has gone up given the vast amount of money that has been spent.

It is also important at this stage to go into each area and to establish exactly what it is that has gone on. With regards to the frontier, tourism by land, the number of cars, pedestrians and coaches have all dropped in 1999 when compared to the same period of 1998. In his budget speech in April last year, the Minister for Tourism said, "The promotion of Gibraltar tourism in Spain will step up when the Gibraltar Tourist Board Office opens in Madrid". Let us see how that statement compares with the figures. In February, March and April this year, there were 597,828 pedestrian visitors to Gibraltar. There has been a drop of nearly 60 per cent in pedestrians crossing the border in February, March and April of 1999 compared to the same period in 1998. In terms of cars, Mr Speaker, in February, March and April 1999 there was a total of 246,903 cars compared to 475,581 in the corresponding period of 1998. There has therefore been a drop of nearly 52 per cent in cars crossing the frontier in 1999 compared to the corresponding period of 1998. Therefore it is not a case of people parking cars and crossing on foot because the number of pedestrians has also dropped by 60 per cent. Obviously because there are less cars, the people in cars has dropped accordingly, around 57 per cent according to our calculations, in February, March and April 1999 compared to the corresponding period of 1998. I note that the Minister referred to coaches, well it is interesting that in January, February, March and April 1999 the figures for coaches is lower than it was in the corresponding period of 1998, 1997 and 1996. In the first four months of this

year there has already been a drop of about 19 per cent in the number of coaches coming into Gibraltar when compared to the first four months of 1998. The number of coaches that have come into Gibraltar in 1999 therefore, from January to April is less than the number in the corresponding period in 1998, 1997 and 1996. Last year the Government opened an office in Madrid which cost over £40,000 to set up and the estimates show on which £88,000 was spent or forecast as spent in total. Nearly £14,000 was spent in FITUR, yet the number of cars, pedestrians and coaches coming into Gibraltar in 1999 is less than it was in 1998. How do the Government measure whether any of their marketing operations is a success? For instance, this year £5,000 was spent attending a Tourist Fair in Barcelona. How do we know whether we have less Catalans or more Catalans coming into Gibraltar? How does one determine success when in the first few months of the year the figures have dropped compared to the same months of 1998? Even though the marketing budget from last year overspent by £135,000, we have less people, less cars and less coaches crossing the border in 1999 when compared to the same period in 1998.

We move now, Mr Speaker, to the area of cruise liners and I note, again, that the Minister referred to an increase and highlighted it once more in a general sense in terms of it being one of the main areas in which the Government would like to see some movement. We had less cruise liners in 1998 than we had in 1996. It is important to look at the difference between what the Government actually say and what is actually happening on the ground. Areas like the Cruise Liner Terminal and the North Mole beautification were not their projects. They were projects which they completed with European Union funding which was already there. In his budget speech last year the Minister for Tourism said, "We anticipate that this year will see an all-time record with about 150 cruise calls". This year, again he said, he hopes that this year will see an all-time record with 200 cruise calls. This did not happen in 1998, the 135 cruise calls in 1998 are lower than the figure for 1996 where we had 139 despite the amount of money spent being considerably more. The number of passengers for 1998 was also lower than 1996 although we

understand that 1999 does look more promising. Another area of concern to many traders in Gibraltar is the question of the length of stay of the ships. The 135 ships that came in 1998 stayed an average of seven and a half hours each; of the 135, 52 ships stayed for five hours or less. That, Mr Speaker, is not enough time for people to come to Gibraltar to see Gibraltar, to go on a tour of Gibraltar, to go shopping in Main Street and to go back to the ship so it is an area where we really need to see some improvement and the figures for 1998 indicate that there is much to be done in that field. Another point which needs to be cleared is the number of passengers that actually disembark. What we get when we ask for figures is the capacity of passengers which the ship can actually take but not those on the ship that actually get out and come ashore which might be perhaps a more relevant figure if statistics are going to be looked at again and are going to be reworked.

In his budget speech last year the Minister for Tourism also promised that in November Gibraltar would be the home port for the liner "Adriana". The Adriana did not even call at Gibraltar in November 1998, according to the information supplied by the Government and indeed according to the information supplied by the Minister himself, neither did the Adriana call in December 1998, January, February, March or April 1999 so obviously we are interested to know what happened to the ship. We are told that 1999 will be a bumper record year for cruise calls like we were told 1998 would be. We should not underestimate the fact that the cruise industry in general is now refocusing on the Mediterranean and that we benefit from the spin-off effect automatically from that spin-off effect, in a way, which has nothing to do with the Government.... [*HON CHIEF MINISTER: What goes wrong is our fault but what happens automatically .....*] In a way which has nothing to do with the Government's or with their marketing or with their reduction in passenger tax. [*HON CHIEF MINISTER: It is all clear now.*] Mr Speaker, is the Chief Minister saying that cruise ships come to the Mediterranean to visit Gibraltar alone and then they go back?

Equally in the area of yacht visitors, if we compare the number of yachts that have come to Gibraltar in 1998 and we compare that to 1996 there has been a drop of 15 per cent in the number of yachts that have come to Gibraltar. That is another area of concern, another area which certainly worries the Opposition and which the Government need to seriously look at.

The Ferry Terminal, Mr Speaker, is an interesting case in point. The Minister for Tourism has just told the House that the Ferry Terminal will be due for completion in August 1999 so we will have a Ferry Terminal and no ferry, as at the moment there are no sea links with Morocco and the concept of having a three centre holiday and people coming to Spain, Morocco and to Gibraltar..... *[Interruption]*

MR SPEAKER:

Do not interrupt him, let him finish. Carry on.

HON DR J J GARCIA:

Thank you, Mr Speaker.

The fact that there are no sea links with Morocco is a very serious matter which needs to be addressed. Apart from the obvious humanitarian problem caused to pensioners and to Moroccan residents of Gibraltar who are unable to go home to see their families, so it is an economic problem and it is also a very serious human problem but certainly in terms of visitors by sea and in terms of having a ferry, if we are going to have a Ferry Terminal surely the Government would agree it would be a good idea to have a ferry to go with it.

Mr Speaker, the third area will be tourism by air. In his budget speech in April 1998, the Minister for Tourism said, "I am in discussion with several airlines which have expressed an interest in a Gibraltar route and I am hopeful that increased capacity on routes to Gibraltar and new routes will be achieved during the

course of this financial year". There has been no new airline, there have been no new routes despite the promises made. In fact, we have the opposite and again it surprises me that the Minister for Tourism did not mention this but we heard on Friday that we have now lost the Manchester flight by British Airways, that will be abandoned due to lack of demand from October, I believe it is. We have also lost the Heathrow flights and we have also lost flights to Morocco. When he attended the Routes 97 Conference in Oslo, mention was made of British Midland; in the Routes 98 Conference in London, mention was made of having contacted 17 airlines and now of on-going discussions with five. One big problem, Mr Speaker, for hotels and for tour operators is that the cost of flying to Gibraltar is expensive, something needs to be done to address this and packages arranged by hotels cannot compete due to the high fare element. The figures suggest that the Government are subsidising airlines to fly to Gibraltar when the majority of those who use the flights and book the seats actually go to Spain. There is a need to encourage more flights to Gibraltar for Gibraltar stay visitors. The majority of 53 per cent of tourist arrivals by air in 1998 did not stay in Gibraltar. Once again if we look at the latest figures available and we analyse the period February, March and April 1999, the number of visitor arrivals by air dropped from the corresponding period in 1999 to the corresponding period in 1998, there were less people coming to Gibraltar in February, March and April 1999 than in 1998 and the load factor on scheduled flights to and from the United Kingdom has also dropped comparing 1997 to 1998.

Mr Speaker, we move on then to the question of hotels. Despite the money being pumped into hotels, the incessant talk of promotional and marketing success almost every time there is a trade fair or a conference we are told that it has been successful, despite all that the number of visitor arrivals at hotels has fallen by 14 per cent from 1997 to 1998, according to the figures supplied by the Government. This means that whereas, for example, in 1995 there were 45,000 visitor arrivals, in 1996 there were 46,000 visitor arrivals, in 1997 there were 48,000 visitor arrivals, in 1998 there were only 41,620, a drop of 14 per cent of 6,800 people. The Minister mentioned that sleeper nights had gone up. He failed



to mention they have gone up by less than 1 per cent. Despite the huge amount of money spent on hotels, the number of sleeper nights sold in 1998 were actually less than they were in 1995 and are only a 1 per cent increase from the 1997 figure. To the end of March hotels have been paid £450,574 in grants and £2.6 million in loans. At the end of April they owed a total of £926,000. The area of people staying in hotels reflects the failure of the Government's tourism policy more clearly than in any other component part of the tourism industry. It was an express declared intention to encourage longer stay visitors from Britain to come to Gibraltar and stay in our hotels. To that end huge sums of money have been loaned or granted to hotels, huge sums of money are also owed by hotels and the number of visitor arrivals in our hotels has slumped in 1998 compared to the previous year with sleeper nights only marginally up. A percentage occupancy of 43 per cent, which the Minister mentioned, at a time when hotels in the Costa are full is not good enough.

In his budget speech last year, the Chief Minister said, "Hon Members also know that in respect of tourism the Government policy is based on generating greater volumes of economically valuable overnight and higher spending tourism and for that purpose we have led the way by investing in an upgrade of our hotel infrastructure, by investing in the beautification of Gibraltar, by investing in better airline access to Gibraltar and by investing in generating additional level of cruise traffic to Gibraltar". The figures produced by the Government show that the Government have failed to meet all the objectives set by the Chief Minister in his budget contribution last year. In 1998 there were less overnight tourists staying in Gibraltar than in 1997. There is no better airline access to Gibraltar, in fact we have the opposite situation, we have worse airline access with the airport losing out the Heathrow route, the Manchester route and the flights to Morocco, all of which are important. The number of cruise ships that called at Gibraltar in 1998 was less than in 1996 despite the promises made and the exaggerated claims produced. The Government should not get me wrong, those of us in the Opposition want tourism to work and want Gibraltar to succeed in this field but the fact remains that by the criteria set by the

Government themselves last year, that rosy wonderland picture remains a very distant fantasy.

Mr Speaker, I move now to the area of small business and commercial affairs. The Government's approach to commercial affairs and to the needs of the trading sector is very similar to their approach to the tourist industry. They invent a few schemes, they package them and proceed to sell them through the media as evidence of how much they are doing for trade. The stark reality is that the Government have not done enough, that assistance to small business has been misdirected to those who do not need it and that many traders are now in a worse position than ever with crippling overheads being the main problem. None of the schemes introduced by the Government with respect to rents, rates and import duty are measured to see if they are working, to see whether more people are employed, to see whether prices have been reducing. In September 1998, the Trading Conditions Survey produced by the Chamber of Commerce revealed that 68 per cent of business thought that business was the same or worse than the previous year, particularly so in the retail trade where the figure was 81 per cent.

When the Government introduced the import duty restructure in October 1997, they explained that this was as part of Government's policy of stimulating the quality end of the tourist market. The Chief Minister has told the House that the effects of this measure are not being monitored, that the Government have no idea whether prices have gone up or down or whether the objective which was announced in October has been met or not. The Chief Minister said in February that he was not particularly concerned whether it has had the desired effect or not. This is an extraordinary way to conduct economic policy in such a haphazard and almost a shambolic manner. The disregard for the effects of the measure after it was introduced can only make those cynics amongst us lead to the conclusion that the measure was introduced for its propaganda value and for little else. In its Annual Report of September 1998, the Federation of Small Businesses declared that, "The long-awaited import duty review was a great disappointment to most of our members. It was

selective in the goods it favoured and in some cases, as in clothing but not shoes, quite difficult to understand. The majority of our members who trade in ordinary goods were not affected at all. We have asked the Government if they intend to monitor the effects of the import duty review. If the benefits are not passed to the consumer, thus increasing sales which I presume was the intention, it defeats the purpose of the exercise and amounts basically to direct assistance afforded to some but not to others". Mr Speaker, the case is clear. The Government have failed. Small businesses continue to experience difficulties. Perhaps if some Government Members took the time to leave their plush offices and walk up and down Main Street between elections and talk to traders, they would see this for themselves.

Reducing commercial rates by 20 per cent to businesses that are fully paid up has only led to a situation where rich companies that can afford to pay more now pay less and the struggling enterprise that could not afford to pay anyway still cannot afford it and therefore does not benefit from the measure. This point has been made by the two trading organisations in Gibraltar, as was the additional point that a reduction in Government rents has made no difference to the majority of businesses. In its annual review of 1998, the Chamber of Commerce has described these three measures as "far too little to make an impact in our competitiveness and offer. Business costs remain high."

To comment briefly on the new measures announced yesterday by the Chief Minister, obviously time will be needed to analyse them and we need to know whether the Government intend to monitor the effect but certainly there are a number of obvious points which strike those of us in the Opposition when we read the measures. First of all, the reduction in company tax – the small business is defined as a business that makes a profit of £30,000-odd or less. That might not be the most appropriate criteria, we could have a large company making that sort of profit and benefiting from the reduction. Secondly, the same criticisms made on the import duty review then apply now. That the Government should choose to reduce duty, for example, on cameras but not on calculators is, as the Federation of Small

Businesses said, giving a benefit to some but not to others. In terms of the reduction of poundage on rates, Mr Speaker, I think if I am not mistaken when I say that commercial rates are calculated first on the poundage and also on the valuation of the premises. So for this to work and for it to be effective the valuation itself also has to be frozen or has to be reduced otherwise it defeats the purpose of the exercise and the Government will give with one hand and take away with the other.

With respect to European Union funding, Mr Speaker, for business, the obvious point to be made has to be that the wholesale trade and the finance centre are excluded from such funding. There have been complaints that not enough information is generally available. In March this year the Government issued a leaflet on the subject. The only tangible results of this appears to be that less companies have applied for EU funding in the period after February when the leaflet was issued than in the previous period from October 1998. The Trading Conditions Survey produced by the Chamber of Commerce shows that 79 per cent of traders were either very confused or confused on the question of the accessibility of information on the availability of EU funds for business in Gibraltar. The estimates show that the result is that huge amounts of European Union money risks being lost if it is not allocated on time. The EU sets specific targets. Spending on all projects of a capital nature has to be allocated by the end of 1999 and projects of a human resource development nature, like training, has to be spent before the end of 1999. The Leader of the Opposition raised this point in his contribution and we were assured that the Konver funds would all be spent. The forecast on the amount spent in the estimates show that a considerable amount of money is still there. This point of concern was raised by the Chamber of Commerce in its 1998 Annual Report and reassurances from the Government would be welcome not just in respect of Konver. Regarding the Gibraltar Enterprise Scheme, either the criteria is too strict or the details so unknown that few are interested in applying. Of £350,000 estimated in 1998/99 only £30,000 has been forecast as spent which is under nine per cent. In the financial year ending 31<sup>st</sup> March 1999, only three companies have been successful in obtaining Gibraltar

Government funding with five pending approval and two under consideration. The schemes might very well be there but they are doing very little for small business judging by the amounts actually spent.

Finally, Mr Speaker, during his budget speech last year the Chief Minister promised three things. Firstly, that there would be a tighter control at customs to regulate and control the incidence of cross-frontier trade and to ensure that it complies strictly with legislation. Secondly, there would be amendments to the Trade Licensing Ordinance to require the registration in Gibraltar of businesses including businesses engaged in cross-frontier trade. Thirdly, there would be a continued but necessarily cautious use of the import duty system to promote local trade and therefore protect local jobs. The Government have done none of the three.

In both tourism and commercial affairs, and of necessity the two are linked, the Government have promised much and delivered little. They announce grand schemes with catchy sound-bites and attractive wrapping but 1998 has shown that the important thing is not to be fooled by the propaganda and the presentation and to examine only the contents of the parcel. By that yardstick the Government's performance leaves much to be desired. They spent over £17,000 attending the London Boat Show and we now have less boats. They spent over £13,000 in FITUR and over £88,000 in an office in Madrid and we now have less people, less cars and less coaches coming in through the border. They spent over £40,000 attending the World Travel Market and we still do not have a new airline and we continue to lose air routes. They have spent over £3 million in grants and loans to hotels and the number of arrivals in hotels has slumped. The schemes they have set in place to help small businesses have not worked and much money from Europe risks being lost if it is not allocated soon. They have thrown money around irresponsibly without a feedback and without measuring its effects. Mr Speaker, people were given the impression in 1996 that the frontier problems would be over, that relations with Spain would improve overnight, that Gibraltar would be flooded with tourists spending millions of pounds in our shops and our restaurants. This has not happened, that vision

has failed to materialise. They have spent three years blowing a huge propaganda bubble which sooner or later will burst in their faces and expose the collection of empty promises and the lack of co-ordinated positive action. Never-neverland, Wonderland or Fantasyworld, call it what we will, Mr Speaker, has failed to materialise.

HON DR B A LINARES:

Mr Speaker, my Ministerial responsibilities for Education, Training, Youth and Culture touch upon areas of human, social and moral significance and indeed point to the development of human resources which are crucial in our economic growth. As such, the Government place a high priority on these responsibilities and this is evidenced not only by our budgetary provision but by our on-going evaluation of standards and performances.

Mainstream education – As is known, our educational system is modelled on the British system. The Education (National Curriculum) Regulations 1991 establish that the British National Curriculum should be broadly adopted in our schools and there is no doubt that our educational standards and outcomes can match the best in British schools. This, of course, is the result of longstanding commitment by parents, pupils, teachers, educational advisors and administrators and of Governments over many years. To ensure an on-going improvement in standards, the Department continually monitors the programmes and performances in our schools. This past year, following on the Special Needs Audit carried out by OFSTED inspectors last year, all First and Middle Schools have been visited by external advisors to support practising teachers and enable them to focus on their strengths and weaknesses. Particular regard was paid to the development of literacy at these early stages, that is, Key stages 1 and 2 of the National Curriculum. Staff development ranks high in the Department's agenda. Under the guidance of two senior advisers from Sheffield Hallam University, two important initiatives are currently on course. The first concerns the possible implementation in our schools of the Literacy Strategy

now instituted in UK. All language co-ordinators in our schools are attending a rolling programme delivered by the advisers and all First and Middle Schools will set aside inset time during the next session to monitor those elements of the Strategy which have already been adopted in our curriculum. Similarly the advisers are also conducting a diploma course validated by Sheffield Hallam University for special needs co-ordinators.

**Pre-school Education** – Pre-school education is now recognised by educators to have a crucial influence in later stages of a child's schooling career. Since we came into office, we have increased the Government's nursery and pre-school provision by 80 per cent. We have opened a new nursery attached to Notre Dame School, a pre-school assessment unit in St Martin's Special School and as from next September, a new nursery for 60 children in Varyl Begg Estate attached to St Paul's First School. This will bring the total number of children now in Government nurseries to 270, that is, over 50 per cent of our annual intake. Parallel to this the Government have also supported privately-run nurseries by providing suitable premises, generous rental arrangements and tax allowances which have been further increased as we heard in this year's budget, for parents who make use of these facilities. Very soon we will be introducing effective legislation to ensure quality standards of safety, hygiene and indeed proper tuition in these private nurseries.

**Higher Education** – At the other end of the educational spectrum we have our sixth forms and the College of Further Education. The examination successes of our students at this level enable over 40 per cent of our annual intake to enter into higher education in British universities and colleges. These efforts by the students and, indeed, their parents, the Government feel should be generously supported in order to meet the ever-increasing costs of subsistence and lodging in UK. The House is aware of the Government's commitment to pay tuition fees for all our students as a consequence of the British Government's decision to cease payment of these fees and this has meant a heavy bill on our recurring expenditure on scholarships over and above that of maintenance grants, over £200,000 to cover last year's intake

and double that amount to cover two intakes this year, we have estimated £440,000. Nevertheless, Mr Speaker, we have clear evidence that the cost of maintenance and lodging in UK are becoming increasingly onerous for parents in spite of our grants. The Government have endeavoured to keep up with inflation rates in UK over recent years by raising grants accordingly; air travel allowances alone have been increased from £374 when we came into office to £641 today but the substantial increase in maintenance grants which the Chief Minister has announced earlier will be indeed a very welcome and deserving bonus to parents of students in universities and colleges abroad. This increase will have to be across the board within the two income categories defined earlier by the Chief Minister but we are conscious of the abuse of the system by claimants whose real means do not correspond to their income tax returns. I have already taken action and will continue to do so against the more glaring cases by using the discretionary powers which I believe the Educational Awards Regulations 1990 allow the Minister in assessing, as stated in Schedule 3, Part 2, paragraph 3(1), "the total income from all sources". By seeking information, as stated in Regulation 13, "as to the resources of any person whose means are relevant to the assessment of the student's requirements and resources". The Statutory Regulations give further powers to the Minister, as stated in Regulation 14, "To terminate the award or withhold any payments due under it as he in his discretion sees fit". I intend to continue using these powers to the maximum effect to stop the abuse by persons who not only defraud the exchequer with cooked income tax returns but seek to obtain full benefits from the Government on the basis of those returns and in order to strengthen the Minister's elbow legally, that is, I intend to introduce legislation widening the Department's inspectoral role in respect of applicants for scholarship awards.

Mr Speaker, there is another important aspect of a more academic nature that the Department will have to attend to carefully in the coming year. That is, the radical review of post-16 education which is being considered in UK affecting A-levels and General Vocational Qualifications, the GNVQs. We will certainly have to take on board whatever reforms are introduced in UK

since these examinations will determine and condition the entry of our students to UK institutions of higher and further education. For this purpose we are in close consultation with the Examination Boards and with the Department for Education and Employment and we have sought the consultancy of Sheffield University whose pro-Vice Chancellor charged with Inter-Collegiate Studies will be visiting us shortly to carry out a consultation exercise with our own teachers and advisers with a view to recommending the best route to follow in our provision of post-16 education.

Primary education – In primary schooling, as indeed in our secondary schools as well, Mr speaker, quite apart from the academic developments which I have already reported, our aim is to provide well-resourced and well-maintained schools conducive to good teaching and learning. Our extensive refurbishment programme over the last two years at a cost of £1,105,000 has ensured that we now have school buildings which are safe, structurally sound, clean, well painted, pleasant and in most cases suitably enhanced as well with green areas and our budgetary provision this year is intended to see that these high standards are kept up. However, it is not just a matter of money spent. It is appropriate, at this point, to record our appreciation and that of our headteachers of the work carried out by the Government Technical Officer and the Department's Administrative Officer who annually survey the schools' requirements and also the work by the management and the workforce of Gibraltar Joinery Building Services who look upon their task in our schools as much more than just another job. Our biggest problem in the primary sector, from an administrative point of view, continues to be the difficulty of matching the availability of places in the primary schools with the demand in their respective catchment areas. We do believe it is important that these schools be community based and easily accessible to parents and children, particularly in the first schools, but the situation is made more complex by the great demographic movements which have taken place in recent years with the concentration of population in the westside and northern areas of town and this is further complicated by sociological factors such as working parents who increasingly rely on grandparents and

relatives who may not themselves reside in the pertinent catchment area to deliver and collect the children and care for them after school.

The large building extensions in Bishop Fitzgerald and Governor's Meadow complex over the last three years have largely alleviated the situation in the westside area but with the allocation of Edinburgh House and eventually Chilton Court, further schooling provision will indeed be necessary in this part of town. The Government intend to build a purpose-built primary school, that is First and Middle, in the area of NAAFI and Fleet Pavilion once these buildings are transferred to the Government of Gibraltar by the MOD. Similarly the long-awaited and long-overdue extension of St Anne's School which is budgeted in our estimates at a cost of £670,000 is no longer, as it has been for many years, a broken promise. The works which have now commenced are due to be completed by the start of the academic year in September 2000. This will provide the school with a large school hall and six extra classrooms and gone will be those horrid portacabins in the playground. A similar extension at a cost of £200,000 has also been committed by Government for a new large hall in Westside School. It has to be noted that the school population in Westside School is around 900 pupils and up to now they have been using the gymnasium at all times for assemblies, open days and even for public and year examinations with the consequent disruption of the school's sports programme and that of the Sports Department.

School hours – Mr Speaker, I have explained the complex situation caused by demographic and sociological movements as they affect the schooling provision. An added side effect of this general problem is the traffic congestion particularly at the times of day when children start and end school sessions. There is pressure from some quarters to change the present arrangement of school hours with the hope of alleviating these difficulties. The Department is considering carefully all the representations made to it but a change of school hours could have serious repercussions throughout our pattern of social and family life. Essentially, what is being proposed is a shortening of the existing

lunch break and as far as parents are concerned, they understand this to mean that the children will be kept in school for their lunch. Certainly this would avoid the hassle for parents and the traffic problems at this time of day. The views of teachers, as represented to us by the GTA, vary and although the majority want a shortening of the school day, not all appear to agree with the idea of keeping the children in school during the shortened lunch break. The headteachers, on the other hand, are quite unanimous, they are unanimous in rejecting any change of school hours. They are conscious that keeping hundreds of children in school to eat their lunch, however simple that may be, will cause serious logistical difficulties. They point to the fact that our schools at present are not equipped either physically or in terms of supervisory arrangements to cope with this situation. Accordingly, Mr Speaker, I have instructed officers from the Department together with the Technical Officer to carry out a detailed survey of each school to ascertain the physical, logistical and supervisory arrangements that would be necessary in order to retain the children in school for their lunch break ensuring, of course, above all, the safety of the children, general hygiene conditions, healthy diet and good order but it is clear that considerable funding will be required to attain these conditions. When all the evidence is obtained the Government will then decide accordingly.

Personal and Social Education – All our schools give serious attention and time in their curricular programmes to personal, social, moral and religious education. Our teachers are always under pressure from forces and trends outside the school, not least of which is the increasing incidence of family breakdown. A great deal of thought and attention is being given to positive and effective strategies to ensure good discipline in our schools – the philosophy is one of social inclusion and behaviour modification rather than exclusion and rejection and a peripatetic specialist teacher has been engaged to support teachers within the school ambience to cope with difficult pupils often in liaison with social workers and youth workers. The result is that over the last year no single pupil has been indefinitely excluded and the number of short-term exclusions or suspensions has been minimal.

Drugs Education – More particularly, the problem of drug abuse among the young has to be faced realistically, that is, without complacency or exaggeration. There is reason to believe that at all ages the largest single group of young people is that which does not use and has never used an illegal drug. There is further evidence that with the elimination of tobacco smuggling in fast launches, a growing sub-culture at the time among the young, including school children, has been largely overcome. It was a sub-culture closely connected with drug trafficking and drug abuse. However, there is also evidence that there is an escalation throughout the western world in the general availability of drugs, particularly targeted at children and young people and Gibraltar is not immune to this. The Department of Education and Training has now issued a consultation paper setting out good practice guidelines for schools and the Youth Service on drug education and incidence management. Once the consultation process is completed, this paper will be part of a comprehensive policy paper to be issued by the Government on all aspects of drugs in society – prevention, public awareness, law enforcement, drugs trafficking and, particularly, the detection and prosecution of large drug dealing networks. In the preparation of this policy paper, my hon Colleague, the Minister for Social Affairs, is in close contact with the office of the UK Anti-Drugs Co-ordinator, Keith Hellawell and his Deputy, Mike Trace.

The Youth Service – In the battle against drugs, a key factor is to provide relevant alternatives for our youth. The development of the proposed Sports Centre and Leisure Centre will go a long way to address this need and in this context the dedicated work of our Youth Workers in the Youth Service, including the voluntary support of youth leaders in the Youth Clubs and in the Youth Centre is particularly noteworthy. The Youth Service provides a total of five centres for club activities in different parts of town and in the autumn we will see the opening of the new Adventure Playground Youth Club in Laguna Estate. The Club building is now complete with new furniture and new equipment but the contractors are now constructing a new decorative perimeter wall and as soon as this is built we will install new playground

equipment in the area adjacent to the Club premises with new benches and green areas.

The well-resourced Conference Centre in Montagu Bastion that was opened in March 1997, continues to flourish providing the more serious activities, to put it that way, which are also often keenly sought after by young people. The Centre continues to be in great demand also for seminars, conferences and meetings from outside bodies and organisations. This coming year the Government will expand the information technology capability of the Centre with access to the internet, together with a Careers Library in order to provide an effective Careers Advisory Service for young people after they leave school. The patio area next to the Centre will also be refurbished and beautified to make it a pleasant open area near the centre of town, near the new Casemates Square where users of the Centre may be able to relax. Whereas the work of the Youth Service, as I have described, is still largely centre-based, youth workers are now beginning to try outreach strategies to engage a large sector of the youth population who shy away from organised activities and often find themselves prey to commercialised leisure and the drugs scene. We intend to provide in-service training for youth leaders to enable them to adopt effective strategies in this very difficult task. Perhaps, Mr Speaker, it is the Youth Service Annual Programme of international exchanges engaging groups of young people from other parts of the world which carry the highest educational value, broadening, as it does, the perception of our young people. Over the last year trips have been made to Italy, Sweden, Spain and Britain, with reciprocal groups from these countries hosted locally and the first of this year's Youth Exchanges will take place in July when a group of young people from Holland will be visiting Gibraltar and the Gibraltarian youngsters will go to Holland in August. Particularly significant is the link which exists between the Youth Service locally and the Cheshire Home in Tangier. This a Home for young people with physical and mental disabilities. Regular visits by local youngsters are organised by the Youth Office to the Home in Tangier and as well as providing medical and other material resources, the local youngsters often assist in the care programmes and in painting

and refurbishing the Home buildings. Many a youngster's social awareness has been awakened through this opportunity to view at first hand the issues faced by people with disabilities and those who live in communities less affluent than our own.

Co-operation with our neighbours in Spain – Mr Speaker, the House is aware that formal and informal agreements have been made between our Government and neighbouring authorities in Spain to establish means of co-operation in educational and cultural matters. I am very conscious of our responsibility in this respect, it is at this level, especially, which touches upon the minds of the young that we must strive to overcome the attempts of the Spanish Government to sow seeds of division and hatred between the peoples on both sides of the border. I have on previous occasion given full details to the House of all our many contacts with our neighbours of an educational and cultural nature. I will, therefore, here limit myself to highlight a particular meaningful project which has been put together by our educational advisers and their counterparts in Los Barrios – the school children of Los Barrios will be introduced to the historical features of the Rock and discuss their impressions with local children and our school children will share in an environmental educational programme at the Natural Park of Los Alcomocales in Los Barrios. Already last week over 100 children from schools in Los Barrios visited Gibraltar and before the end of term our pupils will be hosted in Los Barrios. Is there not something in the Gospel, Mr Speaker, which is a Gospel of Peace, about all of us becoming like little children?

Training – Mr Speaker, I referred earlier to the Government's ongoing review of our 16 to 19 educational provision. Within this age range and, indeed, up to the age of 25, the Government offer every person the opportunity to opt for one of the following – full or part-time education; vocational training; employment or a combination of any of the above. The aim of the Department since it was assigned responsibility for training, in general has been to achieve a coherent, well-structured and effective framework for learning in all its forms and, in particular, a comprehensive programme of vocational training which responds to the real



needs of industry. To address this wide-ranging project the Government have appointed a Training Advisory Council with representation of employers and unions, the Finance Centre, the MOD and other relevant Government Departments such as the Employment Service and the Department of Trade and Industry.

At an operational level we have created a Training Unit under the wing of the Department of Education and Training led by a qualified Training Officer with two monitors and an administrative officer. Very soon we will also appoint an Administrator for the Institute of Training at Bleak House. Bleak House now counts with a state-of-the-art information technology laboratory which has been partially funded by Reuters and you, Mr Speaker, can take some personal pride in this, I believe. Bleak House now houses the School of Nursing, the School of Health Studies and the School of Tourism and offers facilities for numerous courses, seminars and conferences such as those run by the Chamber of Commerce, the Federation of Small Businesses, the Bankers Association, et cetera. It has also enabled the College of Further Education to expand its programme of professional courses such as ILEX, Institute of Legal Executives; ICOSA, Institute of Chartered Secretaries; ACCA, Association of Chartered and Certified Accountants; and AAT, Association of Accounting Technicians.

I am also very pleased to report that the Construction Training Centre has now obtained accreditation from the CITB, the Construction Industrial Training Board, and the City of Guilds to award NVQs up to Levels 1 and 2 in all the trades and up to Level 3 in bricklaying; Level 3 is the equivalent of the traditional indentured craft apprenticeship. The Centre has received a glowing report from Mr Frank Topley, the Senior External Verifier for the CITB/City and Guilds after his recent visit and assessment of the Centre and if the House would allow me to quote from the concluding remarks in this report; "In general terms the progress made over the last six months has been remarkable. The partnership that is developing between education, training and industry is the model perceived by the Joint Awarding Body in UK. Gibraltar should be very proud of their achievements". I am sure,

Mr Speaker, that the House will join me in congratulating the Director and all his staff in the Department, in the Training Unit and especially the management, instructors, staff and trainees in the Construction Training Centre for this achievement.

We are further assured by the CITB/City and Guilds that in the near future the Centre will be accredited to award Level 3 NVQs in all trades which will then establish it as a recognised Centre of Excellence. This is all a result of the considerable expansion of the building and resources in the Centre at a cost of £163,000 together with the training provided for the instructors in UK which has enabled them to obtain from us non-industrial status and improved conditions of employment as agreed with the Transport and General Workers Union. We are pleased that the morale at the Centre among staff and trainees is high and this augurs well for its future as a key training enterprise supplying the construction industry with a well-trained local workforce. In this respect we welcome also the continued support we receive from the Construction and Allied Trades Association.

Mr Speaker, it is within this global infrastructural framework that I have just described that we have been able to develop, over the last financial year, an extensive programme of training schemes and professional courses and I am pleased to give details of these to the House: The Cammell Laird apprenticeships in fabrication and welding leading to NVQ Level 3, as I said, the equivalent of the old indentured craft apprenticeship. This course is accredited by EMTA, the Engineering and Marine Training Board. A first intake of 20 trainees started in November 1998; a second intake of 20 is due to start in September/October, 10 of these for fabrication and welding, five as electrical fitters and five as mechanical fitters. Construction trades apprenticeships leading to NVQ Level 3 with placements in GJBS and Buildings and Works and assessed by the assessors in the Construction Training Centre; 17 apprentices started in March this year. In the Construction Training Centre traineeships to NVQ Levels 1 and 2 in tiling, carpentry, painting and decorating, plastering, plumbing and bricklaying; 12 trainees in their second year due to qualify in October this year; 16 trainees in their first year having started in

November 1998; a new intake will be selected in June this year to start in September/October. A one-year traineeship at Our Lady of Europa Training Centre for young people with learning difficulties; six trainees on a full-time course; 10 to 12 due to start in September this year; and 12 pupils on a vocational course in Bayside School regularly visit the Centre for work experience. A one-year traineeship in the School of Tourism leading to the City and Guilds International Certificate; nine trainees due to complete the course in September this year; nine trainees who started in January this year; 12 trainees selected out of 28 applicants due to start this week so the total complement of trainees in the School of Tourism is now 30. A six months maritime training course leading to NVQ Levels 1 and 2 involving one month in the Warsash Maritime Centre in UK and five months in off-shore training; this course is accredited by the Merchant Navy Training Board; 10 trainees started in September 1998, another 10 trainees started in November 1998, another intake of 10 trainees is expected by September this year. An on-the-job training scheme for young persons with physical and learning disabilities - individualised training programmes are arranged with various local employers and in liaison with Milbury Care Services; 15 trainees are presently involved. A one-year Business Management Diploma course leading to NVQ Levels 4 and 5 run by lecturers from the Durham University Business School and accredited by the Institute of Management – 20 students in senior positions and middle management started in September 1998; 16 more students started in January 1999; a third intake is being considered given the great interest shown by employers and employees in this course. Durham University Business School is also running, for the Department of Trade and Industry, a Business Development in Action initiative. It is intended for employers of small and medium local business firms to enable them to gain a better understanding of business performance and of their own training needs. The course is supported by the Chamber of Commerce and the Federation of Small Businesses and will run until November this year. The launch took place on the 20<sup>th</sup> May and was attended by senior representatives, including directors, from over 30 local firms. The training sessions due to start in September are aiming at 10 to 15 companies at a

time. A short course under the auspices of the Gibraltar Bankers Association and the Chartered Institute of Bankers aimed to assist financial advisers wishing to sit for the CEFA 1, 2 and 3 examinations – 15 employees took part in this course. A Business and Technicians Education Council two-year course in electrical and electronic engineering trades leading to the BTEC National Certificate run by the College of Further Education – 25 students started in February this year. A “Welcome Host” training programme conducted by AQS Limited, Associated Training Providers, which my hon Colleague, the Minister for Tourism and Transport, referred to earlier, for the Department of Tourism and the Department of Education and Training. AQS has so far trained eight local training providers who are now licensed to deliver training to employees engaged in customer services – potentially around 200 employees in the tourist and retail trades are envisaged. A one-year basic administration and office skills training course run by the College of Further Education and sponsored by the Chamber of Commerce and the Federation of Small Businesses is due to start in September this year, an intake of 20 to 30 employees in the business sector is envisaged. An on-going programme of short courses on basic operational skills run by Jane Goodwin Associates Group under the auspices of the Chamber of Commerce for employees on a half-day release arrangement with their employers; around 70 employees in local businesses completed the units in October 1998 and over 80 have taken part in the recent April session. The Government have engaged the UK Civil Service College to conduct a comprehensive needs analysis at all levels of the Civil Service in Gibraltar. The survey is well under way and it will form the basis of training programmes for Civil Servants to encourage a culture that will help generate efficiency, motivation and personal and professional development. Ten week courses in basic literacy and basic information technology run by the College of Further Education and offered by the Employment Services to long-term unemployed persons – currently 21 applicants are undergoing these courses. I have earlier referred to the on-going programme of professional courses run on an annual basis by the College of Further Education leading to certificates and professional qualifications validated by different professional bodies in UK –

over 100 students are engaged in these courses throughout the academic year.

In summary, Mr Speaker, it is evident from the account I have given that hundreds of young persons and adults are currently benefiting from our programme of training which we, of course, intend to develop further during the year ahead. The Government believe that the degree of skills development and personal and professional development which must ensue from this comprehensive programme will be of crucial importance in raising the levels of competence and, indeed, of self-esteem of our working people and prove to be a crucial factor in our economic growth.

Culture and the Arts – Mr Speaker, man does not live by bread alone. We know that a culturally sensitive and active community, as demonstrated in other places, not only enhances the quality of life among its own people, but serves as an attraction to visitors from other parts of the world and I am happy to say that there appears to be a renewed vibrancy in various fields of the Arts in our community. This is evidenced in many instances but not least in the increasing popularity of the Spring Festival that we have been enjoying during past weeks; over 30 different events have taken place from 29<sup>th</sup> April to 30<sup>th</sup> May. The aim of my Ministry in respect of the Arts, Mr Speaker, quite apart from the traditional funding, has been to provide a coherent framework within which particular groups and individuals may find support, advice and encouragement. In February last year we reconstituted the Arts Advisory Council which had been dormant for many years and the Council has been active in encouraging artists in various fields to associate themselves into collective bodies and organisations to represent their interests, to speak with one voice and to share their own insights and experiences for the benefit of all. I am pleased to report that over the last year we have seen the emergence of the Fine Arts Association, the Arts and Crafts Association, the Gibraltar Dance Association, the Gibraltar Drama Association and the Gibraltar Philharmonic Society. It would be invidious for me to single out any of the many activities and performances organised by these associations during the year but

perhaps I am forgiven if I highlight the impressive successes of our young dancers in international competitions. The Arts Council also believes that it is necessary to stretch the traditional concept of “culture” beyond the more classical expressions and recognise new trends especially among the young. We have therefore supported two very successful musical events organised by the Gibraltar Students Association which attracted huge audiences locally and from the Campo Area – one was SASH and the other by the London-based “Ministry of Sound” which I understand is not situated in Whitehall. The Ministry of Culture will no doubt be heavily involved in many of the activities and events connected with the Millennium celebrations. It is intended to dedicate some space in the new Museum at Casemates to a permanent Art Gallery which will display the works of local artists of repute such as Gustavo Bacarisas and Jacobo Azagury, together with paintings also by contemporary local artists who have gained recognition and acclaim. The genuineness of the Government’s commitment to the Arts is further demonstrated by the large amount of capital investment that we have made and continue to make in order to restore the physical structure and conditions fabric of our cultural institutions. Over the last financial year and by the end of the present financial year we will have spent £272,000 on repairs and refurbishment at Ince’s Hall and John Mackintosh Hall. We found Ince’s Hall when we came into office, in a disgraceful state of neglect and disrepair. We have now constructed a totally new roof, painted the exterior façades and painted and refurbished the interior of the Theatre including the back stage and the dressing rooms; installed new electrical and electronic equipment and laid a new carpet. We have also extensively refurbished and restored the adjoining premises providing a new rehearsal room and new offices for the Ministry of Culture. At the Mackintosh Hall we have carried out extensive repairs to the roofs as well, installed a new fire curtain – I can assure the Opposition Member of that – we are currently constructing a lift for the disabled and a toilet with facilities for the disabled and we have substantially increased the stock of new books in the library collection.

Mr Speaker, as already announced elsewhere, the Government have identified the restoration and reopening of the great Theatre Royal as an appropriate project to commemorate the Millennium. The opening of the Theatre in the year 2000 will be, I reckon, a historical landmark symbolising, in a way, our community's regard for our cultural heritage and our traditional devotion to the Arts.

The New Millennium – Mr Speaker, I have had the privilege of chairing the Millennium Committee assigned by Government to plan ways in which our community may suitably and meaningfully mark the close of the Second Millennium and celebrate the start of the Third Millennium. I want to record here my grateful appreciation of the thoughtful and sensitive work done by the Committee which has enabled now the Government to draw our own plans and announce a comprehensive programme of important projects and events. I think it all augurs well for our people's passage in spite of all our difficulties into the New Millennium, highlighting above all, that spirit of community and those common aspirations that should transcend all other differences between us.

In conclusion, Mr Speaker, please allow me to express my gratitude to the Director of Education and Training, his senior officers and all the staff in the Education Department; in the Training Unit; in the Department of Culture, and in the Youth Office for their loyalty, their hard work and their friendship to me personally and their good humour in very often putting up with me.

Finally, Mr Speaker, I want to thank you and all Members of the House for the attention given to my report on my Ministerial aims and objectives in Education, Training, Youth and Culture. I now commend to the approval of the House the items of expenditure under Heads 1-A, 1-B, 102 and Appendix B of the Estimates of Expenditure 1999/2000.

HON J J GABAY:

Mr Speaker, first I would like to congratulate the Minister for his prolonged narrative on continuous progress and success, hardly leaving any scope for any criticism. Be that as it may, we are here, like Anthony, to bury Caesar not to praise him.

I would like to ponder briefly, as I did on previous occasions, on some salient points which I emphasised in my budget speech last year. No one in this House, and few, if any, outside it, would begrudge money spent on education or training when spent wisely. As a community we have a rational and emotional concern for the welfare and progress of the young. It is fair to recall, as I have done on previous occasions, the GSLP Government's established and maintained a liberal policy of financial provision in accord with this communal ethos. This trend is now organically rooted. Symptomatic of this is the fact that whereas in the United Kingdom university students will no longer receive free tuition or maintenance grants, our students will not be subjected to such financial burdens. Equally so we welcome the decrease in parental costs for University Maintenance Grants. In this, Government and Opposition are obviously at one. The overall budget for the year 1999/2000 is estimated at £15,066,000 and would appear to reflect the pattern of increase in relation to the previous budget of £14.1 million. However, the figures for Training under Head 1-B and Appendix B will require some explanation and I will deal with these matters subsequently.

Mr Speaker, for all their euphoria and relentless reference to philosophy, this Government have made no meaningful impact on the education system. Of course, if one were an avid fan of the media – and we saw the media well represented here by constant reading in the course of the morning – or the plethora of Government press releases, one might well come to believe that this Government have invented education. In fact, our educational system has long roots structured on the English framework, as referred to by the Minister, but much credit is due to successive Governments, former Ministers of Education, Directors of Education and the many dedicated teachers throughout a fairly

long process. In this process, as I have said before, the contribution of the Christian Brothers and the Loreto Nuns are important landmarks. Those few of us who attended, last week, the Memorial Mass for Brother Taylor recalled a truly meaningful educational legacy.

Mr Speaker, the Minister for Education, in answering questions in this House rarely shows signs of positive views in matters of policy. This is generally substituted by belated fragmentary initiatives accompanied, no doubt, by media orchestration. When I have raised current issues in this House such as classes in civics, literacy strategy schemes, school hours, reform of Six Form studies, to mention but a few, the response is either that they are being studied or else they are not needed. This is why I found it very interesting to hear the Minister talk now about experts coming to advise on literacy strategy. When I first raised that point in this House I was told that there was no need, that things were going fairly well and that Government were satisfied. When one thinks of school hours, a similar situation; "We are still studying the issue", after such a long time. When I raised the matter of school lunches, where we had rather strong controversy on the matter, the Minister actually said that they were unnecessary, now an in-depth study is going to be made as to whether it is possible or necessary. This business of prolonged sitting on the fence or instinctive dismissal of suggestions may be good politics but it is certainly not good education.

Mr Speaker, in a brief interlude, allow me to comment on the Chief Minister's contribution to last year's budget. Incapable or unwilling to listen to anyone, all interventions by the Opposition were branded in the following words. "Their so-called highly technical economic critique of the budget has really been little more than a frustrated accountant's nit-picking". Clever words but nothing more than clever words. In sarcastically praising the previous Government for the accumulation of reserves, he added, "They also have to understand, the opportunity that they got to accumulate that money from an activity substantially funded from an activity which the hon Members will understand the Government have decided is not in the long-term interest or

indeed the short-term interest". I do not want to ponder too deeply on that fact as my hon Colleague, the Leader of the Opposition, has already made a few pertinent comments on that, from a moral angle it would appear that when something wrong appears on the surface it is to be condemned so long as it is tacit, it is acceptable and the communication from the Opposition to the Government is usually conducted until this session by not even understanding of some resources of revenue in the import figures. I feel confident that the Chief Minister is in no doubt as to what I might blurt out on the subject if the discussion on the subject continues. In any case, because we shall have no doubt of repetition of attitude by the end of this budget session, all points made by the Opposition – and I mean all – were discarded, and I quote his words as "nonsense" or "factually unsustainable". In respect of my proposals on education, I was spirited by the Chief Minister into a phantom world and more recently, in another of his favourite clichés, banished to the planet Mars. Well, we all know the importance of provocative exaggeration in the verbal armoury of the Chief Minister. No doubt, presumption and pretence will again be the norm. It already started towards the end of his initial contribution and no doubt will escalate when the summing up comes so to pre-empt that I think these comments are apt.

Mr Speaker, we in the Opposition have a constitutional duty to probe into Government actions, policies and expenditure and we shall pursue our role relentlessly even if less handsomely paid than the self-salaried Chief Minister. Regrettably the technique institutionalised in this House by the Chief Minister and pandered to by some but not all his Ministers, is to substitute logic by denigration and clarity by vilification. Thus, consistency of policy is reduced to tactical contradictions with all their ill effects. The question of confrontation has important economic links. Let us analyse the concept of confrontation in relation to the present leadership. A major premise in his ascent to power was the elimination of harmful confrontation which, according to him, was the hallmark of his predecessor. So let us calmly assess where we are today.

MR SPEAKER:

We are talking about the budget, no?

HON J J GABAY:

Yes, this is why I proceeded.....

MR SPEAKER:

All right, carry on.

HON J J GABAY:

Mr Speaker, with all due respect, we have listened to a long narrative as well that had little relevance to the budget. As for reading, we have all read despite the instructions although I am grateful to you for your usual leniency.

So let us calmly assess where we are today in the eradication of this problem. In inter-party relations he has created a degree of bitter animosity unknown before through the arrogant exercise of power. In relations with Spain, which has an economic link, unable or unwilling to understand the merits of a consistent approach, he believed that once his predecessor was out of office he would be able to make inroads with the Spanish Government. The expectations he created have failed dismally. Having hailed Matutes as a gentleman, not to mention the fishermen, he ended up calling him a liar. The frontier restrictions are now blatantly imposed in a manner unknown since the days of Franco and Spanish policy has consequently hardened encouraged by his leap from eclectic charm to personal irritation. No degree of so-called regional co-operation will obscure the harsh reality. In relations with the United Kingdom, I believe there is also greater real confrontation than ever before; the only difference is that there is an attempt to hush it up. All warnings given from the Opposition have been discarded rudely as alarmist only to be proved right as time goes on. It must be very comforting to the Foreign Office to hear the Chief Minister say publicly that he does

not engage in battles which he cannot win. How easy it was made for the United Kingdom Government to talk about the Spanish dimension and for Cook to shoot down integration and free association over a drink with the Chief Minister. We are today, preamble or no preamble, in a weaker position, more than ever caught between Foreign Office appeasement and Spanish Government bloody-mindedness. It has taken Dr Marek to warn us not to take "no" for an answer so easily. This way we shall all end up being the willing sacrificial lamb under the defeatism of force majeure.

Mr Speaker, in the sphere of the environment and heritage, we have raised quite a number of issues in the course of the financial year. When Government eventually brings to this House the long-awaited Bill for the amendment of the Gibraltar Heritage Trust Ordinance 1989, as well as their plans for the approach to possible World Heritage, we shall get a clearer picture of Government policy. I have already sincerely congratulated the Minister for Heritage for his work in steering the Rock towards this status. In the meantime let me say that although the beautification of central areas of the town is welcome, the neglect of the upper town is equally disgraceful. Let us remember, apart from our duty to residents, that the many Steps, Ramps and Alleyways have been described by famous architects of English Heritage as ranking amongst the finest in Europe for the layout and picturesque quality, if sensitively restored. The projected demolition of the old Generating Factory or whatever we want to call it so that we do not quibble over the name, over which I have argued with the Chief Minister throughout the year if not longer, is good news. On the negative side, the destruction of Lover's Lane and the periphery wall of the Convent are regrettable. Pity the Chief Minister did not share the romantic associations of the many, as we recalled at the time, or the sound counter-arguments put forward. In any case, whether the widening of Lover's Lane helps to solve our traffic problems remains to be seen. Furthermore, if traffic flow was the main consideration here, why is the same principle not applied to Casemates Square where cutting access is becoming such a nuisance to everyone? Then again, the insistence of the Government to rebuild at the northern

end of Rosia Saluting Battery Promenade is quite against any sensible policy of providing open spaces for recreation and putting into relief the City Walls. In retrospect, such schemes will be seen as costly errors of judgement if we believe in the premise that our unique architectural and natural heritage is to become our finest attraction for visitors in contrast to the Costa del Sol.

Mr Speaker, this brings me to the subject of our natural heritage and our wider commitments in this field. The personal agreement made mandatory by the Chief Minister, entered into with a rebellious rabble of Spanish fishermen had dual repercussions. On the political front, it was a brazen breach of the rule of law, an unconstitutional affront to the legislative process of this House and a futile surrender to the forces of violence. On the conservation front, by calling the Nature Protection Ordinance "that wretched law" simply because it stood in his path of concessionary caprice, the Chief Minister added insult to injury and undermined the international commitment entered into by the Gibraltar Ornithological and Natural History Society. Gibraltar had earned a well-deserved reputation, regionally and internationally by its forward-looking adherence to conventions and directives. The erosion of marine life in our waters will continue unabated by the work of Spanish rakers. The ironic remnant in fact of conservation will no doubt be the occasional fining of some innocent Gibraltarian for catching a stray crab.

Mr Speaker, in respect of training, we argued against the transfer of training from the Employment Ministry to the Education Ministry. We believe that training and education each benefit by being kept under the previous umbrellas. Without minimising what they may have in common, the methodologies are different and the targets are different. The influence of one over the other can be detrimental. The fact that in the United Kingdom, whatever other evidence the Minister for Education has given, they are now under one umbrella should not necessarily restrict our thinking on the subject. He may have found it interesting to note as well as I have, that the Chief Education Inspector in the United Kingdom, assessing the new Sixth Form reforms has severely criticised the introduction of modular courses into Sixth Form studies and

exams. I share his view that the modular approach is eminently suited to the NVQ's but not to the 'A' levels. In fact, he predicts that this interplay will erode the academic and intellectual quality of the 'A' levels.

Mr Speaker, training for employment is indeed crucial. To be young and unemployed is a distressing condition that is often accompanied by an intense feeling of worthlessness and rejection. In theory, we share the same basic preoccupation as the Government do; in practice, we must differ from the Government's approach.

In an interview given by the Minister on 25<sup>th</sup> January, and much of it has been repeated today, he proclaimed that he was meeting the Gibraltar Training Advisory Council, then recently set up, in order to establish a comprehensive global training needs programme for Gibraltar, properly surveyed and identified, by professionals in the field. In elated language he forecast that this year would see a radical transformation in the training scenario locally which will see structured courses at all levels. Mr Speaker, the School of Tourism was to be the spearhead of this radical transformation. Even though I have argued my point in this House and even though I have written to the press on it, I would nevertheless go over it again because it is extremely important and symptomatic of the difference between publicity and reality. Mr Speaker, if I were to be cynical, I would rename the School for Tourism with a better known literary title, well-known to all, the School for Scandal. The idea itself was laudable and I said this in this House. However, I expressed serious reservations on financial and recruitment grounds as well as on the impression made by Julia Sibley on television with her talk of fun, treasure hunts, and the repeated use of the uncritical word fantastic. If we bring experts of this quality who can publicly talk in this manner, I for one am not impressed. To begin with, it is pretentious in the extreme to call a restricted course on hotel tasks a School of Tourism and I note from the Minister's long narrative that every course now is called a School. I think Bleak House will have to develop into gigantic proportion in order to be able to include so many Schools, it would have been more reasonable to say we are



running courses for this and courses for that. I think by calling them Schools, like this one a School of Tourism, really is presumptuous and really depressing. In some ways, creating the wrong expectations. It is really an obvious misnomer. I put it this way because this is how it seems to be, that political one-upmanship on the one side and sharp salesmanship on the other, hastily blended, became more important, in fact, than objective research and guided motivation. That is my view and feeling as to why there was such a dropout rate.

The cost was totally out of proportion. Worked out on the figures given at the time by the Minister for Tourism, if we are left with nine which is what we had in the last count of the first intake, then it is costing over £12,000 per capita. So it is obviously clear that the dropout rate is worrying, this is a reality and the cost quite out of proportion that is also an indisputable fact yet what is absolutely worrying in respect of the Government attitude is they did not give convincing arguments which would have made us more sympathetic, there can be experiments that take some time but one can only improve them if one had the modestly, in the first instance, to accept that something has not worked well. But look at the reaction of the Government when we raise this subject and I have repeated it of course in the press. The Minister for Education confronted with these facts stated, "This is a great success." And the Chief Minister followed suit with, "Even if one trainee remained it would still be worth it". I really sincerely hope, Mr Speaker, that this is not the criteria that is going to be applied to the proliferation of Schools that have been mentioned by the Minister for Education. Mr Speaker, why add anything further on this point other than we would like to see the project succeed, what we cannot accept actually is this sort of blind propaganda superseding performance. This we cannot accept, we are here to question that sort of thing not to condone it.

Since so much has been made of training, I would like to raise a few points to do with the budget. Mr Speaker, with reference to the vocational cadets, the contrast between Government estimates and the actual or outturn expenditure make interesting reading. In 1997/98 there was an estimate of £1.8 million and the

actual, in fact, was £1.1 million, a difference of over £600,000. For 1998/99 the estimate was £1.1 million which already shows that they were on target and yet the outturn was £536,000, again another drop of £564,000. The 1999/2000 estimate comes down to £600,000. I do not claim to be either a financier, an economist or an accountant and I may be wrong in my comments, I hold them to question, but the successive lowering of the estimates seems to reflect clearly unachieved targets and perhaps complacency in adapting to those unachieved targets. Let us assume that a payment of £3,000 per trainee is made and on this basis allow me to illustrate the point my way. In 1997/98 the £1.8 million estimated would have provided funds for 600 trainees. The actual expenditure reduces the number of trainees by 200 down to 400. In 1998/99 the £1.1 million would have provided funds for 400 trainees. The outturn expenditure reduces the number of trainees to 200. The 1999/2000 estimate, the actual one, is £600,000. Is this meant then to provide for 200 trainees and are we not entitled then to ask questions as to what is happening with the vocational cadets? Why are the estimated targets not reached? Why are the Government complacent enough to continue to reduce to the outturn? These are questions that would require some answering. Furthermore the same pattern of unachieved targets is reflected in other areas of Appendix B. For the year 1998/99, for wage subsidies the Government spent £200,000 less than estimated; in the Construction Training Centre £90,000 less than estimated; for Training and Development Courses £341,000 less. All these details obviously appear in Appendix B on page 114.

Mr Speaker, there is another thing that has drawn our attention in respect of the College of Further Education fees which is on page 11, Head 6 and comes under Consolidated Fund Revenue. With regard, in fact, to the revenue of the Consolidated Fund from fees payable at the College of Further Education, we note a decline in three successive years of estimated revenue from £100,000 in 1997/98 to £22,000 in 1999/2000. Again we see this pattern of a serious discrepancy between the estimate and either the actual or the outturn result. I think it is pertinent to ask what is the reason for this decline in revenue in these courses. Is it that they have



been transferred elsewhere and therefore appear under some other Head? Is it that there is a real decline in demand for the courses offered and so on? I think that is again an interesting question that I think requires some degree of explanation.

Coming to the question again of the Consolidated Fund Revenue for Adult Education Fees, I presume they are the evening classes, again we note the same pattern of decline in both expectations and fees generated. The 1997/98 estimated revenue was £30,000 and the fees collected were £17,328, a drop of over £12,000. In 1998/99 the estimated revenue was £30,000 and the fees collected went down yet again to £15,000, a 50 per cent drop. This year, 1999/2000 the estimated revenue is £15,000. Again I feel this requires some explanation. Is it that the charge for such classes have been drastically reduced or is it the failure of the Government to generate the required numbers as based on their estimates?

Mr Speaker, there is also the question again under Appendix B of Payments for Training and Development Courses. Again we have the same confusing discrepancy between estimates and outturns. In 1997/98 the estimate was £1.2 million and the actual was £233,741, almost £1 million in difference. In 1998/99 the estimate was brought down to £811,000 and the outturn, again almost half, £470,000. For 1999/2000 we have £800,000 estimated expenditure.

HON DR B A LINARES:

If the hon Member would give way. A very simple explanation.

HON J J GABAY:

I would rather finish.

MR SPEAKER:

He does not want to give way. In point of fact, at this stage it should only be principles, how well they have done and how bad you think they have done and then we go to the Committee Stage and you can ask the question you are asking now.

HON J J GABAY:

Mr Speaker, in respect of receipts then by the Gibraltar Development Corporation, from the European Social Fund and the training levy for training purposes, the position becomes even stranger. If we just consider the estimates for 1999/2000, the Government hope to raise £2 million from the training levy and £1.8 million from the European Social Fund. That is a very substantial amount of money to dedicate to training. At the same time we note with some concern the £1.1 million to be reimbursed to the Consolidated Fund. Without going into further detail, the Government seems to have instituted a system whereby the ETB has to reimburse the Treasury for previous monies spent on training. We want to identify the exact flow of the cash from the European Union Social Fund into which precise training projects it is going. I will not labour this point further now since my hon Colleague, the Leader of the Opposition, has already given an exposé of the situation with his usual accuracy.

Mr Speaker, a few words on the costly recruitment of visiting or part-time or permanent experts from abroad. Again no one questions the need for expertise from overseas on some occasions and of course in some areas. However, the avalanche of imported experts and their blueprints is quite astonishing. It is virtually a renaissance of the old colonial mentality that the expert was revered not for his expertise but for his provenance. Schemes often ill-conceived are presented as ideal, we have seen that already. Supposedly we are told they bear the stamp of authority, the experts note and I must say that in our case the range of experts runs from the sublime to the ridiculous. I find it amusing and I am being very frank, I found it amusing to note that the Government had brought in paid experts to teach civil

servants the great complexities of attending to the public. I would have thought, given the relatively small size of local departments, that it would be the run of the mill duty of any Head worth anything. When one goes into a Government office one can tell whether the Director and the Minister are in control, there are cases where they are and it is a pleasure to be attended to and to go into it and there are others which are not. It is not because one has been subjected to a course of customer service and the others have not, it is a matter of control and imposition of basic things that we all know and we do not need to pay the experts to come and illustrate that for us. Furthermore, Mr Speaker, given the substantial amount of money spent on university education, per capita it must be one of the highest anywhere, it seems strange that such little local expertise should exist. Perhaps we are now regressing to the old colonial era when we were, in fact, educating for export. The fact is that this Government are more concerned with image than with substance, more concerned with ostentation than achievement and keener on impact than on fact.

Mr Speaker, the promise to open the Theatre Royal is pleasing. It has been hailed as a Millennium project and I sincerely hope that it does materialise. My only fear is that it might not in the same way as the University that appeared prominently in the GSD manifesto of the last election and then for four years it has really faded and petered out. Interesting word that "petered" out!

Mr Speaker, just a couple of points, if you would bear with me. We are happy to hear from the Minister of Bruce's Farm and the conversion and use of it as a Drug Rehabilitation Centre. However, there are a couple of points. One point I would like to make is that this House should express its appreciation to Joe Caruana who for 15 years filled a gap that nobody else seemed to be attending to and I think that this would be very, very appropriate if we were to pass a vote of thanks for his 15 years work. The thing that worries us and perhaps it may well worry the Minister as well, is that even before the Centre is in operation there is circulating around town and coming from rather important sources, that there is already a major dispute between the medical profession and what they call the dictates of the

Department of Government involved in its creation and development. I hope sincerely that this does not in any way affect what is a very noble project, naturally as in the case of Bleak House which we shall reserve our judgement once we see it in operation and try to help as much as we can in a constructive manner. Well, Mr Speaker, I think that is all, I think you have had enough of me, thank you.

The House recessed at 12.35 pm.

The House resumed at 2.30 pm.

HON J J NETTO:

Mr Speaker, as Minister for Employment and Buildings and Works, I should first like to turn to developments in the Buildings and Works Department. Over the last financial year the department has continued to consolidate and improve the systems introduced during the previous year in order to increase the productivity of the workforce and to provide a greater degree of efficiency and transparency in the management of the department. These systems and procedures have resulted in an improvement in the organisation of the department. An assessment carried out in September 1998 by an international certification body of the Quality Management system was successful and the department was awarded an ISO 9002 Certificate, the first Government Department to obtain such an award.

The incentive scheme agreed with the Union has continued to operate and many of the initial teething problems have gradually been ironed out. The scheme has generally been accepted by the majority of the workforce and this has resulted in an improvement of morale and an increase in the productivity of the department. For this reason the sub-head for bonus payments has had to be increased for the next financial year, the one that we are now debating. The department is now responding to a greater number of requisitions for minor repairs and is also carrying out planned maintenance in a number of Estates. It is difficult to quantify the

increase in productivity given the lack of records and accountability that existed in the department previously, something which was highlighted on a number of occasions in Principal Auditors Reports. However the feedback obtained both from the supervisory staff at the depot level and from our regular meetings with Tenants Associations, is that the performance of the department in responding to the needs of the tenants has improved over the last two years. Notwithstanding this there is still a long way to go towards eliminating the tremendous backlog of major maintenance work which is still pending.

In order to make some inroad into this backlog the Government, with the conformity of the Union, decided to contract out some of the major works which have been outstanding for a long time. Work has commenced on the replacement of the balconies of MacFarlane and Willis's House and the re-roofing and general repairs of Godley Mansions. Work will also be commencing shortly on the replacement of the balconies of Sandpits House and Anderson House. Additionally 10 pre-war flats have been refurbished by contract. The Department is also considering other works which can be put out to contract including the beautification of Glacis Estate and the provision of new bin stores and additional parking at Laguna Estate. However, with only one Contracts Officer employed, the number of contracts the department can handle at any one time is limited and we are dependant on the services of other departments. This service is sometimes not forthcoming because of their own commitments and we have had to engage consultants in order to prepare drawings and contract documentation.

The department has made a large investment in plant and tools by purchasing £46,922 worth of equipment during the financial year 1997/98 and providing £26,000 during the current financial year. A further provision of £27,000 has been made in the draft estimates for financial year 1999/2000. This has resulted in a decrease in the dependency on hired equipment. We continue to record the issue and return of all hand tools in order to exercise control over these items.

There has been an improvement in the department's fleet of vehicles, with the addition of six small pick-up vans and one six-seater pick-up. We were also given three lorries but these were not suitable because they were not tippers and hopefully they will be replaced soon. These additions have improved the quality of our transport enabling us to meet the department's requirements without having to resort to long-term hiring.

The department has continued to invest in computerisation in order to up-date its systems thus making the processing of data quicker and provide management with the necessary information to monitor and assess productivity levels. The Reporting Office at Ragged Staff has been linked by modem to the Main Office, soon it will also be linked to the three depots so that requisitions can be passed quickly to the appropriate depot thus reducing our response time.

It is envisaged that the Reporting Office will become the central reporting office for all Government departments and we are currently examining, with the help of the Information Technology Section, ways of expanding and improving the system, so that it can cope with the increased workload.

The regular meetings with the Committees of the various Tenants Associations have continued to be held in a frank and open manner. This has resulted in a better working relationship being established which has fostered a greater understanding of the problems faced by both sides. A customer satisfaction survey was conducted and the response was encouraging, although a number of shortcomings were highlighted. The majority of the replies were positive and expressed a degree of satisfaction with the service provided.

One of the areas which the survey identified as needing improvement was the telephone response service. This has been addressed by the introduction of an answering phone system, which now ensures and enables tenants to record their report and staff to respond in due course. Customer Satisfaction Surveys will be conducted periodically to identify ways of eliminating our

shortcomings and improve the service which we provide to the tenants.

In consultation with the Tenants Associations the Government are exploring avenues aimed at ameliorating the parking problems experienced by tenants in the Government Estates. Legislation is being prepared to restrict parking at Glacis and Laguna Estates to permit holders only, whilst in Varyl Begg individual parking bays are being allocated to residents of the estate. Government are also considering the possibility of providing financial assistance by means of soft loans to enable tenants to purchase their own parking spaces if these are available in the vicinity of the estate.

The department is hoping to put out soon a tender for a thorough beautification project at Glacis Estate. This will encompass the repaving of the Estate and the embellishing of such. With regard to Laguna Estate, we will provide further parking spaces, along with new bin stores and general beautification of the estate.

We have continued our on-going training programme and during the last financial year two more Work Supervisors have attended management courses to improve their managerial skills. The Departmental Safety Officer also attended a course on Health and Safety to ensure that the department keeps abreast with changes in the legislation and complies with the law. Additionally we are in the process of conducting an in-house series of seminars on Customer Care and Awareness aimed at improving the ways in which our first-line staff respond to complaints from tenants.

The strict financial controls which have been exercised in the payment of wages and bonuses and in the purchase of materials has led to an increase in the overall productivity of the department, which continues to improve the use of its resources in order to achieve value for money. This has resulted in that for the second year running, the expenditure of the department has been kept within the limits set by the Government Estimates of Expenditure, and supplementary funds have not been requested.

Finally, as stated in my previous report, although much has been achieved there is still a long way to go to iron out the deficiencies in the system. The department is conscious of the need to continue to improve the service it gives to Government tenants and to better its image with the public at large.

Mr Speaker, I should now like to turn to the work of the Ministry of Employment, commencing with the issue of Government assistance in stimulating employment and the creation of jobs.

Following my budget speech last year, the Hon J L Baldachino chose to accuse me of not having produced any improvements and of having failed to state what I intended doing in this respect. Obviously, the hon Member had his own budget speech prepared beforehand and was not willing to change it, no matter what I said, or otherwise, simply chose to ignore what I said.

Government spending this year in terms of wage subsidies, as was the case last year and the year before, for that matter, has been prudent and contained in an effort to maintain wage subsidy levels in tune with real demand and long-term sustainable employment; in difference to the pattern set by the previous administration of wage subsidies at whatever cost, totally uncontrolled and irrespective of employment sustainability, simply in an effort to reduce the unemployment figures. This Government are not prepared, never have been, to subsidise, at the taxpayer's cost, employment of the latter sort.

Similarly, in terms of the Vocational Cadet Training Scheme, it has been the policy of this Government to contain spending in an effort to assist in true and genuine job creation and not foster cheap labour practices that past abuse of the Scheme gave rise to.

Whilst on the Vocational Cadet Training Scheme, which this Government had announced they would change, I can inform that the Government have had second thoughts about it and will now not be changing it; instead, it has been scrapped with effect from 1<sup>st</sup> June.

The Opposition Member may wish, yet again and to maintain the tradition, insist that I have not produced any improvement. However, he must surely note that despite having revoked the infamous July 1<sup>st</sup> rule; despite openly advocating and implementing a policy of equal employment opportunities for all locally resident EU nationals, as our EU obligations determine and as the Leader of the Opposition voted in favour of in 1972; despite having significantly enhanced the employment opportunities of our long-term resident Moroccan nationals, now to enjoy total equality of opportunity in access to the labour market, I may add; despite the control and containment of wage subsidy and Vocational Cadet Training Scheme spending, which the Opposition may wish yet again to criticise; and despite the Opposition's relentless scare-mongering tactics of "foreigners taking our jobs" campaign, despite all that, unemployment figures, much to the Opposition's dismay, have not increased, but are in comparable levels to 1996. However, this is not a Government prone to launching ourselves in 'dare-devil' or 'at whatever price' manner into strategies that can have a negative impact on our community. We have consistently stated our employment assisted strategy and to its effective implementation, I can now announce in concrete and tangible terms the main package of measures that are now being progressively implemented. As already stated, the 1<sup>st</sup> June has seen the termination of the Vocational Cadet Training Scheme. The scheme had for long now been no more than a wage subsidy scheme as opposed to any kind of intended vocational training measure. Worse, the Vocational Cadet Training Scheme had provided a full wage subsidy, since the employer was not obliged to top up the so-called 'training allowance' to the going rate of wage or salary for the job. The scheme had led many youngsters into employment of sorts, temporary employment, that is, while Government paid the wages, with a total absence of training or any degree of transferable skills. The training allowance must have been in the good majority of cases the attraction for our young people.

If it is vocational training that is to be offered, as indeed this Government so wish, then it ought to be clearly and purposely devised as such and as in fact presently being delivered by the Education and Training Department and which my good Colleague, the Minister for Education and Training has elaborated on. Wage subsidies there will be, of course, not for under 18s though, as had been in practice, the case with the Vocational Cadet Training Scheme. In great difference to wage subsidies of the past, which have not had in-built safeguards for the guarantee of longer term genuine and sustainable employment, our new wage subsidy measures will contain such safeguards and will deter and impede the past common practices of dismissing the wage subsidised employee as soon as the end of the wage subsidy period was approaching. At the same time, the financial incentive for employers by way of wage subsidies will be enhanced. And, of course, such wage subsidy measures will be directly aimed at assisting the long-term unemployed, that is those who have been out of work for over six months, back into employment. Two wage subsidy measures are being introduced, each one specifically aimed at the long-term unemployed. The first wage subsidy measure is aimed at assisting those persons who have been continuously unemployed for more than six months but less than 12 months. In such cases, employers will be able to claim £60 per week for 26 weeks and a lump sum payment of £1,500 at the end of the fifty-second week of employment of the wage subsidised employee. In similar manner, the second wage subsidy measure, aimed at assisting those persons who have been continuously unemployed for more than 12 months, will offer employers a wage subsidy of £90 per week for 26 weeks and a lump sum payment of £2,000 at the end of the fifty-second week of employment of the wage subsidised employee. It is envisaged that these wage subsidy measures will attract European Social Funding.

Similarly, other innovative employment assistance measures, tried and tested in the UK, for example, and aimed at employment placing will also be similarly announced.

Of course, in helping unemployed persons back into the labour market, effort will be on concentrating in assisting those unemployed who are genuinely seeking employment and not merely registering as unemployed in order to continue receiving state benefit. This is a reality which this Government are not prepared to shy away from and which we are prepared to challenge, tackle and correct. The introduction of a job seeker's agreement, and which I will refer to in greater detail later, as already announced and on which much work and effort has been put into by the Employment Service staff of the Ministry will have its details announced shortly and incorporated into the Employment Service's job seeking assistance measures.

Allied to all the above, dedicated premises have been secured and set up adjacent to the Job Centre in order to provide Job Club facilities for the unemployed. Staffed by two counsellors, posts already advertised and selection now in progress, the Job Club will enable the provision of services to the unemployed never before available. Every possible job-seeking assistance will be afforded and employability prospects enhanced through a far more client-centred, more dedicated, individualised and formative programme.

It must also be stressed that, as anticipated last year, liaison work with the Ministry of Education and Training is already showing results. Last April, two initial pilot schemes were launched, aimed at providing the long-term unemployed with relevant skills that will help them get back into work. These schemes are under review and will constitute the start of a more structured programme in the long term.

Mr Speaker, the Government's approach to employment matters generally is consistent and in tune with European thinking and is determined by three main pillars, namely:-

- i) Help to business;
- ii) Flexibility and adaptability to labour market conditions; and

iii) Fairness at work.

In relation to the first, obviously the most important moves are initiatives led in the main by the Chief Minister, or the Minister for Trade and Industry. Both have, in the past, alluded to various reviews and initiatives taken. These include, amongst others, fiscal changes such as tax cuts, rates incentives, import duty restructure and rent cuts on the one side, and support advice and assistance to existent and new business through DTI on the other, not to mention the important aspects of marketing and the beautification of Gibraltar in order to attract investment with the prospect of employment that this brings.

Further new initiatives have already been announced by our Chief Minister in his address and go to show the extent to which this Government are in tune with the business community.

In this respect, the Ministry of Employment too has been and is addressing a number of issues relating to business. Work is in progress in relation to the new arrangements for all Insolvency Fund contributions which became payable on 1<sup>st</sup> April, as from this year, covering all employees in every business. This new arrangement has simplified procedures, thereby cutting down on unnecessary administrative burden on employers. In this respect, the Ministry has had representations from the Chamber of Commerce regarding the £26 levy towards the Insolvency Fund. Again, the Chief Minister, in his address, has already announced the lowering of the £26 down to £18.20, a reduction of 30 per cent to business. Therefore, given that businesses are prepaid up to 30<sup>th</sup> March 2000 and given that this reduction will be with effect from 1<sup>st</sup> April 1999, the Employment Service will, over the next few months, do a recalculation long before 1<sup>st</sup> January when it will be included in the Social Insurance Stamp and employers advised accordingly concerning arrangements.

More good news for business is the announcement by the Chief Minister that Maternity Pay will be paid by the Government. This, no doubt, is excellent news for small businesses and will afford

direct financial assistance. Mr Speaker, I will be saying more on this subject under the third pillar, "fairness at work".

Another area in which the Ministry is reviewing procedures in the first pillar, that is, help to business relates to the question of general employment registration. Representations were received from the Chamber of Commerce, through the Labour Advisory Board, to the effect that too much time was being taken up and delays often experienced in fulfilling employment registration requirements and procedures. In particular, concern was expressed in terms of time needed to be allowed for an employee's registration of Notice of Terms of Engagement with the Employment Service, the collection of the Insurance Card from the Department of Social Security and the issue of the PAYE Allowance Certificate from the Income Tax Department, all invariably involving counter queue delays.

Having now had the opportunity to consider such representations and in an effort to facilitate and expedite the administrative procedures involved, new arrangements will operate early in the new tax year. The above new administrative procedures will enable a speedier and complete employment registration system, introducing, as it were, a "one stop shop" general registration process through the Employment Service of the Ministry of Employment. Prior to its commencement, the Department will provide details to employers through a press statement.

Mr Speaker, to talk about flexibility and adaptability to labour market conditions, the Government's second pillar, is to recognise that to compete for inward investment, thereby bringing business to Gibraltar, we have to adopt a more all-embracing policy that will tackle the long-term structural deficiency in our collective system of providing a service to people in employment, as well as to those out of work. It is with this in mind that much progress has been made in the last year or so. For a start, the Ministry of Employment is far more focussed, prepared and resourced in order to provide a service to employers, employees and unemployed alike. The management structure is now in place and the post of Director of Employment has reappeared after an

absence of about eight years. And on a personal note, may I congratulate him on behalf of the House for successfully obtaining his MA in Employment Law and Industrial Relations from the University of Leicester.

Secondly, the liaison and co-ordination of efforts by various Government departments which have a role to play in employment matters generally has improved dramatically, bringing about a new convergence of interest in order to optimise employment related services generally. And in this respect, much of Government policy and legislation is rightly being influenced by the representation of both trade unions and employers. Government welcome and acknowledge their valuable role in both the Labour Advisory Board and the Health and Safety Advisory Council. In this respect, the Gibraltar Federation of Small Businesses now also enjoys representation in the Labour Advisory Board.

In terms of information technology needs, the Ministry is continuously seeking improvements and is presently well advanced in the preliminary stages of adapting its own in-house devised IT programmes to that of a standardised, yet very versatile Human Resource database product. The new system will allow for further expansion and development of employment information gathering and statistical data.

The system's UK supplier, which owns the copyright and will be licensing its use, is already providing essential training commencing with the Employment Service Information Technology Officer. The new system will further offer the opportunity to enable other Government departments to share part of the Employment Service database.

Mr Speaker, the introduction of the Jobseekers' Agreement will mark a new beginning in Gibraltar's employment history. This will mean a move from the current passive labour market policies, to active labour market policies. The context and the issues that it will address are formidable. At present, If a person is unemployed, he/she can claim either Unemployment Benefit or

Social Assistance. Unemployment Benefit is payable for a maximum of 13 weeks; Social Assistance is not a statutory payment and has no time limit. In both cases the person is required to be available for and seeking work, yet there have been very few checks on whether a person is available for or actively seeking work.

Therefore the aims of the Jobseekers' Agreement will be to improve the operation of the labour market by helping people in their search for work, while ensuring that they understand and fulfil the conditions of receipt of benefit. It will also mean securing better value for money for the taxpayer by closer targeting on those who need financial support and a regime which more effectively helps people back to work.

The Jobseekers' Agreement will, Mr Speaker, identify the steps necessary to assist a jobseeker in getting back to work. It will cover:- availability for work; a clear preference for the type of work sought; what the jobseeker will be required to do in relation to jobseeking efforts; what the jobseeker will be required to do to help himself/herself seek employment, and what the Employment Service will do to assist the jobseeker.

So, there will be a Jobseekers' Agreement/Benefit connections link which will address the duties and obligations between the unemployed and the Employment Service. For its part, the Employment Service will endeavour to provide:- A continuation of our client-centred approach; One-to-one interviewing and counselling; Advice on training opportunities; Specific schemes will be provided by the Education and Training Department; Advice on self-employment, again, here DTI will have an important role to play; Placement on work trials and employment on trial; Access to the Jobclub, and Access to the new wage subsidised measures.

In conclusion and to round up this item, the Jobseekers' Agreement is a major change in approach. The Jobseekers' Agreement has been possible thanks to the positive interplay by various Government departments, in particular by the close

working relationship of staff in the Employment Service and the Department of Social Services.

A key area in which adapting to new labour market conditions is having a real impact is that which refers to Health and Safety. This has been as a result of various factors:- (1) Additional recent new legislation in this field; (2) Greater enforcement of the Factories Ordinance; and (3) Greater awareness of such matters by employers.

Last year, it was my privilege to launch the European Week for Health and Safety, which proved to be a resounding success, both in terms of participation by union representatives and employers and the open exhibition. It is for this reason that the Health and Safety Advisory Council plans to hold such an event on an annual basis in order to promote "best practice", through the medium of such a conference. Here again, as with other members of staff, the Factories Inspectors have been attending various courses and exhibitions in the UK. This is allowing them to specialise and update themselves better in this field. Quite apart from their inspectorate duties, much of their work is geared to guidance and assistance to employers generally before various tasks are undertaken.

Specific legislation which will have an impact on the labour market is the Working Time Directive. The Department is providing a wide process of consultation with the Social Partners and Government departments and shortly hope to bring legislation to this House.

Mr Speaker, in relation to the third pillar, "fairness at work", this is an important aspect of Government Social Policy and a necessary aspect of ensuring acceptable labour standards of compliance. There are various subjects under review, with some already being acted upon. Perhaps the one which is most overdue refers to Moroccan workers. In the past, having spent so many years of my life attending to Moroccan workers' grievances, it makes me very proud to be in a Government which have finally now provided for equality of accessibility to the labour market for Moroccan



workers. It should be noted that, whilst their status is governed as a result of their non-European identity, the good majority of Moroccan workers have been in Gibraltar since before Gibraltar itself became a member of the European Union in 1973 and given their contribution to Gibraltar's economy and well-being, the Government have acceded to afford them the same treatment that applies to other European national residents of Gibraltar in the labour market. This regime will apply to existing Moroccan workers, but obviously not to new arrivals.

Mr Speaker, moving on to other issues and still under the third pillar of fairness at work, I now wish to refer to such matters as redundancy, Standard Minimum Wage and Maternity Leave. Contrary to what appears to be common belief, employees in Gibraltar whose employment is terminated as a result of having been made redundant are not all entitled to redundancy payment. At present, statutory provision for entitlement to redundancy payment only exists within certain industry groups as provided under the relevant statutory Orders, namely:- The Retail Distributive Trade; The Wholesale Trade; The Licensed Non-Residential Establishments and The Construction Industry, as provided by Section 9 of the Employment Ordinance. Therefore, given the lack of protection to workers outside the ambit of what I have just stated, the Ministry has undertaken the necessary review which will provide the necessary safety net for every worker made redundant.

With regard to the Standard Minimum Wage Order of 1989, the Government are not content with Clause 3(2) which states, "This Order shall not apply to persons who are on a monthly salary and on an incremental salary scale". We feel that unscrupulous employers have exploited this loophole and are currently paying below the hourly rate. So, the Government will amend the Order to ensure that monthly paid employees are covered too.

Mr Speaker, earlier on in the item within the first pillar, that is, Help to Business, I referred to the Insolvency Fund and the cost reduction to business. But there is another aspect of which the Government feel that the relevant EU Directive, as transposed,

creates unnecessarily two categories of workers with different benefits. Workers who are not covered by a Joint Industrial Council Agreement, upon the employer becoming insolvent, will only be entitled, in the main, to payments for outstanding salary or wages and annual leave accrued and notice if not given. Yet those covered by a Joint Industrial Council Agreement will be further entitled to other benefits including redundancy payments. It is the view of the Government that the current system is inequitable, given that all businesses and sectors contribute equally, regardless of whether they are covered by a JIC Agreement or not. So this will be amended to provide a common regime, regardless of whether workers are in or out of a JIC Agreement.

Mr Speaker, with regard to the Maternity Regulations introduced in January 1996, which, incidentally, should have been transposed by October 1994, it is clear that these regulations were introduced in a rush four months before the General Election, without any consultation with the social partners. As a result of this, they contain a number of ambiguities that are being addressed and corrected in order to offer the clarification that will warrant due compliance. In this context and further to the related announcement made earlier by the Chief Minister, it is to be stressed that, with this Government undertaking to pay all maternity payments, those ambiguities of the past relating to whether Income Tax or Social Insurance should be paid or indeed who should pay will now be clear enough. That is to say, that no Social Insurance or Income Tax will be deducted from the statutory Maternity Pay. Furthermore, in keeping with the philosophy of the third pillar of "fairness at work", a six months qualifying period is being introduced for Maternity Pay entitlement. Still, that which I have here outlined in relation to Maternity Pay establishes only minimum statutory provision. In cases of collective agreements or specific contractual terms which provide over and above such statutory minimum conditions, such will, of course, prevail.

Mr Speaker, I have here attempted to put together, in as comprehensive and cohesive a manner, the work and development of both Buildings and Works Department and the Ministry of Employment. Substantial progress has been achieved all round and much as may still be required in order for Government to begin to be satisfied with the results of our policy in both these areas, I remain convinced that the many improvements effected to date, together with the many more I have here given notice of will guide us safely and successfully into the next millennium. Thank you.

HON J L BALDACHINO:

Mr Speaker, before I start my contribution I would like to comment and state that we are grateful for the comments that the Hon Mr Corby made on behalf of our late Colleague, Robert Mor. I am sure that he will be missed by many in this House because every time that he made a contribution he had a humour that was only particular to himself. He was amusing to some but annoying to others, let me say in that respect.

Going into my responsibilities, Mr Speaker. This is the third budget of the GSD administration. During these three years which they have been in office I have kept facts of their performance in areas which I Shadow being Housing, Employment and Social Services.

Before I move into that, Mr Speaker, I would like to give notice that I intend to ask, in the Committee Stage of the Bill, for what extra services have the Government paid £53,000 over and above the estimated figure to Milbury Care Services Limited. This is under Head 5-B – Social Services Agency, subhead (7), and for which they have also estimated as recurrent expenditure.

Also, Mr Speaker, I understand that the Drug Rehabilitation Centre is something near to the Minister's heart. He has been saying since he was in the Opposition and prior to being in the Opposition that something should be done in that area. Maybe we can have an explanation when we come to vote the money why it

has taken three years for it to be implemented if it was something that was required so urgently.

I understand that the Minister in his contribution said, and we are estimating for £140,000 even though the people who will be running, if I understood him correctly when he made his contribution, that there will be four people running the Centre on a voluntary basis. If that is not the case maybe we could have a breakdown in the Committee Stage on what is pay and what is the running cost of the Centre.

I would like to go into some detail on matters which we believe that either already affect adversely our community or will be adversely affecting our community in the very near future. In our opinion, Mr Speaker, the Government have been implementing policies without bothering to evaluate the future consequences of these policies. That is, they have no long-term strategy.

I will deal first with Housing. Here I want to strongly emphasise the fact that thanks to the impetus that we gave to try and solve what was Gibraltar's biggest social problem the Government have been able to maintain the situation as it exists today, otherwise the waiting list would be much bigger, and which I will not go into. Nothing has been done during their three-year period, nothing whatsoever on new housing. Mr Speaker, it was history when we reclaimed over 30 square metres of land to be able to provide about 3,000 homes for our people. Over and above this, we increased – the Chief Minister said in his speech that we had not given anything in tax cuts, we increased the tax allowance from £2,000 to £10,000 when we introduced the home ownership scheme on the tax benefits. We also introduced the 50/50 home ownership scheme which made it possible for quite a number of Government rented accommodation to be released for those who were on the waiting list. As a matter of fact, if what the Minister has been able to maintain the situation in housing is precisely because of that because he is still recovering flats from those people who got a flat on the 50/50 basis and are now returning quite a number of flats back to the Government especially in Montagu Crescent and Westview Park which are the only two

projects that have the 50/50. Also the 50/50 option which they are totally against, also opened the door and gave the opportunity for housing to our young couples who before were condemned to live with their parents or in-laws or having to rent in the private sector or find accommodation in La Linea, an opportunity that they no longer have. Yet, Mr Speaker, the GSD when in Opposition used to criticise us saying that there were still those who could not afford to buy. Well, not only thousands took up our offer but we also got back Government rented properties, as I said before, for those who preferred to rent which are the ones that the Minister is now allocating. More importantly, the Government put up.....

*[Interruption]* The only flats that are now being allocated by the Housing Allocation Committee is based on people who are returning flats from those who bought on the 50/50 basis because no new flats have been built since 1996. In other words, no rented accommodation has been built since 1996. It is either two things, the ones that have been returned by people who bought on the 50/50 scheme who were releasing Government accommodation or people who had died, obviously those are the only two ways that they are getting back rented accommodation because no new projects have come in. Like I said, Mr Speaker, more importantly, the Government put up ex-MOD properties for sale, again a process which we started and we agreed and which they, when in the Opposition, used to oppose and criticise, especially the now Minister for Housing and it is in Hansard. So if we look at the Government record on housing and nearly after a term in office they are not only providing Edinburgh House and this they are able to allocate simply because the MOD have handed over the property to them, some thing which would have happened irrespective of whichever Government would have been in power. In any event, the discussion – and proof of this is that the discussions over the terms of Edinburgh House commenced when the GSLP was in Government and which the Minister used to criticise us because we never gave a clear answer whether it would be for rental or for sale. The Minister for Housing has tried to brush away everything we did by saying in this House that there were still people living in third world standard when he took over. If we look at what the Minister for Employment and Buildings and Works has said, obviously if anything goes by that they must

have only have been in these three years 10 pre-war flats which are not up to standard because that is what they are repairing in three years. If one compares what the Minister said, even though I do not agree with the Minister when he used to say that there were houses that were not up to standard, I would agree with him if he had said that there were some flats which were substandard, I would agree and I also understand that obviously he does exactly what I did when I was in Government was that those that were not suitable for human habitation were not allocated even for social cases. The Government have also announced refurbishing works at different Government estates. After all the activity we put into place we also undertook major refurbishment. It appears that we never did any major refurbishment according to the Government. Varyl Begg was totally done and painted; Penney House was done; part of Alameda Estate, even though the Minister said that the scaffolding was there for a long time let me tell him that about six blocks were done during our time and in three years that he has been in Government we are still on the same block that was there that needed refurbishment. He also emphasised that the number of requisitions that were done but what he does not mention is that well over 50 per cent of housing that is allocated by the Housing Allocation Committee are allocated on the basis of do-it-yourself because people have been told, as I understand and which they tell me, that either they do it themselves or they have to wait six or seven months before the Buildings and Works Department hands it over to the Housing Allocation Committee or Housing Agency so that it can be allocated. Well, if somebody is in need of housing and he is told that he either waits six months or he does it himself obviously the person will do it himself without consideration whether the person can afford to do it or not, he will do it himself and the materials that are allocated obviously are allocated in a percentage to everybody the same. I suppose everybody gets the same when repairing a house. I have had many complaints in that area. I take what was said in Question Time that if somebody who is on the top of the waiting list cannot do it on the do-it-yourself basis the house is not allocated to somebody else. I do not know if that is still the procedure but in any case, people have told me that they would lose the house and it would be given to somebody else, I

do not know if that is true or not because people do sometimes, to get the attention of the Opposition, might be saying things which are not totally correct, I understand that and the Government are saying that the position is that the house will not be allocated to somebody else and I take that as being what is being done. I am not going to go into the details, Mr Speaker, where if refurbishment was being done, I am referring to major refurbishment because on the day-to-day running of works it is on requisitions, it is very difficult to keep track and it is all dependent on a year-to-year or even on a week-to-week but I said to the Minister that I would be prepared to compare what he has done in the four years to any of our four years in Government on what he has done because very little has been done, that is the truth. He mentioned, and I am talking about major refurbishment, Willis's House, MacFarlane House; those have been started recently, those did not start three years ago and the Minister in a question at Question Time said that they even were 15 weeks behind. They have been painting. If the Minister says that painting a block is a major refurbishment work, well. Maybe the expert that he now has believes that major refurbishment is completely different to the advice I used to get but what I can tell him is that he has spent on Hospital Hill flats over £25,000 and an extra £5,000 has now to be spent because the flat when allocated by the Housing Allocation Committee under the Housing Agency found that it was not fit and I can tell him that during my time as Minister for Buildings and Works which I was there until 1994, the expert in my time told me that those houses could not be repaired or refurbished at a reasonable cost. *[Interruption]* I am not going to give way. I am stating facts which the Minister has provided in this House, that is what I am doing.

So what is the Government record in housing? They will allocate Edinburgh House which are still not ready and the construction of smaller units in the same area which is something that I agree should be done. It was something that other governments did and as a matter of fact we did up to a certain point in Gib V. That still has not happened so therefore, Mr Speaker, the Government leave a lot to be desired and we doubt very much that even if they were to be another four years in office they will never be able to

match our performance in eight years because if we now look at the waiting list, Mr Speaker, which is related to the issue, there are at present 639 applicants. I am combining the two waiting lists, the actual waiting list and the pre-list because the Minister drew my attention back in 1996 when they came into Government that I was only referring to one list so I have joined it up to be compatible with the Government. There were 505, an increase from 639 of 135, in April 1997 there were 505. In other words in 1998 we have 639, in April 1997 we had 505 so there are 135 more applicants today than there were in 1997. But in 1996, by subtracting one figure from the other, Mr Speaker, if we subtract the 208 units which I understand that is now what Government are offering at Edinburgh House with extra houses that are being allocated, to the present figure of 639, we come to the figure of 431. By pure mathematics if we did that we should have on the waiting list 431 persons but that is not going to happen. I understand that is not going to happen. But even if we were trying the musical chairs procedure, even if we do that, we will not address the problem. Why, Mr Speaker? Because the Government will still have new incoming applications. That is the reality. So, the most - and I am doing a guesstimate not an estimate, from the 208 we will finish with about 350 to 400 people still on the waiting list. In other words, if it is allocated to people who are also in the private sector then obviously the Government are not going to get any flats back. Like I said, it will be worse than when we left it in 1996 and there is nothing in these Estimates which will provide any new housing in the foreseeable future. Let me say that I think that the Chief Minister in that year accused us of not being a credible alternative because we had no ideas. I think that is what he said in last year's budget and I am now giving, for free, what I think should be done in housing. I agree, Mr Speaker, and the Hon Mr Montegriffo will agree with me because when he was alone here with the only Member in the Opposition at the time of the GSD which he disagreed with his hon Colleague Mr Britto when he brought a motion on rented accommodation and housing for sale, he remembers that motion at the time but I agree with him, Mr Speaker, that for the first time in Gibraltar by doing the 50/50 at least we have created something which is called mobility. In other words, people move

on. We should have two or three tiers of housing, for those people who want to move on and obviously for the newcomers which should have a policy of a 50/50 basis. But, seeing that the Government are totally against the 50/50.....

HON CHIEF MINISTER:

Would the hon Member give way? It is the second time he makes the statement. I do not want to challenge him on it now, I will have my opportunity to reply to him. But this is the second time that he asserts that the Government are totally against 50/50. I do not know where he gets that idea but certainly not from anything that we have said.

HON J L BALDACHINO:

Mr Speaker, in the policy of the Government in housing I do not think.....

HON CHIEF MINISTER:

It is the Government's policy at this stage not to put more housing on to the market on the basis of the 50/50 scheme? That does not mean that the Government are totally opposed to the 50/50 scheme. It simply means that they have their policy reasons for not wishing to pursue it at this stage. The hon Member must have heard me say, probably even when I was in Opposition, I have certainly said so on many occasions whilst I have been Chief Minister, that one of their more enlightened policies, when they were on this side of the House, was indeed the 50/50 scheme and I have always recognised that. The 50/50 scheme has its virtues in a certain measure of quantity. But there are other factors that impact on whether it is wise to continue without a break. That does not mean that we are against it, it simply means that there are other factors involved. I am grateful to him for giving way.

HON J L BALDACHINO:

It is refreshing to hear that the Chief Minister might be thinking of carrying out our policy on the 50/50 basis. Either he is considering and he has thought at this stage that he might consider it later on, whether he considers it later on..... He does not like me to tell him that they are totally against. Fair enough, I will come to that point in a minute. The 50/50 option is not given to the developer, the 50/50 option is given to the purchaser. It is an arrangement between the purchaser and the Government or the company, it is not between the developer. The developer does not come into it.

HON CHIEF MINISTER:

Mr Speaker, that is true only in a very limited measure. The fact of the matter is that to speak of a 50/50 scheme being given to the purchaser and not to the developer suggests an element of discernment, discrimination, as to who gets it and who does not. But when every purchaser gets it, it is not being offered to the purchaser, although the purchaser obviously gets the benefit of it, gets a whole house for half the price, but the scheme attaches to the development rather than to the purchaser. I do not know whether we are at cross purposes or that may not be what is.....

HON J L BALDACHINO:

Mr Speaker, if the Government decide that a certain housing project, they will be prepared to finance it on a 50/50 basis, the consideration who gets the 50/50 will be based on the purchaser and not on the developer, that is what I am saying.

HON CHIEF MINISTER:

I can tell him that if we did introduce another 50/50 scheme to a block it would not be on the basis of everybody getting it, it would be an assessment of the means of the purchaser and that would be a difference to the way the hon Members did it.

HON J L BALDACHINO:

So it will be means tested. At least I got that one out from them, Mr Speaker. What I am saying is there have been cases in a development where other 50/50 were being given. There was somebody who was refused a 50/50 basis even though he met the criteria that is established now. This is something which I did not understand. The other thing I would like the Chief Minister to consider is that a flat has been refused on a 60/40 basis on resale to somebody who is a British national, who has been living here for over 15 years, has been refused the 60/40 even though she lived here during her school age. That is something that did not happen before in my time because I would have allowed that even though she has a child and the father is Gibraltarian and even though she is a single parent.

HON CHIEF MINISTER:

I am grateful to the hon Member for giving way yet again. Mr Speaker, this is the second time that the hon Member has made this point in the House and on the first occasion that he made it I did check on what he said. The position is that the Government have not altered the eligibility rules from the ones which we inherited from the hon Members. What we have done is continued with the scheme as it was. I am therefore very surprised to hear the hon Member for the second time, although he obviously cannot remember the first time, for the second time suggest that we have somehow closed the door on long-standing non-Gibraltarian British citizens. We have no evidence for the fact that the practice has changed. We have not changed the policy or the rules and as far as I am aware it is the same officials enforcing them. The only other possibility, although I am certainly very happy for the hon Member and my hon Colleague the Minister for Housing to sit together in the Housing Ministry with the official in question to rummage around to see where the explanation lies, the only other possibility is perhaps that it is not right as the hon Member says that it was available to non-Gibraltarian British citizens but it is worth getting to the bottom of the point, certainly. There has been a case refused now that would have been

granted in the past. It has occurred through administrative inertia of some sort and certainly not because there has been any change in the rules which there has not been.

HON J L BALDACHINO:

I am more than willing, Mr Speaker, in that particular case, to sit with the Minister for Housing and the official and sort it out.

May I now turn to employment, Mr Speaker. It is a norm for the Minister for Employment and Buildings and Works when quoting figures and comparing their performance to ours in Government always refers to 1992. I do not know why because from 1992 to 1996 something must have happened but I am sure that what has happened is not to the liking of the Minister. I suppose it is because he will have great difficulty in defending his performance as Minister for Employment. Last year, Mr Speaker, and I am going to quote from Hansard in what he said in the Budget, Volume I, 1998, page 66 "the one industry group that shows a different picture is the construction but even here for the sake of clarity it is important that we focus in order to avoid a typical manipulation of facts by the Opposition first of all in items of Gibraltarians in employment at the 31<sup>st</sup> of March 1998 in the construction industry. There are 760, out of a total of 2,209. This is the highest ever since records are kept by the ETB as far as Gibraltarians. The high number indeed applies not just to Gibraltarians but to other nationalities too, both in short term employment and the size of the present construction group under the GSD Government. Mr Speaker, the present cynical point in this industry group can only be properly understood if we turn back to the previous cynical peak under the GSLP Government in 1992. Then there were a total of 2,895 yet only 499 Gibraltarians, which represents a 72 per cent of the total as opposed to 34 per cent in 1998. A real and substantial increase as far as Gibraltarians are concerned in this industry group. To put it in another way, whilst in 1992 for every Gibraltarian employed in the construction industry there were six other nationalities, in March 1998 for every Gibraltarian employed there are three other nationalities but it is common knowledge and statistics have long

proved that an extreme high percentage of non-resident labour is engaged in the construction industry." What can be demonstrated and why they insist on comparing their figures to those of ours for 1992 and ignoring October 1995 and April 1996 when we were in office, the position on employment in the construction industry of the different nationalities was as follows: In October 1995 total employment in the sector was 966, Gibraltarians 555, 57.5 per cent, Spaniards 83, 8.5 per cent. In April 1996 when we were still in Government, the total employed in the sector was 1,082, Gibraltarians 583, 54 per cent of the total, Spaniards 143, 13.3 per cent. In October 1996, Mr Speaker, is when the trend started to come down and when we were in Government, the position was that there was 54 per cent Gibraltarians employed. The Minister makes a song and dance of a substantial increase in 1998 when the percentage of Gibraltarians employed in the sector was 34.4 per cent. In other words, he is the only person, Mr Speaker, that I know of that a reduction of 20 per cent of employment in the construction industry of Gibraltarians is a substantial increase, the only person I know that can do that. But, of course, he did that because he was referring to 1992, Mr Speaker. When we left Government it was in 1996. One can only compare the figures when one gets them, one cannot go back and if I were to go back to 1972 or the year 1926 we might find a difference. He should compare the figures when he took office and what we left but he does it with everything, Mr Speaker, even with unemployment figures. In unemployment figures what does he do? I think that the Chief Minister also did it in his speech. He refers to how well they have performed and they compare the figures to 1998 by how much they have brought it down. In February 1996 we were in Government, 380. February 1997, they were in Government, 467, February 1998, 598. Mr Speaker, and then he said "I have brought down unemployment from 598 to 388". The Minister started off with 331. The unemployment figures today are more or less the same as they were in 1996. But of course in press releases the Minister says that 4,021 vacancies have been filled and he was saying that unemployment was coming down because new businesses were coming in but, Mr Speaker, the new businesses must have been reflected in the 4,021 vacancies, it cannot be reflected anywhere else. It is inter-

linked, one thing with the other. When I questioned him about these new businesses, he could not answer. He could not answer because the computer did not register or he could not bring out the information because the technician was in UK. I remember in 1996 that the Minister offered me to go down to the Employment and Training Board to have a course. I offer myself now to him that if I go down there I will be able to extract this information and I was only there one year and he has been there three. But, of course, what he does not tell us, in any press release, ..... [Interruption] No, the Chief Minister has not been listening, he has been talking to somebody, I will repeat it for his benefit.

MR SPEAKER:

No, carry on.

HON J L BALDACHINO:

Thank you. But what he does not tell us, Mr Speaker, is that during the year 1998, the calendar year is what I am referring because he was referring to vacancies filled on a calendar year and I am now referring to the calendar year, that there were 3,656 terminations. Of course, when they do the propaganda exercise of bringing out press releases they only do it half measure and therefore to compare things one must have all the information. So in the year jobs filled 4,021 which the Minister cannot tell us what new business came into the economy and we lost 3,656 which, of course, brings us to another point. If that thing is happening, Mr Speaker, then obviously every time that somebody is employed it does not mean that he is employed because he is unemployed, there is a movement of people moving jobs. And when we asked the question in the House, Mr Speaker, and let me give him the figures, if we were to compare the first quarter of 1996 to 1999 which is what I was telling the Minister, in 1996 on average the first quarter was 380 unemployed registered; in 1997 - 445; in 1998 - 581; and in 1999 - 383. So the song and dance made by the Minister that they have brought unemployment down from 581 is that they have finished up with what they started in 1996. If the



Minister wants a copy of what was happening in the construction trade from 1988 to 1994, I am able to provide him, for his perusal, a copy and he will see that the picture that he set in 1998 was not the case.

On this new Jobseekers' Agreement which the Minister said will be implemented which I do not understand why he should be doing that if employment is as he says it is. I am going by the figures that have been provided and I suppose that the Minister is referring to people who are on supplementary benefits because they are the only persons.....*[Interruption]* This new Jobseekers' Agreement, I suppose he is only referring to the people who are on supplementary benefits. If he is going to punish anybody the only people who he can punish is the people on supplementary benefits if they do not take up a job because people who are not getting any payment and he said that it was a burden on the taxpayers, people who are getting no payment are not a burden to the taxpayer, the people who are getting unemployment benefit is a statutory requirement that has to be paid to them for 13 weeks. In that amount of supplementary benefits I suppose there are elderly people there who get that as well, it is not just people of employable age. In any case, the claim by the Minister that he has brought down the unemployment figure for Gibraltarians is not correct at all. Like I said before, he increased it and then he brings it down and he says, "What a good boy am I". Well, he increased it originally so how can he take that credit? His performance in this area, as in all other areas has been a complete shambles, Mr Speaker. The situation proved that very few new businesses have been attracted to enter the economy and if there are then they should tell us because the Minister for Employment has not been able to do it. The private sector is more or less stagnant so there has not been any movement in that area so no matter how much rosier the Minister for Employment wants to paint the picture, the figures at our disposal and which have been provided by them, proof that the picture is definitely not rosier, than it was in 1996 on unemployment. We have said that this Government work at a slow pace, what they work very hard at is controlling people's perceptions to their political advantage, in the process they try to eradicate from people's mind what the real

truth is. They do it so often, Mr Speaker, with their propaganda that perhaps they have even began to believe it themselves. As we are being bombarded constant propaganda they have even had the audacity to try and take credit for the projects that were left unfinished by us and the Minister has mentioned quite a few. The very few projects that have their name, are repeated over and over again to give the impression that so much more is being done than what the case really is. As the saying goes, Mr Speaker, and as the Minister for Employment once said in the House, I do not know if this is attributed to a great man called Lenin or I think the Minister mentioned Lincoln, if I remember correctly, he must have made a mistake when he stood up and said it, I am relating it to Lenin, "people can be fooled but they cannot be fooled at all times; some can even be bought but until when can they continually be bought and at what expense". What is absolutely clear is the fact that whether in the area of housing or employment or in any other area, for that matter, nothing of real substance has materialised and Gibraltar has lost the momentum we started in 1988 on housing and which has continued only up to 1996. Thank you, Mr Speaker.

HON LT-COL E M BRITTO:

Mr. Speaker, I have my usual problem when I start my speech to explain to the House that because I cover such a large number of different areas both in Government Departments and in utilities and in broadcasting and so on, 11 different areas that I need to cover, consequently it is difficult to structure the contribution and it becomes a little bit disjointed so I apologise in advance if it is a series of different contributions as opposed to an easy flowing one. For ease of reference, all my Government Departments come under Head 4 of the Estimates and in order to tackle it differently from what I did last year, I will be starting with the Government Departments but tackling them in the reverse order in which they appear in the Estimates, so I will start first with sport.

I am delighted to announce to the House that the Government have decided to embark on a major initiative to enhance, improve



and develop Gibraltar's sporting facilities. The concept is a simple one but one which will have dramatic consequences for the future of sport in Gibraltar. The Government intend to reclaim land in the area of the Victoria Stadium. The area of sea bounded by the airfield to the North, by the Victoria Stadium Road to the East and by the Marina Bay Development and car park to the South and that reclaimed area, in the area on what was called Scott's Shiprepair Yard and together with that reclaimed land and land adjoining areas already owned by the Government, it is intended to develop new sporting facilities. It is a medium to long-term project and by far, the most important of these new facilities will be a water-based hockey pitch which is the type of surface on which our hockey teams have to compete on when they travel away from Gibraltar and although they do extremely well when they do, there is no doubt that they should do better if they have the surface to train on which is the same as what they meet when they are away from Gibraltar and it is also expected, as I am sure hon Members realise, that once this surface is provided, it will bring top level hockey to be hosted and played in Gibraltar, the European Finals. Apart from this there will be other facilities and the project also envisages the provision of a new indoor sports hall to relieve pressure on the Victoria Stadium Sports Hall and provide much needed additional indoor facilities. The final list of sports that will be catered for has not yet been finally decided and there has been an initial study but it will be the subject of consultation with the Sports Advisory Council. But at this stage it is expected to include a Water Sports Centre; reprovisioning of the USOC playing area where the building of the skate park is about to start on the USOC area itself. Mr. Speaker, as hon Members will realise, this is an ambitious project and it is an investment by Government in the future of sport and in the development of sport. It is being made in the confidence that Gibraltar is a very sports-orientated society with high levels of participation and performance and with the knowledge that our youth, and those who are not so young but still active sportingly, will put these facilities to as full a use as they do existing facilities at the moment.

During the past year 1998/99, the most important action that was taken by this Government in respect of sport was to set up the Sports Development Unit and to employ a Sports Development Officer as had been recommended by Mr Mike Lockhart of the English Sports Council in the report he prepared which we commissioned. It is interesting to note, when he came over for the Official Opening in March this year, at the Sports Development Seminar in which he was present, it was interesting to note that he said he was extremely excited and pleased to see that his recommendations had been put into effect so quickly by the Government; that like many recommendations he was not sure how quickly they would happen and he was delighted to see in what short period of time they had actually become a reality. The Sports Development Seminar, as I say, which launched the Development Unit included the participation of international experts on sports development from outside Gibraltar and this, together with the active implementation of Government's policy statement on sport, has set the basis for the development and improvement of sport in Gibraltar. In answer to Question No.426 of 1999, I gave a detailed explanation of the programme of the Sports Development Unit, of what it had done since its inception and its plans for the future, so I do not intend to cover that now.

The Gibraltar Sports Advisory Council continues to be very active. It has now set up six sub-committees, which meet regularly, as indeed does the full Council meet about once a month and I would like to place on record Government's appreciation and gratitude for the advice received from the members of the Sports Advisory Council and for the effort and time that these members dedicate for the benefit of sport and, of course, on a purely voluntary basis.

During National Week, the competitions for the Gibraltar Trophy involving the participation of 26 different sports once again took place. It is expected that once again this event will take place this year and that the event will continue to develop from strength to strength.

The Premises Committee continues to meet on a regular basis. The main emphasis this year has been on the completion of works to premises previously allocated, and on the collating and assessing of information requested from organisations on the waiting list. A revised waiting list is in the process of being completed which will be used as a basis for future allocations based on the information that has been asked for in questionnaires, questions like, for example, number of members; size of premises being required; how often they would meet, et cetera. It is an effort to fit associations and clubs into suitable premises and not give them something that is bigger than what they need. However, new areas were allocated during the year and are already being occupied by the Girl Guides Association, by the Group HOPE, by the RAOB, and the Gibraltar Football Association. At the moment Government are currently considering a proposal to convert, in a joint venture between the Sports Department and the Department of Education and Culture, the ex-Recreation Rooms at South Barracks to accommodate a number of cultural societies.

Gibraltar Sports people have continued, with Government financial support, to make us proud in international events, here and away from Gibraltar. Our younger sports persons performed very well in the first ever Straits Games held in Algeciras last year; the Gibraltar Junior Football team obtained great success in the Holland Cup, as did our Darts team in the European Junior Championships. Creditable performances were achieved, amongst others, by our men's and women's basketball teams in the Promotion Cup and by our hockey clubs in their European Competitions as well as our representatives at the Commonwealth Games held in Malaysia. I cannot let this opportunity go by without putting on the record the Government's appreciation and sending congratulations, hopefully, from Members on both sides of the House, for the tremendous effort and success of the Eagles Hockey Team in obtaining promotion to the 'A' Group of the European Hockey Champions Cup. In essence, this means that once again this year for the third time over a period of years, Gibraltar next year will be playing in a competition which is essentially the top eight hockey nations of

Europe. It is a tremendous achievement by Eagles Hockey Team to put us there and one in which I am sure all Gibraltarians are justifiably proud.

In the last financial year 1998/99, Government provided increased funding for direct financial assistance to sporting societies participating in official international competitions abroad, for sports development projects and for improvement to sports facilities. Bids for funding under these Heads submitted by the sports governing bodies are considered and adjudicated by the Gibraltar Sports Advisory Council. The beneficial results of this increased financial assistance included a larger number of local sports people travelling to compete in competitions away from Gibraltar; the provision of accredited coaching courses; the purchase of specialist equipment; the purchase of the necessary equipment for the installation of a completely new floodlighting system for the Victoria Stadium, which is about to be installed; and improvement of other facilities at the Victoria Stadium, Hargrave's Court, South Barracks and USOC which was handed over by the MOD and is already being used extensively by the schools and the community. I am pleased to say that once again this year there has been a further increase, further increase as opposed to what there was last year, in financial assistance to sport based on bids received from the governing bodies and as reflected in the Estimates before this House. A new separate item has been created to cater for multi-sport international competitions such as the Island Games, the Commonwealth Games and the Straits Games. Funding for improvement to sports facilities will continue and, amongst other important projects, there will be assistance in the installation of a much needed dehumidification system for the GASA indoor swimming pool.

It is also intended to work in partnership with the Gibraltar Tourist Board and a number of local sports governing bodies to launch a pilot scheme for the marketing of Gibraltar as a destination for sports tours. This will include a leaflet to be inserted in the Official Tourist Brochure giving details of specific sports, venues, et cetera as well as details of the hotels, special rates who are participating in this scheme. Once again this year Gibraltar sport

will be competing in a large number of international competitions. Amongst these will be participation in the 1999 Island Games to be held in Gotland, Sweden next July. The programme of sports events to be held in Gibraltar, forming part of the Millennium Celebrations, is still being finalised. I can say that in the earlier part of the year 2000, Gibraltar will be hosting the European Snooker Championships; the World Club Shore Angling Championships; and in May, the Straits Games, with the participation of a total of approximately 1000 young people.

To conclude my contribution on sport, Mr Speaker, I would like on behalf of the Government and hopefully on behalf of Opposition Members as well, to publicly show our appreciation and gratitude to the large number of volunteers within the sports governing bodies and clubs whose efforts are essential to the running of all and very great variety of sport which is practised in Gibraltar and without the assistance of whom many of these sports would just simply fail to reach the high levels of participation and performance which they achieve now.

Mr Speaker, I now come to the Post Office where the computerisation of mail records has been completed and plans are now being prepared to commence submitting outgoing documentation in computerised form. This will bring the Post Office into line with other postal administrations. Outgoing mail has suffered no substantial delays and mail continues to be despatched from Gibraltar on a daily basis, except on Sundays. Due to the cancellation of air communications between Gibraltar and Morocco, air mail for Morocco is now being despatched via Gatwick.

The Post Office is now in its final stages of transposing Directive 97/67/EC into the relevant sections of the Post Office Ordinance and subsidiary regulations.

As the House is well aware, the rental on PO Boxes was increased as from the 1<sup>st</sup> April 1999, 10 years after the last increase in these rents on the 1<sup>st</sup> April 1989. Postage rates for overseas destinations were also increased as from the 1<sup>st</sup> April

1999 and this increase brought the first weight step postage rate from Gibraltar to the United Kingdom and the rest of Europe into line with that which had existed in the reverse direction, that is, from the United Kingdom to Gibraltar and Europe since 6<sup>th</sup> April 1998, one year before.

Self adhesive postage stamps were officially put on sale for the first time ever in Gibraltar on 1<sup>st</sup> April this year and have been well received by the public and by the commercial sector. A new international Business Reply Service, which was in the past only available for domestic mail, has also been introduced in the past year.

Mr Speaker, as hon Members will know, in recent weeks, inconvenience has been caused to the public by difficulties being experienced in the Post Office and specifically with the postmen and postwomen. The difficulties originate in certain working practices by these postmen and postwomen which result in some mail being delayed. Government are determined to eliminate these undue delays and to rectify other problems affecting the quality of postal services to the public. The problem essentially is that over the years the practice has become prevalent by which bills or statements of accounts are separated from other items of mail or letters and are treated differently by the postmen. Whereas normal letters are delivered more or less within an acceptable period of 24 to 48 hours, these bills which are bundled into separate bundles are put aside and are delivered on the basis of one a day by the postmen concerned. There is no basis for this in any agreement with the union and it appears to have become established practice over a number of years but the consequence is that, as is well-known in Gibraltar, those bills are sometimes delivered up to two and even three weeks late. The Government have decided that it is no longer acceptable for these bills to be continued to be treated separately and have asked the Post Office management that there should be no further segregation of mail in this way, that mail is mail and that it does not matter what is inside the envelope, that it has to be treated equally. Let us be clear, Mr Speaker, this is what has triggered the current problem because although the postmen and

postwomen are not on strike they are nevertheless not working the normal conditions they were working for and there is a considerable backlog of mail as a consequence.

HON J J BOSSANO:

If the Minister will give way. May I ask is the explanation we have been given, in fact, that it is only affecting that bulk mailing of bills or is it affecting normal post as well?

HON LT-COL E M BRITTO:

It is affecting everything, Mr Speaker, because although Government have made it clear to the shop stewards and I was present at that meeting with the shop stewards and I made it personally clear, Government have made it clear that we do not wish to penalise the postmen or postwomen on the basis of their relatively high levels of remuneration or are not seeking to reduce that and neither are we, in fact, seeking to reverse the fundamental practice where postmen go home early if they have finished their delivery but what we are not prepared to do any longer is allow this practice of postmen going home early when there is still large amounts of bills, as there used to be in the past, pending delivery. So what we are saying is mail is not segregated anymore, joined up together, we appreciate that when the bills come in there will be some delay necessarily because of the large amount of statements that come in but under normal circumstances mail should be delivered within a 48 hour period and a little bit longer when there are bills and it seems that the postmen are not prepared to accept this situation. They have decided to work a full day, from 9 am to 4.15 pm but, in fact, at the moment they are taking, as hon Members will know, the postman sorts out his mail and then goes out and delivers it and in the past it would take a couple of hours in the morning to sort out the mail and they would leave the Post Office between 10 am and 11 am, deliver and come back early afternoon having delivered whatever was in the sack, so what is happening now is

that some of the postmen are sorting out what used to take a couple of hours before is now taking four, five or six hours and they are sorting out until 3.50 pm, going out at 3.50 pm and come back at 4.05 pm and that situation is not acceptable to the Government and will not be tolerated for very much longer. That is essentially, I have gone into some detail so as to make hon Members aware of what the present situation is.

Mr Speaker, I also have to announce that Government have decided, and no doubt Opposition Members will welcome this because they were encouraging us to do it, to reverse the decision to transfer the Post Office to the Health Centre. After careful consideration and a lot of thought, it has been decided that the Health Centre is better suited for commercial development within the general development, improvement and embellishment of the Casemates area and so we have decided to reverse the decision. However, in doing this, Government are also conscious that the present Post Office is badly in need of internal refurbishment and redecoration. At present Government are studying the possibility of moving the Post Office, on a temporary basis, somewhere else and a possibility is the Haven when the Department of Social Services move out from there. An extensive programme of refurbishment and decoration will be carried out at the present Post Office, and once this is completed, the Post Office will return to its current location at Main Street.

Dealing now with the City Fire Brigade, Mr Speaker, I am pleased to inform this House that the Brigade will complete its 5-year Plan this year in time and within budget. During the previous financial year, training continued to be a priority and has resulted in a large number of Brigade members attending courses in the UK ranging from Fire Safety to Ship Firefighting. Of particular importance and I have to highlight is an HNC, a Higher National Certificate, to Mr Mauro for an excellent performance in the Divisional Command Course which included an attachment in Northern Ireland. An even greater achievement is the BSc Hons gained by Mr Louis Casciaro in Fire Safety Technology and Management and also obtaining a further qualification in Fire Service Management. These results and others, together with the excellent reports

being received from the different colleges and centres in UK, are extremely encouraging and ensure that the progression of qualified officers in the Brigade is guaranteed. As we speak, two other officers are in UK attending Command Courses at the Fire Service College.

The Brigade will shortly receive a new fire tender which is based on a Mercedes Benz chassis. This vehicle is provided with the latest technology and will become a valued asset in their operational resources. The Brigade's mobility has been further improved by the supply of two motor cycles for the Fire Safety Department whose officers are constantly involved in carrying out inspections. One of the Fire Safety Officers is well on his way to attaining an HNC in this field after completing a 5-week module course in UK.

As a result of public demand, the Brigade has held seven courses under the requirement of the Health and Safety At Work Ordinance. The senior management of the Brigade is currently working on the next five-year plan to see us well into the next millennium.

For his part, the Chief Fire Officer is chairing a committee which is revising the emergency plans affecting Gibraltar. A completely revised set of documents is expected to be available next year. On the operational side, the Brigade responded to 1,210 emergency calls and together with the Fire Prevention Branch, carried out a total of 1,240 inspections. In addition, the Brigade has since June of last year, been providing a back-up emergency ambulance cover first to the Royal Gibraltar Police and then to St John.

In summary, the City Fire Brigade has worked efficiently throughout the last 12 months and its future plans will ensure that this efficient service continues.

In respect of the Electricity Department, I once again have to inform the House that demand for electrical energy continues to grow. Total generation during the last financial year amounted to just over 116.3 million units which is 3.8 per cent higher than in the previous financial year. Maximum demand also increased by 500 kilowatts and stood at 22,100 kilowatts.

Substantial progress has been made on the installation of the Distribution Centre situated by the American Wall Memorial. All the high voltage switchgear and other ancillary equipment are now installed and delivery is awaited of the SCADA system some time this summer. Once the SCADA system is functioning, a start will be made on the transfer of circuits still fed from King's Bastion.

The construction of the new depot at Rosia Road is progressing and the construction of the ground floor is well advanced. Completion of this building is expected before the end of this calendar year.

The Department is ever conscious of the need to improve the reliability of all generating plant and distribution equipment and therefore plans to commence a high voltage switchgear replacement programme. The object of this exercise is to replace old and obsolete equipment by more modern designs. Advantage will be taken to increase transformer capacity and extend the number of circuits that may be supplied from these substations. A further innovation in our distribution system is the installation of mini-pillars at selected locations. These mini-pillars allow connections to be made between distributor and service cables without the need for underground joints. Failure of these underground joints are a well-known cause of localised power cuts, so these mini-pillars will improve the reliability of supply. This is a long-term strategy rather than a programme that can be phased over a short period of time, but I mention it because it shows the Government's continuing commitment for improvement and also so that the public who may become curious at seeing these square boxes spouting in various locations in town will know what it is about.

Finally, Mr Speaker, the Electricity Department laid supplies to some 500 new consumers during the year, a new sub-station was commissioned at Westview Park and supplies of electricity also installed at the Montagu Crescent development.

HON J J BOSSANO:

Before he leaves the electricity, can the Minister say of the 116 units what has been generated by the Government, does he know?

HON LT-COL E M BRITTO:

No, Mr Speaker, not off the top of my head but I can try and get this information for him and give it to him at the Committee Stage.

Last but not least, Support Services is the fifth Government Department for which I have political responsibility and it has undertaken a number of significant projects during the last financial year. In fact, a total of 24 major Building or Civil Engineering projects some of which have been completed already and others are scheduled for completion during the current financial year. As well as that a number of significant Information Technology projects since the Information Technology Services Unit comes under Support Services, started last year and most of them will be completed during the current financial year.

So I will start with computer developments and advise the House that the Information Technology infrastructure has now been set up which will form the core of a future Government-wide communications network. Additionally, various departments have been independently networked with internal electronic mail and some of these already have the facility to communicate with other departments in this way. PCs continue to be installed throughout the Government departments and it is envisaged that most departments will eventually form part of Government's network. Various software projects have been undertaken, some of which have been completed whilst others are still in progress. Amongst those that have been completed are : A computer system for the

Housing Department; A computer system for the Prison; A new Tilling System for the payment of pensions for the Department of Social Services; A Government Pension Payroll System; A Driver's Licences issuing System; A File Indexing and Booking System for No. 6 Convent Place. In fact, this last system, although tailor-made for No. 6 Convent Place, has been designed in such a way that other Government departments who wish to do so will be able to avail themselves of this computerised file indexing system.

During the forthcoming financial year, the Information Technology Services Unit will continue to develop a number of projects. Amongst which are: a Human Resources System for the Personnel Department which is in the process of being implemented; a Collection System for the Customs Department entry point and a computer system for the City Fire Brigade which are being developed; the implementation of a Geographical Information System in partnership with Lyonnaise des Eaux and Gibraltar Nynex Communications Limited, which is imminent; and a new system for the Employment Service will soon be implemented.

The following are being investigated: a Complex System covering the many facets of the Port Department; a System for Births, Deaths and Marriages; a Database for the Register of Gibraltarians.

The department is also involved in a number of on-going projects. Amongst which are: ensuring that all computer systems are Year 2000 compliant; the centralisation of data for use by the Income Tax Department, the Department of Social Security, the Department of Employment and the Civil Status and Registration Office. The final design and implementation of this system is dependent on finalisation of the projects to computerise the individual departments. A new Motor Vehicle Licensing System is in progress.

All the projects I have mentioned, on-going or under study, have been or are being developed either in-house by IT Services Unit

or in partnership with local and UK companies, but I stress that all the projects are monitored and controlled by the Government's IT Services Unit to ensure compatibility.

The Unit has been very closely involved with the setting-up of the Government's Web Site, which is now at a very advanced stage and will go live to the public in the very near future. In fact, I can tell Opposition Members that it is already live but password protected, the password known not to many people at the moment, and I have been on the site myself and it still needs to be fine tuned a bit and tidied up a bit but it is now very nearly in its final stages and as soon as we are happy with the way it looks and with its contents, it will be made publicly available. This has been an ambitious project which has taken longer to implement than originally estimated mainly because the vision of the project has expanded as it has progressed and as the Web Site has been developing. What had been initially designed as a small Web Site has now been expanded considerably with most, if not all, Government departments having a presence and also with areas of general, touristic, cultural and geographical information about Gibraltar. It will be an on-going project, Mr Speaker, it is something that as long as we have the Web Site will never finish, it will be on-going development not only in updating information on it but as new areas are identified and are worth publicising or indeed as Gibraltar's political situation develops and we make use of this medium of potentially reaching targets of 70 million people throughout the world.

Mr Speaker I will now move to the more traditional roles of Support Services in covering the areas of engineering, architecture and project management.

Work started this year on the removal of the rockfall at Camp Bay as well as on the stabilisation works to the cliffs. Following extensive field tests and investigations subsequent to the major rockfall in Camp Bay, a design was prepared by specialist consultants for the removal of the rockfall material and for the subsequent works permanently stabilising the resulting cliff face. Due to the potentially unstable nature of some of the remaining

sections of cliff face, whole sections have been brought down and the remaining cliff re-profiled. The work, which is currently being done, uses controlled explosives, a method which had not been used in Gibraltar for some considerable time. The works, I am pleased to report, are progressing on programme and every effort is being made to ensure that they are completed and have reached a stage that will permit the beach to be used during this coming summer.

Advantage has been taken of the fact that we have specialist consultants and contractors working at Camp Bay to undertake further cliff stabilisation works on the section of cliff face immediately below Buena Vista Barracks. Potentially unstable rocks in this area are being tied back to the cliff face by rock bolting techniques. These works are being undertaken in parallel with the works at the rockfall area and consequently will be completed within the same contract period.

A second major project undertaken during the financial year is the erection of a rockfall catch fence along a section of Sir Herbert Miles Road. Works on this are still currently on-going and due for completion this month. The new fence will act as a barrier to arrest any rocks which may fall which may manage to roll down the slope and beyond the slope and if they do so the fence is designed to prevent them from reaching the road below. It is 430 metres long and is being erected along the sections where rockfalls are most frequent.

During the year, works were also completed on the reconstruction of two retaining walls at the Loreto Convent playground and at St Bernard's Road. Smith Dorrien Bridge was refurbished and painted and concrete repair works were carried out to Referendum Arch and Gates.

Work continued during the year on the city centre beautification and the scheme was extended to include a number of new streets. The section of Irish Town from Parliament Lane up to Cloister Ramp has now been completed with the area having been repaved in keeping with the style previously adopted for



Main Street. New street furnistration is shortly to be installed providing the finishing touches to what has been a very successful project. Bishop Rapallo Ramp and Cannon Lane have also been afforded the same treatment and this has resulted in a complete transformation of these areas. Now work is currently being carried out in Parliament Lane with such works programmed for completion this month.

The embellishment works at Winston Churchill Avenue were completed during the year. This has resulted in a complete transformation of the area with new flower beds having been constructed, all kerbs and footpaths renewed, new pedestrian barriers having been erected and the complete refurbishment of the existing footbridge. On completion of these works, the Ministry of Transport undertook the complete resurfacing of the road thus adding the finishing touches to this project.

The Casemates Project, a flagship for this Government, was commenced during the year and already glimpses of the final project are beginning to be visible with sections of the Square already having been repaved. The Square itself is undergoing a complete transformation. The area of the original Casemates Square has been merged with that of the road and open area in front of the Health Centre Building thus resulting in the creation of one large open space. The whole area is being repaved using the same material as for Main Street and other City Centre works and new trees will be planted at various locations within the new Square to compensate for those existing trees which unfortunately had to be removed to realise the project.

Following the very significant archaeological finds within the Square, the Government decided to leave a small area permanently open and so create a historical feature and consequently the Casemates Project has been modified to allow for this. The refurbishment of the Casemates Barrack Block was also started with most of the vaults already having been emptied and cleaned out. Demolition of an extension situated at the extreme west of the Barrack has now been undertaken and this has revealed the original stone façade of this building which

unfortunately had been hidden from public view for a long time. This project is scheduled for completion in December of this year.

The new seafront promenade at Westside was also completed this year resulting in a unique and very attractive promenade. The facility provides for an amenity/leisure area for the public within a garden/seafront environment. Children playground facilities are also available within the area and there will shortly be further facilities provided such as cafeteria, public seating areas and further attractions for the children.

The second phase of the widening of Line Wall Road, otherwise known as Lover's Lane, was commenced this year with such works being scheduled for completion this coming July. The works are a continuation of the road-widening scheme undertaken during the previous year and despite the misgivings of the Hon Mr Gabay, will result in much improved traffic flows in this area of town.

The ex-Governor's Meadow School at Grand Parade was demolished with the resulting area being used for car parking as an extension to the existing car park at Grand Parade. Currently being undertaken is an embellishment project which will result in a much improved entrance to the Botanical Gardens. The area will be extensively embellished and new ornamental gates erected. In addition, public toilet facilities will be provided at this location and the whole area will be transformed visually as well as extended in parking facilities. I am also pleased to confirm, what I had announced previously that very shortly work will commence on the demolition of the King's Bastion Electricity Generating Station in Queensway.

During the year an extension was constructed to the Senior Citizens' Club at Town Range to provide the club with much needed additional facilities for its members. Included as part of these works was the embellishment of the adjoining areas to the extension as well as the waterproofing of a number of existing walls which suffered from water penetration.



During the year, Mr Speaker, Support Services Department has acted as Designers and Project Managers on a number of other embellishment projects financed from Heads controlled by other departments with the major project being the widening of Sir Herbert Miles Road. Two sections of this project have now been completed, a third is due for completion this month with the final section scheduled for completion this coming summer. The project will result in the widening and complete embellishment of the section of Sir Herbert Miles Road from its junction with Catalan Bay Road up to the area of the Both Worlds reception. This will ease traffic flow and improve traffic flow along this road which is the primary route for tourists visiting Gibraltar as well as providing a more pleasant and appealing environment for all Gibraltarians and other residents. In this context I would like to draw the attention not just to Opposition Members but to members of the public who may be listening in, that we are suffering the results of wanton damage to newly refurbished and reprovided areas along this road; wanton damage which is unnecessary and I encourage members of the public who have any knowledge of how this damage has been perpetrated or who it is being perpetrated by to take action and inform the Police and impart any knowledge that they may have.

Other projects, Mr Speaker, that have been undertaken by this Department under this heading are far too numerous to mention individually but I will highlight just a small number, and these are: the refurbishment of Edinburgh House Complex; the construction of a new residential building for the Senior Citizens within the Edinburgh House complex; the construction of a new Ferry Terminal facilities at Waterport; the replacement of Balconies at Willis's and MacFarlane House; the creation of a new Coach Park area and Terminus building on the site of the old Coach Park at Waterport; conversion of the Buena Vista Barrack block building for use as a hostel; and refurbishment works at the temporary Motor Vehicle Test Centre at North Mole.

Mr Speaker, I now turn my attention to the Gibraltar Government Lottery where there has been no great significant change during the past financial year. The Treasury Department continues to

monitor sales and returns of lottery, and Gibraltar remains the second highest per capita sales territory or country in Europe. However, on the negative side, returns continue to average about 30 per cent. As hon Members will see from the Lottery Account Estimates at Appendix D of these Estimates of Expenditure, the performance of the lottery in the last calendar year was very disappointing in terms of forecast outturn which was very much below the traditional figure of about £500,000. Hon Members will be aware that this is the type of disappointing result that I have been forecasting for a long time, in fact, as far back as the first few years of the GSLP administration. The cause is very simple. Because there is a large amount of returned tickets which are unsold, the Government depend to a very great extent, on prizes being included in those tickets which were returned and therefore for that prize money not being paid out. Last year, however, this did not happen and a larger number than usual of prizes were won by the public and consequently, the overall result of the lottery is, as hon Members see from the Estimates, disappointing. On the other hand, Government welcome the fact that a larger proportion of prizes than usual were won by the public. A number of meetings took place last year with the Gibraltar Government Lottery Committee and with the Lottery Agents Association in order to consider improvements to the present lottery format but so far, no new formula with which the Government are satisfied will promise a more successful lottery has been evolved. Consideration was given to appointing a consultant to carry out an in-depth study of the lottery with a view to making recommendations to improving or restructuring it. A suitable person was recommended by AELLE, the European Association of State Lotteries and Lottos. However, Opposition Members may be glad to learn that the Government did not consider the proposed cost of such a consultancy to be economically viable and therefore it has not been undertaken.

In the last few months, the Lottery Section and its ancillary storage facilities have been moved to new temporary facilities in Town Range. I feel I have to record that the ever-popular in lottery circles and elsewhere, Mr Peter Borda, retired this year after 17

years in the Lottery Department, and a noteworthy overall 42 years service as a civil servant.

Gibraltar was once again represented, in May in Malta, in its own right at the AELLE Conference.

Mr Speaker, I am also pleased to announce that a major innovation this year will be the live televising of the fortnightly lottery. As from the next extraordinary draw to be held on the 5<sup>th</sup> July, GBC will be providing live coverage every fortnight of the lottery. This will mean a slight adjustment in time and the lottery will now be transmitted at the new time of 12.30 pm.

Mr Speaker, at the stage where I will finish with the Government Departments and move on to my other responsibilities, I would like to record my appreciation at the work that is carried out every day by management and the staff of all the Government Departments for which I have political responsibility. Most of these civil servants work in the background unnoticed by the general public and they carry out their duties quietly and efficiently behind the scenes. Thanks to their efforts the work of my departments is carried out, by and large, smoothly and on schedule.

Mr Speaker, I now turn to my responsibilities for broadcasting. As announced by GBC in April this year, its services were re-launched as from the 1<sup>st</sup> June, that is, yesterday. As from today GBC is providing a two and a half hours TV transmission at lunch time and a three and a half hours transmission during the evening. Hon Members will no doubt recall that when this was announced the intention was to provide three hours at lunch time and four hours in the evening and I regret to have to inform the House that the missing half hour which was the Euro News slot that GBC intended to provide has been blocked by political action from Spain using Television Española as the major shareholder in Euro News and therefore this will not now be carried out. Mr Speaker, to clarify the position, I do not want to give the impression that the line has been drawn and that the situation is closed. The Government have been asking for support from the British Government on this and there is contact and pressure by

the British Government and there is still some hope that the matter could be resolved. But at the moment it is not happening. GBC's new TV programme scheduling policy provides for an increase in the number of local programmes. The GBC plan is that over a 14 month period the number of local productions will be increased to over 20 programmes per week.

As part of the re-launch, the GBC establishment has been increased and six new posts have been registered with the ETB. Additionally, freelance employment opportunities will be available. The Plan submitted by the Corporation envisages GBC adopting a more commercial approach at, may I say, the insistence of the Government. The projection is that after the initial period, a gradual reduction in the level of the Subvention should be possible. As part of this more commercial approach, Government have agreed in principle to a Cash Incentive Scheme under which employees will receive a cash bonus if agreed targets are achieved. The details of the Scheme are still being worked out and are not finalised and obviously not yet agreed so I will not be able to provide any further information at this stage. I must also add, Mr Speaker, that at selected times non English language programmes will be included in the TV programme schedule.

Coming back to the Cash Bonus Scheme, again to avoid any misunderstanding, the Scheme will be designed to be self-financing in that it will come from savings and will not be an additional cost to the GBC budget or, for that matter, to the Government subvention to GBC, by implication.

The much awaited replacement of the Medium Wave Radiator and its transfer from the existing location in Wellington Front will soon be finalised. In fact, if hon Members look up the Rock as they go past the Casino they will see the aerial sprouting half-way up the Rock face. Work on the project is well advanced and is planned to be completed by the end of the summer. The FM transmitter network has also been reinforced, and recently the 92.6 FM transmitter was re-sited from Signal Hill to O'Hara's Battery. This move now locates the transmitter at its internationally co-ordinated location. The Corporation is embarked

on the digitisation of its radio programme making facilities and the first phase was completed by the end of May 1999.

In the financial year just ended, the Corporation received a Subvention of £800,000 and a Supplementary Subvention of approximately £17,000. The latter was to meet the costs of the Annual Pay Award. The provision in this year's Estimates is £817,000, the same as the total Subvention for the year 1998/99. Additionally, Improvement and Development Funds have been earmarked for use by the Corporation to fund capital expenditure.

Mr Speaker, I now move to the area of telecommunications, where as a direct result of my ministerial responsibilities, I am Chairman of both Gibraltar Telecommunications Limited or Gibtel, and Gibraltar Nynex Communications Limited, otherwise known as GNC.

Once again, the major issues last year, as indeed they will still be in the forthcoming year, have been the difficulties with the numbering plan as a consequence of the non-recognition by Spain of Gibraltar's 350 geographical code and, secondly, the stop and start nature of the merger negotiations between Gibtel and Nynex. I have kept the House informed on both these issues so I do not intend to speak further on either of these two matters.

Coming to matters in respect of the individual companies themselves, dealing firstly with Gibraltar Nynex who, this year, specifically in June 1998, established the first link using FLAG to Cable and Wireless. Subsequently two further FLAG links, one a 2Mbit link on behalf of Gibtel and the other on behalf of GNC itself were activated offering direct fibre connectivity with Telecom Italia.

The growth of the Internet services launched by GNC Networks continued, and by the end of March 1999, the number of Internet Customers subscribing to the company had increased to well over 1,000 and a number of corporate customers had also been connected. Service has proved to be fast and reliable and is continuously being upgraded and improved. Bandwidth for the

services doubled from 256kbits to 512kbits in November 1998, both to Washington and London.

In December 1998, the Company announced that an agreement had been signed with IBM for the purchase of a £1.6 million Services, Software and Hardware contract. The Integrated Customer Management System or ICMS, is a sophisticated customer care and billing product that runs on IBM's AS400 platform. It will expand considerably GNC's current customer care programme to include automatic service provisioning, flexible billing, fault management and credit management. A new telephone bill format has been introduced and, as a consequence of the ICMS, per second billing will replace the current use of the meter unit.

During the course of the year, the first new chip phone cards were produced and included an issue celebrating the 40<sup>th</sup> Anniversary of Radio Gibraltar and the Football World Cups from 1966 to 1970. In February 1999, the new digital "Pulsar 50" Public Card phones were connected and installed throughout Gibraltar.

The 1998/99 Telephone Directory was produced on time and was delivered to households throughout Gibraltar by GNC's own employees. A new improved Government offices and Public Services section with an Index was introduced last year and I am pleased to report that the current year directory is well on the way to fruition.

In December 1998, the company introduced the Smart Call Services which allows customers, for the first time, the ability to know who is calling or who has called. By dialling 1471, customers are able to hear a recorded announcement of the telephone number and time of the last call. New Smart Call telephones were also introduced. The service was well received by customers. In January 1999, the Customer Services Centre was relocated to Suite 801 at Europort from where it offers customers better facilities in more comfortable surroundings. Throughout the year, the company maintained the ISO 9002 Quality Certificate and its Total Business Registration.

HON J J BOSSANO:

Mr Speaker, the per second billing is intended to apply to what, to local calls as well or just international calls?

HON LT-COL E M BRITTO:

At the moment it is just a change of system of calculating the amount of the bill but it will not reflect a change in the cost of the telephone call. My understanding is that it applies across the board, both to international and to domestic calls.

HON J J BOSSANO:

Surely then the whole concept is meaningless? The whole idea of per second billing is that if one goes one second above one minute one does not get charged the net chunk, one gets charged one second only so it must mean a reduction, otherwise it is meaningless.

HON LT-COL E M BRITTO:

The system is designed in the way the hon Member is saying and can be used in that way but because of the complexities of call charges in Gibraltar in any reduction on one side has to be compensated in some other way and at the moment, the way it is being introduced the cost of a telephone call of 10 minutes now, although being billed on a per second basis, will end up being the same. In the initial introduction it will not affect the level of calls.

HON J J BOSSANO:

Surely, Mr Speaker, am I understanding the Minister rightly in the explanation that when he is saying that there will be per second billing, in fact, there will not be per second billing because even if the unit now is, say, two minutes and one uses the telephone for two minutes and one second, one will not be charged for two minutes and one second, one will be charge for four minutes. So

one may know that one has used it for one second but one will still be charged for the next unit which is two minutes, is that the correct interpretation of what he has said?

HON LT-COL E M BRITTO:

The finer technicalities of how it is done I do not have available here. The point that I am making is that the net result will be that the status quo will remain and a telephone call of x minutes now charged at y pence or pounds will remain the cost of a telephone call in the future after it is introduced but there is the capability to change that at some time in the future.

Moving on to Gibtel, I am pleased to report that the GSM mobile telephone network continued to expand with a growth of 51 per cent during the calendar year 1998. During the year, the Company upgraded its signalling protocol supporting its fibre optic submarine cable route to BT in the United Kingdom and increased the number of circuits on the route by 50 per cent. It also acquired additional fibre optic submarine cable capacity to satisfy customer demand for International Private Leased Circuits. The Company has upgraded its digital microwave route to Morocco to achieve radio diversity and thus offer customers a better quality of service on the route.

A major milestone during the past financial year was the signing of a contract with the Infrastructure Vendor for the supply of a Terrestrial Trunked Radio System otherwise known as TETRA for the provision of service to Gibraltar Government's emergency services. Throughout the year, the Company has continued to reduce rates and re-band telephone charges to most countries for International Direct Dialling outgoing traffic and this has caused reductions of between 15 per cent and 37 per cent per minute. Charges for International Private Leased Circuits were also reduced by 10 per cent.

The Company's commercial success continued to grow and it surpassed all its financial targets as set by the Board for the year 1998/99. It achieved year-on-year volume growth of 26 per cent

incoming and 10 per cent outgoing international Direct Dialling traffic. In line with company policy, the majority of the Company's sponsorship directed at support of the community, was targeted at local youth, cultural, sporting and old age pensioner activities.

HON J C PEREZ:

Is it possible for the Minister to identify the routes that have had a decrease in the international routes that have had the 15 per cent decrease in charges?

HON LT-COL E M BRITTO:

Mr Speaker, I think I have been providing this information in answer to the hon Member's question throughout the year. *[HON J C PEREZ: No, I have not asked him.]* Yes, he has but if he wants it again I will obtain the information and make it available for him.

I am pleased to inform hon Members that both the management and staff at both GNC and Gibtel continue to be well trained, motivated, dedicated and have the right commercial culture to ensure the continued success of each company. The commendable results achieved in 1998/99 by both Gibtel and Nynex are a direct reflection of their efforts.

Turning now to Lyonnaise des Eaux, Mr Speaker, where, as is the case with the other two companies, I am also Chairman of the Board. Currently Lyonnaise employs 104 persons of which 18 are seconded employees of the Gibraltar Government. The company continues to invest in the continuing development of all employees and once again this year there has been particular attention to training in Customer Care and on Health and Safety.

During the last financial year a total of 1,144,854 cubic metres of potable water were supplied. Lyonnaise pumped a total of 3,280,000 cubic metres of seawater to the various seawater supply reservoirs. The sewage pumping stations were operated at 100 per cent availability. The quality of potable water supplied by

Lyonnaise last year has fully complied with the requirements of Directive 80/778/EEC.

Government assigned to Lyonnaise their obligation to purchase water from the In-Town Incinerator. This last financial year this plant has only supplied 176,631 cubic metres of potable water as opposed to the 650,000 cubic metres it is contractually obliged to produce annually. This year has also seen one of the driest winters in this century and the lack of rainfall has made it necessary to reduce the output of the wells in order to preserve the quality and maintain the water levels. Despite these problems, Lyonnaise has ensured that Gibraltar's potable water needs have been fully met. Some £250,000 has been spent on refurbishing the existing reverse osmosis units and these plants have now been successfully re-commissioned.

Investment in replacing a further four kilometres of old pipeline has been approved by the Board of Directors for the coming financial year. Parts of these works, which are to be carried out using traditional open cut method, have already commenced. The remainder, which will be carried out using the very successful pipe-bursting trenchless technology, will commence next January.

The customer contact system which last year I said would be developed with Systech, a Gibraltar company, has already been commissioned and is working well. It is now being extended to link depots by radio to the computers at Head Office and this will enable the company to further improve its management of customer contacts and hence further enhance the services it provides to the public. The company has carried out an extensive exercise to ensure that all its systems are Year 2000 compliant and have developed contingency plans to ensure that it will be able to continue to provide uninterrupted services into the new Millennium. As is the case with Gibtel and Nynex, Mr Speaker, I am pleased to compliment both management and staff at Lyonnaise for a job well done during the course of the year and for maintaining their good level of service to the public.

HON J J BOSSANO:

Mr Speaker, the revenue estimates show, for the first time this year a dividend from Lyonnaise des Eaux. Would the Minister like to comment on that? There is £100,000 as Government income shown from dividends from Lyonnaise des Eaux, forecast outturn which was not in the original estimate and another one for this year. Since he has just finished talking about Lyonnaise des Eaux, can we have some notion of what is the profitability of the company which has enabled it to pay a dividend they did not expect to be able to pay a year ago?

HON LT-COL E M BRITTO:

Mr Speaker, I would have thought the figures spoke for themselves. Lyonnaise has now moved into a position of making some profit and that is reflected in the Estimates. The figures speak for themselves.

HON J J BOSSANO:

The only thing that speaks for itself, Mr Speaker, if the Minister will agree with me, is that a year ago when he brought the Estimates to the House they did not expect to be able to pay a dividend because they did not put it in the Estimates and now they have done and I would have thought, since it is a new item and the Minister has been talking about Lyonnaise, it was something that he would want to tell the House something about the nature of the profits that are being made from the sale of water.

HON LT-COL E M BRITTO:

Yes, Mr Speaker, an additional factor that came into play during the course of the year was that the original formula which had been used up to last year has now been abandoned and a new way of calculating compensation has been evolved with the company and out of this has arisen an indirect result of the profit making.

Mr Speaker, dealing with the Philatelic Bureau, despite the general trend of a decline in other Philatelic Bureaux around the world, the Gibraltar Philatelic Bureau continues to report growth, and the number of standing orders has continued to increase despite the fact that the numbers of collectors in the other Dependent Territories, the Channel Islands and the Isle of Man has declined. The Gibraltar Philatelic Bureau has once again achieved coverage in the UK Press with the John Lennon stamp issue. The profile received by Gibraltar in leading UK National newspapers is virtually unprecedented. The Bureau continues to enjoy a fine level of co-operation with other Small Western European Postal Unions and its links continue to grow and it is now beginning to work with larger Postal Administrations like the United States Postal Service the USPS. They have embarked in the Stamping the Future USPS Project at the invitation of the USPS. Stronger links with Singapore Post have resulted in a joint promotion of our stamps which has also continued to create growth in the number of standing order customers. These links with the Asian countries have continued to grow and more joint promotions are planned. These links have increased Gibraltar stamps awareness in Asia and have resulted in dealers in that area starting to develop and increase the sales and purchase of Gibraltar stamps. Gibraltar maintains its policy of attending all major international exhibitions and has recently attended Australia '99 World Expo and this year it will attend the London 2000 World Stamp Exhibition.

The Bureau is now also working in attracting international organisations and on the use of images of international personalities with links to Gibraltar to be depicted mainly on Gibraltar Nynex Communications Phonecards which the Bureau distributes internationally. Last year the Bureau issued a miniature set in memory of the late Diana Princess of Wales. The miniature set included a 20p surcharge for charity and the Princess Diana Memorial Fund together with some local charities will this year receive the benefits.

Mr Speaker, the Gibraltar Philatelic Bureau is planning an innovation for the coming year and is intending to give a personalised one year's collection of mounted stamps to every new-born child in Gibraltar starting from the 1<sup>st</sup> January 2000. This the Bureau considers as a way of promoting philately locally and also of giving something to the children of the future.

Mr Speaker, that concludes my contribution on the Estimates.

The House recessed at 5.25 pm.

The House resumed at 5.45 pm.

HON J C PEREZ:

Mr Speaker, the Minister must be very tired after all that, I wonder where he gets his time to fly round the world to so many places with all that.

It has been three years since this Government took office. This is, in effect, the third budget. In looking at the sums of money we are being asked to appropriate for the recurrent expenditure in the coming year, we must necessarily analyse the state of Government finances and the state of the economy and in doing so look at the last three years and what, if anything, has happened.

Because I have a good memory I can vividly remember what some supporters of the party in Government and, indeed, Government Members were saying in the run-up to the 1996 General Election. The impression was being created then that Gibraltar was on the verge of economic collapse; that borrowing for infrastructural projects was higher than was prudent and that the harsh realities of life necessitated an easing of tension with our neighbours so that the economy could benefit from a normal frontier situation. The public scaremongering was indeed much harsher than I had depicted. I remember a well-to-do lady stopping me in the street and telling me she had been warned by supporters of the GSD that it might be wise to withdraw her

savings from Government debentures since the total collapse of Government finances might lead to her losing her investment altogether. At that time, of course, interest on debentures was higher than interest from investments in many banks and building societies. Regrettably for many, including a lot of senior citizens, this is no longer the case. The perception created then was that Gibraltar was at the end of its tether, nothing could have been further from the truth. The reality is that the estimates presented before the House today are a vindication of GSLP policy over eight years of Government. When the economy was turned round from an MOD dependent one to a vibrant, energetic and fast growing economy led by the private sector, when huge infrastructural investments were necessary so that the capacity to service that private sector was readily available, how could the finance centre have grown if Nynex had not happened as my hon Colleague, the Leader of the Opposition, said in his intervention? Or OESCO, for that matter, or Lyonnaise des Eaux for that matter? All this happened in parallel to an ambitious social programme which opened up educational opportunities for our students like never before, transformed the Health Service which finished up triplicating its annual budget, created a scheme to protect and enhance the standard of living of our senior citizens and did away in one stroke with the housing problem via an ingenious scheme contrived by my hon Colleague, Mr Bossano, which is still today referred to as the 50/50 home ownership scheme and which is supported by the Government but not really supported by the Government. Of course, the £10,000 allowance went with that.

Mr Speaker, much is talked about today about tourism and the tourist product. Despite repeated accusations that we did not have a policy in this area, we opened up new tourist sites; transformed the Gibraltar Museum; the Alameda Gardens; the nature Reserve in the Upper Rock and commenced a programme of beautification of the city centre which culminated with the planning and initiation of the Main Street pedestrianisation which was to be financed partly by the private sector and Government Members when they won the election decided to finance it all from the public purse. I heard the Chief Minister say at the end of Dr



Garcia's contribution, "Come back Joe Pilcher, all is forgiven". Perhaps he is right, that statement might be right but not in relation to Dr Garcia, in relation to his own Minister because tourists came to Gibraltar, cruise liners came to Gibraltar, the figures of those years show it for themselves and it happened without throwing so much money as is being thrown today. So really if we want to give credit to someone we have got to give credit to one who achieved the most with the less resources not to the person who has thrown money at everything. I say this, Mr Speaker, because all this happened with an unfriendly neighbour intent on hindering our economic development every inch of the way. This, according to Government Members at the time, was the result of provocation from the Government of the day and things needed to change if the economy was to survive. I do not blame Government Members for the current difficulties at the frontier. If anything, the situation is worse than it was then and the gloom and doom predicted then has not happened although inevitably some traders are passing through hard times. I must however point an accusing finger at Government Members for creating the illusion in people's minds that if they got elected everything would be different: No queues at the frontier; harmonious relations with the Campo Area; a friendly and courteous entente with Madrid and no concessions on sovereignty. Well, Mr Speaker, we in the Opposition have never harboured any illusion that Spanish policy over Gibraltar is and always will be that the price to pay for frontier normality is concessions on sovereignty. It is for us a price we shall never be willing to pay. It seems to have taken the Chief Minister three long years to learn this which is a hell of a long time for an active politician to be on a learning curve. I sometimes wonder, although, if he actually has learnt his lesson since he still talks about the Brussels Agreement affectionately, harbours dreams of civil dialogue with our neighbours and acts as he is still living in cloud nine expecting to get a call from his pal Abel Matutes inviting him to Madrid for a tête-à-tête. Of course a normal frontier is desirable; of course this will impact positively on the economy, but this can only be the icing of the cake. The policy initiated by the GSLP was to build an economy which could grow despite those difficulties. Either Government Members were being naïve

when they created the illusion in people's minds that Spain would be civil towards Gibraltar or they were being politically dishonest. Whichever it was, the GSD set out as one of its main objectives the normalisation of the frontier and of relations with Spain with all the economic fruits derived from such a situation and as an objective that has failed, has turned sour because it was never attainable, Mr Speaker. Here we still are telling the story despite the doom and gloom and collapse.

In looking at what we spent, we must necessarily look at our sources of wealth. I have looked and looked at the estimates and cannot find one source of income which is the result of an initiative taken by the Government or a single investment attracted from abroad by the Government. This, despite their numerous trips abroad and the huge sums of money spent on promotional activity. What we see in the estimates is recurrent income from GSLP initiatives, some of which were criticised by Government Members when they sat in the Opposition benches. If we look at the projected sources of wealth, the future impact on the economy, that is what is new, we can see projects initiated by the GSLP coming now into stream such as is the case with the GE American Satellite Project and indeed the expansion of offshore gambling that is taking place. So despite Mr Caruana's continuous vitriolic attacks on the GSLP and on the record of GSLP Members in Government, despite the fairy tale depicted by his propaganda machine which is more and more verging on the undemocratic, nothing new has happened in the economy in the last three years which can be attributed to a GSD policy initiative.

The Chief Minister's attempt to re-write history will not succeed because there are many of us that see it for what it is and we will not allow people to have the past blurred by scurrilous rhetoric whilst a rosy picture is presented of anything and everything that happened post-May 1996. The truth is that the Chief Minister is governing on the back of the economic and financial success of the GSLP Government and that he knows it full well even if he pretends otherwise.

Mr Speaker, if I may, I will now turn to the matter of arrears in electricity on which I have been asking questions in the House during the year. At the time of the budget last year, my hon Colleague, the Leader of the Opposition, questioned the extra £1 million being forecast in revenue from electricity charges. The Chief Minister then said that the reason for that was not that he expected demand to rise by £1 million, but that he expected to significantly improve the system for the collection of electricity arrears. Let me explain here that the arrears in 1996/97 stood at £4.125 million; in 1997/98 at £5.01 million and that in August 1998, in answer to a question put by me in this House, I was told that the arrears position had grown to £5.33 million, up by £1 million in a year and by an extra £320,000 in the first five months of the financial year. Clearly no sign there that there was any success in the collection of electricity arrears, on the contrary. In answer to Question No. 445 of 1996, we were told that Lyonnaise des Eaux had collected £3.367 million in respect of electricity charges in the first five months of the financial year. When asked whether, based on that figure they still expected to collect the £8.8 million anticipated, both the Hon Mr Britto and the Hon Mr Caruana thought the question was hypothetical. The Chief Minister said that on the basis of a partial figure during the year, one could not assume that the rate of progression over the year would be the same and that therefore the matter was totally hypothetical. This, notwithstanding the assumption made at the time of the budget, for one estimates that is not a hypothesis. It so happened, Mr Speaker, that during that session of the House there was a break of over five days during Question Time and we, in the Opposition, were graced with the opportunity of putting further questions. In Question No. 667 of 1998, I asked for the figure of electricity billing up to the end of August which I was told was £3.647 million. If the billing was £3.6 million and the collection was £3.3 million and the arrears had risen by £0.3 million, it was natural to assume that of the £3.6 million billed, £3.3 million had been collected and £0.3 million had been added to the £5.01 million of arrears. In supplementaries to this question, in the same meeting of the House, the matter of whether Government would or would not meet their target of collecting £1 million of arrears during the financial year was no longer a

hypothesis. With the two figures made available to the Opposition, the Chief Minister could now project into the future. This is what he said, "No, realistically speaking, we no longer expect to collect £1 million of the arrears element in the estimates, that is the truth of it". The Chief Minister seemed to have come to the same conclusion as we had. Lo and behold, we receive the estimate, we turn to page 10 and read the following – Electricity Charges collected by Lyonnaise des Eaux- Estimate £8.8 million; Forecast Outturn £9 million; Estimate 1999/2000 £9.2 million. So despite having been unsuccessful in collecting arrears until August and despite having come to the conclusion that the £1 million target would not be met, the outcome shows that Government have exceeded their expectations by £0.2 million, an extra £200,000. We would have expected that those preparing the estimates would have known how and why this happened. So now we come to the questions put at this meeting of the House. I asked the Hon Mr Britto for the total amount of units consumed in the financial year and the total amount of billing to see whether, against all predictions, there had been an increase in consumption. Billing amounted to £9.306 million and it was explained that the number of units equalling the billing was 99,547,248, that is, units consumed. It was explained that although the figure was lower than the one given last year by the Minister, he had made a mistake during the budget session last year and given us the figure of units generated as being units consumed. This figure, he told us, represented an increase in demand of some three per cent which was in line with the increases in demand over the last two years. Clearly this did not explain the extra £1 million. Mr Speaker, I refer to Question No. 489 of 1999 in which I asked Government to state how much electricity arrears had been collected between the 31<sup>st</sup> March 1998 and the 31<sup>st</sup> August 1998 and between the 1<sup>st</sup> September 1998 to the 31<sup>st</sup> March 1999. Instead of what I asked for, instead of getting the figure for the arrears, the Chief Minister stood up and gave me the total figure for the collection which was £3.338 million up to August and £5.626 million between September and March, totalling £9.014 million. Although we were told in September, in answer to Question No. 445 that the electricity charges collected up to the 31<sup>st</sup> August amounted to £3,367,588.92, we got an unsolicited

reply which now gives us the figure as £3,388,390 for the same period, an increase of some £20,000 which one can presume is an adjustment. We are told, however, that the arrears figure which stood at £5.33 million in August stood at £5.295 million at the end of the financial year, a drop in electricity arrears since August of £35,000, not of £1 million. The information of arrears collected in the financial year, although I did call the Chief Minister's office and I spoke to Mr Hook to remind him that he had promised me the reply, has not been forthcoming a week later although it was a mistake on their part for having read the question wrongly and given me the wrong information. So, Mr Speaker, since that figure is not available, I recall the accusations at the time, accusations of words we cannot repeat anymore because Mr Speaker has told us that they are not acceptable in this House, let us say that he was indicating that I was hypocritical and that I was ignorant. Despite having said all that, it is still unclear what the situation is and we will not know until we have the figures for the arrears collected in those periods, although it looks increasingly like the answer lies in Lyonnaise des Eaux being successful in increasing the percentage of collection over billing over the financial year although the figures given in the House in September showed no indication whatsoever that this was happening in the five months of the year. What happened between the end of August to the end of March to change that, if that is the explanation, is an enigma which needs explaining, Mr Speaker. Either the House has been misled in the answers given by the Government to questions put by me during the year or neither the Chief Minister nor the Hon Mr Britto nor indeed the Hon the Financial and Development Secretary have known what was happening or why it was happening despite being responsible to this House for the estimates they present because they were all convinced that they were not going to arrive at that £1 million figure in September.

There is another element on the question of electricity arrears which needs clarification. We were given to understand last year that the contract with Land Property Services for the collection of electricity arrears was to be terminated because it was costing the taxpayer £60,000 per year and, according to the Chief Minister, "In fact has yielded nothing because there is apparently some

difficulty with the databases or the transfer of the databases, or to cut a long story short, Land Property Services are not operating that part of the contract and therefore arrangements will be entered into in that respect". Indeed, no amount of funds were put in the estimates last year although the forecast outturn shows the figure of £63,000 as having been paid to Land Property Services with an equal sum being forecast to be paid in the current financial year.

Mr Speaker, in 1996/97 Land Property Services collected £143,903 in electricity arrears and were paid £59,268 to do so. In 1997/98 they collected £81,712 in electricity arrears and were paid £59,268 for doing so. Until the question of electricity arrears is not totally clarified we will not know how much, if any, electricity arrears has been collected by Land Property Services in 1998/99 although the estimates state that the total amount of electricity charges has been collected by Lyonnaise – I refer hon Members to footnote (i) on page 10 of the estimates where it says that everything shown there has been collected by Lyonnaise.

I recently called the offices of the Chief Secretary to ask for a copy of the contract that was signed with Land Property Services because the Hon Mr Caruana reminded us last year that it had been entered into by the GSLP shortly before the last elections. It seems to me that the contract must surely stipulate something about the performance of LPS in the collection of electricity arrears in relation to the fees paid. I say this because, to date, I have not been supplied with a copy and I am therefore unaware of its content. I say this, Mr Speaker, because the figure paid, for example, to Lyonnaise for the amount it collects which, in this financial year was £164,000 for collecting £9 million, bears no relation with what is being paid to LPS in relation to their performance. I do understand that it is much easier to collect current electricity charges than it is to collect historical arrears but the figures we have available are still low in comparison, although the figure of what was collected by LPS in this last financial year we still have not got. The Chief Minister referred to problems with the database last year. He also confirmed recently that the contract with LPS had not been terminated. Perhaps we can have

some explanation of what it is that is at the centre of the difficulties, whether they still exist or have now been resolved, and to what extent the fault lies with LPS and who it is that is monitoring the existing contract.

Last year I drew attention to the state of neglect of our cemetery and in particular to the overgrown weeds around the tombstones which has been the main complaint by visitors to the cemetery whenever it has been allowed to fall into a state of neglect. The Chief Minister last year chose to ignore my comments. He said there was no truth in them. He instead said it had been a glib reference on my part, went into a self-congratulatory deluge of how well things were at the cemetery and how many people had stopped him to tell him so and ended by saying, "Let us not delude ourselves into believing the things that are said which are demonstrably not in keeping with reality". We did not believe anything of what he said exactly because it was demonstrably not in keeping with reality. I remember the week afterwards a local newspaper showing a photograph of weeds behind which were hidden graves and tombstones not visible to the eye. I reminded the Chief Minister last year that during our tenure in office we had awarded a contract worth some £30,000 for the weed control to be a permanent feature of the cemetery and which had proved to be successful. Ever since he cancelled that contract, which was run by experts in the field of weed control, the place has deteriorated rapidly and is in a worse state than it was, even last year. He has not got to take my word for it, Mr Speaker, he can go and see for himself why it is that people keep on complaining and what it is they complain about. The Opposition, despite the references last year, continue to believe that the state of neglect of the cemetery is a source of public concern.

Mr Speaker, I now turn to what clearly is a source of irritancy and dismay to the Chief Minister which is any comment I might make on traffic. Last year I supported my long-held contention that the proposed changes to the traffic flow in the Upper Town area were dangerous by warning the Government that the City Fire Brigade would be unable to adhere to its standard response time and by reminding them that despite their repeated criticisms of the last

Government for not relying more on experts, they were ignoring the expert advice they were receiving from the Traffic Commission. As is usual of him, the Hon Mr Caruana described my remarks as alarmist and irresponsible. In trying to elicit my source of information, he made glib references to what he termed as "GSLP activists amongst the junior ranks of the Fire Brigade". At the time, the Government were intent to proceed with the planned traffic changes with the signs and traffic lights having been erected a year earlier, some still stand there as a reminder of Government arrogance and stubbornness. Something I said must have struck a chord somewhere because there was an eventual climb-down on the part of Government Members when they accepted that those plans might not now be implemented and that alternatives were being looked at, we still have to see what happens but at least we were given some hope that alternatives were being looked at and that at long last the arguments against the traffic flow plans announced had impacted in someone somewhere and things were being looked at again. But, Mr Speaker, as soon as we see a glimmer of hope sparkle for motorists in the Upper Town area, we get the Government taking long-term decisions in the Lower Town area which has brought about utter chaos in the traffic flow of Gibraltar with no hope of reprieve. The closure of Casemates to vehicular traffic is a grave mistake which can only be remedied by reversing that decision so that traffic will move through Casemates at least in one direction only. No amount of swings and roundabouts to traffic flows in the area will relieve the very real problem being experienced by motorists today. Casemates could have easily been re-developed with a one-way traffic lane passing through it, without this hindering at all in any way any of the Government's plans for the square. We are now told that the opening of Lover's Lane to vehicular traffic will eventually impact on the traffic flow problems along the length of Line Wall Road and beyond. We shall have to wait and see to what extent this is true but I still fail to see how this is going to impact on the area around Waterport fountain when it is exactly the access to Line Wall Road that is at the centre of the problem. Regrettably for traffic in Gibraltar, my criticism of the Government in this area will stand the test of time.

I must also make reference to the insistence of the Government of a policy which they clearly failed to implement fully last year. I refer of course to the mental block of Government Members over the regularity of MOT tests for vehicles over three years old. They were warned and advised by the Opposition before they passed the legislation that EU directives only required that these tests be taken once every two years. They chose to ignore this advice and went ahead with annual tests. I presume that, having acquired statistical data of the number of vehicles requiring a test and the cost of these tests, they presumed that the income derived would be £200,000 which is what they estimated. In fact, the result for the year, as the Hon Mr Holliday himself has admitted, shows the forecast outturn of income from MOT tests to be a mere £75,000. What this reflects is that fewer cars went through the test than those that were required to do so by law. What is odd and needs some explaining, Mr Speaker, is that in 1997/98 when only vehicles over 10 years old and commercial and public service vehicles were required to pass an MOT test, the income derived from these tests is shown as £127,888. How is it then that in the year when many more vehicles are required to pass an MOT test the income falls, rather than increases, to £75,000? There must be something wrong with the figures or is it that as a result of people being able to get their licence without an MOT test the vehicles that used to pass the MOT test before, like the public service vehicles and the commercial vehicles and the vehicles over 10 years old did not go through the system last year either? Because £75,000 is nearly 50 per cent of what the revenue would have been in other years without the vehicles of four years old being included too. This year, Mr Speaker, they are telling people that a booking for an MOT test is sufficient to collect the licence and I am not sure that that is going to work either because the booking can be cancelled and even if one has a booking one can go and take the car and the car might not pass the test. Clearly, if on top of the fact that it was possible to have the MOD test every two years instead of annually, there were on top of that practical difficulties in getting all the cars to pass every year, the Minister has said that the decision is based on safety. I beg to differ with him. I cannot believe that the European Union would pass a directive which is unsafe for motorists. The fact that the United

Kingdom and other countries want to make it even safer is something but for Gibraltar that did not have the requirement of the MOT test and we are only passing it because there is an EEC directive that tells us to, not because we have been looking at safety, is ridiculous that they should have stuck to that policy which in practice is not working anyway.

Mr Speaker, I pointed an accusing finger at Government Members last year when I said that there was a clear attempt to run down the road section of Government in favour of contractorisation. I reminded the Hon Mr Holliday that two years ago he had said that Government were to carry out a human resources audit to establish appropriate manning levels following the repatriation of Moroccan workers within the Government service. Work valued at £2.5 million had been paid to contractors last year. The writing was clearly on the wall for all to see. The Chief Minister went berserk at the suggestion. He told me I was not a very credible hero to espouse the cause of those working in that section. "What we are having to do is give it additional labour resources at least to raise its complement to a minimum viable labour unit", he declared. He carried on saying, "it is not in those estimates but I am sure that like his colleague, the Hon Mr Baldachino goes to Transport House he will be able to inform himself of the intentions there" not in the House, we have got to go to Transport House to find out Government intentions. I do not go regularly to Transport House but I must start doing so more often since it seems to upset the Chief Minister no end. Certainly I am a Member of the TGWU, a longstanding Member of the TGWU so is Mr Baldachino and the Leader of the Opposition for that matter, and I think we should make visits to union headquarters more regular, I must make it a point. According to the Chief Minister I have no interest in the truth. That is what he said last year. The truth is that despite the labour resources audit no extra staff has been employed. The truth is that despite the Chief Minister ascertaining last year that there would be additional labour resources not shown in last year's estimates, but being programmed already at the time of the budget last year, nothing has happened. It is a good thing I did not go to Transport House to verify his intentions, as he suggested, because they must be as

disappointed as I am. The truth is, Mr Speaker, that there were 22 employees in employment in 1998/99; that there are 22 employees in this year's estimates for the current financial year; that last year contractual work amounted to £2.5 million; that in the financial year we have just ended another £2.8 million has been paid to contractors; the truth is that £145,000 was estimated for materials and other costs in the Sewers Section and only £40,000 of that money was spent. That similarly, of £300,000 earmarked for maintenance of highways we have a forecast outturn of £175,000 because there are only 22 industrials in the Sewers and Highway Sections together. If that scenario does not indicate a running down of the section in favour of contractorisation, I do not know what does. Perhaps I was harsh last year when I said the Government had a hidden agenda to run down the section. They are doing it openly although last year the Chief Minister did try to camouflage it by empty promises which he has naturally not fulfilled and he has the audacity to lecture all of us about the truth. The Hon Mr Holliday did say that what did not happen in the first year was the audit that was going to happen in the second year, the promises that were going to happen last year will now materialise in year four. Well, their credibility, frankly, after what they said and what we have got is running very short.

Mr Speaker, the Chief Minister I think said, "Volume of international telephone traffic is a barometer on the economy". Indeed, it is sometimes used as a barometer for the economy but in a place as small as Gibraltar we had to see why that volume occurs because one can have a situation that the operation of Victor Chandler on its own will impact significantly on telecommunications and the Minister might believe that the place is booming and the only one that is booming is one particular client which is the result of the increase in telecommunications. Last year the shareholders of Gibtel and Nynex together received a total of £3.852 million in dividend payments. Government, as a 50 per cent shareholder is a beneficiary of 50 per cent of this income. This year both companies together have paid dividends totalling £3.2 million of which Government have received £1.6 million. On these figures alone, and I am not against investors

getting a return for the money invested, but on the figures by themselves there is a case for Government to go to their partners and say, "It is time to give back to the customer some of the profits we are making". Mr Speaker, the increase in volume, the increase in numbers, the increase in turnover of the company, they are doing very well, and we the public should now start benefiting by how well those companies are doing. When we started it was a slow process, the investment had just taken place and now they are in a position to be able to give back to the public some of the profits that they are making. It is also a worthwhile commercial decision to make against the background of the liberalisation of telecom in the European Union which both companies will have to face sooner or later if the proposed amalgamation does not go through as it now seems to me will be the case. We see how call-back services are here to stay, undercutting Gibtel by as much as 50 per cent in some routes. Gibraltar is becoming uncompetitive in relation to other telecom jurisdictions. There is a need to accelerate the cuts in international charges initiated by Gibtel when I was Chairman and to which the Hon Mr Britto has mentioned today. The cost of these and other deductions in telecom services should be borne by both companies. I criticised strongly during Question Time the acquisition of a computer costing £1.6 million. Whilst it might be desirable to have a computer offering a variance of features, in essence.....

HON LT-COL E M BRITTO:

Would the hon Member give way? He persists, and I have to clarify that, in calling it a computer which gives, I do not know whether it is by design or by accident, but it gives people completely the wrong impression. This is not a computer, a PC that appears on a desk; this is a telephone management system. This will give GNC – it is not just the billing system - the ability, for example, .....

HON J C PEREZ:

I have not finished, I have not said that.

HON LT-COL E M BRITTO:

Let me finish, it is the second time the hon Member has mentioned the word "computer". Let me clarify it just for the record. It gives, for example, at the collection point, the ability for the girl collecting a bill to actually reprogramme the telephone system in one's house via the telephone management system. It gives a total flexibility that GNC does not have now. It is not a computer as if it were a couple of thousand pounds. It is a complete management system; it provides services; it provides repairs; it provides a complete range of services.

HON J C PEREZ:

Mr Speaker, it is a very sophisticated and expensive computer for the 20,000 customers of Nynex to be able to buy. I am not the one calling it a computer; the press release by Nynex called it a computer and the Minister called it a computer on television when he announced it. Now he wants to make it be something different because I am questioning the expenditure. The fact is that the need has arisen as a result of the billing, even if it is not a billing computer what we are replacing it with. The need has arisen as a result of replacing the billing computer and we could have easily replaced the billing computer without spending £1.6 million which might be desirable to have it but in a situation where we need to come back to a competitive situation, I think it is too much of an expenditure to be able to be borne by Nynex's customers and that is the point I made and it is a point I am making again. It might have many features, in fact, one of the features was the second billing which no plans are there to be able to use one of the features of the computer because of our particular circumstances in Gibraltar. Well, if we have got those particular circumstances and some of the features cannot be used, the more in favour of my argument that is.

Mr Speaker, when we came into office people had to wait 20 to 30 seconds to get a dialling tone. Lines to Spain were completely saturated at peak hours. The waiting list for a telephone was

longer, much longer than the frontier queue is today to give the House a parallel of exasperation. We had to change our outlook. We had to invest in modern technology. With Nynex as partners, we not only caught up but jumped ahead of others technologically. Training, better pay and conditions of service, a modern environment in which to work with, new and sophisticated equipment transformed our telecommunications infrastructure to meet the demands of that private sector that was to be the driving force of our economy. How else could the GSLP have serviced 30 banks in a Finance Centre which depends so much in telecommunications? We got it right then and we are right now when we say we are becoming uncompetitive. One of the ingredients many in the offshore world look at in moving location is the cost of overheads. We now have a reliable service, we now have to work towards a cost effective one. Telecom is a main ingredient of those overheads. Here is an opportunity of relieving overheads from businesses and households in one stroke. It is essential for Gibraltar to try and keep in line, at least in line with the reductions in the rest of the EU if we cannot keep in line with their rates. Mr Speaker, with the EU and with other offshore jurisdictions, moreso with the stiff competition we could be facing when liberalisation hits us as it is going to hit us. Services such as Internet must surely be having an impact on turnover. The time to slash our charges is now. We cannot go and buy a computer costing £1.6 million, the cost of which has to be borne by 20,000 customers when that computer is built to service thousands more customers than we will ever have. The Government, as 50 per cent shareholders of these companies, should be making the case for Gibraltar and, indeed, for the future welfare of the employees of these companies as their monopoly situations begin to disappear. Of course I understand the unfairness of our situation vis-à-vis Spain. We have two cases before the European Commission where it is palpable that the Spanish State is using its muscle against Gibraltar companies in this area too but people, regrettably, buy from where it is cheaper, not from where it is more patriotic. Mr Speaker, we are also concerned at the diminishing number of telephone numbers available. The Hon Mr Britto briefed me recently on this and other matters and I hope he



continues to keep me abreast of any move that might become necessary in this respect.

I now turn, Mr Speaker, to the deal entered into between the Government and GBC which is reflected in the estimates before us. I have to say that the Opposition are convinced that GBC TV still has a very important role to play despite the advent of satellite TV and digital TV. But it is our view that GBC must concentrate exclusively on community television which is what viewers in Gibraltar tune in for since they get a wide range of TV material from films to documentaries to chat shows and 'novelas' in other channels and in both English and Spanish. How South American soaps are going to enrich culturally or in any other way viewers, Mr Speaker, how that can be an improvement on the programmes in BBC Prime escapes me. So does spending money on the re-transmission of a world news bulletin when there are so many other world news services available to the community on satellite. Perhaps on this occasion might be the only one that Spain has done us a favour although I think that as a matter of principle we need to have the right to buy that news service although I am against buying the news service per se, but the point of principle is that if Spain now tries to stop that I think we have got to find our corner for the right to be able to buy that service even if I disagree that that service should be bought because of the material that there is already in other channels. Mr Speaker, I do not know what projections of increased income through advertising GBC have made but through personal experience I just cannot see very much income being derived from advertising for exactly the same reasons that existed there when management advised us to move away from this type of programming and on to GBC and when they advised us again to put the decoders, now we do not need the decoders and the arguments being used over and over again are the same. Perhaps someone in GBC has a magic ball and thinks that there might be a change of Government and the next Government are going to forget the arguments that they have given to the last Government and use the same arguments with every Government and get away with it. But really, nothing that was said in the eight years that we were in office, everything that was said was for moving against this type of programming. I

understand that if BBC Prime can now be received free well we do not need to put our programming on BBC Prime but why we need to buy films and buy South American 'novelas' and buy international news and buy documentaries when we get such a wide range of quality – I would not call 'novelas' quality – but certainly documentaries and educational programmes and news bulletins and news programmes and discussion programmes, we get such a wide range of quality programmes in all the other channels and in both languages, I cannot see the need to spend money on these programmes. I can see a need for community television. Mr Speaker, GBC should bring back discussion programmes on current affairs which disappeared almost completely after the 1996 general election. It might be coincidence but that is the truth. Before the elections there were discussion programmes galore with Government Members who were in Opposition then every night on television; after the election, for whatever reason, those programmes stopped. GBC must concentrate its efforts on the community; people like to see themselves on television – the Chief Minister is a fine example although he also likes to listen to himself even if he is not on the air. Seriously, Mr Speaker, television must become a bit more of what radio is and unless GBC does not concentrate on community programmes, we will have thrown away good money. I must point out here that whilst I am unaware of the difficulties involved in televising the Miss Gibraltar Show, if it is not televised it is a very regrettable situation indeed that this should happen because now that they are moving to supplying community television, it is an event which many Gibraltarians look forward to watching on TV and we hope that they do it and it would be regrettable if they do not.

I should also point out that despite the daily pressures which journalists are under in a small community like ours, it is important that they not only act impartially but are seen to be acting impartially too. There are two sides in this House and we all pay our TV licences and the money we vote for GBC year in year out belongs to all the taxpayers of Gibraltar. I think I ought to make that point, Mr Speaker.

Mr Speaker, the dispute that I understand from the Minister still exists with the postmen at the Post Office is a source of concern. Before the Chief Minister accuses me of being interested in the possible disruption value to Government, as he did last year when I raised the anxiety within the civil service over parity, let me say that as far as I am concerned, the sooner this problem is resolved the better for all concerned. I do remember, however, that an exercise was carried out in 1992, when my Ministerial responsibilities included the Post Office and Industrial Relations, as far as I can recall a postman's walk was measured in weight of mail carried. I say this because what I have read about this matter in the press seems somewhat different to me and is perhaps at the centre of the difficulties being encountered with the proposed review of the postmen's walk that we read about. Mr Speaker, I value greatly that Government Members have taken account of my suggestion that the Post Office should not be moved from its present location and that that decision has now been taken. It might have been for other reasons or it might be said to be for other reasons, but I would like to think that they are convinced of the arguments that I put here in favour of retaining the Post Office in a listed building such as that one and I am glad that that is going to happen.

Mr Speaker, the estimates reflect a worsening position of the income derived from the Gibraltar Government lottery down from £396,354 to £86,000. Quite apart from the fact that I seemed to be luckier in winning prizes for the Government with the unsold tickets returned than the Minister, there is still a need to review the situation and take bold decisions and I think that the Minister recognises as much. Last year he said he was trying to find a solution or formula but had been unable to produce anything tangible from the questionnaire he had sent out. I think although he has said that he has consulted the Committee and there are no solutions available, the time has come for the Minister to take the bull by the horns if we are not to see the Gibraltar Government lottery disappear altogether. I remember he had a lot of innovative ideas when he was in the Opposition and what I, as Minister, should be doing with the lottery and I was not doing more because there had been enough changes to it. Enough time

has passed and I think the lottery needs urgent restructure and urgent changes and I think it should not be left for more than the coming year to see some of those changes come through because eventually as people die the 'fijos' are left behind, there are no new people taking up those fixed numbers anymore; the general sales every week are less and people are buying more lottery elsewhere, that is a fact. The problem with the lottery is that people are spending more money on lottery elsewhere and one needs to try and make it more attractive so that people buy. It is a good thing that it is going to be televised because people are more aware that the lottery is on, they see it and they remember more the Gibraltar Government lottery so that is a step in the right direction. Perhaps I would suggest to the Minister that some sort of campaign should be made as part of the Millennium to enhance it. For example, when it was the anniversary of the Gibraltar Government lottery there was an exercise that five extra cars were raffled, I am not suggesting that that should be the case but given that we have got the Millennium celebrations it is a good excuse to do something on the lottery which might give it a new impetus and I put it to Government Members, since we have not, like the Hon Mr Gabay says, been allowed to participate in any of the decision making, putting a humble suggestion forward to see if it is taken on board, do you not think so? I regret that the Chief Minister is complimenting me too much, I must be doing something wrong, Mr Speaker.

Mr Speaker, I would like to give notice and I think the Leader of the Opposition has already spoken to the Hon Mr Britto during the tea break, but I intend raising at the Committee Stage the downward trend from 1997/98 of the expenditure in relation to the electricity purchased from OESCO. Although the figure between the forecast outturn and the estimates for the current year is only £200,000 as compared to £600,000 between 1997/98 and 1998/99 – my figures must be wrong. Anyway, the point being that what we want to know is whether there is a smaller commitment to purchase electricity from OESCO because we are producing more electricity or is it the fuel prices that is the result of that variation and, if so, why is that variation different to Waterport and OESCO? Is it because the OESCO contract is

better and we buy fuel at a more expensive rate? Because if one looks at the two figures for fuel, there is not a relationship between them. Anyway it is a matter that I will raise at the Committee Stage.

Mr Speaker, I am not going to try and fill in the light-hearted remarks that were always attributable to my hon Colleague, the late Mr Mor in his budget contributions. There were always unique light-hearted remarks from him which sometimes made hon Members laugh and at other times the Chief Minister used to get upset. But I could not, even if I tried, be in any way as satirical or as good-natured as the hon Member was. All I can say about this budget is that it can be described as a party thrown by the Chief Minister which does not meet the expectations he himself has created in people's mind but which is being paid by the efforts of others, Gibraltar deserves better. Thank you.

HON P C MONTEGRIFFO:

Mr Speaker, Gibraltar faces both opportunities and challenges in terms of its economy but I want to start my contribution straightaway by focusing on one of the major challenges that has taken up a good deal of the Government's thinking over the last year and will be a matter of concern as we go forward. That is the issue of tax harmonisation and Gibraltar's response to it. I raise it at this early stage because whilst the issue of tax harmonisation is often raised in the context of the finance centre, its implications are much broader than that. Indeed, much of the inward investment that comes to Gibraltar is attracted by a fiscal regime which is accommodating to that investment and therefore the issue of harmonisation of taxes is of much broader relevance than just financial services. Where are those threats coming from, Mr Speaker? They are coming essentially from three separate areas. Firstly, formally and institutionally, from bodies like the EU, the OECD and G8, I will have something more to say about that in a moment. Secondly, some of this pressure is coming from domestic political agendas in some of the large economies. Thirdly, the age old problem of revenue shortfalls in the large economies and the desire of exchequers to raise more taxes. But

the main initiatives, as I said, are institutional initiatives, those that are being channelled through the EU and through the OECD. I will deal first with the EU code. As hon Members might recall, the EU tax code was produced in December 1997, it was produced under the auspices of Commissioner Mario Monti and that code seeks to attack business tax rates. The code is a voluntary code; the code is not a mandatory legal requirement and the Gibraltar Government's response to the code has essentially been as follows: firstly, and most importantly, tax is our constitutional responsibility. We are competent in tax matters and therefore we jealously guard the ability to remain fiscally independent. Secondly, as I indicated, since the code is voluntary we see no need to adopt its requirements. Indeed, the code is a political commitment entered into by the UK and the point made by Gibraltar to the UK is that whilst the legally binding commitment to Gibraltar is a matter for Gibraltar, we have to look at in a certain light because we believe in meeting our legal obligations, a political commitment by the UK is not one that attaches itself to Gibraltar. Thirdly, and quite explicitly, Mr Speaker, we do make the point in response to the perceived threat of the code, that Gibraltar has a fiscal regime, a privileged fiscal regime applying to international business that enshrines a 25-year guarantee. This is an important marketing and substantive point. We make this point on every single promotional effort that we make. Just to place it on record, what we say this means is the following: both exempt and qualifying companies certificates are issued for 25-year periods under the legislation which structures those arrangements and, of course, in the case of exempt companies that legislation goes back to 1967 so it pre-dates our accession to the European Union. Therefore, irrespective of any rollback provision which the EU code might seek to impose on tax regimes, it does not, in our view, affect private rights acquired by companies that have exempt or qualifying certificates. The position is that Gibraltar has prepared a position paper in response to the EU tax code which we have sent to the United Kingdom and which the United Kingdom is using in its discussions in respect of the code. As hon Members may be aware, pursuant to the code a working committee has been established, chaired by Don Primorolo, the current Paymaster General in the United Kingdom; a report has

been prepared by Mr Primorolo which has been submitted to Ecofin; four Gibraltar measures have been identified by the United Kingdom in respect of the code. In other words, four measures that it is alleged fall foul of the code. The second stage of this exercise, which is due to be completed in September 1999, will look towards what steps would be taken in meeting the requirements of the code in the context of specific measures that have been raised. The OECD report, Mr Speaker, is an entirely separate initiative. The OECD report was issued in April 1998, in other words, it is just over a year. This report is not limited to, of course, EU countries, it has a much broader application, in fact, if memory serves, at the last count the OECD had written to 37 different jurisdictions. The OECD code again attempts to attack what it describes as unfair tax competition and like the EU code it basically highlights things like a tax system which is only available to non-residents and in respect of international business. We have received, Mr Speaker, correspondence from the OECD pursuant to that report. The Government of Gibraltar have responded, on the 5<sup>th</sup> February, to that correspondence from the OECD setting out the Gibraltar arguments which essentially fall into two categories. Firstly, a complete rejection of the philosophy underlying the report and, secondly, why in the case of Gibraltar these measures are not ones that Gibraltar feels are relevant to it. Gibraltar, as an economy, is so small in global terms that if both the EU and the OECD are really concerned about global trading issues, the position of Gibraltar can hardly be a consideration which is very relevant. We have been invited by the OECD to attend a meeting in Paris where these matters are being discussed. The Gibraltar Government have not at this stage accepted that invitation, in fact, there have been a series of meetings which we did not attend but we have put to the OECD an alternative agenda to that which they proposed upon which terms we would be prepared to enter into a dialogue. We have not had yet a response from the OECD to our suggested agenda items. The position of Her Majesty's Government is, I think on record in this House but I will repeat it for the benefit of hon Members, the UK is committed to both the OECD and the EU initiatives. Indeed, HMG invited Gibraltar to a seminar of overseas territories that took place in September 1998 at which the Chief

Secretary and the Finance Centre Director attended for the purposes of explaining to OTs how the UK saw this agenda moving forward. A further meeting is, in fact, also planned and Gibraltar is considering how and, if so, in what form the attendance by Gibraltar will be structured. Of course, Mr Speaker, as hon Members will be aware, the Overseas Territories Report recently published by London mentions tax harmonisation, both the OECD and the EU code as initiatives that have London's endorsement and which they expect to see the OTs adopting. Let it be said, before I move on, that of course one particular provision of the EU code and which we see as being relevant to the OECD is that the code should only be extended to dependent territories which goes beyond Gibraltar as a EU dependent territory to such extent as this is compatible with constitutional arrangements. That is, basically a paraphrase of the relevant paragraphs and that, Mr Speaker, is also language to which we attach ourselves in seeking to deny the applicability and implementation of those measures to Gibraltar.

HON J J BOSSANO:

Is that caveat the UK's position or the EU's position?

HON P C MONTEGRIFFO:

In the code itself there is wording that says that Member States shall encourage the extension of these rules to dependent territories, that would include, for example, Bermuda and the Cayman Islands outside the EU but to such extent as is compatible to constitutional relations.

A third and perhaps even more serious issue affecting tax are recent developments in the area of state aid. The brief history of this is as follows; on the 11<sup>th</sup> November 1998, the European Commission issued a communication entitled "The Application of State Aid Rules to measures relating to direct taxation" in which it basically set out its views that tax measures in Member States that had the effect of breaching State Aid Rules should be done away with. The EU Commission has written now to the United

Kingdom detailing various measures that include Gibraltar measures that allegedly breach the State Aid Rules, four Gibraltar measures are actually identified. The important point here is to understand that in the case of state aid we are talking about alleged breaches of articles of the treaty which are therefore legally binding, in particular Article 92. So the problem here is potentially much more serious because if it was to be the case that a tax privilege, a tax structure is deemed to be in breach of state aid, there is an enforcement mechanism under the articles, under the treaty which would mean effective sanctions against a territory that did not comply. As I have indicated, Mr Speaker, the UK has written to us seeking, well the EU has written to the UK highlighting four Gibraltar measures, the UK in turn has written to us seeking our own views. Our response is still being considered but it is obviously a matter that will require careful handling and, among other things, we are taking obviously legal advice on some of the issues raised. In dealing with these particular issues, Mr Speaker, the Government also continue to look at these matters as they develop very closely. Our views have been very well made clear to the United Kingdom and we have lobbied as necessary both directly and through correspondence but it is a matter of some serious concern and if the agenda on any of these fronts gathers pace, there would be a need for some fundamental reassessment of the tax position as we move forward.

Turning now specifically, Mr Speaker, to the different areas of commercial responsibility which I cover, I would like to really categorise this contribution into four main headings. Firstly, commercial affairs generally, including EU funding; secondly, those aspects of telecommunications for which I am responsible; thirdly, property development and land issues; and fourthly, financial services. As the House is aware, within the DTI is also housed the Statistics Office. I am not going to deal with that in any detail as the Chief Minister has indicated that the Statistics Office is an area that we are looking at. It will be the subject of further review and it has an existence which actually goes beyond the DTI, it services the whole Government machinery.

Dealing with commercial affairs, firstly. The DTI sees its role as basically being a unit to facilitate and encourage both local business and inward investment. In that sense we are very open to contact with the trading and commercial community in Gibraltar, indeed we have very good contacts with both the Chamber of Commerce and the Federation of Small Businesses. The Business Advisory Unit which has began to function now in its fully-fledged form this year, has been a tremendous help in that process of communication. In the six months between September 1998 and February 1999, it dealt with 71 substantive clients. In other words, there were 71 client files opened; many of those looking for EU and Gibraltar Government funding but many others in terms of general queries and of course there are other telephonic and more casual queries which are not included in that figure. There are many issues, Mr Speaker, that affect local trade and Opposition Members have suggested that the Government are not doing enough. Well, I am the first to concede that more can always be done but I think it is, as I indicated in answer to a question from one of the Opposition Members earlier last week, it is not the case that the Government's measures had been ill targeted or ungenerous. The measures have been unprecedented; the measures have had a positive effect in ameliorating some of the external factors to which we have been subjected and there are further measures indicated by the Chief Minister in his contribution which we do genuinely believe are of assistance to business and, in particular, small business.

One important area is the area of trade licensing and I want to reiterate the priority we give to the form of that regime. I indicated the significance we attach to this last year and hon Members might well ask why it is taking so long to actually get this settled. As I indicated again at Question Time, it is a complex issue. That complexity is highlighted by the hon Members' own experience when they sought to introduce amendments to the Trade Licensing Ordinance back in 1993, amendments that were never actually brought into effect. But let us be clear, it is the health warning that I simply want to stress that there is no panacea in a cross-frontier registration system. This will not solve the problem of competitiveness as perceived by trade in its entirety. It will help

in certain respects, it will also indicate where perhaps Gibraltar business can develop, whether there is a market but it will not be a panacea because at the end of the day any registration system which imposes costs on a business accessing certain services either from Gibraltar or from Spain, is a cost that will go to the consumer and a cost that will therefore go directly towards competitiveness.

In the area of EU funding, Mr Speaker, there are two essential issues that we face in broad terms. One is to spend wisely the remaining balances in our current funds and, secondly, to pursue the prospect of additional funding for the future. Although I have given details of the balances that are available to be spent, I think for the record, it is worth reiterating those so that hon Members understand the issue that we are facing in this respect. My figures, Mr Speaker, are with regard to purely the ERDF part of the expenditure, not the ESF expenditure which, as hon Members know, are really the human resource and training measures. So the balances outstanding as at 31<sup>st</sup> March are, in respect of Objective 2, £1,820,999; with regard to Konver funds, £1,148,830; and in respect of Interreg, £233,750. Those figures are, of course, purely the EU figures, those do not take into account the matching funds that Government would have to add in respect of any public sector project. The Hon Dr Garcia made some play about the fact that not enough publicity had been given to these funds with regard at least to the private sector companies but yet perversely he criticised us quite illogically in having spent £780-odd in information pamphlets precisely to disseminate this information. We have made efforts to explain to industry and commerce what funds are available and although we ourselves are not satisfied that there has been sufficient take-up, we do think there has been a reasonable measure of success. The figures are the following - total figures in respect of companies that benefited from these schemes, 12 companies are benefiting from Objective 2 monies and 15 extra companies benefiting from Objective 2 monies but under the small grants system that we set up precisely to facilitate and accelerate the process of approval, so there is a total there of 27. There are no private companies accessing Konver funds; the applications have been put through to Objective 2 exclusively. As

far as the Gibraltar Enterprise Scheme is concerned, the Gibraltar funded Government scheme, there have been three approved projects and five pending approval. The hon Member also talked about costs being too high in Gibraltar and everybody can agree with that but I was not sure, Mr Speaker, whether the point he was making was that we should subsidise further those costs that are high or whether we should make redundant people in, for example, the electricity generating capacity in Gibraltar which, as we all know, is probably peopled by more staff than is necessary to produce electricity; it was an unclear suggestion the hon Member was making. All I would say to him is that, as he might not know, Gibraltar has and does continue to subsidise water production, the Gibraltar Government subsidise water production. We have, at least until this year, historically also subsidised electricity production. So unless the hon Member is seriously suggesting that taxpayers' money should be used to further subsidise the provision of utilities which are one of the major costs to business then I do not see how that circle can be squared. The reality is that the only way in which costs of that type in the longer term can be reduced is by increasing the size of Gibraltar's economic cake by simply growing the economy so that the lack of economy of scale which is essentially one of the problems that affects us, can be remedied. Mr Speaker, the policy of the DTI continues, as I said, to encourage inward investment; to encourage diversification. We are satisfied that we provide support to those wanting to establish businesses in Gibraltar, the Victor Chandler operation is a good example of a powerful investment and commitment to Gibraltar; Cammell Laird as well was a useful addition to the facilities here; the bottling plant that opened fairly recently is another example of that; and I want to raise, as a fourth example, although it has caused us some irritation, the beverage powdered plant which we had hoped would have been open by now and which has been delayed for reasons to do with the structure of the building. We think, however, that most of those problems have been resolved and we can look forward to a fairly early opening of that facility.

The second issue, Mr Speaker, I want to turn to is telecommunications. I do think that telecommunications has a very strong future in Gibraltar in the modern world where e-Commerce and other types of economic trading make locations much easier to operate from, I do think that Gibraltar rightly focuses on telecommunications as a vital priority for the future. The first area I want to deal with in this respect is the regulatory authority in telecommunications which we are planning to establish. As hon Members might be aware, in order to comply with the provisions of the European Union directives in liberalisation of telecommunication services, we are required to establish a national regulatory authority which must be independent of the telecommunications organisations. The Government also have an obligation to establish other regulatory authorities in respect to a whole series of other EU directives. As a result, Mr Speaker, the Government have decided to establish a single regulatory authority which will be known as the Gibraltar Regulatory Authority which will be responsible, among other things, for the regulation of telecommunications, broadcasting and postal services. We hope to bring legislation to the House to establish the authority in the near future. This year's draft estimates makes no provision as such for the authority. Hon Members might note that in Head 7, subhead 16, there is expenditure shown only for the telecommunications designate regulator and his current supporting staff. There is minimal provision, under subhead 17, for the running of the division which will require adjustment if the Gibraltar Regulatory Authority is brought into operation this year. There are various funding mechanisms that Government are considering in respect of the authority, one is the possibility of it working by subvention and not as part of the departmental estimates of the DTI. Specialist personnel employed by the Gibraltar Development Corporation will staff the Gibraltar Regulatory Authority. Whilst on the issue of telecommunications, the House will be interested to hear an update of the three satellite projects that we have been pursuing. The progress on these is good though, again, not as speedily as we would like. But briefly, Mr Speaker, the position in respect of each of the projects is as follows: as hon Members may recall, GE Capital Satellites have filings to Gibraltar for orbital slots around

Asia, Europe and Africa to provide broadcast and fixed services. They plan to launch their first satellite early next year which will provide broadcast services over the Far East. The company has already taken office accommodation in Leanse Place to establish a satellite control centre which will be responsible for ensuring the health and safety of satellites licensed from Gibraltar. Last month GE held a number of interviews in Gibraltar for technical posts which have been advertised in the local press. They have described the response to the advertisements as very good and that they are happy with the quality of the applicants that they have seen. Once GE makes its selection, the staff will undergo a training period lasting several months in the United States. The staff will be in post before the satellite control centre comes into operation at the end of this year. The next stage of the GE project will be the construction of the antennas on the site of Lathbury Barracks. In this connection, Mr Speaker, we are finalising the building licence with the lease attached, that will identify the area in question and the terms upon which the land will be made available. As hon Members know, GE has both an outer space licence and a teleport facility for the site at Lathbury Barracks. This particular venture is not very labour intensive, GE expect to recruit a total of around 15 employees.

The second project, Mr Speaker, is that currently known as ACTEL, previously known as ELCO. This is one that the Government hope to see in operation by early next year. This has filings to produce mobile telephony in Africa, essentially actually mainly in Zimbabwe. The company is planning to establish its primary billing facility and network control centre in Gibraltar and in this connection expects to start recruiting staff before the end of the summer. ACTEL envisages 12 staff members by the end of this year increasing to around 30 for the second phase, once it has launched its own satellite. The project has been delayed because of time in securing financing but is now progressing at a faster pace. A site at Lathbury Barracks has been earmarked for ACTEL and the Government, again, expect to sign a building licence and lease as well as granting to ACTEL a teleport facility licence.



The third and final project is that that is known as the ASC project. That is actually the first one that came to Gibraltar at the time of the hon Member's administration but actually has been the one which has taken longest to come to fruition. It suffered a setback in 1996/97 as a result of difficulties with the satellite manufacturer which had been eventually resolved in favour of a new satellite deal with Lockheed Martin. ASC has four filings through Gibraltar: they plan to set up their first satellite in 2001 and they will have in Gibraltar their satellite control centre, network control centre and primary gateway. They already had, Mr Speaker, a teleport facility licence which means they are paying a substantial fee for that, with a site earmarked at Lathbury Barracks. Originally ASC were going to build that facility in front of the retrenchment block at Lathbury Barracks but pursuant to further discussions we have had with them, they have agreed to take over the retrenchment block and therefore will be refurbishing that in its entirety. The Government are in final negotiations with ASC on the building licence and the lease.

In conclusion, on the satellite projects, let me say that the rental the Government are seeking for the satellite projects, for the land they will be using at Lathbury Barracks is a commercial rent. We are seeking rents of £2 per square foot for undeveloped land and £1 per square foot for sloping land. Built up areas like, for example, the retrenchment block, will carry a rent of £4 per square foot. We have therefore actually moved quite significantly ahead of I think the discussions that the previous administration were having with some of these companies, certainly with ASC which provides for a much more nominal rate of rental.

A final word, Mr Speaker, before I move from telecommunications, in respect of e-commerce. I mentioned the importance that this issue can have for Gibraltar. The United Kingdom has issued a white paper on e-commerce and the UK is itself considering legislation on e-commerce. The European Union is also looking at the area and papers from Brussels on this issue. We are certainly very interested in engaging the commercial community in Gibraltar and the telecoms companies in exploiting what could be a very interesting niche for Gibraltar.

The third area, Mr Speaker, is the area of property development and land issues. The property market in Gibraltar, I am talking about residential here, remains buoyant, probably because of the fact that property is still in scarce demand, there is a scarcity value which is in high demand and, secondly, because interest rates are low by historical standards. Indeed referring to the discussion that took place with the Hon Mr Baldachino on 50/50 and the desirability of having 50/50, if we actually compare, for example, interest rates, in 1991/92 we will find that very often 50/50 would have taken place when there was a much higher interest rates cycle than would have been the case today. I think indeed in 1991 they would have been about double of what the current rate is, certainly towards the end of the 1980's and therefore in practical terms it is almost as though one has a 50/50 today in terms of the cost towards somebody servicing a debt. We are keen to promote home ownership further and I want to run quickly through some of the more significant housing projects that are already in train or will shortly be commencing. These essentially are as follows: firstly, the recently announced Peninsular Heights development at Westside – that will be a block of flats consisting of 82 units; secondly, tenders for both Old Naval Hospital and Gun Wharf have now closed and the Government will adjudicate those tenders shortly – in the case of Old Naval Hospital the requirement was for residential development and in the case of Gun Wharf there is a possibility of residential development, it is therefore highly likely that there will be significant further residential stock being created in pursuit of those tenders; thirdly, a tender has been finalised in respect of the refurbishment of the Town Range Barracks – that will create a number of new units for home ownership; fourthly, the Officers' Quarters at Lathbury Barracks pursuant to a tender adjudication is now to be developed for housing; further developments at Queensway Quay, not just the new phase of Cormorant Wharf which is going up but indeed the development of town houses up Ordnance Wharf and, finally, a range of smaller developments, for example, the town houses going up at Engineer Battery which are probably targeted to this higher segment of the local market.

Mr Speaker, we also give enormous importance to the issue of industrial premises and commercial premises generally. Now we have a situation where EBC and New Harbours, at least with regard to the ground floor and first floor levels, are essentially fully tenanted and there is a great demand for more light industrial units. We have accordingly recently announced two new industrial parks; the first one will be located in the area of North Mole. This will be an industrial park with larger units dedicated to activities such as like manufacturing and, hopefully, to activities that will benefit from being close to the port for export related purposes. It is envisaged that there will be six units built in this area ranging from between 205 square metres to 560 square metres with capacity for a roof car park for up to 92 vehicles. In view of the fact that we have received interest in further car stock piling operations in Gibraltar, this facility will be built with the provision to allow for three further floors of car parking to be added to it at a future date. It is estimated that 500 vehicles could be accommodated in that additional storage capacity. The second industrial park is in the area of Lathbury Barracks, as I indicated during Question Time last week. This will be a larger development. We are looking towards between 36 to 42 units, depending on the final scheme details when those emerge and it will range from about 50 square metres to 150 square metres. The costs of constructing these developments will be borne both by the Gibraltar Government and by the European Union through structural funds. A final word on land, specifically in the context of the Lands Memoranda and the position with the Ministry of Defence. As was indicated last year, the Government give priority to the renegotiation of the Lands Memoranda with the UK. The current memoranda are entirely archaic and are constituting a real obstacle towards the release of further land from the MOD to Gibraltar. Negotiations have started although they have not got very far yet but they have started. The issues at stake have been identified, the Gibraltar Government's position has been made well clear to the MOD and we expect, over the next few months, to get into a detailed discussion with the UK MOD/HMG more generally on making progress on this front. It is an urgent priority for us, Mr Speaker, there are properties – and I highlight some that the hon Members have themselves focused on, for example,

'E' Block and Cumberland and Tower Buildings, that are lying utterly unused either by the MOD or the civilian community precisely because of highly technical issues, in this case the issue of freehold title and what type of tenure the MOD does or does not have.

The fourth area I want to deal with in my address is financial services. We think that we have good cause to be satisfied with the progress in financial services over the last year although there are clearly a significant number of challenges that the industry is facing. The starting point perhaps should be the survey that we undertook of the industry in July 1998, not yet a year ago. We had a good response rate, 61 per cent of those that received questionnaires replied and that was a useful exercise in identifying the strengths of Gibraltar as seen by the industry, obviously weaknesses as well, where the markets were growing, it gave us a snapshot of the industry. We do not suggest that the exercise was entirely scientific because when one has a response rate of 60 per cent, 40 per cent is a large non-response rate which therefore could affect some of those results but we do think it is an interesting exercise which is an indicator of the industry's thinking in this area. I want to highlight a few main areas. Firstly, employment.....

HON J J BOSSANO:

Can I ask the Minister, how was it decided which businesses were in the industry and which were not in terms of who was asked to participate? Are we talking about lawyers, accountants as well as banks?

HON P C MONTEGRIFFO:

Yes, Mr Speaker, we drew up a list of those that we regarded as being within the financial services industry, the sectors were: accountancy firms, banks, company formation management and professional trustees, fund and portfolio managers, insurance companies, law firms and then others. There was a smaller section of people that are related to financial services that might

not fall into those sections entirely. So it was a widespread selection of those regarded as being within the financial services industry.

Three matters I would like to raise, Mr Speaker, are the following. Firstly, the survey did show strong employment prospects. We actually got a result that said 111 additional jobs had been created which is about a 9.5 per cent increase with regard to those respondents, especially strong in banking curiously. As I say, I do add an element of qualification, I am not saying that this is scientific but I think it does show a genuine employment growth trend in a positive direction. Secondly, in growth markets, it identified a number of important markets and growth areas for Gibraltar, putting aside the Gibraltar domestic market which many identified as being of continuing interest to them, Spain, UK, Portugal, Germany/Scandinavia – we have put those together because it is linked – and Switzerland appeared as five primary market areas for Gibraltar and our promotional effort, as hon Members know, have been partially geared in response to that. Thirdly, in terms of action points, the five top action points that emerged were firstly, promotion; secondly, tax reform; thirdly, public sector reform; fourthly, political solution and fifthly, training. The overall biggest threat that appeared from the survey was undoubtedly the tax factor, making reference again to both the EU and the OECD and it is interesting that it dislodged the political situation from number one in terms of the industry's own fears. Against this background, as I say, we believe that we have good cause for being satisfied with the progress that this industry is making and our major strengths which in our view explain to a large extent why this industry is flourishing are the following: firstly, the investment that we have made and continue to make in a very sound regulatory infrastructure. Gibraltar has, over the last few years, invested heavily in that area, a lot of scepticism felt by the industry four or five or six years ago, that greater regulation would mean a closing in of their opportunities, has been replaced by the recognition that high standards of regulation are actually a very major selling point. This year's Government subvention to the Financial Services Commission is in the order of £200,000, a powerful demonstration of our willingness to underpin the cost of

regulation even though, of course, the aim must be to make the Financial Services Commission self-financing and not requiring support from the Government. Secondly, the strong political commitment to this industry and to certain specific issues that are vital to this industry, for example, confidentiality. The Government have gone out of our way and will continue to go out of our way to preserve those issues like confidentiality which are vital to the continuing success of the centre. Hon Members will know, for example, the length that we went to accommodate the mutual assistance directive in a way that was sensitive to the issue of confidentiality in tax matters. It is a similar sort of mechanism that hon Members used during their term of office when Gibraltar transposed the all crime money laundering legislation but decriminalised tax offences. That strong political commitment to preserve competitiveness in the centre is recognised internationally, many other centres that have a broader political agenda which does not give so much priority to financial services might not go to the lengths that we go in protecting the industry. Thirdly, we like to believe that we have developed a genuine triangle of communication between regulator, industry and Government which is working very beneficially. Even in small issues this is evident. The Gibraltar finance centre premises which is the focal point of the Government's efforts in this area has had 116 meetings of associations or companies using those premises as guests of the Government. This facility which has been over-subscribed, we did not think that we would really attract these numbers, is one which has had the secondary benefit to the Government of actually seeing people more often, coming into contact with the associations, actually being able to develop a rapport with associations and companies at much closer range than has been possible before.

There are a couple of major issues facing the industry in the year ahead, apart from the issue of tax and I would like to take those step-by-step. Firstly, the transfer of exempt and qualifying companies authorisation to the Department of Trade and Industry. This will be an important move in providing a one-stop shop concept, we hope that we will derive benefits from siting the authorisation of exempt and qualifying companies in the same

location that is also committed to strategic development and promotion of the centre. Secondly, and perhaps most importantly, the need to make further progress on the passporting agenda. As hon Members will know this has not been without its complications. As we speak, there are two issues this House is aware of, on which we expect developments and positive news from London. Firstly, is the arrangements to enter into a post boxing facility in respect of notifications given by our authority in Gibraltar to other Member States. As hon Members will recall when this matter was last discussed, whilst Gibraltar companies clearly have the right to benefit from passporting currently in insurance, some Member States have questioned the ability of the local Commissioner to send the notification, the bit of paper directly from Gibraltar to another authority in the EEA saying that that process of notification should go through the UK because it is the UK Member State that is responsible for us. That has not been a problem with some of the business that we have developed in insurance, indeed the Financial Services Report for this year lists insurance companies that are doing business in the EEA and where this problem of notification has not arisen but there are some States where this notification problem is an issue and we are looking towards London entering into an arrangement with Gibraltar to provide a post box facility for such notification. In other words, a purely administrative arrangement which would require London forwarding a piece of paper transmitted from Gibraltar, sent by Gibraltar to another EEA authority. That is very important not just for insurance passporting but indeed for all the other passporting labels coming because we will have the same problem when it comes to banking and investment services passporting. The second issue, as I mentioned, is banking passporting itself. Gibraltar has now done everything that the UK has asked of it including the commencement of a deposit guarantee scheme and therefore we await upon the UK to respond to Gibraltar positively with an announcement. The third issue is the transposition of the 4<sup>th</sup> and 7<sup>th</sup> Company Law Directives. The drafting in respect of these directives is at an advanced stage. We have, again, taken up a consultative process with the industry; we are in continuous discussion with London as to the terms of the transposition but there are two points that I

want to highlight and which represents the Government's position. Firstly, the transposition must and will be undertaken in a way which is as sensitive as possible to the local industry, to a very large and important part of the financial services industry. Secondly, that we do regard it as important whilst the matters are not linked formally, we do regard it as important for the local industry to be able to see positive progress on passporting issues so that the benefits of EU membership are clearly appreciated and therefore both the 4<sup>th</sup> and the 7<sup>th</sup> and passporting, whilst not being connected and we have never made a formal connection, I think in the context of the repositioning of Gibraltar's centre which is something that we are committed to, requires that contemporaneously progress be made on a parallel basis on both fronts. The fourth issue, is the so-called Savings Directive. In other words, a directive which is currently being negotiated by Brussels which.....

HON J J BOSSANO:

Can I ask before the Minister moves on the directives which is, I take it, the directives on the publication of company accounts, the impression that was generated from the industry over the years was that this would have a very adverse effect on the use of Gibraltar for the registration of companies and yet, in fact, the registration of companies continues to increase. Is it that perhaps that fear was exaggerated in this area as it appears to have been in the area of regulation?

HON P C MONTEGRIFFO:

This is not an easy question to answer because one cannot anticipate what the possible effect might be and effect is often the result of perception rather than reality. I think there is a serious issue here. I think the industry is right to raise the fact that publication of company accounts is not something that private clients that use companies would automatically volunteer. Having said that, I think it is also true that there are mechanisms which would allow a good part of the work to be retained notwithstanding the transposition of the directives and therefore I

think it is just part and parcel of the continuing process of adjustment that the industry has to make, in particular as a result of our EU membership. It is an issue that requires sensitivity. It is not an issue which the industry is simply exploiting without any due consideration to the issues but I think that it is not a black and white situation, I think if the industry adapts properly a large slice of company management work will be retained even though this is not a measure that we would have brought to legislation of our own volition.

As I said, the fourth measure that will take up a lot of our time will be the Savings Directive which is being negotiated in Brussels with Member States. As hon Members may recall, this is a directive which seeks to introduce a withholding tax on the interest of bank deposits of EU residents. Gibraltar has made very strong representations to the United Kingdom in respect of this particular measure. The United Kingdom itself is on record as saying that they would not accept any directive which affects the eurobond market which would otherwise be attacked also by this directive. The Chancellor has gone further in actually saying that the UK will not accept any directive which requires the imposition of withholding tax and this is an important matter which should be understood by the House. It is an important point that should be raised in the House, that the proposed directive does not require the imposition of withholding tax but would give Member States a choice of either having a withholding tax or exchanging information with the other authorities in the EU and therefore it seems a possibility that the UK might adopt the directive by seeking to have the exchange of information option applied to it and not the withholding tax option. That would raise serious issues for Gibraltar itself because whilst nobody would want to see this directive being implemented, if it was implemented Gibraltar would want to have the ability to choose whether to go and have a withholding tax but retain confidentiality and retain the need to exchange information rather than go to the exchange information route. So it is an issue that we are alive to and which we shall obviously continue to lobby on.

Fifthly and lastly, we introduced in Gibraltar this year the Guarantee Deposit Scheme for banks. A major challenge in the year ahead will be the introduction of an Investor Compensation Scheme for investment services. In other words, the equivalent that we have for banks for investment companies. That will be a necessary prerequisite of investment services passporting.

In summary, Mr Speaker, with regard to financial services, we think that the sector has performed well. As the Chief Minister indicated yesterday, the company corporation figures are actually extremely good, they have been growing steadily over the last four years, the highest having been achieved in 1990/91, very much on the back of the Spanish property market boom and that situation. We are seeing continued diversification in this industry, we are seeing much more than just classical Iberian peninsula banking work, the industry is becoming much more international and much more quality business is being attracted to Gibraltar. On promotion we think we have a good story to tell and we will continue to tell it, in particular post the Edward's Report into Financial Regulation in the Channel Islands and the Isle of Man. Hon Members might know that the Home Secretary, Jack Straw, commissioned a report into the Island's regulatory authorities; the report makes recommendations many of which Gibraltar already meets and therefore we have a very strong message to take now to the international community when comparing Gibraltar with centres that are more established but are actually less developed than us in regulatory terms. For example, one recommendation of Edwards is that their Financial Services Commission should be independent of politicians, well that has been the case in Gibraltar since 1990 when the Financial Services Commission was set up.

In conclusion, there are three points I would like to make in reply to some of the matters raised by Opposition Members. Firstly, is the general state of the economy and the employment figures. Clearly the Opposition are not going to agree with the Government that the employment statistics demonstrate that the economy is buoyant and the value of some of these statistics is even questioned by the Government. We have clearly demonstrated and conceded that the quality of statistics requires

improvement. But some facts are incontrovertible, Mr Speaker, operations like Victor Chandler; like the Cammell Laird operation; many new jobs in certain sectors like the satellite projects; that does show an economy producing jobs. It might be producing those jobs in what is a musical chairs exercise, that might well be happening but that is an extremely valuable exercise for a number of reasons. Firstly, presumably if those jobs were not created people would be unemployed, but secondly and hopefully more importantly, it is also showing diversification in the employment base. I think we are seeing in Gibraltar a wider range of skills being developed as a result of people moving out of old type employment into some of these new ventures. Secondly, the Leader of the Opposition made the point that they had created, in their time, a great number of new assets but that we have created no assets and I think he was referring to physical assets and in that respect I think that a proper assessment of the GSLP's term of office, a fair and proper assessment is to give credit for investment in things like the telecommunications infrastructure and in land reclamation, et cetera. But, Mr Speaker, that is a too narrow definition of assets, the assets are more than just physical buildings and we believe that we are investing in assets which are very important and indeed vital to exploit some of the facilities that exist in Gibraltar. Training is probably the biggest asset that we believe we are more focused on than the Opposition Members ever were. We heard from my hon Colleague a list of some of the initiatives that have been taken, again to get training going in a meaningful way is an extremely difficult task but the training and skills is the vital asset that is needed to develop Gibraltar further. Indeed, the issue of the difficulty of recruitment was one of the matters highlighted in the Financial Services Survey as one of the problems that companies have, the inability to actually recruit locally and then the problems we have in actually importing personnel. Secondly, investment in things like regulatory infrastructure. That is a real asset, a real asset which is producing dividends in terms of perception, in terms of our capacity to respond much more proactively than before. Thirdly, the asset of confidence. There is a confidence in Gibraltar which we believe is markedly better than was the case in 1996. Opposition Members I know refuse to accept the analysis that in 1996 Gibraltar was in a

very dire situation but I would ask them to search in their hearts and give credit to the Government's point just like we give credit to the investment they made in the physical infrastructure, the reality is that much of the benefit of the physical infrastructure that the hon Members put in was not exploitable in the Gibraltar that we inherited in May 1996 for a whole range of reasons and there is now a higher degree of confidence, producing more job security in what is admittedly an uncertain world, nobody has a job for life in the private sector but there is more job security in many of the sectors in the private sector. Mr Speaker, what would the hon Members have us do? Would they have us reclaim more land to build more offices to lie empty? If Europort is two-thirds empty they should accept the logic that the priority would be to fill it by training people and having a regulatory infrastructure to do so rather than building more office accommodation. So there must be logically a point beyond which physical infrastructure has a limit. The third and final issue I want to raise is this question of our vulnerability vis-à-vis Spain and the movements at the frontier, et cetera. I think it was proper for the Leader of the Opposition to raise this issue as a matter that requires debate and I think it is more often than not ignored as an issue which has to be addressed. I was not sure how he suggested it should be addressed, whether it should simply be factored in as a consideration which had political consequences or whether it should be factored in as a consideration which meant that we would have to build up effectively a sieged type economy, not vulnerable to Spanish pressure but Gibraltar is not an island and when we go out promoting Gibraltar one of the answers we have to give when we are asked about, "Yes but you are three square miles, have you got capacity to grow?" the response is, yes for a number of reasons including that Gibraltar is not an island because one has to be able to understand that in order for the Gibraltar economy to grow, the ability to access facilities in Spain is an interesting and important consideration. Let me give the House an example of what I mean. The current employment base in Gibraltar is x thousand, unless we believe that the whole purpose of economic development is to keep Gibraltarian residents in employment, unless we believe that is the only purpose of economic development then we must look towards

increasing the economic cake by making employment grow. Employment can only grow in Gibraltar significantly if we also have access to the hinterland in a variety of ways, that is the reality in terms of accommodation, leisure facilities, et cetera and therefore Gibraltar does stand on the horns of a dilemma. Our capacity for growth is enhanced by use of the hinterland but the greater the use we make the more vulnerable we become. I suppose that the only way of dealing with this paradox, with this dilemma is to steer a careful course which we hope that we are steering, which is a careful course between exploiting what that inter-relationship can bring for Gibraltar and can give benefit to Gibraltar but also having a very close focus on having a second economic capability which is not vulnerable to these external pressures. But it is not, Mr Speaker, an issue which I believe is fully resolved in anybody's mind. It is an issue that I think Gibraltar will have to grapple with as we go forward and it is an issue which I think is right for it to have been raised which the Government are conscious of and which requires therefore this careful balance which I have described. Thank you, Mr Speaker.

HON A J ISOLA:

Mr Speaker, for those members of the finance centre industry who have been listening to my hon and Learned Friend's contribution, the fear of the 4<sup>th</sup> and 7<sup>th</sup> Directive as the potential disaster looming round the corner drawing closer, the news that he has given us this evening of the other factors that are now bringing their weight to bear at a rate which I think far exceeds what those in the sector had expected, will bring many who were already concerned to worry even further. The difficulties that the Government face on the tax codes, on the OECD Reports, the EU Reports and, more importantly, Article 92 provisions are indeed serious. As the Minister rightly said, the difficulties that we would face if any of those were kicked in and given effect in Gibraltar would be far more widespread than the financial services sector as we all know it and refer to it in this House. I think that the problem is indeed serious and I welcome the Minister having discussed it and informed the House openly this afternoon. I think

that there is a need and I know that the Government have, certainly in respect of the 4<sup>th</sup> and 7<sup>th</sup> Directive, consulted with the sector, taken on board, wherever possible, the recommendations and I take comfort from the words of both the Minister for Trade and Industry and the Chief Minister who in his address referred to Government implementing or transposing these directives in the most sensitive way possible to give the best possible protection to the industry. I think that will give comfort, but it is clear that the sector is facing a very difficult crossroads in its development, in its repositioning, whatever one wants to call it, because it seems that every time we take a step forward to try and better the position that we are in, not one or two, but in this case four or five very large walls are put in our way any one of which could knock us out. I think that there is a general desire within the EU and the OECD to stop the very business we professionals are in as a community, like many other small islands and small territories in the Mediterranean and elsewhere. If I can just reply to a number of points made by the Minister for Trade and Industry. Yes, we did put in assets and yes, to the extent this Government are concentrating on other assets and in some cases improving the assets that we put into place ourselves. He mentioned the importance of the regulatory environment in respect of telecoms. Yes, without that one cannot get the next bit that comes afterwards and I think that the regulatory aspects that we implemented in financial services are also indeed the bedrock of that growth in the financial services sector that he has been telling us about this afternoon. The growth indeed as my hon Friend has told me, has been a constant growth in the sector throughout and the point of regulation is, it is wrong to give the idea or impression that regulations have come into place since 1996, obviously that has not been the case. Indeed, everything right up until the regulations that were published on insurance passporting which opened the door ultimately to passporting in 1997, were prepared prior to that date and yes, this Government have brought in many directives transposing financial services EU directives many of which we, in the Opposition, have in fact not supported for reasons that we have felt had some merit. I know the Government disagree but we have been saying to this House, "look, before we go any further in wrapping ourselves in directives, in transposing



EU provisions which bring about more obstacles to the financial services sector, we should know and we should be satisfied that in fact when the time comes we can take the benefits from that”.

HON P C MONTEGRIFFO:

Would the hon Member give way? I would just like to clarify one point which I think is important. When he discusses benefits of EU membership he would normally think of passporting and that of course is the primary purpose of much of this agenda. It is important for him to understand that the mere fact that we meet EU standards because of the directives has a very strong secondary value, namely the endorsement value of a centre that meets these levels. For example, the business that we are attracting from Switzerland, which I informed the House of last week, a large number of Swiss portfolio managers that come to Gibraltar to do portfolio management, are not interested in passporting at all but the fact that we have a passporting badge developing, not just in investment services, but we have a passporting badge developing is of enormous comfort and endorsement to them and therefore there is that secondary credibility issue which should not be underestimated.

HON A J ISOLA:

Yes, I accept that. The primary purpose as the Minister has said himself, was the passporting issue. Yes, we have been telling this House that we have reservations that passporting because of the experience that this party had had in Government since 1992 of being brought to a wall, and saying, “when you climb that wall you can passport”, having got to that wall we climbed over, another wall was put in front, climb that one and then one can passport. This was a consistent theme running through the lead-up to the insurance passporting in 1997. We have not been saying that alone. People in the sector, people in the industry have been saying that. Indeed, the Chief Minister can nod his head but the resolution of the Bar Council two years ago which still stands today called on no further directives to be implemented until our position and our rights had been clarified. Why? Well, for the very

simple reason, Mr Speaker, that to put in all these rules and regulations, to transfer all these directives that give us supposedly the opportunity to take a benefit from it like every other jurisdiction within the European Union and not be able to passport which is the prime reason for that, we seem to have put into place all the rules of the game but we are not allowed to play. If we are passporting, certainly the reports and the information that we have, only yesterday there was an example and that one perhaps may be a little unfair and harsh as it relates to Spain in the newspaper, that may have been a little harsh but we have, from the sector itself information of nothing but difficulties in passporting insurance services. Up until now that is the only badge that we have since 1997 and I can refer the Government to what my hon Colleague said in 1997, that is directly in relation to passporting, “we are confident that passporting in insurance will be confirmed very soon”, - indeed it happened - “the elections in the United Kingdom undoubtedly caused delay in the appropriate confirmation being delivered and whilst it is not our job to prejudge formally the results of the auditing, we have confidence that we will have the appropriate confirmation shortly.” - that happened - “That is important because we are very keen to move on to the next two phases of passporting which will be banking and then investment services and we are keen to achieve both these targets within the next year to 18 months maximum. There is no reason, as a result of the effort that is now being put into financial services development, why it should not be able to work to that ambitious timetable. He then goes on to talk about the offshore European jurisdiction and those ambitious targets were set in 1997. We are now two years later, we are now no closer, as far as we are aware, again that is perhaps not fair because we now know that the legislation that is required is not primary legislation but we still have not had that confirmed two years on and in respect of investment services we do not know or have an indication from the Minister, we know that that is in the future but we do not know how that will progress from then on. Indeed, if we look at the three aspects of the proposal intended passporting, what benefit in the form that they take have they given us to date? It may be early days to be able to examine the results, but certainly in terms of insurance which we have been passporting,

well the Minister can hold up the sheet, I imagine of what are licensed companies. When I asked a question in this House as to how many of those companies employ any people from Gibraltar, the answer has come none. Fine, one could wave one's arms in the air but the position, Mr Speaker, is that in looking at the development of the finance centre, obviously EU Directives and transpositions of directives, is not something that the Opposition lightly say we are against but we said that for reasons that have been expressed and expounded by the industry itself and that is how is this going to come into effect? How are we going to be allowed to do it? In practice, will we be allowed to do it? What we are seeing in fact is that in practice on the first one, two years down the road there are difficulties. The Minister can say, "Well, of course there were going to be difficulties", yes but at what stage can we truly say that we are over those difficulties and over those walls that I was referring to earlier? Mr Speaker, our views on passporting have been and we said it prior to the 1996 Elections, that it was very important for Gibraltar to be able to passport but that that right had to be clearly given. What we have got up-to-date is, we have been given passporting rights certainly in respect of insurance, banking we will see when that comes. We do not know. Can the Minister tell me if it is coming in six months? The only forecast we had was in 1997 and we were told that it was 12 to 18 months away. That is a piece that I have just quoted from his intervention in 1997.

Mr Speaker, the importance of the credibility, I think the Minister referred to as a secondary benefit of passporting is undoubtedly important, clearly is very important as is obviously the regulatory framework that was put into place and in looking at where the industry goes from here, bearing in mind the information the Minister has given the House this evening on the potential problems with the EU and the OECD and everything else, I assume from what the Minister said and what he has done in the past, that he will submit these reports to this committee that is advising Government to consult with the industry on how best to deal with the responses to the OECD, to the EU, to the state aid, correspondence and representations that have been made. Those areas, Mr Speaker, I think puts peoples' concern on

passporting almost into oblivion, the pressing need is to deal with those problems and try and maintain some business whatever that may be. I agree with the assessment made by the Minister on the implementation of the 4<sup>th</sup> and 7<sup>th</sup> directives. I think it is fair to say that it is difficult to prejudge as indeed it was pre the regulation and it will undoubtedly lead to a reduction of some business. That measure is just a question of judgement, it is very difficult to put any sort or any form of accuracy into that but it is a factor that does seriously concern the industry. Indeed, Mr Speaker, the Ecofin Report of the 25<sup>th</sup> May, which are the minutes of the meeting of the 25<sup>th</sup> May, were referred to by my hon Colleague, the Leader of the Opposition, and he referred specifically to the part of the Spanish delegation's request for a tax avoidance group to be set up. It is clear where those guns are pointing. It was also interesting to hear the Minister refer to the not proviso but the possible comfort, if that is the right word, that can be taken in all these areas and that is the constitutional arrangements that are in place between Overseas Territories and their Member States of the different groupings. Certainly, that is one area that we may be at an advantage in respect of some jurisdictions but that is one area where we would certainly hope to have some comfort. We do not know from what the Minister has said whether in fact any formal response, although the response has been given to Government of its own representations that have been made in writing I think he said also orally and indeed to the lobbying that has been carried out in the past 12 months whether in fact the UK has given any indication as to whether there is any possibility of any derogations, any exemptions or anything like that which could give the industry comfort. I would be interested to learn whether the response that we have received from the UK is something that should give hope to the industry or perhaps more concern to the industry.

Mr Speaker, in respect of the marketing that the Government have been embarking on recently, certainly marketing the financial services sector is important. The only question that we have raised in this House is the way in which it has been done, is it perhaps the best way? Again, I suppose there is leeway of a learning curve in respect of different jurisdictions, it seems that

Switzerland visit was successful. It seems the Portugal trip was not as successful as they would have liked and we have not heard a response to the United Kingdom trip but I am sure we will hear in the near future as to whether it was successful or otherwise. I am sure that will soon kick into action. But the one thing that the industry has commented, certainly in respect of the efforts that have been done up to now, is the lack of time that they have had in responding to the invitation from Government to participate in that marketing effort. Indeed, the letter that was circulated to the legal profession apologised for the shortness of time from the member of the Finance Centre Council who circulated that correspondence. Obviously he felt, as other people felt, that the arrangements that were being made did not give people in the industry sufficient time to plan as to whether they wanted to participate. One of the important things in marketing when one is going abroad to the UK, as an example, is that people in Gibraltar who would accompany the Government as part of their marketing effort, would wish to make contact with people in the area to see if they are available to come and hear whatever it is that is going to be said. Certainly the shortness of time makes it difficult not only for the Gibraltar participants to see whether they can attend but also to fit into people's diaries outside and I think wherever possible more time needs to be given. Certainly in the case of the Portuguese trip, Mr Speaker, we do not think that the way it was done was the best way for it to have been done. We do not think that the targeting was done properly. We do not believe that advertising in English-speaking newspapers, targeting the British Chamber of Commerce is particularly good when one is going for perhaps intermediaries who are legal, accounting or banks. It seems that that would have been the more appropriate sector to target rather than people that were already there, that may have accounted, I do not know, for the lack of numbers attending those seminars.

HON P C MONTEGRIFFO:

Would the hon Member give way? Mr Speaker, I like to believe I am modest enough to take on board what I think are constructive comments from the Opposition Member, but I do not think I can

accept on the chin the statement that it was just a learning curve, and well, had we known better everything would have been different. I think that is also not entirely correct, Mr Speaker. I think that these things are not easy to put together as I think the hon Member will know from his professional background. There is a hit-and-miss aspect to some of these initiatives but in terms of value for money it is much more valuable for me to be two or three days out of Gibraltar in a four year term, in Portugal or in Switzerland or in the UK, raising the profile of Gibraltar, than being in my office pushing paper really as a glorified civil servant which is what Ministers have tended to become since 1988. Whilst it would therefore be bigger or less a success and whilst there are lessons to be learnt always, I certainly do not want to let the hon Member get away with or give the impression that we accept on our part any fundamental flaw in planning. Yes, there are lessons to be learnt. Portugal was undoubtedly the weakest of the three events, both Switzerland and the UK went very well. Government take a risk in inviting the private sector to come along. We could very easily just go off, the Government Delegation of the Minister and the Finance Centre Director and an assistant to go off, do these things and then not expose ourselves to people in the industry seeing how these things operate, but we take that risk because we think it is valuable for people to extract some benefit from these trips. So, Mr Speaker, whilst accepting the spirit in which these comments are made, I do not want the Member to go overboard and allow him to give an impression which is erroneous.

HON A J ISOLA:

Mr Speaker, by referring to the learning curve I was being lenient and trying to give the benefit of the doubt to the Minister. I am not sure whether in fact it is better for the Minister to spend his four days with five people in Portugal or to be working in his office. I believe he would be far more productive in his office than speaking to five people on one day in Portugal but that is a value judgement on how one would regard it.

Mr Speaker, in rounding up on the financial services sector, I would say that certainly there are, as the Chief Minister described it, challenging times ahead in the industry. I think that is putting it very, very nicely. I think there are extremely difficult times ahead for the industry and indeed as the consequence of what the Minister has said, and I have already referred to, the knock-on effect on other sectors not directly related to the financial services sector, it is enormous cause for concern and we would certainly hope, in the Opposition, that Government will leave no stone unturned in their representations in ensuring that whatever happens at least allows Gibraltar to, not even benefit but just to have a field in which it can play, having complied by the rules and now being told it is not allowed to play. Mr Speaker, we would certainly hope the Government are successful in their representations, in its lobbying efforts and would hope that they will work with the industry to fight in whatever way possible, the proposed changes which could render the finance centre in Gibraltar, as we know it, redundant.

Mr Speaker, in respect of economic development, I will not be too long on this because there really is not that much to say. The measures that Government have introduced to assist business in terms of the rent, the rates and it is interesting because one of the points that the Minister raised when he talked about the rent reductions being brought into place was that he hoped that the Government reducing the rent would have a knock-on effect and that the private sector would reduce their rents in some way at some stage in the future. Mr Speaker, that has not happened. As the Minister then said in the House quite rightly, the rents and leases are based on market rents prior to today, normally three or maybe five year terms and in some cases tenants are saddled with leases which have upwards only rent reviews which are minimum cost of living and market value if it is higher which it obviously is, going even further up. That clearly has not happened and therefore when the Opposition look at the measures that have been implemented in terms of rent, one of the measures that the Minister said, and I quote, "We believe that the reduction in Government rents will over the medium term help to suppress private sector rents and that is good because the private sector

rental levels have essentially been assessed as to what was the high property market value of four or five years ago. Leases do not make provision for reductions in rent, they typically make provision for rent staying as they are or increase their market value and very many commercial rents are not at market value levels as we would understand in 1997. They are indeed properly at the market values, as I understood in the late 1980's or early 1990's and we think that this move will help to suppress the level of rent in the private sector." Well, unfortunately, Mr Speaker, and I say unfortunately because it is regrettable that it has not happened and the knock-on effect of that would have been obviously perhaps a reduced burden of rates because it would be linked to the rent, that may have also been reduced to help further but the measures that have been introduced, the import duty restructure, it is disappointing to see that Government are not monitoring how those changes to the structure of import duty have impact because the Chief Minister did say, not just at the Chamber of Commerce but in this House, that these measures were intended to help visitors to expand, to create more jobs. Mr Speaker, that is what is in Hansard, and that is what has been reported in the press as far back as November 1997. I think maybe even November 1996, when he addressed the Chamber of Commerce. Having said those things and then not having monitored whether in fact they have produced more jobs, whether in fact they have helped businesses to expand, to take up more area, really as the Minister himself said at the time if those things do not happen then the measures have been a failure. Since then, Mr Speaker, the position seems to have changed and the Government are saying, "Well, it may have given businesses some extra space, cushion factor I think it was, to take on the strong pound." Mr Speaker, we believe it is important when assisting businesses which is what the Chief Minister yesterday was saying, to assist small businesses we do not believe there is any point in implementing measures if at the end of the day the Government themselves do not even know whether those measures have been effective because if they have not been effective then surely the Government should be thinking, "Well, if we wanted to help businesses and the measures we have implemented have not helped the businesses, then surely should

we not be looking at ways in which we can?", which is what the Opposition have been saying, that in assisting business the measures need to be targeted and that means, at the end of the day, following that targeting up with monitoring what is actually happening. Mr Speaker, the rates was another measure that was referred to and in that case also we at the time said that the discount would help businesses that are doing well to do better but not those that are doing badly and cannot afford to pay the rates themselves. So in effect the measures that have been continued yesterday by the reduced poundage, I am not certain if I heard the Chief Minister rightly yesterday if indeed that extra poundage will only apply if people are up-to-date or pay on time.

HON CHIEF MINISTER:

If the hon Member will give way? As I think I explained, so it is more a case of the hon Member perhaps not having heard me, the reduction in poundage applies to all businesses to whom it applies. The sectors to which I said it was applied but it is not related to prompt payment. In other words, it is a reduction in poundage, not a discount from the bill.

HON A J ISOLA:

I assume that the change to the poundage will require a change to the Public Health Ordinance and perhaps we can see that in a little bit more detail then. But yes, I understand what the Chief Minister has said that, in fact, it is the poundage which will mean that those sectors will have the new rates. So the position will, in fact, be that those businesses in those sectors that get the reduction in the poundage will if they pay on time get the 20 per cent as well.

Mr Speaker, moving on to the port. Again, it is an area where there is increased activity, we welcome obviously the increased activity, particularly the continued growth and expansion of the bunkering services. In a way, when looking at the port and the Port Study, in particular, we still do not know, after the Port Study is completed which is now, I think, I am not sure, every year or

year and a half but that was made available to Government and since that time we have had these two committees, one of which has been, I think the Port Steering Committee, the other was the General Port Committee, what in fact will happen in the port. We hear of the transshipment facility. In answer to questions in this meeting, the Minister told me that the question of the transshipment facility was one that would be only taken on by the private sector not by Government, that the £180 million investment would be a private sector initiative and that, in fact, Government at this stage have not got a bid as such and that they would be inviting tenders. At that stage, perhaps we will see whether there is in fact a viability because obviously the private sector will only go into it if there is an economically viable and feasible business to be got at. In respect of the other proposal that is referred to in the Port Study which I assume will not be taken on board, the introduction of berthing charges to bunkering services. I do not know whether the Minister intends to implement that recommendation of the Port Study. Our view is that the boom in the bunkering industry would be very seriously affected by the introduction of those charges because I understand that the margins are in fact very, very tight between Gibraltar's competitors, particularly the one just across the Bay and that any increased cost would result in a significant loss of business. We are also told, Mr Speaker, that the port will be run on a commercial basis. We do not know what that will mean in practice other than it will be called a more commercial port authority and that it will have a Chief Executive who will have with him a Captain of the Port. We will have to wait and see with time whether, in fact, those changes, restructuring will bring increased activity. We certainly hope so, Mr Speaker, but we are not that hopeful that indeed the changing of the port authority itself will by its own volition bring any added business.

Mr Speaker, in looking at all the contributions that have been made in this session, it seems that credit is taken at times; blame is made of the other side and it is true to say, indeed, of both sides of the House. When reading an article in the Chronicle recently on the same day of the Ecofin meeting on the 25<sup>th</sup> May which reproduced in part an article from the Sunday Business, I

FRIDAY 4<sup>TH</sup> JUNE, 1999

The House resumed at 9.30 am.

PRESENT:

Mr Speaker .....(In the Chair)  
(The Hon Judge J E Alcantara OBE)

GOVERNMENT:

The Hon P R Caruana QC – Chief Minister  
The Hon P C Montegriffo – Minister for Trade and Industry  
The Hon Dr B A Linares – Minister for Education, Training,  
Culture and Youth  
The Hon Lt-Col E M Britto OBE, ED – Minister for Government  
Services and Sport  
The Hon J J Holliday – Minister for Tourism and Transport  
The Hon H A Corby – Minister for Social Affairs  
The Hon J J Netto – Minister for Employment and Buildings and  
Works  
The Hon K Azopardi – Minister for the Environment and Health  
The Hon R Rhoda – Attorney-General  
The Hon T J Bristow – Financial and Development Secretary

OPPOSITION:

The Hon J J Bossano – Leader of the Opposition  
The Hon J L Baldachino  
The Hon Miss M I Montegriffo  
The Hon A J Isola  
The Hon J J Gabay  
The Hon J C Perez  
The Hon Dr J J Garcia

IN ATTENDANCE:

D J Reyes Esq, ED – Clerk of the House of Assembly

read of the initiatives of the Government in terms of marketing and in terms of the tremendous changes that will be making to Gibraltar and one could have been forgiven for having thought and reading in the Gibraltar Chronicle that the Sunday business was referring to post-1996 initiatives. In fact, Mr Speaker, I was faxed by a friend in the United Kingdom the actual article itself and it was interesting to see that the only bits that referred to pre-1996 election had not been reproduced in the article. In fact, the one most glaring omission was the success of the strategy of the previous administration leading to the boom in banking, up from five banks in 1985 to 30 banks in 1990. For some inexplicable reason that very important piece of information was not available in the Gibraltar Chronicle review of that same piece of the Sunday Business.

Mr Speaker, the Minister in talking about confidence in the financial services sector said that that was at an all-time low in 1996 and since then this Government have been working hard just to keep the business that was here. It is also interesting that the Finance Centre Survey that was carried out last year put as the number one factor, dislodging the political aspects, the question of tax. Since this Government came in in 1996, no new banks have come in and, in fact, even worse so that two banks may actually be leaving. I do not know if that is to do with the confidence or that is to do with the tax. Thank you.

ADJOURNMENT

The Hon the Chief Minister moved the adjournment of the House to Friday 4<sup>th</sup> June 1999, at 9.30 am.

Question put. Agreed to.

The adjournment of the House was taken at 8.25 pm on Wednesday 2<sup>nd</sup> June 1999.

**Debate continued on the Appropriation (1999-2000) Ordinance 1999.**

HON K AZOPARDI:

Mr Speaker, I think I have to round up the departmental contributions to the budget session. I think the Shadow Spokeswoman will go after me and then the Chief Minister will reply, I think that is the sequence. I do so with pleasure.

My combined budget of my departments is about £35 million which is I think a quarter of the budget. It is a substantial amount of money. What I intend to do is start, as I do every year, this is the fourth budget that I present for Health and Environment and I intend to start as I do every year with the Health Department. I do not intend to go through very minor items of expenditure as has been my usual style but rather to give an overview, a broad panorama of the developments in particular fields.

Firstly, to deal with the structural issues and the review. Hon Members will have noted that very unfortunately this year we had the death of our Chief Executive, Gavin Jackson. That unfortunately meant that his death necessitated a restructure in the department. We had anticipated that, of course, we would have a restructure at some stage because his two-year contract would have been up this October but of course events took over and we had to anticipate those events and indeed to take forward a restructure on a far quicker basis. That has meant that the former General Manager is now Chief Executive and there has been an internal restructure to give more operational duties to the person who was the Deputy Director of Nursing Services who has taken a far larger operational role within the Authority as had been envisaged by Gavin Jackson when, in fact, he was the chief Executive. I think that combination works well. I think that it will work well for the Authority in the future and I have full confidence in the people who are now leading the structure of the Authority in those terms. I should say at this moment when I am dealing with the structure that this year the Director of Nursing and the

Consultant Psychiatrist retire after many, many years of service to Gibraltar and I would like personally to thank them for their long loyal years of service to successive Governments irrespective of political affiliations and I am very happy to have worked with them for the short relative time that I have worked with them given their very long careers in public service. I also take the opportunity of thanking the staff generally because, as I say, I have a joint staff of about 1,000 people if one counts the quasi Government's situation at Community Projects and the reality is that it is a sizeable amount of people, I try to see as many people who ask to see me and certainly the staff members in both departments are very conscientious and hardworking and I owe most of the work that I can bring forward to this House and indeed publicly to them and I am happy to say that and I am happy to publicly acknowledge their contribution in the work of the Government.

Mr Speaker, I said in January 1997, when I launched the review document that we would probably require a few years to implement those recommendations that we sought we would implement. We have up to now implemented about 50 per cent of the 1996 Review which was published in January 1997. We are in the process of preparing a strategic plan on the remainder of the implementation of those recommendations that Government will accept. Certainly my target would be by the end of this financial year, to add another 15 per cent or 20 per cent on to that 50 per cent so that we can finish our first term of office with a very sizeable element of the 1996 Review having been implemented and with just a final tier of implementation left over the next few months. Of course it is true, and I make the point, that this is not the be-all and end-all of reviews because the changing nature of health care is such that it is quite customary for health authorities to end one review implementation and start another and it may be that at the end of this process we will have to have another review of services because things will change, circumstances will change and pressures on the service will change such that will require another examination of the process and indeed another examination of the needs of the community. I do not think that is a bad thing, I think it is a changing world and in a changing evolution of health care it is probably a very necessary thing for



us to go to deal with things on that basis. I remember one of Gavin Jackson's statements to me was, "Don't think that at the end of the structural review that will be the end. I have spent 40 years in health care and we have gone through structural review after structural review. There are always changing things because individuals matter and when you change the individuals in post sometimes you have got to accommodate the changes in the structure", I think that is quite right.

What I am doing for the second half of the health part is to split matters into a review of issues that have gone on in 1998/99 and the new developments which impact on the budget in 1999/2000. First I intend to deal with 1998/99 and hon Members will have noted that the annual report which had ceased in 1982 was brought back last year when I published in June 1998 the Annual Report 1997/98. I think that is a good thing. It provides a lot of information to people in the community who would like to know about our services, who would like to know statistics, who would like to know how our services work, who would like to know the people behind those services. I think it is a very important aspect of informing the public. At the end of it there is an underlying thread through health care, I think, if it is going to be progressed in a beneficial way to the community, in a modern way and that is health education and health promotion and to educate and make the community more aware of health developments is indeed a very beneficial thing because it does impact on the level of treatment one then has to give if people are more aware of the things they should avoid and people are more aware of the things they should not do then, of course, at the end of it, after a long process they may require less treatment and so on. So it is important for us to have put in the annual report, I am very glad to have done that.

Mr Speaker, as promised last year, the complaints procedure was launched in January 1999. Comprehensive guidelines were launched by me this January. The Ombudsman is the last tier of review of the complaints procedure; we published a 20 page comprehensive guidelines in recognition of the fact that it was difficult for people to follow such a comprehensive procedure. We

also published what we considered an easy to use booklet summarising the procedure and it is a four page booklet that I am sure, Mr Speaker, you have seen and in the middle pages it summarises the four stages. The first informal stage of course is to see the staff Member; then one would see the Designate Hospital Manager or the Primary Care Services Manager; then depending on whether things have clinical or non-clinical elements, the complaint would be dealt with differently and the final tier of internal review is, of course, the Chief Executive. If people are dissatisfied with this procedure they can always go to the Ombudsman under the new legislation. It is important, I think, for an authority in a demanding emotional service to have access to a procedure which can be used by patients and service users alike because it is not unlikely that people will want to bring matters to the attention of administration for the purposes of review and for the purposes of improvement and I see this as a tool towards improvement and so that is the rationale behind the Government's backing of this move. We think it is important both to deal with the particular complaints that arise so that individual clients of the service are helped and also in a macro sense so that we highlight issues that need to be addressed within the service which can be improved for the benefit of the whole community.

Mr Speaker, this year, following the contract entered into between the Gibraltar Health Authority and St John Ambulance, the St John Ambulance have taken over the emergency ambulance service in February this year. I think there are two benefits to that. Firstly, we have moved towards an efficient highly trained quality service. The members of St John have received rigorous training and they are highly professional and I think they are giving an excellent service to the people of Gibraltar. I only hear high praise of them. Secondly, it has allowed the police to free up some of their resources to be deployed to other tasks and I think again, I am sure the police are very thankful of that because it does provide them with that assistance. The Government had a manifesto commitment to recruit a consultant radiologist during the course of our term. I am happy to say that we did so on the 1<sup>st</sup> April this year and that the particular person was engaged at that

time; he had been selected previously during a selection process that had been on-going for the last six months. A radiologist is important as a back-up service and as a person who will assist in examination and diagnostic services to minimise, indeed, the requirement of the Authority to send patients elsewhere for that radio diagnostic services and it is important that a radiologist be recruited as an important and fundamental human resource for the Radiotherapy Department. This will greatly improve our diagnostic capacity and certainly the Government were very eager to do so on that basis and indeed on the basis that it was important that we fulfil the promises that we made to the electorate when we made them in 1996.

There have been notable improvements in the midwifery service in Gibraltar in the last year. We increased the complement and staffing of the midwifery to a total of 14 from nine. That has meant that the department is now able to have two midwives on night duty and this means that if one midwife is engaged in the labour ward another is free to attend possible admissions and assist other clients in the ward, it is less stressful because other midwives are on hand to provide a second opinion. It has meant the department can assist the health visitor more with ante-natal classes and it has meant that a domiciliary – and this is an important improvement – midwifery service is now being introduced which allows mothers a choice of early discharge from hospital and indeed I understand that moves are afoot, if they have already not been introduced, to allow people to do their first booking for maternity from their homes. I think it is a significant improvement to do that. We have enhanced our post-natal care by the process of early discharge. The point about early discharge is that because we are introducing the domiciliary midwifery service, it means that midwives will be able to visit newly born babies and mothers who have just given birth at home for a certain period of time and I think that is an improvement on the service available. I think it is important that people go home as soon as possible because they are happier at home and I think it is important that the Authority changes its focus and changes its resources to be able to accommodate the desire of people to go home earlier. Of course, it also means that by earlier discharge

we are able to shift the use of some of the empty beds in maternity, in the lower ward in particular which is usually fairly relaxed to other clinical requirements of the consultant in obstetrics and gynaecology and that, indeed, again is an important aspect because it will invariably allow a more rapid dealing with issues such as waiting lists in that particular specialisation.

Turning to nursing, I published the Nursing Review in August 1998. The House will recall that we had commissioned a Nursing Review made up of certain individuals who had put a report to Government on recommendations in relation to the field of nursing and that we were considering this at the time of the last budget and I said that there might be developments in the next few months and indeed there were. In August 1998 we published the Nursing Review together with Government's view of how we saw the future of nursing in Gibraltar. So we published a paper that dealt with four particular fields: it dealt with structural reforms and legislation; it dealt with working practices and working environment; it dealt with education and training; and it dealt with manning levels. On structural issues, we outlined the amendments and the benefits of the reforms of the Medical and Health Ordinance 1997 that dealt with re-registration, election of representatives, refresher courses and the possibility of registering and regulating the practice of nursing assistants. It also dealt with a new nine part register for nursing registration. In relation to working practices, we mentioned that the review includes several recommendations amongst which were the composition of recruitment and selection boards, internal rotation of staff between night and day duty, elderly care and rehabilitation services, the level of qualifications which persons in different nursing departments should have, protocols and professional practices which should be adopted by the Authority, nurse education and training and approaches to make a more effective use of nursing time and skills and we said that Government were preparing a programme of implementation of many of these and we have seen, in the last few months, when the Opposition Member has asked me questions how the Authority has been taking a view of certain recommendations. There are certain

others, as I have said in the House, are subject to other developments, that we have been progressing implementation of specific recommendations and indeed we have taken that macro view that I thought was important that we should take back in August 1998 when we launched this particular document. We mentioned also our view on education and training when we published the Nursing Review and we said we were taking three fundamental measures to deal with the essential implication of the Nursing Review which was that we had to change the skill mix within the Authority and we had to recruit more trained staff and less untrained staff. So we dealt with that in three ways. We stopped the automatic induction of Mount Alvernia nursing assistants into St Bernard's; we introduced entry requirements for applicant student nurses and enrolled nurse trainees and we reopened, and I thought that was significant, the RGN training at the Nursing School and we took on the first batch of student nurses in June 1998. Indeed, that is an important part of the Government's initial education within the Authority. We have been very pleased within the Authority to see the high standard of applicant that has come forward that has shown and expressed an interest in the nursing profession. We have people who are highly qualified with a great number of O-levels, A-levels and indeed a couple with degrees who are now studying to become qualified nurses and we are very happy to have them within our complement of trainees and we look forward to recruiting further more qualified persons to join the skilled ranks of the Authority, not to say of course, that we may not require nursing assistants but when we do the recommendation of the review was that because there needed to be a fundamental skill mix change we had to target our resources to recruiting more trained nurses and because we wanted to localise those posts as much as possible, we thought that the best way of doing so was not to put an advert for 30 nurses in the UK but rather to encourage school leavers to join the ranks of the Authority and to do so by making the jobs more available to Gibraltarians and that is the way we are dealing with it. When we do require nursing assistants an advert will be placed for nursing assistants and we will recruit them, as necessary, but hon Members will note that the number of nursing assistants which is recommended by the review is, to a very large extent,

much less in a new recruitment sense than it is for qualified nurses. We also dealt with the issue of manning levels and overtime costs when we launched the nursing review document, hon Members will recall that I said at the time, in August 1998, that when we were elected into Government actual manning levels stood at, and I know we have this regular difference of opinion as to what it means but for me it is important to have the nurses on the wards physically and it is no good for me to have a paper complement when there are not people in post. Papers do not deal with patients, it is real nurses who deal with patients and in the sense of physical bodies, when we were elected we had 35 Sister Charge Nurses; 83 Registered General Nurses; 10 Senior Enrolled Nurses; 63 Enrolled Nurses; and 94 Nursing Auxiliaries or Assistants. We committed ourselves to have a real complement of 331 which is an increase of about 50 and to have 38 Sister Charge Nurses, in other words, an increase of three; 105 Registered General Nurses, an increase of 22; 89 Enrolled Nurses which is another increase of about 20; 99 Nursing Assistants. That has meant that there will be a real increase because we said that we would phase those posts in by 2002; there will be a phased real increase of an addition of about 40 to 45 trained nurses on the wards physically and not just on paper and I think it is an important distinction to make notwithstanding our perhaps different interpretations of how we have reached those figures. But I think that the emphasis that I put is that these are going to be real bodies on the ground not just numbers on paper. I emphasised that we wanted to localise those posts by making those available to Gibraltarians and the way that we have done so, as I said before, was to try to recruit these through a longer process, that is why we wanted to phase them in by 2002, to be able to accommodate the fact that people will have to undertake two and three year courses through the Nursing School. We thought that this programme of measures represented a significant boost in Government's attempt to revitalise and strengthen the nursing profession and indeed provide a better training opportunity or more trained complements of trained staff, representation of nurses on the registration board and would modify and modernise nursing practices. So we were very happy to launch the review on that basis.

Mr Speaker, hon Members will recall that I said last year that the expenditure of the pharmaceutical side of our budget had risen to £5.1 million last year. In fact, it had risen from £1.6 million in 1989/90 to £5.1 million in 1997/98; an increase of about £3.5 million to £4 million over seven or eight years, an increase of about 10 per cent to 15 per cent on an annual basis. I said last year that we wanted to put in some rigorous controls as had been recommended by the Principal Auditor in the Price Waterhouse Report. He said that there was a lack of adequate control of the pharmaceutical scheme and a lack of prescribing controls for information and unnecessary use of proprietary substances and the dispensing of products not required for a cause of treatment in the presence of abuse of the current system. We wanted to do so in a way that did not affect patient care and we wanted to do so in a way that was fairly smooth and subtle even though it would be radical. Mr Speaker, hon Members will have noted that the forecast outturn this year is £4.3 million and the estimate for next year is £4 million. Had we taken into account the normal increase of 10 per cent plus the normal increase of the cost of pharmaceutical goods which is about five per cent to six per cent on an annual basis, this year's expenditure would probably be around £6 million and next year's will be about £6.5 million or £7 million. The fact that we are able to project £4 million for next year means that there has been a real decrease in this side of the expenditure of £1.5 million which is a significant amount of money which has been saved by the controls that we have put into place. Mr Speaker, I remind hon Members of the controls. They were: new prescription forms which are now numbered and have a cheque book analogy to it, each doctor has a serial number and every single prescription form is numbered. We had a big problem before about prescriptions being lost because they were unnumbered and no doctor's name was on the prescription form so things apparently used to get lost. There is now a pricing system. I think one of the big defects before was that we used to receive all these batches of prescription forms, priced by a pharmacist, we would do random checking but we would not actually price every single prescription, we would get 250,000 prescription forms every year and, of course, if one does not actually check that was leading to great discrepancies between

sums that needed to be available not because people were trying to put a different sum or anything but because there are mistakes made and they may not be aware of up-to-date prices and so on and that, I think, has delivered a real saving for us to actually enforce pricing. We introduced generic prescribing which has not affected patient care because all it means is the substitution of the same drug for a different basic drug. In other words, paracetamol for panadol, it is the same thing but one costs more money than the other just because it has a trade name but it has the same ingredients and so we have substituted that and that has delivered real savings and we have had a few complaints, I do not want to mislead the House but when we have seen that the complaints are justly founded because it may not have been the right thing then we have included that as a possible drug for prescribing and that has been the case in a couple of items and no more and I think we have delivered a real saving for the Authority on that basis. And why is a real saving important? Well, because we gave a commitment when we launched these controls back in July last year that we would re-invest savings and we have done that. The House will see that notwithstanding the fact that we have spent £1 million less on pharmaceutical goods, the budget of the Authority is still more this year and still more last year, we are still over the expenditure projected for last year. The reason is that we have re-invested that in recruiting people and in bolstering up other services and that can be seen throughout the Authority. I am not going to go into the details of that but the bottom line figure is higher than last year, it is because we have re-invested savings and that is the policy of the Government. Not to cut costs but rather to re-invest elements of money so that we can improve the service.

Mr Speaker, I mentioned that we place great emphasis on health education and the Annual Report that will be published again this year will highlight health education matters that have been brought to the fore over the last year. I do not want to go into detail with them because I am aware that we need to progress this budget debate as soon as possible. But may I just say that there has been excellent work by the Health Education Officer and the Director of Public Health in relation to the annual public

reports and indeed to the public health programme. We are very keen for there to be rigorous health education and health promotion throughout the Authority and throughout the community and I would ask anyone who is interested in those fields to certainly pick up a copy of the Annual Report once it is published later on. We are also trying to bolster up a website that we are about to launch on health education. The content at the moment is quite basic but we intend to bolster it up with added information and we think that that will be a useful resource for people as well given the new technological age. Mr Speaker, I make the point as well that I do not want to go into specific improvements, there are many to mention within each department. I have tried to pick on some but not all, it is not an exhaustive list and I would certainly refer anyone who is interested in seeing how the Authority works, to refer themselves to the Annual Public Health Report which I intend to publish again in the next month or so.

Mr Speaker, I pass on to new developments in 1999/2000. There are three important projects of refurbishment, relocation and new working environments that we are going to launch in the next few months. In the first place, we hope to officially open the new Health Centre very shortly indeed. We have opened a Rehabilitation Centre at St Bernard's Hospital. The Rehabilitation Centre has much better facilities for those requiring gymnasium, ultra violet treatment rooms, for those requiring general therapy counselling and treatment of rehabilitation type. We have been very happy to do so. There were not rehabilitation services and facilities at St Bernard's Hospital and yet it is an area that needed to be addressed very quickly because we have seen that after people suffer an accident or suffer a stroke the thing that they need most, the thing that they need most vigorously is rehabilitation and unless we were able to provide that then the patient themselves would fall behind in their treatment and progress and it is important for us to make people progress on two bases. Firstly, because of course the patient needs to recover as much as possible from the particular accident or illness and, secondly, of course because that allows us to have a more efficient and speedier through put of patients through the Authority. There is a new medical outpatient wing at St Bernard's

Hospital which again will improve services for the medical directorate substantially. The endoscopy unit and so on will be relocated to the top floor of the John Mackintosh Wing at St Bernard's Hospital and this will allow also a shift of space into other fields and other projects in the next year or so which will create space at St Bernard's as well and which will allow refurbishment and improvement of services and facilities available to consultants, staff members and patients alike. I should also mention that at last we have been able to deal with, in connection with these developments, the vexed problem of the records department and give them better premises. The hon Member will recall how difficult, I am sure, she will know how difficult the environment of the records department used to be and that has now been improved or is in the process of improvement. I believe they have already had their premises extended and that again is a very useful development, there were very cramped facilities for records and I think that those projects, major refurbishment projects will kick up alternative space and alternative space use which will significantly improve the facilities of the Authority. I should say also that apart from those major projects we intend to spend about £300,000 this year on other minor works which need to be put into place.

Mr Speaker, there is one public health project that was launched with my support this year, just a month or so ago that I wanted to highlight because it is an important public project for the whole community and that is the establishment of a cancer registry. The House will be aware that many people hold the view in Gibraltar that more cancer occurs in Gibraltar than should be the case. Indeed, even though there is speculation on that basis, there has been no medical evidence held by the Government in its official capacity that could sell that either way. Researchers in Spain though have shown that Western Andalucia has the highest cancer death rates amongst Spanish regions but that in itself is not an indication of the fact that things should be worse here because the discrepancy in cancer rates between Andalucia and other regions is slight though real. In other words, they are worse rates but they are not so significantly bad for it to invariably mean that there are more cause of cancer in Andalucia. The other

aspect which makes us nervous about the Spanish statistics is that they only record deaths and not rates and so, for example, there are experts in the field who hold the view that because the Navarran Health Service or the Catalan Health Service is better than the Andalucian one, it might be that they are dealing with patients better and they are not dying but it does not mean that they do not have as many cases. People will hold that view. I am not sure to what extent that view is correct. The point is that we just were not sure to what extent those concerns or those views were based on any statistical real evidence. Indeed, there is I know a lot of concern in Gibraltar about the potentially toxic industries such as the refinery and Acerinox, that may be polluting the environment and certainly the prevalence of tobacco smoking in Gibraltar unfortunately is very high and that I think also is affecting the matter. There were no systems in the hospital, no official Government backed system that systematically recorded that essential information. Mr Speaker, from June 1999 we have established Gibraltar's first ever cancer registry which is a service that will track down, record and monitor every case of cancer diagnosed in Gibraltar. It will be a rich source of information for all health care professionals and periodically report its findings. The cancer registry which will be based in St Bernard's will be supervised by the Director of Public Health. This initiative, Mr Speaker, is an important one but, of course, it is not alone corrective action is necessary to reduce the incidence and burden of cancer that will allow us to better advise the community on what they should do once we are able to, after a number of years, establish patterns if patterns do exist. It will certainly enable us to do that and I stress that this cancer registry that we are setting up is a purely confidential recording establishment, that there will be no breach of confidentiality, that these are anonymous records that are going to be kept and that it is just to establish guidance and knowledge for the purpose of statistical record, for the purpose of advice that we can then give to the community. It is quite common now for modern western communities to have international cancer registries, there is a network of international registries, we would hope after a number of years to be able to join those registries. There are quite a number in the UK, quite a number in Spain but one cannot obtain that information unless

one is within the international body of registries, there is one in Malta, for example. So we think that this is a good available valuable resource for this community. It would be ideal, of course, if we were able to, on a regular basis, obtain public health information from Spain and environmental information from Spain for us to be able to guide this small community of ours because sometimes it is better to have statistics that affect half a million people rather than 30,000 but, of course, there is natural reticence in Spain to access information. It is an unfortunate but real matter and so it has led the Government to be able to address this public speculation and concern to be able to answer it on a more definite basis to establish this registry which we think is an important project for the whole community.

Mr Speaker, the Government are keen and I am personally very keen to establish pilot telemedicine projects in Gibraltar. For those hon Members of the House who may not be aware of what that means, essentially these are diagnostic services which are available to patients without leaving one's home town. In other words, one might be in front of a screen in Gibraltar, seeing one's doctor on the other side, him seeing one's slides, one's x-rays and other health information and being able to diagnose without leaving Gibraltar. It is an important project. They are already using it in the United Kingdom and other territories to link remote places which do not have access to this kind of health care but may require it. We are going to launch pilot projects in dentistry this year and I hope that if the imaging quality is good and the consultants and the specialists are happy with it, that we will extend this to other specialisations so that we can indeed extend telemedicine era into Gibraltar and introduce it because I think that will be an important resource for this community because of our physical isolation it is important for us to have greater access to other facilities.

Mr Speaker, this year the Authority is going to purchase a new ultrasound machine which will cost in the region of £100,000. I make that point purely because it is the most significant expenditure on new equipment but not because it is the only expenditure. Apart from the purchase of the ultrasound we are

going to spend about another £300,000 on new equipment this year.

Mr Speaker, the House will recall that I have given in successive years my comments generally on private practice. It continues to be Government policy to regulate private practice and it is our target to do so. We have now, within the Government, agreed a framework document for regulation and we are having, what I consider to be, final discussions with consultants and I would hope that there should be progress in this field soon.

Mr Speaker, there is also a Governmental commitment to launch a Health Charter and we intend to do so by the end of this financial year. I said last year that the discussions were held up because in the UK they were reviewing the Patients' Charter and as we had drawn largely from the Patients' Charter I did not want to launch a document that was then going to be so criticised in the UK and so reviewed in the UK that we might have to go back to square one immediately. So I waited for the report, the Gregg Dyke Report that came out in December 1998. I did not know at the time when I read the Gregg Dyke Report that Gregg Dyke himself was going to be so notorious in a party political sense, I now read in the papers that he has given contributions to the Blair campaign and all sorts of things like that. I was not aware that he was the same gentleman who wrote the Review of the Patients' Charter and so on. In any event, we did wait for that and we have taken into account the recommendations of that report. I have formed a working group that is now looking at the draft of the Gibraltar's Health Charter to be able to make a more tailor-made charter for Gibraltar and I would hope that there should be progress in this field.

In December 1998 I launched another important educational project for the Authority which was the School of Health Studies. The School of Health Studies is a new educational project for the Authority. It is part of the Authority's long-term educational strategy and it is part of the Authority's long-term efforts to implement the Nursing Review in an educational sense. The Nursing School is now no more in the sense that it is now a one of

three components of what we see as the School of Health Studies. The School of Health Studies will include the Nursing School; it will include a segment that we call "post-basic professional courses" and it will include another segment which is the multi-disciplinary and health care management courses. The School of Health Studies which I launched in December 1998 meant that the Nursing School was relocated to Bleak House even though they keep a base in St Bernard's; they provide most of the academic training from Bleak House and they provide the practical training from the wards themselves. The School of Health Studies will seek validation of its courses by Sheffield University. That is a very important aspect of the School of Health Studies project. The reason for that is that there are proposals, as I said last year, from the European Commission level to make nurse training a university qualification and I think we need to be prepared for that by linking the qualifications we give in Gibraltar to a university qualification and so what will be achieved at the end of this is that our School of Health Studies will be able to continue nurse training in Gibraltar because the Gibraltar qualification will also be a Sheffield qualification. That is if we obtain validation, that will allow us to continue training in Gibraltar and will circumvent any proposals which are successful at European Commission level to make this a university grant qualification. So it is certainly very important for us to continue training of Gibraltarians here in Gibraltar for us to be able to modify our educational requirements and resources in this way. We are also going to provide new health care management training which was never provided before and, again, is a very crucial aspect of this project. The clerical and admin grades just were not receiving any support and assistance and even though there were funds for training, these usually were from the professionals in the service and there was a lack of regard of the fact that the administrators were professional administrators themselves and needed to be so and needed to be backed and the health care management courses will indeed provide that opportunity and I intend to provide resources for health care management in the next 12 months or so.



Mr Speaker, I pass on to environment. I have spoken about Public Health Departments, public health is what I consider the bridge between environment and health and I have spoken about public health developments and these are contained in the Health Authority's Report and I would refer people to that if they would like to see the developments that there have been in public health in the last year or so. I just want to quickly deal with other items so that we can round up my contribution.

Mr Speaker, the more significant areas that I would like to deal with are these. In the first place, planning. The House will recall that we launched a consultative paper during late autumn last year in relation to the planning of legislation. We are now putting the finishing touches to that legislation; there were a great number of contributions and a great number of large interest from the community in relation to the legislation itself. I would hope that we will be able to present the new Town Planning legislation just after the summer. I think that is probably realistic now, I would have wanted to do so earlier but I think we are looking at after summer. This new legislation will provide new structures and will introduce the element of public participation that we promised in our election manifesto we would introduce into the planning process and so it is a radical and yet important piece of legislation. I realise that it has taken long to come forward but that is because we wanted to get it right. There was extensive drafting and we thought it important for there to be, in the context of the fact that this is a public participation piece of legislation, we thought that it would be important for there to be public consultation on the legislation itself before we presented it in the House and we have done that for about six months and there has been indeed a fruitful process because we have amended substantially and refocused some of the sections in accordance with matters that have been pointed out by experts and people who work within the landlord and tenant and planning fields.

Mr Speaker, it will be recalled that the Government are reviewing heritage legislation and again that legislation has advanced, not as much as the planning legislation. We are looking at the powers of the Trust and the power to set up Commissions and a more

vigorous list of building protection. That is important to us in the context of the final thing I will say this morning, it is important for us to strengthen our legislation in relation to conservation and we intend to do that and I would certainly hope that in the next few months we are able to achieve a final version that can then be presented to this House as soon as possible thereafter.

There continue to be difficulties on some environmental problems such as litter and I would emphasise members of the community listening the importance of public co-operation in the litter enforcement effort and in the litter control effort. Someone is placing these bags at random places, presumably they are members of our community and I would ask them not to make the authorities' task worse and not to make Gibraltar an untidy place because we are all trying to consolidate our economy with a big shift towards tourism and I make my annual plea with responsibility in this field that it will be more difficult for us to consolidate our efforts and to create jobs and to encourage tourism and indeed to create a better quality of life in Gibraltar if we are so indiscriminate with littering Gibraltar and I ask everyone to be conscious of that need to be a bit more constrained in their customary practices and I hope that people are more aware of our immediate environment and do not litter Gibraltar.

Mr Speaker, the Government continue our beautification effort of Gibraltar. We are nearing completion of the Irish Town project and as I announced during the last Question and Answer session we are going to start the Irish Town north project quite soon, Irish Town north is the part north of Parliament Lane, that will be started quite soon once the materials arrive. The Government are also considering a project to level the Piazza and we would hope to do so as soon as we can reach agreement on other ancillary issues in relation to the Piazza. Our hope is to level and beautify the Piazza into the square that it used to be before the 1960's.

Mr Speaker, hon Members will have noted that the cleaning arrangements in Gibraltar have now been reviewed and a tender was advertised which closed in April. We expect that arrangements will be in place soon which will lead to a more

comprehensive service, it will lead to more frequency, to cleaning of additional areas and greater accountability of one contractor to the Government instead of a whole hotchpotch of five or six small contractors which has led to a discrepancy and a broken up service which has been difficult to control, I am advised by the Cleansing Department.

Mr Speaker, in the field of oil pollution the Government have, as the House has been made aware, reached an agreement with Oil Spill Response Limited for them to provide a tier three backup service to Gibraltar. We also this year have reviewed the Gibmop plan which is Government's oil pollution plan to deal with tier one and tier two which are the more local and the more minor oil spills and there was a substantial exercise supported by my hon Colleague the Minister for the Port, Operation Seagull. There will be, finally, in relation to oil pollution, significant new legislation being brought to this House later this year. The 1992 Protocols on Civil Liability on Oil Pollution and International Oil Pollution Compensation should come to the House later this year. They replace the Order in Council that was made in 1976 or 1981, I cannot recall exactly the date, but they will replace those systems, they provide a more modern system of oil pollution and civil liability and I think it is important, given the amount of bunkering that there is in Gibraltar, the fact that we are the biggest bunkering port in the Mediterranean, for us to have support schemes in place to be able to deal with oil pollution and so on.

Mr Speaker, finally I wanted to deal with heritage as a significant part of my responsibilities. The Government are very aware of our heritage responsibility and indeed are very conscious that we should promote certain ventures and restore and conserve and undergo projects of that nature in Gibraltar. So we continue in that by continuing the Calpe Historical Series of Conferences which in 1999 will focus importantly on restoration and conservation of heritage assets. Again, in the context of what I will say at the end, I think that is important. The volumes of the Calpe '97 and '98 Conferences will, I expect, be published during 1999/2000 and a quaternary volume on early history in Gibraltar will also be published. The 1998 Gibraltar Conference acquired most of the

leading experts in the world, we expect and certainly the experts themselves in the field expect will become the leading text book and the leading new text book on Neanderthal studies and will provide a good impetus and a good promotion of Gibraltar. Indeed, it is so important a text book that the leading academic publisher Oxpox is going to publish this book and I think it does credit to the fact that we were able to collect all the experts and the fact that Gibraltar will be promoted in such a good light for that to be the case and in that context I mention that, of course, the Government will continue our funding assistance of the archaeological excavations at Gorams Cave and at Vanguard Cave because it is important for us to promote Gibraltar in a good light and this indeed collects the experts from the UK, the Natural History Museum who have worked so well with us, who have lent us the Neanderthal skull last year for our 150<sup>th</sup> anniversary; the skull that never left the UK was able to be brought back to Gibraltar under close security and we were very happy to undergo that joint project with our friends in the Natural History Museum. The Government also funded a Casemates excavation and we hope to at least expose some of the old galley house, it is the only galley house in the world now and so we intend to expose part of it in the context of the Casemates beautification. The Government are also assisting with a project to set up an aviary at Alameda Gardens and we have contributed some funds towards that. Also, I suppose close to me physically, is the fact that the Government are giving a substantial contribution towards funding the restoration and conservation of the City Hall Council Chamber and once we do the Council Chamber this year I would have wanted, once there is a relocation of the housing services when my hon Colleague, the Minister for Housing, consolidates his Ministry, I would want thereafter to do a restoration effort of the interior of the City Hall because it does leak and it is obviously an important building and it needs to be protected.

Mr Speaker, in that context, of course, I should also mention that we extended the tax concessions not only to Main Street and Irish Town, we extended it to the whole of the City Centre; every single property within the City walls now can access those tax concessions. They are going very well. In the last 18 months or so

we were able to beautify about 50 or 60 buildings, when I say we I mean the tax concessions were able to allow people to do that; 50 or 60 buildings have been beautified and I think it is important for us to continue encouraging that. The Government have particular urban renewal projects ourselves but the tax concessions will certainly encourage people to do so and to do so more vigorously and we think that will produce a more maintained, a more conserved and a more beautiful City Centre of Gibraltar in a way which will assist our eventual effort to achieve international and recognised status.

Finally, and against all that background of heritage of specific projects, Mr Speaker, I want to mention the Government's aim to achieve UNESCO World Heritage Status. Hon Members may be wondering how Government came to the conclusion of trying to seek that status. I briefed my hon Shadow Spokesman on the issue some time ago but for the benefit of other Members of the House I think perhaps I should give at least an inkling, perhaps not in such detail, of the way that matters progressed. The Government became aware of the fact that the new Labour administration were going to review the list that the British Government had submitted to UNESCO some years ago of places that might be eligible for application for World Heritage status back in 1997. We learnt on that and we learnt that Bermuda, the town of St George in Bermuda and other overseas territories, were very eager to participate and to seek World Heritage status. Once we evaluated what that meant and the prestige that comes with the World Heritage badge and the emblem for our tourist industry and for the conservation of our heritage generally, we reached the conclusion that it would be valuable for Gibraltar to try to obtain that status. There is a two-stage procedural process in relation to getting on the British list and then there is a two-stage macro process. Essentially it works like this: because we are an overseas territory normal applications in the United Kingdom get evaluated by the Secretary of State for Culture and Heritage. Because we were in the overseas territories, first our bid had to be endorsed by the Foreign Secretary and then it went to the Culture Secretary for evaluation. If we got on the British list, that did not mean that we would be

able to get UNESCO status but we are entitled to apply for UNESCO status in due course. UNESCO may refuse or may accept our application in due course but the importance of being on the British list was that unless we were on the British list now, the British Government were not going to review their list to UNESCO for 10 years and because an application is not normally made immediately once one has been placed on the list, because people will take from five to 10 years after being placed on the list to make an application, it was likely that if we missed the boat this time we would not be able to apply for World Heritage status for another 15 or 20 years and because of that, I am still young I suppose, I could see that, but there may be people in Gibraltar who the efforts to obtain World Heritage status is very dear to them, may not be able to be around for that effort. We thought that it was important that we should get cracking, get on the list and then be able to modify our strategies to be able to accommodate that effort and to be able to make an application within five to 10 years as is the normal standard. So the importance of this that had we missed the boat we would not be able to make this application for about 15 or 20 years. So my department and I was indeed heavily involved in this, we had long sessions with the Foreign and Commonwealth Office in relation to our bid for World Heritage status, there were other overseas territories that wanted to get the Foreign Secretary's endorsement, only four or three – I think it was – received the endorsement from the Foreign Secretary, we were one of those, that was in February/March 1998. We were then told the UNESCO tentative list committee set up by their culture secretary was going to evaluate our bid; we again submitted documentation to them. The tentative list committee, I am glad to say, supported Gibraltar's bid and made a recommendation to the Secretary of State in that context. He issued a consultative paper, in August 1998, which included 32 names on that list that the tentative list review committee thought could be available for World Heritage application but he made the point that that list was going to be whittled down further. I make the point that generally about 120 to 150 sites were considered; the tentative list review committee recommended only 32. When the Secretary of State about a couple of months ago launched the list that he intends to submit

to UNESCO it was further whittled down to 25 but there are only three territories outside mainland United Kingdom that had received the backing of the United Kingdom Government and that we are one of those three and so it is indeed a tribute to the efforts of those people who were involved in this, and I single out Clive Finlayson and Alex Almeda for that praise, that we have achieved this. It is important because of the fact that had we missed the boat, we would have not been able to apply for 15 or 20 years. Bermuda, I understand, are going to make an application this year. I am in contact with the Bermuda Government just to understand how they have structured their bid. The procedure for the decision itself is complex. We need to get advice on the procedure and I intend to seek expert advice on that, we already have an important English Heritage Policy Adviser arriving at the end of this month to have meetings, intensive sessions with us to be able to guide the Gibraltar Government in relation to the UNESCO bid. The procedure, as I say, is complex. It entails after tentative list inclusion and after nomination through the Member State, from nomination to determination it takes about 18 months. The World Heritage Centre which is a body based in Paris set up by UNESCO assesses that the nomination is complete, then they send out advisers depending on whether it is natural heritage or urban heritage, they send out advisers from the World Conservation Union, they make recommendations to the World Heritage Bureau which is a sub-committee of members of the World Heritage Committee. The World Heritage Committee is 21 Member States elected from members of the UNESCO, they elect a sub-committee to deal with the initial assessment of world heritage applications which is called the World Heritage Bureau which is seven of those 21. Once the World Heritage Bureau has looked at it, it makes a recommendation to the World Heritage Committee. It is a complex procedure, as I say, it takes about 18 months and I think we will have to obtain advice on the procedure and indeed on how determinations are made. But let me say that I have already tailored that into the Government's strategy to deal with heritage matters. We are going to make public the basis of that strategy in the next few months when I launch a Heritage Charter of key principles which the Government are going to commit

ourselves to. I do not want to pre-empt what is going to be in that but let me just say that it is a long-term six year strategy for us to be able to deal with legislation, deal with our heritage assets and deal generally and accommodate the wish and the desire, I think, of all people to make an application for UNESCO World Heritage status so that we are in a position by 2004/2005, where we can say, "We are quite confident that we can make an application now because we have done enough work over the last six years to be able to strengthen our resources, our assets, our legislation and conserve our heritage assets to be able to make this bid for international recognition". This bid is important to Gibraltar because it is prestige for Gibraltar, very good publicity for Gibraltar; it is a significant boost to tourism if we achieve it because we can say we are a World Heritage site. There are many people in places in the world, especially in places in the world that have less heritage, that have been populated in the last couple of hundred years that come to Europe to see heritage and it is a valuable tool for us to be able to say we are a world heritage site. We may be unsuccessful, we may be successful. I am not sure whether we will be successful or unsuccessful but the point is that we need to try to obtain and secure the status and we need to strengthen our resources and deal with our heritage assets to be able to deal with this in the best way possible. I think we have to look to the future with optimism. I think it will also give a boost, not only to tourism but to job creation in that field, once we are able to strengthen the heritage focus of the Government and I would have hoped sincerely, Mr Speaker, that though I was not able to brief Opposition Members in detail while the negotiations were being carried on, I did try to speak to the hon Member and was successful before the announcement was made public to tell him of the matter. I did tell him of the details of the negotiation once the matter had been announced and I would have hoped sincerely and I trust that I will have cross party support in relation to this effort to obtain international recognition and World Heritage status. I think it is important to Gibraltar, a very important heritage development and touristic development if we are able to achieve it within the timescale that we envisage and I end on that note, Mr Speaker. Thank you very much.

HON MISS M I MONTEGRIFFO:

Mr Speaker, as in previous years, the Opposition Members make their contributions generally related to the Ministries we shadow. We make an analysis of Government's performance during the year, and collate the information we have been given during Questions and Answers sessions, even though I must say, that sometimes we have been getting conflicting information, especially related to the figures we have sought.

I will start with the Health Authority. As always, I will try to be as constructive and as factual as possible, that is always my wish. I have taken note of what the Minister has had to say about our health services. In spite of everything he has said, however, there are still quite a number of issues on which we have grave concerns. We have also seen how the Government have implemented policy decisions which we believe are placing an unfair financial burden on the users of the services. I cannot resist the temptation to tell the Minister that I wish I would have found the state of our health services as he found them when he came into office in 1996, and not in the appalling state that I found them in 1988, when there was even a lack of basic medical equipment and an insufficient budget. I could go on and on and on, Mr Speaker, happily, for him, we left them in a pretty healthy state.

I want to take issue with the Government on the revenue-raising measures they have implemented, measures which were left out of the Minister's budgetary contribution of last year and which a few months after, were announced.

Firstly, the increase in prescription charges from £1.20 per item to £2.50 per item, an increase of just over 100 per cent. We condemned these increases at the time, because we thought that the people who were being directly taxed were the patients, the elderly and the chronically sick. As if this was not enough, then came the announcement of another increase - doctor's house-calls, these have been increased from £5 to £10, again another 100 per cent increase. We told the Government at the time that if they saw merit in doctors collecting more money for house-calls,

the Health Authority should have paid for this increase and the Government in turn could well have reimbursed them. Government finances could have absorbed this expenditure. These are therefore moves that are totally inexplicable to us. On the one hand Government announce every year that tax allowances are going up and on the other, they tax the people who need to be helped the most. Indeed, Mr Speaker, the Chief Minister, in this budget, has stated that it is only fair that because the Government have a surplus, some of that money should go back to the tax-payer. I regret that he has not been as lenient with the users of our health services, and since they do not need the money, we cannot understand why they have found the need to penalise the sick. I know that he has said in this House that he is not prepared to stand on the roof top of St Bernard's Hospital, throwing pound notes away, but certainly it could equally be said that he is now standing on the roof top of No. 6 Convent Place, throwing pound notes to as wide a sector of our community as possible. But the damage, to the sick, the elderly and the chronically sick has been made.

We have also raised in this House the question of the implementation of the two reviews that they initiated, the Medical and the Nursing Reviews. To date on the medical one, the Government have refused to answer questions on those recommendations that they will not be implementing. The Minister has only gone to the extent of referring to percentages which has meant nothing to us.

On the question of the Chief Executive post that the Minister made reference to this morning, we have always expressed serious doubts in the wisdom of having to bring an expert over from the UK. It was tried just prior to 1988, when we came into office, when the Health Authority was being set up as being a completely independent body from the Civil Service and civil servants would need to acquire some skills in terms of new methods of administering the change. The experience then showed that our people were fully capable of running the service. In fact, our health services were well managed even by the people who were there before we were elected. The only

difference from 1988 onwards was that we gave them more money. Notwithstanding that we told the Government what had been our experience, they still chose to bring another expert. We therefore do not agree with the Minister that the changes he proposed to make, which in essence are mainly the creation of new administrative posts, required another expert. There has been no major revolution and today the services are still being run by the same people. And because the Government decided that the salary for a Chief Executive should be set at £56,000, they have created a problem with the pay structure within the civil service senior grades. That is the reason why they are now having difficulty in negotiating the pay for the new Chief Executive. Mr Speaker, he is not only a Gibraltarian but he also happens to be the very same person who was at the head of the Health Service when we were in office. One thing we are glad of and that is that they are not making the same mistake as before of recruiting yet another expert from outside.

I agree that the role of the Opposition is to make constructive comments, but any comments we make are considered to be destructive, not because of the merits but because it is us putting the arguments. I wish that the GSD, when in Opposition, would have been as constructive as we are in Opposition.

With the nursing review it took the Government two years once they had it, just to decide whether they were going to make it public. We now realise why they took such a long time in making this decision. I would like to give a rundown of events that have transpired in this House in relation to the nursing review. We have asked questions on each individual recommendation, these are essentially related to the increases and the complement of nursing grades. The Government proposals show that they will not be implementing the Report because the Report recommends two things: the changes in the number of posts in different grades and increases in the total number of posts in the complement. The Government appear to have decided that they will accept the changes in the composition within the existing complement without increasing it. This is fundamentally in conflict with the logic of the Report, because for example, in a particular ward one may

need more senior staff in addition to the junior staff. What the Government are saying is that they accept the recommendation of more senior staff in a particular ward but in substitution of the junior staff so that the total number of persons allocated to that ward does not change. That is a completely different scenario from the conclusions of the nursing review. Having commissioned and studied it for a very long time, they have come to the conclusion which has nothing to do with the rationale of the recommendations. What we want to know is very simple. What are they implementing in relation to what there was there before? The previous review was conducted by the Director of Nursing at the time when we were in office. And indeed there was a recommendation that there should be different manning levels with different grades in the different wards. There was no political decision to change that recommendation, those recommendations were adhered to. Of course, at any given point in time there are vacancies like in every other Government Department. For example, if we have heard from the Government that there is an over-complement of AAs and an under-complement of AOs, the explanation was that the people had entered at the bottom of the ladder and they were on the way up. But the structure is not reflected by the people who happen to be in post in any particular day. If today we are told, for example, that there are 70 AAs when there are supposed to be 25 and tomorrow one gets promoted to AO, the structure of the civil service does not alter because what we have are AAs occupying AO posts. It is the posts that define the structure of the civil service. The same principles, Mr Speaker, apply to the administrative posts of the Health Authority and there is absolutely no reason why the same principles should not apply to the nursing grades. The correct structure is therefore presently being determined not with what is considered to be the appropriate manning levels for a particular ward, but by what happens to be the grading and the number of people in employment at any particular time. By that definition, the nursing grades are in a state of permanent restructuring, every time someone leaves or joins the service the Minister considers there are new complements, he describes the complement by referring to the number of people in employment ignoring the vacancies which means that every time a vacancy is filled he can say there

has been an increase in the number of nurses. In order therefore to judge the desirability of the new nursing structure that is being put in place, we cannot do this by reference to the recommendations of the Nursing Review, we can only do it by trying to find out who happens to be working where and at what grade because there is no other way to establish what the composition is. This is the analysis we have arrived at by virtue of the answers we have received to all our questions in this House and it appears, therefore, that this new situation only exists in the Health Authority. The norm has always been in the Health Authority and indeed in the civil service, that there is an agreed complement. With, for example, the Rocca Report, we had a situation where we had 315 people in post compared to the established complement of 340 and the provision under personal emoluments was for the established complement. Whether the figure was adjusted or not during the course of the financial year depended on the balance between the people leaving or entering the service, like what happens in every other area of the Government. In successive budgets, Mr Speaker, I have been trying to establish the comparable scenario as regards the provision in the personal emoluments of the Health Authority. We have been given conflicting answers, being told first that it included the money for vacancies and then that it did not, that it only included the number of people in post. We have also asked questions in this House because we can only compare the establishment with the jobs filled so as to know at any point in time what the structure is and how many vacancies there are. If the Minister wants to refer to physical bodies he should stop making reference to the established complement in this House which surely confuses the matter even further.

Two weeks ago I wrote to the Minister asking him to provide me with the information in relation to the figures contained in last year's budget and in this year's budget but I have not yet received that information. I sincerely hope that the Minister will be providing it to me by the Committee Stage or as soon as possible because this will give us a clearer picture.

Today we have heard that there will be another review. We do not agree that in order to keep up with advances in medicine one needs to have a review every few years. There are advances in medicine all of the time and we have had the experience that the more reports we have from the Minister the more confusing the issue of the nursing structure becomes. At this point in time I would also like to thank Mr Rocca and Dr Cecil Montegriffo who are retiring. They also gave me invaluable help when I was Minister and I can only say they have always been a credit to our health services and they will be missed.

On another issue, Mr Speaker, I would like to come now to the complaints procedure. If the Government's new procedure will adequately deal with patients' grievances is something that we will need also to evaluate because it has recently been implemented. But having seen it, it appears to be a long drawn exercise where patients first have to see the Staff Member concerned, then the Manager. Stage 3 if it is a clinical complaint one sees the Clinical Supervisor in charge of one's case; the Public Health Director may decide that there should be an independent clinical review; if it is non-clinical the complaint is then referred to the Chief Executive. Stage 4, the Chief Executive decides whether he should recommend to the Health Authority that an investigation or inquiry takes place. If one is still unhappy one is then told to do to the Ombudsman, quite a journey. The Minister had promised an easy to use complaints procedure, we will need some time to judge its effectiveness.

And now to the budget, Mr Speaker. The Minister once again has said in his contribution with regards to the budget that he is spending more money. The Minister should realise that when one makes an analysis of all the Heads there are new elements when one takes into consideration, for example, the capital spent; the rent of the Health Centre and all the other various sub-heads. Therefore if one takes all that out of the equation he is not spending, again, as much money as he is claiming. I think we would also like to know why there is an increase of £1 million on the revenue side of the GPMS, that is from £16 million to £17 million, we have not been given an explanation on that.



As to refurbishment works, I am sorry to note that the Minister has still not taken up my suggestion to build extra floors at St Bernard's Hospital that would have ended up providing the Health Authority with a second theatre and other valuable space for extra wards. As I said last year, there were plans drawn up by the MOD when they were negotiating with us the use of the hospital by their personnel. These plans were indeed accepted by the medical and nursing staff who were invited to have an input. Therefore I would urge the Minister to have a look at those plans because they would really alleviate space problem at St Bernard's Hospital and we would end up having other wards and an extra theatre.

As regards the other works, Mr Speaker, it has indeed taken the Minister a very long time, first of all, to come to the decision that the old kitchen should be converted into a rehabilitation centre and then for the whole of the works to be completed. Especially, Mr Speaker, when one compares that we started the works at the old kitchen area a year before we left office, that was in 1995.

Finally, Mr Speaker, on our health services, I can only repeat by what I started off by saying and that is that in a scenario where Government are giving subsidies, increasing tax allowances and other benefits and spending more sums of money in less important areas, they should have decided to do the opposite in an essential area such as are our health services. They have targeted the sick but on the other hand they have helped so many other people, that is regrettable.

On sport, again here we left solid foundations for the Minister to inherit. We opened up areas that had been closed prior to when we were in office, we provided sporting facilities for different associations, that culminated in the success of the Island Games, we provided a large number of premises which the Minister has then had the privilege to hand over, so on and so forth. I agree with the Minister that hockey is a success story and I also congratulated and today will again congratulate the achievement of the Eagles Hockey Club and also all the other sports people who have done us proud.

I am very pleased to hear the Minister for Sport announcing the development of a new sports and leisure complex in the area of Bayside. I give credit where credit is due, in the same manner as my Hon Friend, Mr Peter Montegriffo, did in relation to our initiative on the reclamation and infrastructural works. We may have our differences but I am glad that he has given credit where credit is due and I have also given credit where it is due.

We must not forget that sport is not only important to improve our quality of life but it is our sports people who have and who no doubt will continue to carry the message that we have an identity of our own, one that we can all be proud of, and it just goes to prove that with determination, hard work and resolution we, little Gibraltar, can stand on our own two feet against bigger and stronger nations. We just need to have the confidence and the willpower that our sports people have shown against great adversity. Thank you, Mr Speaker.

MR SPEAKER:

I will call on the Chief Minister to reply, if he wants to reply.

HON CHIEF MINISTER:

Mr Speaker could be forgiven for doubting whether there is any need for me to reply but it is conventional that I do so and therefore I will.

Mr Speaker, even allowing for the obligation of an Opposition to criticise and to oppose, even allowing for that, in generous measure, the contributions of Opposition Members have really been quite extraordinary. We do not expect them to heap praise on the Government; we do not expect them certainly to vote for us and we do not expect them to miss any opportunity that is available to criticise but the general thrust of all of their addresses including the last one, all of them are based on a false analysis or a false representation of facts is that, firstly, the Government have no policies; secondly, if we do have policies they are not working;

and thirdly, to the extent that we do have policies and they are working which they do not think is happening on too many instances, that is because they when they were in office created the platform and all we are doing is continuing their success. Well, Mr Speaker, Opposition Members should relax a little, they can rest assured that general elections are not as imminent as they might fear. Opposition Members' attack on the Government appears to be based also on the fact that we are creating nothing of value and that the Government are spending money hand over fist. I hope I have not done the hon Members a disservice with that short summary of what has been the sum of their contributions in this House. Mr Speaker, it beggars belief really that the hon Members can say with a straight face that the Government have no economic policies and that the ones that we do have are not working. Let us review the situation.

The Hon Pepe Baldachino may wish to say that Jaime Netto's performance in the Ministry of Employment is shambolic. I do not know whether he thinks that people form their views on the basis of the adjectives that he chooses to use regardless of what they can see for themselves and what the statistics show but the reality of the position is that measured by the same method that they used, measured by the method that they invented and used and presented to the electorate as credible, unemployment has fallen by 35 per cent from 599 to 388 from January 1998 to March 1999. Well, I do not know whether the hon Gentleman thinks that that is shambolic but if that is his definition of shambolic, all that I can say is that I hope that there will be more shambles of that kind. If the hon Member when unemployment was 588 criticised the Government for presiding over high unemployment and then when we reduce it by 36 per cent he says that the performance is shambolic, I think the hon Member should not be surprised that people do not take his judgements seriously. It is really trying to make black look white and trying to persuade people that the reality is different to what it is in fact. But, Mr Speaker, at the end of the day we all perform in front of an electorate that has the say every four years. One of the things that kept on slightly, I have to admit, amusing me as I heard Opposition Members explain just how everything was so rosy when they were in office and just how

little we have achieved, one of the thoughts that kept on crossing my mind is, goodness gracious me how on earth did the electorate of Gibraltar ever come to the conclusion that they no longer wanted the hon Members in office? Really the hon Members must be at a loss given the statements that they have made in this House, the hon Members must be at a loss to understand why the electorate has been quite so ungracious and ungenerous as to evict them from Government given the miracles over which they were presiding. I would suggest to the Opposition Members that they perhaps ought to reconsider their own judgement of what the situation was over which they were presiding.

Mr Speaker, hon Members may wish to rubbish Government's achievement in the field of training but again, the reality is that Gibraltar has never had more or better organised, planned, structured, monitored, delivered, valuable training ever in its history. Hon Members may wish to rubbish this, there are now more people in genuine training opportunities under genuine training schemes than there have ever been in Gibraltar, certainly that there was ever when the Opposition Members were in Government. Their definition of training was that they sent people on cheap labour rates to private sector employers to use as they pleased. Well, if that is their measure of training, if that is their definition of training, if that is what they think is a way a Government should act in order to equip youngsters to make their way in the world, by that definition I agree that we are doing terribly badly but if, like the Government, people believe that permanent low wage subsidy where no real training is delivered, where no valuable qualifications are obtained, that that does not constitute the sort of training that the Government should be investing the taxpayers' money in, then I think anyone who shares our vision of what is valuable training is bound to come to the conclusion that the hon Member is being much more than less than generous of the Government when he criticises our training initiatives, he is simply refusing to recognise the realities for what they are. Mr Speaker, it does not really matter what the hon Member says because at the end of the day people do not judge our respective political performances by what we each say,

people have got eyes and ears and people see things for themselves and people make judgements on the basis of their own assessment of what they see unfolding in front of their eyes. If the hon Member thinks that he can somehow make people believe that black is white and white is black simply because he says so, regardless of the evidence in fact, regardless of the reality unfolding in front of everybody's eyes, then I regret to say he is embarked on a political exercise which I suspect is unlikely to prosper. I wish to take this opportunity, Mr Speaker, to applaud the work and achievements of the Director of Education and Training; the newly appointed Training Officer and his staff; the trainees that the Opposition Member has done so much to try to discourage during this debate and, indeed, the Minister for Training who have, in a relatively short period of time, transformed the landscape in Gibraltar in relation to training initiatives.

Continuing my little review on the alleged lack of Government policy, I speak in relation to the finance centre not just politically but also somebody who was an operator in the finance centre and who was living on a day-to-day basis the position in the finance centre and who understands the finance centre. The Opposition Members may wish to suggest obviously with more than a little bit of political partisan self-interest that the Government have no policy on the finance centre but, Mr Speaker, how many people in the finance centre that may be hearing that do they think actually believe him? Well, he ought to be careful because many of the people that I consult are very close to him and this is not the message that I get but we will come to that. The fact of the matter is that the finance centre is buoyant. I admit I am no longer in it and therefore I am less in touch with it than I was when I was a practitioner in it but I take every opportunity at receptions, at my quarterly economic advisory council meetings, at my not infrequent meetings of the finance centre council, in the Minister's not infrequent meetings with the finance centre council, we take the opportunity to take soundings as indeed we have done with this survey that my hon Colleague, the Minister for Trade and Industry, referred to in his speech and all the feedback that we are getting from the finance centre is that they are busy, some

sectors more than others. Some sectors feel more threatened for the future because of some of these measures on the horizon than others and the Government speak to them to try and deal with their separate sectorial concerns but on the whole the information reaching the Government is that the finance sector is from busy to buoyant. I agree that those are not scientific measurements but for the purposes of this debate, that is the summary of the assessment. I do not know if the hon Members think that this happens despite the fact that the Government do not have an economic policy in relation to the finance centre and that this also is due to the marvellous record of the Opposition Members prior to 1996 in the finance centre. Mr Speaker, is the hon Member quite so oblivious, is he the only person in Gibraltar oblivious, indeed, given that he is an active participant in the offshore finance centre sector, is he the only person in the offshore finance centre in Gibraltar oblivious to the fact that the finance centre which we inherited in May 1996 was peering over the edge of a steep precipice to which Opposition Members had carefully and systematically led it during their eight years in office. The hon Member is not aware about the clamorous loss of international and indeed local confidence in Gibraltar's financial services centre. Obviously they are not and it does not surprise me to see them shake their heads now because if they had been aware of it I cannot believe that they would have been so irresponsible as not to have taken action to remedy it and this proves the point that they are oblivious to the realities of the situation or does the hon Member think that he could build a finance centre in Gibraltar with editorials in the London Times entitled "Rot on the Rock"? It was that something that was going to help the hon Member had he won the last election build his finance centre, a finance centre based on a community dedicated to fast launch smuggling; on a finance centre based on a rebellious refusal to comply with EU obligations; crashing loss of international confidence; the international press almost to a newspaper berating Gibraltar's reputation, he may not wish to recognise this but this is the situation that the Government inherited in May 1996 and he must know that there are operations in Gibraltar that are still in Gibraltar because the Opposition Members did not win the last election. Mr Speaker, I hate to have

to keep on saying, I know the hon Members think that we have a tendency to rake up the past too frequently for their comfort but it would help us to accommodate the hon Members' desire that we should not remind Gibraltar of its recent past, it would help us please them in that respect if they did not provoke us by making the sort of statements that they themselves make which invite this sort of response.

Mr Speaker, frankly if we achieved nothing more by the time of the next election than what we have already achieved in the finance centre through a lot of very hard work, time, effort and money but if we achieve nothing else come the next election for the finance centre than to have repositioned Gibraltar's reputation, than to have restored international confidence in Gibraltar so that the operators in the finance centre have a field in which to play the game, if we have achieved nothing more than that come the next election, we would already have achieved much more than most operators in the finance centre would have wished or dreamed in May 1996. We take the view, with which we obviously do not expect the Opposition Member to agree, that during the last three years this Government have saved Gibraltar's financial services centre from almost inevitable oblivion.

Mr Speaker, it is as worrying to the Government as indeed I believe it is to every responsible reputable participant in the offshore finance centre, to hear that it is still the official Opposition that aspires to be Government; that it is still their policy that Gibraltar should rebel against the transposition of financial services directives and should refuse to do so. In the Government's judgement and in the judgement of the financial services centre, that would be catastrophic for jobs, for the financial services sector and for the economy of Gibraltar and it is not true, as the hon Member said, that there is, "A clamour from the sector" that we should not transpose financial services directives. It is not true even by application to the Bar Council whom the hon Member said still subscribe to a resolution that the Government should not do so. Each and every sector of the financial services industry including the Bar Council consulted not

just by the Minister but personally by me, has said that they support the Government's policy of complying with Gibraltar's EU obligations in the area of financial services as an essential precondition, as an essential requirement to any prospect of success. If the hon Member is still trying to persuade this community that he can build a prosperous successful financial services centre in which people can have security of employment, yes the very people who now have mortgages and who need security of employment, that those hundreds and hundreds of people that rely on the financial services sector for jobs directly and indirectly, the hon Member is still trying to persuade them that he can make a success of their industry and therefore security of their jobs on the basis of setting up Gibraltar as a rebellious territory of the European Community that does not comply with its EU obligations – yes, he can shake his head but, Mr Speaker, a rebellious territory that does not comply with its EU obligations is just a slightly more colourful way of saying what he was recommending to the Government which is that we should refuse to transpose directives. Therefore a failure to transpose directives, I will certainly give way to the hon Member.

HON A J ISOLA:

Mr Speaker, I was not in any way proposing a rebellion. What I was simply saying was exactly what the Bar Council said in that resolution. What that resolution said was that before continuing to transpose directives, we should clarify exactly what our position is in order that we do not find ourselves in the position where, after having transposed all the directives, we find that we cannot passport, that is what I have said. I have not promulgated a rebellion and if I have, I am in good company with the Bar Council which unanimously, incidentally, passed the resolution. If the President of the Bar Council has since spoken to the Chief Minister and discussed it in a different way, so be it, but the resolution still stands as far as I am aware.

HON CHIEF MINISTER:

The hon Member's position is not that he just wants the position clarified, he votes against all the directive transpositions that we bring to the House. Gibraltar's position in relation to financial services is perfectly clear, it does not need clarification. *[Interruption]* Well, since when is the yardstick for anything in Gibraltar what is or what is not acceptable to Spain? If what the hon Member is saying is that we should not transpose directives, that we should forego the opportunity of passporting, that we should heap on Gibraltar the international programme that would follow, the complete lack of marketability that would follow, the complete loss of international confidence that would follow from a wholesale failure on Gibraltar's part to transpose EU directives until Spain says, "Yes, I recognise the Financial Services Commission of Gibraltar and all Gibraltar licensed companies are welcome to do business in Spain", if that is what he wants to do, until that happens then what he must understand, he must know that that is never going to happen. Therefore, there is nothing unclear about Gibraltar's status within the European Union, there is nothing unclear about the right of Gibraltar licensed companies to passport into the European Financial Services market, it is true that there is one technical issue about how bits of paper physically reach other parts of Europe from Gibraltar, whether it should be directly from the Financial Services Commission or through London, that is being addressed but the reality of it is that there are companies passporting already into the European Single Market. We cannot benefit from the potential of passporting until we have complied. How can we test whether we are able to passport if we are in non-compliance? The hon Member must know that one has first got to comply and one has then got to test the assertion of one's right which has been done, Mr Speaker, six companies are passporting in insurance. He has only got to read the Financial Services Commission's Annual Report to get even the names of the companies. What do we say to those six companies that are passporting? "Hang on, no you cannot passport because we are not going to pass the laws to allow you to do so because Spain says that it does not often receive bits of paper from the Gibraltar Government". Mr Speaker,

the hon Member may think that that is a way in which the financial services sector can be established in this community but we are entirely persuaded that it is a misguided, misconceived and erroneous approach to this issue. The hon Member says we are no nearer, to quote him exactly, to achieving banking passporting now than we were two years ago. Well, I do not know if he wants to be held to those exact words but if he does he has to know that this is not true. In the last two years we have completed the legislative requirements for banking passporting; we have resourced and geared up the Financial Services Commission with their necessary regulatory capability assistance for banking passporting, before that it was really being done in respect of insurance and we have submitted to and passed the audit of the Treasury, the Bank of England and the Department of Trade and Industry of the United Kingdom that we do indeed now meet EU and higher UK standards in respect of banking passporting. Mr Speaker, the hon Member may wish to describe that as being no nearer than we were two years ago but he is being less than totally accurate and certainly less than totally fair. We are on the doorstep of banking passporting. Gibraltar has done everything that has been required of it, everything that it needs to do and that has been so certified. All we are waiting for now is the political announcement, just as one day in June 1997 we got a letter from a British Minister saying, "Well done chaps, here is your insurance badge", well all we want now is a similar letter saying, "Well done chaps, here is your banking badge". Mr Speaker, we were nowhere near that two years ago. Mr Speaker, the hon Member asked, when we started discussing the various threats and challenges and the issues there, it was more of a rhetorical question but he wanted to be reassured that the Government were in close consultation with the industry on these issues. I can assure the hon Gentleman that the Government are in consultation and will continue to be in consultation with the finance centre on the threats involved and indeed will consult the finance centre on the Government's proposed responses to these initiatives so that the Government and the sector, I would like to believe and as I think I detected from that part of the hon Member's contribution to this debate, that on this issue at least there is no political divide between us, that this is in effect a

common threat from abroad in which Gibraltar, both Government and Opposition and indeed the industry, have a common objective and hopefully we can agree on how we save them. But, of course, I would just like to mention to the hon Member that these are not threats and challenges facing exclusively Gibraltar, that those that are based in the EU also are faced by the EU finance centres – Luxembourg, Dublin as well as Gibraltar – but that even the EU measures, even the EU tax code is not limited to those offshore centres that are an integral part of the European Union, there are territorial application clauses in all of those measures, although they are EU measures in which the Member States undertake to extend their application to non-EU territories which are dependent or associated with them. So certainly places like Jersey, Guernsey and the Isle of Man and even the Caribbean territories and the Dutch territories and the French territories are not safe even from the EU measures although, of course, Gibraltar is much more immediately and directly affected by them. In respect of the measures that are not EU based, the OECD initiative, the G7 initiative, these are applied in common to everybody as they do to Gibraltar and there we are in exactly the same position as every other offshore finance centre. Mr Speaker, I suggest that we now recess until 2.30 this afternoon.

The House recessed at 11.40 am.

The House resumed at 2.35 pm.

HON CHIEF MINISTER:

Mr Speaker, this morning I had got, in my reply, to the point of reviewing the comments of the Opposition Members in respect of certain matters related to economic policy and I think I had covered their comments in relation to employment, training and the finance centre.

So, Mr Speaker, I come to the comments of the hon Members in relation to tourism. Well, what can one say about the contribution of the hon the new Member, Dr Garcia. It is difficult to be generous as one would wish to be given that it is the hon

Member's maiden speech and that one should deal on such occasions with an element of generosity but given that the hon Member's remarks were so outlandish and given that the hon Member was so vehement and strident in his completely unjustified criticism of my hon Colleague, the Minister for Tourism, in relation to tourism matters, I cannot allow his remarks to go by unchallenged. The essence of the hon Member's contribution graphically captured for posterity in the headlines of the Gibraltar Chronicle was that the Government had "no tourism policy". Well, I do not know where the hon Member is living or indeed whether it does not matter where he is living because regardless of what he sees he will say what suits him politically regardless of whether it reflects what he sees in the place that he is living and I suspect that that is probably nearer to the explanation of the truth. Unfortunately for the hon Member I repeat what I said this morning to his new hon Colleague and that is that people in this community have eyes and ears and people use their eyes and ears not only to see the existence and achievement of the Government's tourism policy but also to gauge the credibility of the remarks that the hon Member makes. Everyone recognises not only the existence for the first time in over a decade of a comprehensive and focused tourism policy on the part of Gibraltar, but also the success that it has achieved to date, without of course that meaning that there is not still much to be achieved but I know of no one other than the Opposition Member who feels that the Government have no tourism policy and that such as we have, have achieved nothing. The thrust of the hon Member's criticisms were not, "Well, you have done several things and some have been successful and others have not" or "You have not been as successful as quickly". No, the thrust is that "you have no policy". Well, Mr Speaker, he had better explain that to the international tourism press unless he thinks that the Minister for Tourism has acquired the power to write the international tourism press. He has only got to pick up newspapers to see the terms in which they now speak about tourism in Gibraltar and the Government's tourism policy, or local hoteliers or the airlines or the local tour operators or the United Kingdom tour operators or the local transport companies, if the hon Member does not want to believe it from the Government let

him ask others. In a way it suits the Government for the hon Member to taint himself, as he is increasingly doing with every public statement that he makes, with increasing dosages of political lack of credibility. It suits us to the ground that he should continue to do so and I hope that he does. But really, Mr Speaker, addressing simply the facts of the matter, I have to correct him because he was not even correct on the facts and when he tried to use statistics he used them in a calculatedly devious fashion as I will now seek to persuade him of. "Where are the tourists?" he asked. "Where are the tourists if the Government's tourism policy is so successful?" the answer is that the tourists are on Main Street. They are on Main Street in record numbers; they are there every day of the week; everybody in Gibraltar sees Main Street crammed with tourists practically every day of the week. The hon Member can ask, "Where are the tourists?" everybody in Gibraltar knows it except him. Tourists are there in record numbers. "Why is Main Street not booming?" he asked. Well, it is not possible to educate the hon Member on matters of the economy in the short period of time available to me but Main Street is not booming not because the Government's tourism policy has failed to deliver tourists into Main Street in record numbers which we have done, Main Street is not booming because of the small matter that the hon Member chooses to overlook which is that since this Government has been in office we have had the misfortune of presiding over an increase in the value of sterling in excess of 30 per cent, a third, and the hon Member must be sufficiently acquainted with at least the rudiments of economics to understand that if the price of sterling rises by nearly a third Gibraltar becomes less price competitive to non-sterling people than it used to be. I do not know whether in his photocopying business this phenomenon reaches him but if it does not reach him in his photocopying business, it certainly reaches those shops in Main Street that rely on selling articles to tourists to whom it is now one-third more expensive than it used to be. I hope that that is sufficiently clear for the hon Member to grasp. Mr Speaker, "Why has there been a 60 per cent drop in pedestrians?" he asked. And I said, "Hang on, why has there been a 60 per cent drop in pedestrians?" until I focused on the fact that he was quoting February, March and April 1999 compared with February,

March and April 1998 and I say to myself, how curious that somebody who is wishing to project statistics for the year 1999 thus far to choose to quote February, March and April which is not a traditional quarter and exclude January until it became clear and here is the hon Member's manipulation of the statistics. If it had not escaped the hon Member that the fishing agreement was on the 4<sup>th</sup> February 1999 and that therefore the January statistics were not tainted by those problems and that had he included January then perhaps the figures would not have been quite as useful to him as they turned out to be. Well, Mr Speaker, the reason why there has been a 60 per cent drop in pedestrians in February, March and April 1999 compared to February, March and April 1998, as if the hon Member had not known it when he put the question, again he must be the only person in Gibraltar who does not if indeed he did not, is that we were having difficulties at the border as a result of the Spanish Government's reaction to the fishing situation. If the hon Member wishes to try and persuade the community that the fall in pedestrian and, indeed, my understanding of the figures is that he is wrong even on that. My recollection of the statistics is that there was a fall in vehicles but not a fall in pedestrians but still the purpose for the point that I am making, well one of them says no and the other one says yes. The Leader of the Opposition says yes, it does not matter because certainly the buses were down.

HON J J BOSSANO:

If the Chief Minister will give way, since he has chosen to mention my name, to correct what he has said. I have not said anything but since he says I have said "yes" what I am saying yes to is the fact that that is what he told us in answer to a question, that there had been a drop in traffic and that the result was that more people were walking and leaving their cars behind. That is the answer we have had before. I do not know whether the answer is correct or not, I am not saying the answer is correct, I am saying, "yes, it is what we have been told before".



HON CHIEF MINISTER:

Fine, we are agreed on that, Mr Speaker. The fact is that the hon Member says that pedestrians were down, pedestrians are not down. Cars may be down. The Hon Dr Garcia may wish to attribute this phenomenon to a lack of Government tourism policy or to a failure in the Government tourism policy but everybody in Gibraltar knows that it is not as a result of a failure in the Government's tourism policy but as a result of Madrid's reaction to the fishing situation. He may wish to abuse one fact to justify another allegation but he cannot do it with any modicum of credibility.

The hon Member wanted to know why there were less cruise ships in 1998 than in 1996. Well, I will tell him but everybody else in Gibraltar also knows but I will tell him since he has asked. The reason is that as a result of the image problems and as a result of the fast launch fiasco and as a result of the previous Government's failure to indicate to the tourism industry any inclination to tackle the transportation issue, the cruise ship industry in 1996 was on the verge of collapse and.....  
[*Interruption*] Well, the hon Members know that there is a two-year lag in these matters, that cruise ship companies plan.....  
[*Interruption*] Well, hon Members know that the situation that we found ourselves in 1996 was a growing situation in which international opinion began to lose confidence and patience with Gibraltar, gradually. It was not a question of cruise ships pulling out the moment the hon Members started authorising fast launches. But that was the position or how else does the hon Member explain it? Are the hon Members saying that because of this Government's tourism policy, because of it cruising actually fell? [*HON J C PEREZ: Despite it.*] Well, fine, but that is very good, thank you very much, it is the first sincere concession I have extracted from the hon Gentleman. If he says that it is despite the Government's tourism policy, it is (a) a recognition that there was a tourism policy, and (b) a recognition of the fact that the cause for the decline must have been, for some reason, extraneous to tourism policy which is exactly what I am telling him. I am telling him that just as they had brought the finance

centre to the verge of collapse, they had brought the cruising industry to the verge of collapse and Gibraltar was lucky that the General Election came in 1996 just in time for the new Gibraltar Government to turn the situation around which we have done as is now reflected in the fact that the numbers speak for themselves. The Opposition Members' collective desire to make as much background noise as possible on a matter which presumably is of concern only to the hon the spokesman for tourism, I think also speaks for itself.

Mr Speaker, the hon Member wants to know why it is proving so difficult to restimulate the yacht market. I have to tell him that the reason is also.....[*HON J J BOSSANO: That it was also on the verge of collapse!*] Mr Speaker, the hon Member says it as if he is cracking a joke. Does the hon Member not know what everybody in the local marina industry knows and that is that the fast launch activity as one of its side effects killed the potential growth in that industry as well? Yes, and it takes, unfortunately for Gibraltar, even with the efforts that this Government are making, in some areas it is easier and quicker to rehabilitate Gibraltar's image and Gibraltar's market position from the damage caused to it by their performance than in others. And it is true that the yacht market is one of those areas in which our remedial action to salvage the fortunes of that industry are proving more difficult simply because the word of mouth amongst yachtsmen takes longer to circulate than it does to correct general images and impression amongst cruise companies that one can visit individually and explain changes to them. This incredulity on the part of the hon Members about what I am saying is part of their psychosis of not understanding why and how they lost the last election. Well, Mr Speaker, if it had nothing to do with their stewardship of the economy, if it had nothing to do with their conduct of internal Government, if it had nothing to do with their style of Government, if it had nothing to do with how they made people feel then why did they lose the last election? I am offering the Opposition Members a series of explanations to help them resolve that conundrum which is not really a conundrum to very many people except to them because everybody else knows why they lost the last election.

Mr Speaker, the hon Member said, unless I recorded him wrongly which is possible but I do not think my recollection has failed me, he said that hotel bed nights sold were down in 1998 over 1997. The figures that I have is that the figure for 1997 was 143,646 and the figure for 1998 was 144,538. Is he indicating to me that he did not so suggest? Fine, if he says that then I accept it from him. He also said that they were down in January, February, March and April 1999 compared to 1998 and 1997. These are the notes that I have. Just for the record the figures are that in 1997 bed nights sold for the four months January, February, March and April it was 38,732; for 1998 it was 38,097 – certainly 1998 was down on 1997 for those first four months; and in 1999 it was 40,397.

HON DR J J GARCIA:

Mr Speaker, if the Chief Minister would give way. This is all really quite fascinating but I did not go into January, February, March and April in respect of hotels at all.

HON CHIEF MINISTER:

Fine, if the hon Member is now saying that he did not suggest that hotel bed nights sold had fallen fine, then we can move on because we are entirely in agreement. I would just like to add that the hotel bed nights sold is one of the relative success stories. Here we are the first four months in 1999 up nearly 14 per cent over the same period in 1998, notwithstanding that we were without the Caleta Palace, for all intents and purposes, which is one of Gibraltar's leading tour hotels and I think that that augurs very well for the future. We are rising at a time when one of our leading tour hotels is labouring under the effects of its own refurbishment works and external refurbishment works to the road. In 1998 it was only marginally down over 1997 because the Rock Hotel and the Elliott Hotel were also under substantial refurbishment. Hotel occupancy figures have risen from 39 per cent in 1997 to 43 per cent in 1998 even though the hotel industry

has been in the throes of a substantial works programme in that period. We actually think, although I know that the view is not shared by the Opposition Member, we happen to believe that that is a success story.

Mr Speaker, as if the reality of the situation did not speak clearly enough for itself, then we come down to the sort of bear essence of the political attack that the hon Member makes, we have all been in the Opposition and we all know what the role of an Opposition is and we all understand it and accept it and that is fine, it is an important role to play but I just ask myself, Mr Speaker, how can the hon Member accuse the Government of having no tourism policy whilst at the same time his Colleague, the Hon Mr Gabay, rubbishes the Government's Tourism School, he himself criticises the Hotel Assistance Scheme, the Airline Assistance Scheme and the Government's marketing of tourism. On the one hand he says we have no policy and on the other hand he criticises everything that the Government have done in relation to tourism which incidentally everybody else applauds. Well, Mr Speaker, it is up to the hon Member to decide how he conducts himself politically but I would have thought that there were other areas, rather than tourism, in which he might have sought to subject the Government to political criticism. If I had been him I would have kept my head well down and low below the parapet wall on the matter of tourism and I would have found some other issue around which to make his maiden speech in this House. But still, the Leader of the Opposition has saddled him with the difficult, not to say impossible, task of shadowing my hon Colleague, Mr Holliday, on matters of tourism and as his political mentor has handed him that poisoned chalice I suppose he will have to drink from it as best he can. *[Interruption]*

Mr Speaker, it has become fashionable for the hon Member to accuse me and other Ministerial colleagues; I notice that my hon Colleague, Dr Linares, has been the latest victim of it, to accuse everybody of making personal attacks on him. I regret to tell the hon Member that if his definition of personal attacks is simply having pointed out to him with the same degree of aggression the inaccuracy, inconsistencies and misrepresentation to which he

subjects facts, then I regret to tell him that if that is his definition of personal attacks there is more to come.

Mr Speaker, the hon Member said that the size of the profits made by a company, he said he was not sure that it was the best definition of a small company, he said that rather quickly and looking down so I do not know if he just wanted to slip that in and hope we would not hear it and if that is the extent of the importance he attaches to the matter we can move on quickly from it as well. I would just like to point out to him that it is the criteria everywhere else. Everywhere else the definition of a small company for a small company tax rate purpose is size of profits. We are satisfied that especially in Gibraltar's circumstances and not just because it is the case everywhere else, that this is an appropriate criteria. And then in berating the Government's performance on rates, he says, "of course the reduction in the poundage is of no use if the valuations in the Valuation List are not reduced because that defeats the purpose. The Government gives with one hand and takes away with the other". At that point I ask myself whether the hon Member understands how the rate system works at all because the only thing that is fixed is the poundage, which the Government have now reduced and as to rateable values contained in the Valuation List, that is automatically reducible and is in fact reduced on many occasions by the Valuation Officer whose job it is. The hon Member, just by the gesture that he has just done, obviously is under the mistaken apprehension that the function of the Valuation Officer is only to value upwards. In fact, the Valuation Officer in the last few years has spent most of his time valuing downwards on the Valuation List on commercial properties. The hon Member is obviously not aware of this because had he been aware of this, many businesses are having their rateable value reduced on the basis that they have persuaded the Valuation Officer that the market value of their property is falling even if under their lease they have got to carry on paying the same rent or worst still, as some businesses find themselves in, they are locked into leases with automatically increasing rents and there are many businesses who find themselves paying the same or higher rent but nevertheless less rates because they persuade the Valuation

Officer that the market value, whatever their contractual obligation might be, is falling. The hon Member obviously was not aware of that, had he been I am sure he would not have made the remark that he did, at least I hope he would not have made it had he known it.

The hon Member, in another of these passing glancing blows which characterised his address, says "EU funding, not enough is known about it" and yet when my hon Colleague, the Minister for Trade and Industry, and his department publishes regular news sheets we have to bear with accusations that the Government are using taxpayers money for our own propaganda purposes. The hon Member has to decide whether he wants the Government to inform people or not to inform people but if he wants us to inform people he cannot, every time that we do just that, trot out what is presumably now a standard template on his word processor which starts, "The Government propaganda machine". Mr Speaker, the hon Member has the obligation, at least of being consistent; we can either inform or not inform and I think we deserve at least from him the consideration of not being accused by him of propaganda when we inform and of playing cards to our chest and not keeping the public informed when we do not inform. People are beginning to see a little bit through that as well. But still, we believe in giving people rope, especially political rope with which to hang themselves in the certain knowledge that they will do that. The hon Member says, "The Government have not done enough for trade. Trade is now worse off than ever and costs are too high", ignoring the strength of the pound on business which is not something that the Government can help businesses with, ignoring last year's help package but more significantly because of course he had come with his prepared text and nothing that he heard in the House on the day could then be reflected in his own contribution, completely ignoring the package of measures to help small businesses that I had announced which incidentally and ironically the Transport and General Workers Union says gives too much help to business whilst at the same time the so-called socialist opposition says we are not doing enough for business. It is another of those situations in which we find ourselves. I suppose that the GSLP and the Transport and General Workers

Union will have to decide which of them is the keeper of that ideology that decides whether the Government have done too much or too little to help businesses. But certainly as we speak today, the Gibraltar Socialist Labour Party believes that we have not done enough to help the private sector and the Transport and General Workers Union of whom all the Opposition Members boast being members, say that we have done too much for private business. Therefore, Mr Speaker, one or the other is wearing a suit that does not fit him naturally. We have yet to discover whether the Opposition Members are pretending to be pro-business when actually they are not or whether there is a hand in operation in the Transport and General Workers Union which does not reflect the real views of the leadership of that organisation but all will be revealed.

Mr Speaker, instead of acknowledging what this Government have done for small business, the hon Member chooses to join a party, because that is in effect what he has done, he has joined the GSLP, he is in this House with the vote of the Gibraltar Socialist Labour Party and therefore that is the electorate that he represents, instead of acknowledging what this Government have done for small business which is unprecedented in the history of the economic management of Gibraltar, he joins a political party who did nothing in eight years to help private business and who had nothing in their 1996 election manifesto to help business which is presumably one of the reasons why he tore up their manifesto. Given the views that he now expresses about small business one of the reasons why he must have torn up the GSLP's manifesto is because it did not have enough in it about helping small business. *[HON A J ISOLA: He also tore up yours as well.]* Mr Speaker, but our manifesto did have a lot of stuff which simply goes to prove that the hon Member is incoherent. So far were they from having any intention to help small business that it was actually their position that they wanted the hard pressed shopkeeper in Main Street that the hon Member says cannot make ends meet, well his new political partners wanted those same shopkeepers to pay for half of the cost of the beautification of Main Street, a fate from which - it was not in the power of the Chamber of Commerce to pay for it - a fate from

which this Government immediately saved small business at the request of the Minister then for Tourism and Commerce. I think, Mr Speaker, given the views that the Hon Dr Garcia pretends to espouse about small business, he ought to choose his political bedfellows with more care lest he should not find himself having to quickly resign from them when he realises just how unfriendly to small business they have always been when in office. Still, that is a matter for him.

Mr Speaker, and so to the contribution of the Leader of the Opposition. The Government cannot and do not accept his strained interpretation of figures that rising tax yield, despite falling tax rates, does not constitute evidence of economic growth. I am willing to agree with the hon Member that in Gibraltar it is not possible to measure the rate of economic growth and certainly that is one of the reasons why we have commissioned the creation of an economic model for Gibraltar which, amongst other things, will enable the Government to produce meaningful, conventional national accounts which will enable us all to properly measure economic growth. Because certainly the previous year's figures of economic growth that he used to give when he was sitting in Government had always been totally unreliable, unreliable to the extent that when I arrived as Leader of the Opposition and I had the deficiencies of the systems that were used to cobble the figures and when he used to say, "We have got a faster rate of economic growth than Luxembourg" and "We are the fastest growing economy in the whole world" and "We have grown by 35 per cent", when I arrived in his job and I saw the system upon which and the basis upon which those figures were being produced, I refused to allow it to continue. These are Mickey Mouse economic statistics, Mr Speaker, not because the formula is wrong but because the Government of Gibraltar simply lacks the accuracy of statistics to input into the formula. This is what I was told by the Statisticians which were the same for me as for him.

HON J J BOSSANO:

If the Chief Minister will give way. Mr Speaker, I think when I asked him last year whether the discontinuance was a political decision he told me that it was not. He said he refused to allow it to go on so in fact it was a political decision that however inadequate he may think they were, and certainly the Statistician never told me they were inadequate in eight years or my predecessor for that matter. They were the same statistics before 1988.

HON CHIEF MINISTER:

Well, Mr Speaker, I do not want to engage the hon Member on the issue that he has just addressed. Suffice it for me to say that on the basis of information provided to me by the officials in question, I was not willing to take political responsibility for those figures because it would have been just as easy for me to produce figures of the sort that he produced. *[HON J J BOSSANO: I did not produce them.]* Mr Speaker, I would urge the hon Member not to engage me on that specific point.

Mr Speaker, when the hon Member comes to the conclusion that in effect the Government have achieved nothing economically, again he ignores what I call the rescue factor which I know they do not like hearing. But they do not seem to understand, as everybody else appears to have understood, that it has taken a year or two simply to retrieve what had been lost in terms of momentum. Hon Members sit there sniggering from a combination of contempt, ridicule and embarrassment but the reality of it is that this is the reason why they lost the elections, amongst others. This smugness where even three years after the event they are either unable or unwilling to recognise the dire situation to which they had led Gibraltar by 1996, this incredulity, how come we economic miracle makers were ejected from office? They must toss around in their beds at night asking themselves this question. How does it happen that a Government that is elected in 1992 with a majority of 73 per cent who are then the economic gurus that they have been claiming in this House in the

last two days, that they have been; how on earth did they contrive to forfeit a 73 per cent majority? Mr Speaker, it is not my job to answer that question but they are not even asking it themselves. They rubbish every explanation that is given for it, fine because they do so at their continuing political peril which can only operate to our advantage.

Mr Speaker, the figures may not show rising employment. One of the things that I have tried to get the system to produce is credible, reliable figures of the number of people in employment at any given time. The Leader of the Opposition may recall that in one of our exchanges in Question Time he asked me, "Cannot you do it by reference to PAYE cards in issue?" When I went back I said, "Is this not a jolly good idea. Can we not know how many people there are in employment, as opposed to non-employment, by the records?" I was told, "No, because there is churning there are people who change jobs within the year". One of the things that we want to correct by way of the statistical inadequacy which prevails is that we should in future have statistics of how many jobs actually exist in the economy at any given time. I do not know whether these things are measured monthly or quarterly but whatever the statistical system would be so that we do not have to guess at whether the economy is growing in terms of the number of jobs that it sustains.

HON J J BOSSANO:

If the Chief Minister would give way. Mr Speaker, the very point I have been making to him surely is that the Employment Survey that currently tells us how many people there are paying tax in April and October every year happens to be the most accurate measure that there is of those that exist. That is the point. If we are going to put something in its place, the point that I have been making to him is that it seems to me that relying on what employers put in a survey does not have quite the solidity of knowing that there are 13,000 who paid tax in April 1997 and therefore the figure can only be either that or more, it cannot be less than 13,000.

HON CHIEF MINISTER:

Yes, except that we are always dealing with these figures historically and by the time they come out they are really of very limited relevance to the current economic debate about how the Government are doing at this moment in time. Certainly that is why we are working on a system through the ETB records, as my hon Colleague, Jaime Netto, explained to see if we cannot put the ETB records in a state where when the hon Members ask, "How many employment contracts have been approved?" that will be as near an accurate statistic about how many jobs there are. It remains to be seen whether it can be achieved but certainly that is the aim.

Mr Speaker, I realise that the hon Member is not greatly enamoured of our policy of embellishment and flowerbeds and plants and all of that sort of thing but I have to tell him that I think that he makes an error when he so rapidly concludes that this is not revenue creating. The Government are embellishing many parts of Gibraltar for two quite distinct reasons and one of them is not economic at all. One of them is that embellishing the physical environment embellishes the living environment in which residents of Gibraltar live and the Government think that there is a value to that even though there may not be an economic return from it. But there is also an economic reason for doing it and that is that it forms an integral part of the investment in Gibraltar's tourism infrastructure. The hon Member presumably understands, I am sure he does, that tourists like to come to attractive places and that one cannot build a tourism industry on the back of seedy, rundown, unkempt public highways, public monuments and things of that sort. So I realise that there is not a measurable return but it is part of an investment in the sine qua non, as we understand that, of a successful tourism industry; there are lots of things that the Government have invested but we cannot actually measure the return – marketing costs, for example. We all know that if we do not market we are unlikely to prosper in many of these sectors but what we cannot do is the reverse and assess the extent to which a particular marketing expenditure has been successful in yielding what or indeed any return and so these are just strategic

investments made in an industry – I realise that hon Members are not great supporters of tourism as a major sector of Gibraltar's economy but we have a different policy on that and I am sure that they will be sufficiently open-minded to recognise that having made the decision that tourism should be an expanding economic sector, that it is then logical that we do some of the things that we are doing.

Mr Speaker, the hon Member said that Government were spending money as it comes in without knowing where it is coming from and if the same had been done in the past resources would not be there now.

HON J J BOSSANO:

I am unlikely to have said, Mr Speaker, in the way he has put it.

HON CHIEF MINISTER:

Well, Mr Speaker, I would not wish to misquote him so what I can do is, I have not just been reading straight from my note but I will now read to him straight from my note which, of course, is capable of being inaccurate in some degree but it is unlikely that I have completely missed the gist of what he was saying. What he said was, "Government is spending money as it comes in without knowing where it is coming from. If the same had been done in the past the resources would not be there now", and he pressed the button and sat down. Mr Speaker, if that is not what he said I am very happy to now give him the opportunity to correct me as to what he intended or indeed as to what he said if I am misquoting him. Mr Speaker, it really is a matter of some satisfaction to me that the hon Member is now in a position, which I never was at estimates time, to assess just exactly how much the Government are spending. Because, of course, he now has the considerable advantage of having the entirety of the Government's financial disposition and spending plans before him. I only ever had a maximum of 55 per cent of the picture in front of me and, of course, whilst half a picture can be accurate, as one does not know what is in the half that one has not got, then one can hardly

put the thing into the context of the overall. So it is really a matter of great satisfaction to the Government that as a result of our commitment to full accountability open and transparent financial Government, that he is now able, as he should be able to do, here at estimates time, quiz the Government on the basis of a full and intimate knowledge of the entirety of Government spending plans in relation to the entirety of Government's revenue and in relation to the entirety of Government reserves and in relation to the entirety of public debt. So, Mr Speaker, having said that, the reality of it is, I do not know what he meant when he said, "if the same had been done in the past resources would not be there now". We have not spent any of the resources that were there in 1996, I do not know if that is what he meant. Recurrent expenditure is not substantially higher in real terms than it was, for example, in 1995/96, their last year in office, on a comparable reconstruction basis. So given those facts, given that we are not spending substantially more money overall, given that reserves are up, given that public borrowing is down, despite the fact that we have cut taxes I do not see how the hon Member can fairly try and project this picture of a spendthrift Government recklessly spending the family inheritance without making provision for a rainy day. What the hon Member might be interested in knowing is that had we not introduced the tax cuts that we have introduced every year since 1996, the reserves would now be £12.5 million higher. In other words, the cost to the Government of the tax cuts that we have fed through to the taxpayer over the last three years has been £12.5 million. If the hon Member wants to say, "You are being reckless by giving taxpayers back some of their money" we can argue politically about that, that is a matter of political judgement and he is perfectly entitled to his view. We all know that for eight years it was his view that taxpayers should not be given money back, instead the Government should hoard it as a squirrel so that we can all buy baked beans to man the barricades when the time comes. [HON J J BOSSANO: *Bread and water.*] Well, bread and water or baked beans, Mr Speaker, neither is a viable policy for the future of Gibraltar. What he cannot do is to, in the context of rising revenues, rising reserves, falling public debt, accuse the Government of financial imprudence. He can do so but I do not think he does so with merit on his side.

The Leader of the Opposition then raised a series of very specific issues arising mainly from the estimates booklet and I would just like to go through some of those now. The hon Member chastised the Government with an element, but not more than with an element, of justification for having twice, in successive years, made an error at the time of publication of the estimates in relation to the treatment given to public debt servicing. I am now referring specifically to the £900,000 point that arises at page 4 in the summary of estimated financial position for the year 1999/2000. Mr Speaker, it is true that unfortunately the Treasury has made an error in both years, an error which they have spotted on both occasions between the publication of the estimates and the day of the meeting which has been corrected therefore, but it is not true, as I concluded the hon Member was suggesting, that they have made the same error on both occasions. It is true that there have been errors on both years but they have not been the same error although they both require the same remedial action, amendment of the figures in that part of the statement.

Mr Speaker, last year what happened was that the provision was moved from one place to another. In other words, it appeared above the line, so to speak, if the hon Member does not mind my slipping into some sort of jargon, and it was transferred to below the line. This year the error has been that it appeared in both places and it has been removed from one of them. So whereas the position last year was that it appeared in a place and we wanted it to appear in a different place, this year it was the fact that it has been included both in the Consolidated Fund Charges total and also again below the line so that there was double counting and it had to be taken out of one of the two places and in order to be consistent in comparability with last year, it was left below the line therefore taken and stripped out from above the line. If the hon Member's point is that the Treasury jolly well ought to be more careful before it publishes the estimates, then I have to say that I would tend to agree with him but people make mistakes, even two years in succession and I do not believe that the hon Member says this, if I am wrong he can correct me, I do not think he was suggesting that there was anything untoward or



sinister about this but simply that there was an error about which they had been notified at the eleventh hour and I suspect that what he was asking rhetorically was, "Well, were we told as soon as the error was discovered?" I suspect that that is what he was asking but I will certainly give way to him if he wants to.

HON J J BOSSANO:

Mr Speaker, I think if the Chief Minister looks at last year's Hansard when I made the point of drawing attention to this, I was making two points. One was, in fact, that it is certainly not very acceptable to find when one arrives here that a document that has been tabled in the House in April is changed when one sits down to look at it and it was done in two places. It is certainly not something that is very normal but I understand that these things happen, I am not suggesting that there is anything in that that cannot be done except to try and avoid it. But the other point that I was making was that, in fact, the change last year was one that I disagreed with and I pointed out that in our view it ought to be shown as part of recurrent expenditure and the thing that I drew attention to was that on page 17 of the estimates where we have got Consolidated Fund Charges, Mr Speaker, the total recurrent expenditure is £120 million and £120 million is what is shown on the summary except that that is before they removed the £1 million because now the replaced page is £119 million. That is because, of course, the money does come out from the Consolidated Fund and the total coming out from the Consolidated Fund is £120 million and therefore the changed page has the effect that the summary on page 4 gives a different total from the summary on page 17 in the same printed booklet.

HON CHIEF MINISTER:

Mr Speaker, if the hon Member looks on page 20, which is the Summary Consolidated Fund Charges, I think he will find it more clearly explained there.

HON J J BOSSANO:

Mr Speaker, it is not that I do not understand it. I do not need to look at page 20 to have it explained to me, I am perfectly well aware of what it is. It says on page 20, subhead 07, public debt repayments - £900,000 and that produces a total of Consolidated Fund Charges which is £20 million and the £20 million, on page 17, when added to £100 million gives £120 million. The point is that here we have a document that says - Total recurrent expenditure, £120 million on page 17 and if we go to page 4 it says - Recurrent expenditure £119 million and that is because page 4 has been changed from £120 million to £119 million. I am saying that I do not think the change should take place anyway but in any case he must understand that last year he said the way that they are dealing with it produces an anomaly. Here we have an anomaly because we have got a particular expenditure described as total recurrent expenditure from the Consolidated Fund - £120 million in one place and exactly the same thing described in the same way is £119 million in another place and that is an anomaly. Last year, the Chief Minister, when he used his right of reply got very upset because he seemed to be reading into the word anomaly some accusation that they were doing something wrong and I was not saying that last year and I am not saying it this year but I am pointing out, as I think he welcomes because he has made a big song and dance about the fact that he provides all this information when presumably he wants me to read the information that he provides and point out to him that it does not match.

HON CHIEF MINISTER:

I am not sure that it does not match. The information is all there. On one of the pages there is the error. Presumably, Mr Speaker, he has read the whole document and not just the page on which the error occurred.

HON J J BOSSANO:

No, Mr Speaker, at the moment in the printed page 4 the error exists because we have a position where recurrent expenditure of £120 million includes the £1 million and then the £900,000 is shown below the line as public debt net repayments and therefore that £900,000 is deducted from the Consolidated Fund balance twice; once in the £120 million and once in the other place. So the Government correct that by removing the £900,000 from the £120 million except that on page 17 the total is still £120 million because, of course, there it cannot be corrected. So when the final approved estimate appears there will be, on page 4, £119 million and on page 17 still £120 million, that is what I have been pointing out now for over a year.

HON CHIEF MINISTER:

Mr Speaker, so what he is saying is that amongst the pages that were corrected, one more should have been corrected, this one?

HON J J BOSSANO:

It cannot be corrected, Mr Speaker, that is the point. He cannot change the figure of £120 million because as he just himself mentioned, on page 20 the £900,000 is included in the £20 million and therefore the £20 million is added to the £100 million and that produces £120 million. I think, Mr Speaker, perhaps they can look at it, there is no point in holding up the House, as long as the argument I am putting is understood and looked at.

HON CHIEF MINISTER:

Certainly, Mr Speaker, I will have the people in the Treasury consider what the hon Member is saying and see if the estimates booklet needs to be modified. The point, of course, was that the £900,000 had to be removed, as I think he correctly assumed, from the forecast outturn and transferred to the current year's estimate because the debenture that was thought to be repayable before the end of the year actually turned out not to be

so and therefore the £900,000 was not spent last year but will be spent this year when the debenture is repayable.

Mr Speaker, then the hon Member asked how the Treasury had failed to spot the £700,000, the amendment on page 5. Well, the answer is this, when the Moroccan resettlement scheme was implemented Moroccans, hon Members may remember, were asked to come and register their interest in participating; 354 did so. The Treasury assumed that they would all actually participate so these 354 cheques were drawn up physically. In the event only 178 Moroccans with a cost value of £700,000 collected them, the balance of the cheques amounting also to £700,000 were not collected. As the balance of Moroccans were free to come in at any time thereafter, it was not as if there was a closing date, as the Moroccans who had not collected the cheques were free to come in to do so at any time, the Treasury decided to place the funds in a deposit account. The hon Member wanted to suggest that there was no need to place the funds in a deposit account simply because there were cheques out, because cheques were drawn on the Consolidated Fund anyway which is not short of cash, then I would tend to agree with him. But anyway the Treasury decided that the money that under-wrote the cheques that had been issued by Treasury and handed over to the Ministry of Social Affairs pending their collection by the Moroccans, that that money or a sum of money equivalent to that, would be set aside in a deposit account and very simply, Mr Speaker, when the estimates were drawn up the Treasury simply overlooked the fact that this had happened and that this money had been put aside. I am not sure whether they may have thought that the cheques had been collected, once the Treasury issued the cheques they probably no longer took an interest in whether Moroccans were coming or whether or not they were not coming to collect the cheques, there was the Treasury on the one hand, the Department of Social Security on the other and it was only at the last minute, in fact, and this was really at the last minute, that this was picked up and that is how we came to over state expenditure by £700,000. We had not spent £1.4 million, we had spent £700,000 and £700,000 were still lying in the deposit account and that £700,000 therefore should not have been reflected as

expenditure incurred. It was £700,000 expenditure not incurred and therefore cash still in hand. Mr Speaker, that is the background to how it has happened. Of course, in an ideal world it could not have happened either but, again, it is just another error that was spotted too late before the booklet went to the printers and therefore had to be corrected after the event.

Mr Speaker, the hon Member raised the question about the ETB transfer of funds from the Gibraltar Development Corporation to the Consolidated Fund. I am sure the hon Member will remember that section 20(2)(a) of the Corporation Ordinance makes provisions for GDC to borrow from the Consolidated Fund. Section 20(2)(1) provides that if Government consider, in consultation with the Corporation, that the Gibraltar Development Corporation has a surplus, provision can be made for a transfer to the Consolidated Fund or a special fund of a sum not exceeding the aggregate of that surplus. That is just the legal background, the statutory background. In the past, as the hon Member knows, the Consolidated Fund has had to subsidise the ETB. In 1997/98 £1.1 million went across; in 1997 we transferred from the Consolidated Fund, there was a charge on it in favour of the Gibraltar Development Corporation, £3.1 million which were accumulated balances in an advance account in respect of the several years between 1993 and 1996 in which the ETB had just spent money without actually having a provision and they were just booked against an advance account which was running up a deficit and which we took the decision to clear just for bookkeeping clarity. Also in 1995/96 the hon Members, it must have been in that budget, transferred £1 million from the Consolidated Fund to the Gibraltar Development Corporation. Mr Speaker, the repayment of these monies creates the mechanism – and I use the word advisedly – by which funds can be channelled back from the Gibraltar Development Corporation to the Consolidated Fund. Mr Speaker, why do we do that? Because the hon Member says, “Why do you not leave them in the Gibraltar Development Corporation?” Well, Mr Speaker, we have made a policy decision which is also the answer to another question that he raises a little later and that is so that there is maximum transparency and maximum accountability to this

House through the appropriation mechanism because remember that monies in the Consolidated Fund can only be spent with the permission of this House. Money in the Gibraltar Development Corporation can be spent willy-nilly without the Government accounting, at least as an appropriation mechanism, to anybody. Therefore it is Government policy that all surpluses are held in the Consolidated Fund reserves where they are visible and from where they can only be spent subject to the appropriation mechanism control of this House. It does not mean that the funds are not available for training, it does not mean that they have been channelled out of the training purpose, it simply means that they are held in the Consolidated Fund rather than in the Gibraltar Development Corporation and, of course, the Consolidated Fund can transfer funds, can feed the Gibraltar Development Corporation with funds on as-needs basis either from supplementary funding or from any other such source. The other point that I would make on that, Mr Speaker, of course is that Appendix B is not part of the estimates on the appropriation mechanism. When we set out, as we do, at Appendix B the sort of pro forma financial statement profit and loss account, so to speak, expenditure and revenue account more accurately called, of the Gibraltar Development Corporation, that is provided for information, it is not part of the appropriation mechanism and is not part of the budget.

Mr Speaker, the hon Member when talking about Community Care said that last year I had said that there was no increase in the capital provision to Community Care because there was no tobacco revenue and that therefore now that the tobacco revenue was up the Government should restart making payments. Well, I am sure it is not intentional that the hon Member misquoted me. What I actually said was that capital payments to Community Care were not being made because Community Care was currently fully funded to meet its obligations but that the Government had a commitment to increase its financial provision to Community Care to ensure that that remains so and the Government stand by that commitment. The income that Community Care is making from its present capital assets is sufficient to meet its payment out obligations and the Government

see no virtue in tying up capital to meet an obligation which is presently being met but, of course, it is axiomatic that if and when that ceases to be so that the Government will top up the financial provision for Community Care to ensure that they can continue without eating into their capital to continue to make their annual outgoings in terms of payment to the beneficiaries of the trust.

Mr Speaker, just very quickly and in passing, the hon Member expressed pessimism about the predictive value of the input/output study on the basis of experiences with past models. Mr Speaker, I may not have made it sufficiently clear that this model will be specifically constructed as one that will be on-going in terms of its development and build on. It will not be just a snapshot of the economy at the time that it is made. It is a model that is being constructed on computer to enable it to be built up and to enable it to be developed and modified as circumstances change, obviously by people who know what they are doing but it is not a snapshot study, it is not just a study to tell us what the economy is today and let us see what conclusions are brought up so it is more than just an input/output study; it is the creation of an organic model for measuring the economy in the future and once this is done, provided it is maintained it is then available in future years as an on-going tool and it is not a question of doing another study. Of course, the model can be no more accurate than the statistics that are put into it and that is why we have instructed the people who are doing the model also to advise us on what we need to do to alter our statistics gathering and our statistics collation techniques.

HON J J BOSSANO:

If the Chief Minister would give way. Did I understand him right when he said that the same people who did the last one are being contracted to do this one?

HON CHIEF MINISTER:

Yes, Mr Speaker, I understand it is Dr Fletcher but of course it is not just him, it is a team of people not just one man.

Mr Speaker, the hon Member asserted that what the Government proposed to do in this Appropriation Bill, in other words, to appropriate £1 million from the Contingencies Fund to the Consolidated Fund Reserve, the hon Member asserted that that would appear to be not in accordance with statutory provisions and that the two applicable ones would be section 67 of the Constitution and section 44 of the Public Finance (Control and Audit) Ordinance. At the time that he was making his contribution I told the hon Member that the Government had considered this very carefully, that we had sought legal advice and the advice that we have had, I do not mind sharing with the hon Member, is in a sense drawing a distinction between an advance for unforeseen expenditure on the one hand, and the House appropriating money from that fund to another fund without it being expended. That is the distinction that the advice makes. So section 67 of the Constitution provides for a Contingencies Fund to be established by the Legislature and then says that advances may be made from the fund to deal with an urgent and unforeseen need for expenditure and that advance must be then repaid by an Appropriation Bill, that is the mechanism of section 67 of the Constitution. Section 44 of the Public Finance (Control and Audit) Ordinance says that the Contingencies Fund shall consist of monies appropriated thereto. The advice that the Government have had is that "thereto" does not exclude "therefrom" and that a reduction of the amount in the Contingencies Fund is not an advance to meet unforeseen expenditure and it is logical, Mr Speaker. Hon Members may wish to wait until they hear the explanation before they manifest their jest. *[Interruption]* Well, Mr Speaker, the language of the legislation is clearly intended to provide for expenditure of the funds. In other words, the Legislature decides how much money goes into the Contingencies Fund and then the Government cannot use those funds for what they please it has got to be for unforeseen expenditure and then it says, "and that shall be regarded as an advance and it has to then be the subject of Supplementary Appropriation Bill", et cetera. But, of course, we are not in the realms of an advance for unforeseen expenditure and the advice that we have had is that if we do not have an advance for

unforeseen or any other sort of expenditure, then section 67 is simply not applicable. The implication of section 44, that the fund consists of monies appropriated thereto must be that the fund can be reduced by appropriation in the normal course of events; of course not reduced by the Government. The Government cannot decide, "Let us take money out of the Contingencies Fund and put it into the Consolidated Fund" but this House, as an act of appropriation, as an act of statutory appropriation, can say, "We voted to put £1 million into the Contingencies Fund. We now vote to take it from the Contingencies Fund into some other Government Special Fund in a way that does not amount to expenditure of that money but simply repositioning it within the Government's financial structure.

HON J J BOSSANO:

Let me see if I have understood. What the Chief Minister is saying is that notwithstanding the apparent limitation on what can be done with money in the Contingencies Fund, the House can reduce the Contingencies Fund to £1 if it wants to by appropriating any other money in it.

HON CHIEF MINISTER:

Just as it decided whether there should be more than £1 in it in the first place. That is the legal advice that the Government have received. Let us say, for example, that the Government get a report that says, "There are likely to be rockfalls this year" because somebody has come and done a survey and the Government say, "Fine, we had better make provision in the Contingencies Fund for this". The Government would not unnecessarily include in the Estimates of Expenditure expenditure which we might have to incur but which is not foreseen yet to be incurred. The possibility might arise of making a provision for expenditure on unforeseen things that have not yet arisen but which have been indicated might arise. The House makes a provision in contingencies for that and then it turns out that it is an over-provision, for one reason or another, it would be, I think, illogical that that money was then locked in to the Contingencies

Fund and that the House could not say, "Well we made a prudent provision for contingency in certain circumstances, those circumstances have not materialised and therefore the House – not the Government – through an Act of Parliament, which is what the Bill is, through an Ordinance the House says £1 million be taken out of the Contingencies Fund into the Government reserves". Well, I think it is really not fruitful for the hon Member and I to banter across the floor of the House as to the advice that the Government have received. The hon Member has a view on it, we have not made a political view on it, certainly we wanted as part of our general policy to have all Government reserves under one umbrella, where possible, so that people could see the size of the reserves and it seems to us desirable in that context that the £1 million from which alternative provision had been made, be transferred out of the Contingencies Fund but before doing so, because we were aware of section 67, we sought legal advice and, of course, the hon Members should be aware that this is not just done through the budget book mechanism, that there is a clause in the Appropriation Bill doing that. So this is not an administrative act, this is a statutory act that I appreciate the hon Member is asking, "Well does that mean that the House of Assembly can, through legislation, get money back out from the Contingencies Fund other than?" Well the legal advice that we have had is yes.

HON J J BOSSANO:

Mr Speaker, I know that we are in the general principles of the Bill but, in fact, irrespective of the wisdom of having put the £1 million there which perhaps is questionable why it was done in the first place, my reading of the Constitution is that however absurd it may be, it appears to make it a one-way ticket and that is how I have always understood it and I happen to have been here quite a few years. The argument about the Contingencies, well look the fact is that if the Appropriation Bill not only makes it possible to have amounts for contingencies under different heads of expenditure but there is, in fact, a global sum at the end which is supplementary provision which could have been the mechanism

used if it was envisaged that the money was there until such time as insurance premiums were in place.

HON CHIEF MINISTER:

I agree, Mr Speaker, with that. The hon Member is saying, "Why the hell did you put it there in the first place?" Yes, we could have avoided all this by not have putting it in there in the first place. This was in a special fund, I think it was called the Insurance Fund and we could have moved it straight from the Insurance Fund into the Consolidated Fund or any other special fund. So, Mr Speaker, in any event there is the advice. The hon Member will no doubt not blame me for preferring to rely on a lawyer's advice than on his notwithstanding what he calls his experience in these matters, and there it is. The important thing is that it is, in a sense, an academic point because it is not expenditure and it is being done by this House. It is not being done as an Executive Act or it is not being done as an Administrative Act, it is being done as an Act of this House on legal advice which, frankly, although I do not have to judge whether the legal advice is correct, my judgement is that it is probably correct. It is probably correct because in England there is actually a statutory requirement for surplus funds in the Contingencies Fund to be returned to the Consolidated Fund – but if we are talking about statutory interpretation as to whether section 67 of the Constitution fits in at all. If we are talking about statutory interpretation, the intention of the Legislature of course is also a relevant factor and in interpreting the intention of the Legislature what happens in the United Kingdom is not an irrelevant consideration.

If I could move on, Mr Speaker, the hon Member raised the question of coinage on pages 13 and Appendix H which is on page 122 of the booklet and asked why did the revenue from the issue of circulating coinage surplus rise from an actual of £189,000-odd in 1997/98 to a forecast outturn of £510,000 in 1998/99 even though we had only estimated £200,000 and now comes back down to £319,000. I think that was one of the issues that he raised. Well, Mr Speaker, the answer is this, that last year a major exercise to take UK coinage out of circulation and replace

it with Gibraltar coinage was undertaken. The Government encouraged banks to return surplus coins and we then segregated the local coinage from the UK coinage. As a result of that, we then sent the UK coinage away, the result of that was that we were able to replace what had previously been circulating UK coinage with circulating Gibraltar coinage which increases the surplus in the coinage circulation fund and, of course, although the estimate for this year is still higher than it was in 1997/98 because the exercise is not finished, it is in a sense a one-off as a major exercise and if one cannot sustain £510,000 for more than a year. We might be able to continue to do that on an annual basis by having now corrected the accumulation. Doing that on an annual basis may produce an extra tens of thousands of pounds but it is certainly now not going to be as high as £510,000 and that is the explanation for that.

Mr Speaker, the hon Member asked why we had left such a low float in the Social Assistance Fund and the reason is the one that we have just discussed in relation to the Gibraltar Development Corporation, namely the Government's policy of accounting for surpluses and holding cash surpluses in the Consolidated Fund and the hon Gentleman is entirely correct when he surmised from a reading of the Appendix E, that there is no provision in Appendix E for the increase in cost to the Social Assistance Fund of some of the budgetary measures that I have announced this year. So that will have to be supplemented, the measures are not capable of scientific costing. The increase in the Child Welfare Grant changed the threshold from single £20,000 maximum to joint £30,000 has winners and losers and an element of the cost will be self-financing and it remains to be seen just what the cost of that will be. We have a ballpark figure estimate but when people start registering from it we will know just exactly what, if any, will be the shortfall in the Social Assistance Fund this year.

HON J J BOSSANO:

Did the Chief Minister say that the new system will start operating on the 1<sup>st</sup> July, at the beginning of the new tax year, is that correct?

HON CHIEF MINISTER:

Mr Speaker, I think I said the 1<sup>st</sup> August on advice from the Department of Labour and Social Security because administratively it will take quite some time for people to submit applications and for them to be processed in conjunction with the Income Tax Office.

HON J J BOSSANO:

Would it be based on what, the income until the end of June for the tax year?

HON CHIEF MINISTER:

That part will not change. Whatever the basis period is for the single man's £20,000 will be the same basis period for the joint married person.

Mr Speaker, on the question of tobacco, the Leader of the Opposition is sent information at his request on a confidential basis. I know that he accepts it on that basis and I have no doubt that he can be relied on to respect that. It was therefore with an element of concern that we heard his hon Colleagues, the Hon Joshua Gabay's threat perhaps to blurt it out. Mr Speaker, the Government do not provide information which is sensitive to the national interest of Gibraltar in confidence to the Leader of the Opposition to have the sword of Damocles then hang over our head by the official Opposition Spokesman for Education and Training on matters which are not even any part of his portfolio responsibility. But having said that, and given that the insinuation behind what the Hon Mr Gabay was saying was "be careful or I will blurt out that really tobacco is as bad now as it ever was before" and without revealing the sort of information that we all agree ought not to be revealed, I can tell the hon Members that the volume of tobacco imports into Gibraltar at present is 43 per cent of what it was in its heyday of 1994 to 1995 which was the heyday of the fast launch activity. It is however 74 per cent of the

1995/96 level so we are still a long way short of reaching the levels of any period before we came to office but – I do not want the hon Members to think that I say this defensively – let me say because the hon Members talk about now gambling and tobacco as if the Government were building our economy on the basis of man vice activities, let me say at the outset that this Government when we were in Opposition did not criticise the Opposition Members for the fact that people came to Gibraltar to buy tobacco. I remember saying clearly that if people want to come to Gibraltar and buy tobacco on a conventional basis of taking it away in cartons as people do across every frontier of Europe, there is no difference between tobacco and cigarettes in that respect. What we opposed and the rest of the community vehemently opposed was the fast launch activity and the culture that surrounded the fast launch activity. I hope that tobacco imports and exports, just as I hope that petrol imports and exports and perfume imports and exports and, for the benefit of my brother across the street, shoes and tee shirts imports and exports into and out of Gibraltar, rises as much as possible provided that business is done in a reputable and conventional manner. So the issue here is not the volume of tobacco that passes through Gibraltar, the issue here is how it is exported and how it is traded in and, frankly, the more people that come to Gibraltar to visit our tobacconists to buy cartons of cigarettes to take across the frontier in carrier bags the better. Therefore let us be clear that the Government draw a very clear distinction between that, which is perfectly okay on the one hand and what used to happen before which was the fast launch activity with everything that came with it on the other which is wrong and which we would not be willing to allow to reoccur. So I do not know if the Hon Mr Gabay thinks that there is some sort of sublime threat of blurting out something which he thinks could be politically damaging. *[HON J J GABAY: Would the Chief Minister give way?]* No, I will not give way to him just as he refused to give to my hon Colleague when he was..... *[Interruption]* No, Mr Speaker, the courtesy of giving way in this House has to be on a reciprocal basis and on a reciprocal basis everybody in this House, to my knowledge, gives way except the hon Member who is the only person whom I am aware of in this House that has



refused to give way and if he chooses to do that he has got to be expected to be treated on the same basis by his Parliamentary colleagues. An elephant never forgets.

Mr Speaker, the hon Member in question last mentioned, Mr Gabay said that I had a predisposition to insult rather than to argue. Well, it is all part of this political tactic of questioning the validity of figures, questioning whether the Government's credentials in terms of insulting, it is clearly emerging as something that they hope to use as a tactic in the coming year. Well, they should not worry, when the right time comes we will commence our neutralisation of that somewhat unconvincing, especially unconvincing lying in the mouths of the Opposition Members. Because, Mr Speaker, Hansard in this House since 1996 will show that insults always initiate from the Opposition Members and then when they have said what they please to the Government, however they please, whenever they please, in whatever terms they please, when the Government respond in comparable or commensurate terms then they say, "You are insulting us" without having the sincerity to question how Opposition Members had addressed the Government at all in the first place. Opposition Members, and it has to be said, have refined the personal insults and the personal abuse as a political style since 1988. I understand that the Opposition Member has not been in the House before 1996 but anybody who has been in this House whilst the Leader of the Opposition was in the Chair that I now occupy, certainly in the five years that I was there, his habitual style of addressing the Opposition was to ridicule and to name-call and to do what he now describes as insulting. I never felt insulted, I just thought it was the man's style, this is how he goes about his debating. Mr Speaker, the record is there, the record of Hansard is there and it is self-explanatory. As to enmity in this House, Hansard will also show that this has existed between the present Leader of the Opposition and all his political opponents since he has been in the House or is he suggesting that his relationship with me now is very bad and that his relationship with Sir Joshua Hassan was very good? Well, it is a matter of documented record the state of his relationship with Sir Joshua Hassan. So the only common denominator of the

relationship between the Leader of the Opposition and the Chief Minister today and the Leader of the Opposition and the Chief Minister that preceded him, Sir Joshua Hassan substantially speaking, the only common denominator is him not me and it is his style, as he used to brag about when he was in Government that "you are either with me or against me" and he takes no political prisoners and that is the style that he has developed. The hon Members may not remember, I do not know whether he took only part in the election campaign, the Leader of the Opposition now feels sore when he is insulted not that we concede that we insult, but since the hon Member makes the allegation. The Leader of the Opposition stood outside this House on the Saturday before polling telling the people of Gibraltar that I was a traitor, it was not enough to get me out of the House of Assembly it was actually important to get me out of Gibraltar. Well, Mr Speaker, that is a pretty hard act to follow and however colourful my language might from time to time be, I am entirely confident that I have come nowhere near the degree of vitriolic hostility that has emanated from Opposition Members to their political opponents, whoever they might be, since the day they reached Government in 1988 and it continues. That is the position as seen from this side of the House, I appreciate that from that side of the House it obviously looks different.

I am quite content to argue with the Opposition Member. He said that I had a disposition to insult rather than argue. No one has ever suggested to me that my powers of argument are so deficient that I should be nervous and coy about having resort to them. Arguing things with people is not something that frankly causes me terrible nervousness or fright so why the hon Member thinks that I should have a greater disposition to insult than to argue is really something that I have difficulty in understanding. I will argue with him whenever he likes but it has got to be on the basis of facts and not on the basis of the.....[*Interruption*] No, I will not give way to the hon Member. The hon Member has to sit down. I will argue with him on the basis of fact but not on the basis of the fiction, of the distorted facts, of the pre-meditated misrepresentation and fiction that he peddles and he also, rather like his new Colleague, the Hon Dr Garcia, has got to understand

the difference between being insulted and simply having his own distortion of facts clearly and unambiguously pointed out to him.

MR SPEAKER:

I think we should get on with the budget.

HON CHIEF MINISTER:

Mr Speaker, with the greatest of respect to you, I am exercising my right of reply. If this issue is improper it cannot be more improper than what it is in reply to.

MR SPEAKER:

I am not saying it is improper.

HON CHIEF MINISTER:

Well, if it is improper I must stop, if it is not improper I can carry on for as long as I like, it is one or the other.

Mr Speaker, as it happens I have concluded the point.

HON J J BOSSANO:

On a point of order, Mr Speaker. He has to give way obviously since it is a point of order. Is there not something about repetition in Standing Orders?

HON CHIEF MINISTER:

Mr Speaker, to my knowledge I have not repeated myself but I can understand that the hon Member would want this part of my address to conclude as quickly as possible, I can understand why.

Mr Speaker, the Hon Pepe Baldachino asked why the Drug Centre had taken three years. Well, we are always happy to expose our facts and our issues to Opposition Members but, of

course, we come back to this issue of the credibility with which the hon Member aims that criticism of delay. We would have liked it to happen much sooner but, of course, let nobody forget that if he had won the last general election it would not have happened at all because they did not do it in eight years and they had no manifesto commitment to do it. But the reason why it has taken us longer than we would have liked are several. Firstly, we had difficulty identifying a suitable site, people thought it could not be in town, that it had to be a physically isolated site and it took us some time to find that, it was an MOD site, the MOD had to be approached and had to agree to make it available. There was then difficulty in agreeing acceptable terms with the trustees that had originally been identified, I suspect that this has been revealed before in Question Time and we had to start again having failed to agree terms with the original set of trustees who basically did not wish to be supervised by the Government's Medical Services in what was going on up there. We then had to find new trustees and start the discussion process with them again and then, of course, was the question of the not insubstantial refurbishment programme that has gone on. I do not know if the hon Member has had the opportunity to visit, if he has not I am sure that the Minister for Social Affairs would be very happy to invite him up there and he will see the extent to which there have been both structural and redecoration works done up there.

Mr Speaker, the hon Member also said that the GSD had done nothing for housing stock. Well, of course, the hon Members did not add very much to the housing list rentals stock either, indeed I think they added practically nothing and their plan was to sell Edinburgh House whereas we have honoured our manifesto commitment to make Edinburgh House available for housing list rental stock and we have spent in excess of £1 million on refurbishment.

HON J L BALDACHINO:

Would the Chief Minister give way? I think if he looks at Hansard when we were in Government and we were asked about Edinburgh House we never said that they were going to be sold, neither did we say that they were going to be for rental. We said that we still needed to make the decision.

HON CHIEF MINISTER:

Well, Mr Speaker, given that in the eight years that they were in Government the decision always went in one particular direction, I think it would have been a reasonably safe assumption for people to conclude what they would have done. It was obviously their policy not to add to the Government rental stock.

Mr Speaker, the Hon Pepe Baldachino also said that my hon Colleague, the Minister for Buildings and Works, had great difficulty in defending the catastrophic performance in Buildings and Works. I have a note here in inverted commas, either I was having tea with the Mad Hatter again or I was ..... *[Interruption]* Anyway, is the hon Member now saying that he was not critical of my hon Colleague's performance in Buildings and Works? Would he like the opportunity to clarify his position on that?

HON J L BALDACHINO:

I was not critical. What I said was that we could compare what they have achieved in maintenance in Buildings and Works when the four years are up. I was not critical of Buildings and Works at any time during my contribution. I was critical on the allocation of housing that is what I was critical on, I was not critical on Buildings and Works at all in any part of my contribution.

HON CHIEF MINISTER:

I see, so the hon Member considers that my hon Colleague's performance as Minister for Buildings and Works is satisfactory?

HON J J BOSSANO:

He did not say that either.

HON CHIEF MINISTER:

It is one or the other, Mr Speaker, either it is satisfactory or it is critical. In any event let me just say quickly and in passing that Jaime Netto has demonstrated, frankly, unprecedented courage to tackle institutionalised structural, historical problems that have besotted Governments of all political persuasions in the Buildings and Works Department. We now have measurable output, we now have measurable value for money, we now have a system where workers' earnings are directly linked to measurable productivity, we now have increased productivity, we now have a management which actually is in management control and we have a control of the procurement and expenditure of the department. Frankly what this House, as the custodian of the public purse should be doing, is applauding, as I now do, the performance of the Minister for Buildings and Works over the last couple of years.

Mr Speaker, I much enjoy discussing traffic issues with the Hon Juan Carlos Perez, in fact I much enjoy discussing almost anything with the Hon Juan Carlos Perez because he is the sort of chap with whom discussion is almost always enjoyable. However, Mr Speaker, my enjoyment of the discussion does not of course mean that I can agree with much of what he says. There is no traffic chaos. What there is is a build-up of traffic for very limited periods of time at peak times and the worst place that I have seen it, and I have been seeing it for several years and he was not able to find the answer, we have not been able to find the answer as I am sure we have both worked at it, is the junction of Europort Avenue and Queensway by Regal House where it takes an age to get out in the morning because the traffic light is green for a very short period of time, it lets a few cars through and I have stood at my bedroom window which overlooks Europort Avenue and as I have been putting on my tie I have been counting this and it is terrible and we have, for example

considered the possibility of removing the lights and putting a roundabout system and indeed other radical suggestions. There is a systematic traffic flow problem. There is also increased build-up, there is no denying that, at the junctions of Winston Churchill Avenue, Corral Road, Smith Dorrien Avenue and Glacis Road. Mr Speaker, it is not necessary to alleviate that build-up that we should reverse, which I know the hon Member is desperate that we should do, that we should reverse our decision to pedestrianise Casemates. The build-up problems that have developed at that junction will be eliminated, hopefully very shortly, without the need to allow traffic to flow through Casemates and of course the hon Member will be able to judge the measure of success that we achieve in that respect.

Although I do agree with the hon Member as to his remarks on the cemetery. I was at a funeral three weeks ago and I was shocked at the state in which the cemetery had been allowed to degenerate in terms of the weeds because, of course, it is looking much smarter with the tarmac path so there are elements of improvement. Of course there are building works now being done to further improve the cemetery but the overgrowing of weeds, which is a situation to which I thought I had tasked Community Projects and that they had a permanent gang there doing nothing but that, has been allowed to degenerate into what is a plainly unacceptable and it is as unacceptable to the Government as it is to the Opposition Member. I agree entirely with his criticism of the Government in that respect and I can give him my categorical assurance that the Government have already, indeed it might already have happened, deployed concentrated resources about two weeks or 10 days ago to try and remedy that situation. I remember I used to raise this problem from the Opposition benches to the Minister then responsible Joe Pilcher and he always used to say, "It is a terrible problem because there is a weed growing problem in that area". So it is a difficult problem to keep under control but we are determined that it must be kept under control because what one cannot have is people macheting their way through knee depth weeds in order to get to their vaults, that is completely and utterly unacceptable to the Government.

The hon Member reminded me about how upset I had become last year when he accused us of preparing to run down the Roads and Sewers Section and I became upset last year for the same reason as I tell him this year. The Government have no plans to run down the Roads and Sewers Section. Indeed the Government are in the process of restructuring the management of the Roads and Sewers Section, relocating it and focusing the roads part of it into a minor resurfacing and intensive road maintenance section. Government are spending a lot of money on street beautification, on road resurfacing and if the Government do not have an in-house facility to maintain it, it will very rapidly deteriorate. Certainly the Government have concentrated on private contractors for the heavier road construction and resurfacing projects and that is intended to continue but it is not intended that this will adversely affect, indeed it may improve, the manpower resources of the Highways and Sewers Section nor indeed the earnings potential of the members of staff in it.

Mr Speaker, on the question of Gibtel, he said that now that the profits and the dividends was what it was whether it was not now time to return some of it to the users, particularly in Gibtel in the context of international tariffs. Well, Mr Speaker, in 1994 and again in 1995/96, the hon Member collected a dividend of £900,000 from Gibtel. It is more or less the same as we are collecting now but I suppose he will wish to remind me of the suggestion that I once put to him from the Opposition benches and that is entirely a legitimate thing for him to remind me of. And his reminder is timely because the reason why we have written down in the estimate Gibtel's and Nynex's dividends this year is not, as I think the Leader of the Opposition suggested it was an indicator of falling economic activity, but because it was and has been for some time our intention to try and prevail upon our joint venture partners that there should be a reduction particularly in the international tariffs which, of course, has an impact on Nynex because of the inter-connectivity key and it is there as a signal to our partners. This has not yet been accepted by the Board, it is a signal of the Government's predisposition to take a lower dividend in order to reduce tariffs.

Mr Speaker, the hon Member spoke about GBC and he asked what was the point of importing canned programmes and, frankly, from what I have seen so far, quite antiquated programmes, given that most of this stuff is available in a number of satellite channels which are themselves widely available. Well, Mr Speaker, I do not profess to be an expert in broadcasting company economics but I understand it is important in order that they have sufficient advertising slots. In other words, they have got to extend their broadcasting hours in order that they can sell advertising slots around more programmes in each 24 hour period. Why imported programmes and not BBC Prime? Well, as the hon Member I am sure remembers, BBC forbids the slotting of commercial advertisements at any point in its programming when we lift it down from them and therefore for GBC to have increased the public service broadcasting programming, as it has very substantially, I am sure the hon Member accepts, and keeping BBC Prime would have meant that they could not have maximised the availability of advertising slots during the 24 hour period.

HON J C PEREZ:

If the Chief Minister will give way. Certainly we will have to see the performance in advertising in the coming year but I need to remind the House that the arguments put to then Government for drawing away from a programme schedule and getting BBC was that the programmes were very expensive to acquire in the market at the time as a result of the advent of television and that there was not sufficient advertisements around the advertising spaces available to be able to pay for the costly programmes that we had to pay. That was the argument that was put then at the time. So we have to wait and see how well or how badly they do on advertising but certainly with the information available to me at the time I was in office, it does not make sense.

HON CHIEF MINISTER:

Well, Mr Speaker, I suspect with the advent of satellite television canned programmes have probably become cheaper for

terrestrial stations to acquire. And I think I should add this, the Government really are not concerned about what happens during times that public service broadcasting is not going on. The Government's concern has always been, as I am sure was and is his, that we should get value for money in terms of local broadcasting. Therefore what the Government extracted from GBC was an increased commitment to more hours of locally produced community service interest broadcasting programmes. Frankly what they do, whether they transmit Dallas or All Creatures Great and Small at three o'clock in the afternoon, is of much less policy importance to the Government because as far as we are concerned the justification for the existence of GBC and for the pumping of public funds into it is the local public service broadcasting output. If GBC wants during the rest of the 24 hour period to broadcast in Chinese or crossword puzzles or whatever programming it needs in order to increase its revenues from commercial sources, I think that that is something that it is less the Government's business than what they do in relation to public service broadcasting which we really have made it our business to make sure, nor is the subvention rising. The hon Members will see that the subvention remains £900,000 – just to refresh the hon Members from 1989 to 1990 onwards the recurring subvention has always been Improvement and Development Fund more or less.....[Interruption] No, I am not making a political point here, he should relax. From 1989 to 1990 it has been £570,000; £640,000; £570,000; £570,000; £985,000 in 1993/94; £1 million in 1994/95; £700,000 in 1995/96; £728,000 in 1996/97; £800,000 in 1997/98; £800,000 in 1998/99; and this year it is only £817,000 which in real terms it may actually be a reduction in the level of subvention. It is an essential part of what the Government have required of GBC that they become more commercially orientated in their attitude and that they fund their own expansion plans and the Government, of course, need to keep that under careful monitoring and review. I am happy to be able to tell the hon Member that as a result of the intervention by my hon Colleague, the Minister for Tourism and Transport, that GBC will now be broadcasting the Miss Gibraltar Show on terms that they have agreed although I cannot tell him what they are, with the promoter of the event. Frankly and I have to tell the

House now after the event when it can no longer be regarded as a publicly issued threat, the Government would have taken a very serious view of GBC's failure to have broadcast the Miss Gibraltar Contest and in that respect we agree entirely with the sentiments of the Opposition Member. GBC exists for the purposes of public service broadcasting, Miss Gibraltar is one of the most intensely public service broadcasting programmes of the year and it would have been unacceptable to the Government and would have brought consequences in its wake, if GBC had omitted to broadcast it on reasonable terms.

Mr Speaker, I am sorry to hear the hon Member insinuate that GBC is not being impartial with him. The hon Member said as much, he said Opposition Members pay their TV licences as well and therefore they are entitled to impartiality of treatment. The clear implication of that was that he suggests that GBC is not being impartial. I do not know what he means by that, I do not know if he has had incidence with them. Frankly what television I watch there is the same mix of Government and Opposition presence on the screen as there has always been although, Mr Speaker, the hon Member has got to make allowance for the fact that during their second term of office, unlike their first term of office, the hon Members were more reluctant to be interviewed on television, not all of them admittedly but many of them were more reluctant to be interviewed on television and this, of course, has an effect on the balance between the minutes on which Opposition faces and Government faces appear on the screen but the hon Member cannot expect that just because they did not want to go on television or were not willing to go on television as frequently as we are, that therefore we should only be allowed to go on television with the same degree of frequency as they did.

HON J C PEREZ:

Mr Speaker, for the benefit of the doubt, let me assure the Chief Minister that none of us are reluctant to go on the air nowadays, it is a question of being asked to do so.

HON CHIEF MINISTER:

Mr Speaker, the hon Member lamented the decline of political debating discussion programmes which he attributed to the result of the 1996 election and I think it is one of the most ironic remarks that has come across the floor of this House during this debate. Is the hon Member seriously suggesting that it is this Government that has discontinued the practice of debating on television? Mr Speaker, the hon Member's memory cannot be that short. Does he not remember that famous night on which GBC left an empty chair for him because he refused to go to a debate? Does the hon Member not recognise that during 1992 and 1996 there were practically no political discussion programmes and that I used to complain of that just as he is complaining now so it is not that it has started now, it was started by them and I used to complain about it then just as he complains about it now the only difference is that now that he is in Opposition it suits him to engage the Government in televised debates which it did not suit him when the boot was on the other foot. Fine, that is the realities and the facts of life but he should not persuade himself that it was in May 1996 that political debates ceased to be featured on GBC television.

Mr Speaker, the hon Member's contribution on the lottery I always welcome because I know he takes a personal interest in this matter. The solution is not easy, there is now Telebingo, there is the National Lottery in the UK, there is competition with the lottery now which historically did not exist. I do not say this in an accusatorial sense but the consensus appears to be that the problems began to set in when the lottery ceased to be conducted on a weekly basis and became fortnightly. I do not know, I have never been a great follower of the fortunes of the lottery except at estimates time. I remember at that time people were confused whether it was this week or next week and one could no longer look forward to it on the Friday, that dilutes public interest which is reflected in lower ticket sales.

HON J C PEREZ:

If the Chief Minister would care to analyse the figures of the returns at the time he will see that the returns were already at the level that they are more or less today and that the change was to try and replace that situation. The change failed to replace that situation even though the first prize increased from £50,000 to £100,000 which was what was supposed to make it more attractive. I am not blaming hon Members for the fact that it continues like that. The only point I was making was that the Hon Mr Britto when he was in the Opposition, used to make references to what the lottery vendors wanted and what they did not want and what I am saying is that the shoe is now on his foot, well instead of lecturing me on what I should have been doing why does he not do anything about it?

HON CHIEF MINISTER:

I understand that there is debate going on between themselves as to what it is exactly that they want and how they think that this situation can be improved.

In conclusion, Mr Speaker, the hon Member, Juan Carlos Perez, talks about the GSD governing on the back of GSLP successes. Well, I will not cover old ground again. The hon Member knows what we in the Government think of what their successes were. I think that a fair analysis of the two terms of office of the Opposition Members is that they did very well in their first term and very poorly in their second term. I think that that is an analysis and if the hon Member refers to his successes in the first term I would acknowledge them to the extent that he refers to successes in his second term I have to respectfully beg to differ with him. I think they had very few successes in their second term, the election results would tend to bear that out and what is more they caused a lot of damage to Gibraltar's economic viability in their second term.

Mr Speaker, he said that projected sources of wealth were GSLP initiated. Well, I do not want to, on this occasion although I am

sure we will be debating it many more times during the next 12 months, but I am not sure that the hon Members would wish to gain credit for Cammell Laird given the circumstances in which it became necessary to recruit Cammell Laird. I think the Government scored a major success in the aftermath of the Kvaerner fracas to recruit a company of the commitment and calibre of Cammell Laird who are now employing 171 people where we were left with zero in ship repairing as a result of the Kvaerner fiasco. It amuses me a little to hear the hon Members sort of chalking up credit for Victor Chandler as well on the basis that they attracted the first offshore betting company. I suppose then we would have to give credit for Ladbrokes which is what he means, not to him but I suppose it would be the AACR, when did we get our first bookmaker in Gibraltar? *[Interruption]* Well, I can tell the House that whatever their successes might be what they cannot do is chalk up for themselves any success that we might enjoy – I know they do not begrudge us but they begrudge it to us to the extent that they seek publicly to chalk it up to their own chitty by saying, "Victor Chandler who is now employing 240" where he was employing none when the hon Members were in office "Victor Chandler is down to the great GSLP economic miracle because somebody else was already doing that here before them in the form of Ladbrokes". The operations are not that similar I can tell him and the Victor Chandler operation is on a massively different scale I understand, to the Ladbrokes operation. It is much more job intensive, it has been structured in a much more revenue advantageous for Gibraltar way than the Ladbrokes operation was structured by Opposition Members and I think that there is no way and those two companies that this Government have attracted to Gibraltar, Cammell Laird and Victor Chandler between them, just two, are employing 410 people. The hon Member will forgive me if I do not let him get away with trying to give the people of Gibraltar the impression that everything good that happens in Gibraltar is down to them – companies are down to them, whoever we attract to Gibraltar is down to them, every project was thought of by them, tax revenue rises now does not reflect economic growth because all we are doing is collecting arrears in respect of trading profits and whilst the GSLP were in office..... Well, Mr Speaker, it is beginning to become a little bit



systematic an argument for it to be credible. Mr Speaker, I repeat, in closing now, to the hon Members that this budget notwithstanding the comments that they have tried to make in criticism of it, that this budget represents a fair balance between the collective needs of this community represented by the Government on the one hand and the right of individuals to keep, for the benefit of their own personal economies, the greatest part of their own earned income. And what is more that that is done in a way which maintains reserves at a prudent level, which maintains debts at a prudent level and which allows for investment in our on-going infrastructure programmes. I therefore, Mr Speaker, tell the hon Members that nothing of what I have heard them say during these two days alters my commendation of this Bill to the House.

MR SPEAKER:

Does the Financial and Development Secretary wish to reply?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No.

HON J C PEREZ:

Mr Speaker, if I can explain it to you because it is not really a point of order. They might be able to explain it in the Committee Stage but I think we have made points about electricity arrears, Land Property Services which have not been answered.

HON CHIEF MINISTER:

Mr Speaker, they will be answered at the Committee Stage. We regarded them as simply too detailed to debate but they will all be tackled.

Question put. Agreed to.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I beg to give notice that the Committee Stage and Third Reading of the Bill be taken today.

Question put. Agreed to.

The House recessed at 5.00 pm.

The House resumed at 5.20 pm.

### COMMITTEE STAGE

HON ATTORNEY-GENERAL:

I have the honour to move that the House should resolve itself into Committee to consider the Appropriation (1999/2000) Bill 1999 clause by clause.

### THE APPROPRIATION (1999/2000) BILL 1999

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

Clause 2 – Consolidated Fund Expenditure

### HEAD 1 – EDUCATION, TRAINING, THE DISABLED, YOUTH AND CULTURE

Head 1 - A – Education, the Disabled, Youth and Culture

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

Subhead 4 – School Expenses

HON J J BOSSANO:

On School Expenses, in subhead 4(d) Examination Expenses, the estimate last year was £125,000 compared to £96,000 in the previous year which I think reflected anticipated increased costs

and in fact the amount was not spent, £105,000 was spent. Can the Minister tell us, is it that there were less people taking examinations than were originally anticipated when the estimates were prepared?

HON DR B A LINARES:

Yes, that is always the case. We estimate at the maximum number that the schools report are sitting examinations at the end of the year but throughout the year there are a number of dropouts, to put it that way, who do not sit the exam apart from those who are absent or they are ill, it is a general pattern.

Subhead 4 – School Expenses was agreed to and stood part of the Bill.

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

Subhead 6 – College of Further Education

HON J J BOSSANO:

Can I ask, Mr Chairman, in the College of Further Education, in relation to training, if we look back at the accounts of the Gibraltar Development Corporation there was at one stage a movement of over £1 million a year which went from ESF funding into providing support for the College for the courses they were running. Can the Minister say whether there is still ESF funding for the College courses and, if so, where that is reflected?

HON DR B A LINARES:

Mr Chairman, yes there is ESF funding for some of the courses which are run under the auspices of the College of Further Education and it is reflected under the training and development courses vote which is in Appendix B.

HON J J BOSSANO:

What is the inter-relation between the expenditure then in Appendix B and the expenditure that is included out of the Consolidated Fund in respect of those courses?

HON DR B A LINARES:

What I can say is that a number of courses which are run by the College of Further Education which classify, qualify or are to be seen and perceived as training courses will qualify to draw on ESF funds.

HON J J BOSSANO:

But I want to know what they are. What I am asking, Mr Chairman, is given the fact that we have got a situation where payments are made by the ETB to the Government which is something that we questioned; the £800,000 training and development courses in this year's estimates in Appendix B – is some of that money to pay for courses in the College of Further Education? It is, well then if it is, how then is that consistent with the rationale of money going into the Consolidated Fund to fund the expenditure and training by the Consolidated Fund? How does the College get the money?

HON DR B A LINARES:

I do not understand the question, Mr Chairman, quite honestly.

HON J J BOSSANO:

Let me rephrase it, Mr Chairman. We have in Appendix B Training and Development Courses - £800,000 and we have further down that same column Reimbursement of Consolidated Fund Expenditure Annual Training Expenses - £332,000. If there is a lecturer in the College that is paid out of personal emoluments in Head 1A, is that recharged to the ETB and if it is recharged to the ETB how does the money get from the ETB in the £800,000 to the

Consolidated Fund because the annual training expenses, £332,000, appears as an item in Appendix B by way of explanation but in terms of appropriation it appears on the expenditure side of the estimates and is shown on the revenue side of the estimates as well.

MR CHAIRMAN:

I know this has always been the style of the House to have a question and answer session in the Committee Stage but that is not the function of the Committee. The function of the Committee is where there is an appropriation and you want to query it you move an amendment. £5 less, you say what you want to say and that is debated but if this is a question and answer session they will not be prepared for that.

HON J J BOSSANO:

With all due respect, Mr Chairman, it is how it has been done in 27 budgets so far to my knowledge.

MR CHAIRMAN:

Maybe they never had such a good Speaker in the past.

HON J J BOSSANO:

I think if we get told in the general principles of the Bill that the minutiae by the Chief Minister have got to be raised now and now you tell me that the minutiae cannot be raised now then if somebody will tell me when I raise the minutiae I will.

MR CHAIRMAN:

It can be raised very easily. All you need do is just, for example, in that particular vote, the College of Further Education, "I move that it be reduced by £1,000" and then you have got a motion that is debated.

HON J J BOSSANO:

I am not trying to reduce it by £1,000 that is the whole point. I am trying to discover what it is.

HON DR B A LINARES:

Perhaps it will help if I tell the hon Member that the £332,000 under annual training expenses which are reimbursed to the Consolidated Fund expenditure is not to pay the lecturers in the College of Further Education, it is to pay the instructors in the Construction Training Centre and the management of the Construction Training Centre and indeed also the Training Officer. This is personal emoluments under Head 1 – B

HON J J BOSSANO:

I am aware of that. The point that I am making and will repeat, Mr Chairman, is that given that the £332,000 is reimbursement of Consolidated Fund expenditure from Head 1 - B, I am asking if there is expenditure for Head 1 - A which is financed out of the £800,000 then how is that reimbursed?

HON DR B A LINARES:

The only expenditure under Head 1 – A which is reimbursed from the £800,000 under training expenses – I cannot give the hon Member the actual detail courses but there are a number of professional courses which are defined as training courses which draw funding for running expenses from this vote.

HON J J BOSSANO:

And my question, Mr Chairman, is given that explanation I have assumed that already. When I look at the estimates I say to myself, well there is in Head 1 – B we are going to vote £269,000 of training and that training, there is a footnote which says that that is being recharged, as it were, to the ETB and that is the £332,000. If I have asked given that in previous years in this

House we have had the Gibraltar Development Corporation accounts, if hon Members will look into those accounts they will find that there is for the 1996 year, College of Further Education - £1.3 million. I am asking, in 1996 there was £1.3 million of expenditure in training by the College which was funded by the ETB. If in this year we have expenditure funded by the ETB in the College and if that is coming out of the £800,000 then how is it transmitted from the ETB to the College, does it go through the Consolidated Fund or not? Because if it does not go through the Consolidated Fund then it seems to me that if the course of the training involves expenses which are included in the expenditure shown on page 23 then there must be necessarily, as there is in the item in Head 1 – B, there would have to be a parallel instrument in respect of Head 1 – A. For example, we have got here £81,000 College of Further Education, it is obvious that it costs more than £81,000 to run the College of Further Education so I assume that some of the expenses of the College of Further Education are included in the other subheads and that when the cost of a course is established there is an apportionment of the expenditure of the College on the basis that there is a contribution made by allocating a proportion of the cost to different courses. If that is then funded by the money in Appendix B in ETB then we would like to be able to identify and I am asking whether it is identifiable. It just seemed to me that in the expenditure the item which I could make use of to raise this point for clarification was the College of Further Education, Mr Chairman, I could not see any other place where I could do it.

MR CHAIRMAN:

What I am trying to say, I know you are more experienced, that this is not a question and answer session. You ask a question and you have got to accept the answer.

HON J J BOSSANO:

I have not had an answer.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am still not entirely sure what the question is but let me see if I can have a go. The College of Further Education has two sources of funding; some of it is money that comes from the Consolidated Fund and voted by this House and some of it money from the Gibraltar Development Corporation. That is exactly the same arrangement that has existed for many, many years and they have not been changed in the restructure of the finances, it is exactly the same. So, in fact, subhead 6, College of Further Education, those £81,000 is to contribute to the running expenses of the College. Some of the personal emoluments in industrial wages reflects staff in the College of Further Education and the GDC makes a contribution, a significant proportion of those £800,000 for the running of courses and that could be both, I think I am right in saying, financing people and programmes. I hope that clarifies the situation. In terms of who handles the money in the mechanism, it all passes through the Treasury.

HON J J BOSSANO:

Yes, but then what we are being told is that in this particular instance then the money goes from the ETB to the College without passing through the Consolidated Fund, that is what I have just been told?

HON CHIEF MINISTER:

When the hon Member says ETB he means the Gibraltar Development Corporation?

HON J J BOSSANO:

Yes, of course.

HON CHIEF MINISTER:

Yes.

Subhead 6 – College of Further Education was agreed to and stood part of the Bill.

Subhead 7 – Scholarships

HON J J BOSSANO:

On scholarships, Mr Chairman, the mandatory amount, if we look back at the relevant Appendix I think the explanation that was given on the changes in the funding of the scholarships, I got the impression that what we were talking about was increased funding. I do not know whether in fact the Minister actually used those words, I simply remember that he did. But when we look at the amount that is being put in the Consolidated Fund it does not seem to be more than the normal increase as has been provided in other years. Is any of the extra costs of the changes that are being introduced this year reflected at this stage in the estimates or not?

HON DR B A LINARES:

Is the hon Member referring the new changes; the increases in the educational grants announced as part of the budget?

HON J J BOSSANO;

That is right.

HON DR B A LINARES:

No, they are not reflected in these figures.

HON J J BOSSANO:

So in fact the money we are voting is on the basis as it was before those changes, am I correct?

HON DR B A LINARES:

Yes.

Subhead 7 – Scholarships was agreed to and stood part of the Bill.

Subheads 8 to 11 were agreed to and stood part of the Bill.

Head 1 – B – Training

Subhead 1 – Personal Emoluments

HON J J BOSSANO:

Could I ask, Mr Chairman, there have been further intakes of people in the Construction Training Centre. Given the fact that we have now got different groups in different years, I take it this is, in fact, other than the change from industrial to non-industrial, we are still talking about the same complement of instructors that there were initially. Will there be a need, as we get people in year 1, year 2 and year 3 and therefore consequently the total number is higher than when they started, will there not be a need to have more instructors given that people are at different levels, as it were, in the system?

HON DR B A LINARES:

The need is at this stage not perceived because the groupings have actually been because of the multiplicity now of training courses and opportunities for training courses in other areas like Cammell Laird, the School of Tourism and other forms of training schemes, the numbers now being selected, there are plenty of applications but the outcome yields groups in the Training Centre which, at the moment, seem manageable with the present complement of staff. So the need for increasing the staff is not perceived at the moment, I have to say.

HON J L BALDACHINO:

Mr Chairman, will the Minister say even in the bricklaying trade there will not be a need to employ another trainer in that trade seeing that that is the only one that can go up to level 3 in the Training Centre and therefore there might be a bigger extension of people in the Training Centre in that particular trade?

HON DR B A LINARES:

The need has not been brought to my attention by either the management of the Training Centre or by the Training Officers. With regard to that specific case of the bricklaying being now upgraded to level 3 NVQ, remember that a great part of the training at level 3 actually goes out to the placements in on the job and on the site so again it balances and compensates for the need of the instructor within the premises of the Centre.

Subhead 1 Personal Emoluments was agreed to and stood part of the Bill.

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

Subhead 3 – Bleak House Expenses

HON J J BOSSANO:

Mr Chairman, are these expenses related to all the activities in Bleak University or just the Construction Training Centre?

HON DR B A LINARES:

It is the Bleak Training Institute... *[HON J J BOSSANO: An Institute already.]* I am glad the penny dropped. It covers all the expenses.

Subhead 3 – Bleak House Expenses was agreed to and stood part of the Bill.

Subhead 4 – Gibraltar Development Corporation Staff Services

HON J L BALDACHINO:

Mr Chairman, can the Minister state what that entails, what services is that?

HON DR B A LINARES:

It is the salary of the caretaker in Bleak House. There is an element of overtime involved.

HON J J BOSSANO:

Mr Chairman, did the Minister for Health not say that the Nursing School was now here as well?

HON K AZOPARDI:

I said that it was there physically but not in an expenditure sense or anything like that.

HON J J BOSSANO:

So in terms of the other charges, in terms of, for example, electricity and water and so forth, is there any kind of apportionment charged to the Health Service?

HON K AZOPARDI:

We have not really discussed it but it is a possibility but I think he has views on that himself and he has generously so far not asked me to pay for anything.

HON DR B A LINARES:

I was going to say that at this stage we are being generous, I cannot guarantee in the future.

Subhead 4 – Gibraltar Development Corporation Staff Services was agreed to and stood part of the Bill.

## HEAD 2 – EMPLOYMENT AND BUILDINGS AND WORKS

### Head 2 – A – Employment

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

#### Subhead 4 – Operational Expenses

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I would just like to point out that subhead 4(e) should read 4(d) and in fact it should read, "Health and Safety Programme" rather than "Health and Safety Week".

Subhead 4 – Operational Expenses was agreed to and stood part of the Bill.

#### Subhead 5 – Rent and Service Charges

HON J J BOSSANO:

Mr Chairman, in the original estimate there was no subhead on rent and service charges in 1988/89. Is this in respect of the New Harbours and that is payable to whom, to a Government company?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, that is exactly right, it is New Harbours and it is payable to the Government company.

Subhead 5 – Rent and Service Charges was agreed to and stood part of the Bill.

Subhead 6 was agreed to and stood part of the Bill.

### Subhead 7 – Contribution to Gibraltar Development Corporation – Employment and Training

HON J L BALDACHINO:

I suppose that is a token figure, is it?

HON J J NETTO:

Yes.

Subhead 7 – Contribution to Gibraltar Development Corporation – Employment and Training was agreed to and stood part of the Bill.

### Head 2 – B – Buildings and Works

#### Subhead 1 – Personal Emoluments

HON J L BALDACHINO:

Mr Chairman, on personal emoluments, under forecast outturn, for bonus payments, am I correct in assuming that in an answer last year I was told that that bonus payment was for the supervisory grade and it was based on bonuses that were paid also to the industrial workforce? How does that one work?

HON J J NETTO:

That subhead should not be confused with the bonus payments for the industrials, that is for the non-industrials.

HON J L BALDACHINO:

Yes, I understand that but if we look at the estimate it was £50,000 and they spent £29,000 yet on the industrial side, which are the ones they have to supervise, there has been an increase on the bonus payments. There is no relationship between the non-industrials and the industrials?



HON J J NETTO:

There was originally. I recall that there was a 5 per cent which used to go to the non-industrials but the ceiling was lifted and therefore the two are completely separate from each other; one relates to the non-industrials which is the one we are referring to and the other one relates to the industrials so part of the confusion perhaps of the hon Member is in relation as it started originally where it was 5 per cent incorporated into the non-industrial which is not the case any longer.

HON J J BOSSANO:

Mr Chairman, when he says it is no longer the case, the ratio last year in the estimates of last year was that the bonus payment to non-industrials was 10 per cent of the one to industrials. It seems to have finished closer to 5 per cent having started at 10 per cent. The outturn is not compatible with the original estimate. Is it that during the course of the year the system was changed?

HON J J NETTO:

I do not necessarily see the relationship as the Opposition Member is putting it between.....

HON J J BOSSANO:

Subhead 1(e) and subhead 2(d) – one is £50,000 and the other is £500,000.

HON J J NETTO:

What we have seen, in relation to the second one, the industrial, it has increased from £500,000 to £650,000 because practically productivity levels amongst the industrials has increased hence the reason why we have had to put it up by £150,000. But the relationship which the hon Member seems to try to draw here

between one and the other, between the industrials and the non-industrials, not necessarily follow suit.

HON J J BOSSANO:

We are now on subhead 1(e), bonus payments and we are talking about the forecast outturn 1998/99. In last year's budget £50,000 was put there and that was related to £500,000 bonus payments to industrials so there was a ratio of 10 : 1 between the two. The outturn is that the industrials is £560,000 and the non-industrials is £29,000 and therefore the relativity between the two, which is the point my hon Colleague made, which was there in the budget of last year, in the course of the year – we are not talking about what we are voting from the beginning of April, we are talking about the figure ending the 31<sup>st</sup> March, the forecast outturn 1998/99 which is £29,000 bonus payments.

HON J J NETTO:

I do not quite understand the point.

HON J J BOSSANO:

The point is, given the fact that when we voted £50,000 it was on the basis that the work of the industrials would attract £500,000 and that the share of the non-industrials in relation to that £500,000 was 10 per cent which was £50,000, how is it that the non-industrial element of that bonus has gone down when the work done in the year has gone up?

HON J J NETTO:

Well, the only explanation I can give is, as the hon Member can see, the forecast outturn in relation to the bonuses as applied to the non-industrials, despite the fact as he has just stated, that the industrials has increased. It shows that one has increased and the other one has decreased. I cannot give an explanation why it has decreased for the non-industrials other than what they are actually being paid.

HON J L BALDACHINO:

Is the Minister then saying that there is no relationship whatsoever between the supervisory staff and the work that the industrials do, is that correct, in the bonus payments?

HON J J NETTO:

Not entirely, I think it is a question that there is some relationship but one is not dependent on the other. There is some relationship obviously in relation to the supervisory work that the supervisors and the PTOs carried out and the planned work for the industrials to that extent but obviously it means that either not all the supervisors are meeting some of the targets and other obviously do not and hence why the estimates for 1998/99 did not turn out to be that they have all been paid.

HON J J BOSSANO:

Is the Minister in a position to explain how the system works?

HON J J NETTO:

Is he referring to the industrials or the non-industrials?

HON J J BOSSANO:

No, Mr Chairman, in looking at the amount of money that we are voting and in looking at what we voted a year ago and what has happened in the course of the year, we are trying to understand how the system works. As we understood it a year ago, it was on the basis that the percentage going to the industrial workers - we were told that, had gone up - and the percentage going to the supervisors had been cut. Obviously even cut it is a percentage of the output, that is to say, if more work gets done then logically one would expect that the workers would get more and the supervisors would get more because more work has been done.

What we find difficult to understand is how one has gone up and the other one has gone down. Is there any explanation for this?

HON J J NETTO:

I cannot give an explanation for that.

HON J C PEREZ:

In fact, if we look at the provision in the estimates for this year percentage-wise is still a bit lower than the forecast outturn because £40,000 of £650,000 is less of a percentage than £29,000 to £560,000. Is it that the bonus can provide that people work with less supervision or that the supervisors are not linked to the work that is connected to the bonus?

HON J J NETTO:

Of course they are linked, at the end of the day the supervisory grades have to prepare the work for the industrial workforce, they have to prepare all the various packages as far as the specification of each particular estimate for the industrials to carry out. But I, quite frankly, cannot give an explanation to what the Leader of the Opposition has just said in relation to why it has been underspent, I cannot give that explanation.

Subhead 1 - Personal Emoluments was agreed to and stood part of the Bill.

#### Subhead 2 - Industrial Wages

HON J L BALDACHINO:

On the forecast outturn for last year, on subhead 2(d) which is £560,000 can the Minister tell me how much has been spent on each of the three different sections?

HON J J NETTO:

No, I have not got that kind of detailed information in front of me.

HON J L BALDACHINO:

Can the Minister state if in Subhead 2(b) what we are estimating now and what we have spent, of the £20,000 and we are estimating now £34,000, is it just overtime as for last year when the Minister said that it was for the people who are on the machinery side?

HON J J NETTO:

Two factors. Yes, that is correct, it is for Saturday working, for the people working the woodwork machinery. But now additionally the increase there also reflects the fact that we are putting the work with the National Day festivities which Buildings and Works contribute every year so that higher level also brings that factor into account.

Subhead 2 – Industrial Wages was agreed to and stood part of the Bill.

Subheads 3 to 5 were agreed to and stood part of the Bill.

Subhead 6 – Housing Maintenance – Materials

HON J L BALDACHINO:

Mr Chairman, what does the estimate of £1 million cover? Is it for major refurbishment and for the day-to-day spending on materials in the department?

HON J J NETTO:

Is he referring to work being put out to contract?

HON J L BALDACHINO:

No, that I suppose is for materials that is spent by the employees in Buildings and Works. What I am saying is the £1 million, is it that the materials are twofold, does it cover the daily requisitions and does it also cover major works?

HON J J NETTO:

Yes.

Subhead 6 – Housing Maintenance – Materials was agreed to and stood part of the Bill.

Subhead 7 – Housing Wardens – Materials

HON J L BALDACHINO:

Mr Chairman, is that for cleaning materials?

HON J J NETTO:

It is cleaning materials and without being 100 per cent sure, I think it also covers for bulbs.

Subhead 7 – Housing Wardens – Materials was agreed to and stood part of the Bill.

Subheads 8 and 9 were agreed to and stood part of the Bill.

HEAD 3 – ENVIRONMENT, HEALTH AND CONSUMER AFFAIRS

Head 3 – A – Environment, Heritage and Consumer Affairs

Subheads 1 to 5 were agreed to and stood part of the Bill.

## Subhead 6 – Heritage

HON J J BOSSANO:

Mr Chairman, Subhead 6(e) – Running of Museum, there is an increase in the amount that is paid. Is there a particular reason for it? We had a situation where it went down from 1997/98, less money was provided and now it is going up.

HON K AZOPARDI:

I cannot explain the descent of the sum from 1997/98 to 1998/99, I cannot explain that because it is contractual and if I remember rightly there is always an index link clause so I cannot explain why it went down, I will certainly look into it if the hon Member wishes. The reason for the increase this year is because we are providing an extra amount of money to recruit a further officer for the museum so I can explain the increase but not the decrease unless the Financial and Development Secretary has an explanation for the decrease.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I think it is to do with the fact that as part of the contract with the museum a couple of the people have now come back into Government as part of the terms when the museum contract was let and that is the drop from 1997/98 to 1998/99.

HON J J HOLLIDAY:

Mr Chairman, I think that these were information officers which were under the Knightsfield Holdings contract in which they were included and they were transferred to the Gibraltar Development Corporation and the Gibraltar Tourist Board.

Subhead 6 – Heritage was agreed to and stood part of the Bill.

Subheads 7 and 8 were agreed to and stood part of the Bill.

## Subhead 9 – Refuse Collection

HON J J BOSSANO:

Mr Chairman, in the service provided by Gibraltar Industrial Cleaners, how is this affected by this contract that was put out which would involve management of Gibraltar Industrial Cleaners as well?

HON K AZOPARDI:

It is not affected in a financial sense so if it is a budgetary question. *[HON J J BOSSANO: it is a budgetary question.]* Well, then it will not be affected. The end effect will be that there is going to be management of Industrial Cleaners but there is no financial implication to that.

HON J J BOSSANO:

But in the £1 million under subhead 10, is there not a sum there for managing Gibraltar Industrial Cleaners which obviously previously was not the case?

HON K AZOPARDI:

That sum of money covers the employees of Industrial Cleaners.

HON J J BOSSANO:

I know, I am aware of that. The question that I am asking, Mr Chairman, given that subhead 10 which says Street Cleansing and Associated Services – Contracted Services and there is a footnote which says, "One contract including the management of Refuse Collection service is out to tender". Well the management of the refuse collection service did not form part of subhead 10 in previous financial years, it does this year. I am asking, in that £1 million is there a sum of money which is for the management of Gibraltar Industrial Cleaners?

HON K AZOPARDI:

No, Sir, that sum of money will be reflected in the sum of money of the successful tenderer so it will be reflected under Street Cleansing and Associated Services, the following subhead, and not under subhead 9. The element of financial implication for the management of Industrial Cleaners will be under subhead 10 and not subhead 9.

HON J C PEREZ:

Mr Chairman, since the bulk of the money has to do with wages there and the forecast outturn and the estimate was £1,080,000 what is it that they are expecting less money to be spent on wages or overtime because one would have supposed that there should have been an increase to take account for increases in wages rather than a decrease, it is £80,000 in relation to £1 million but perhaps there lies the .....

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think it is a simple one, it is that the Treasury have taken over the contractual arrangements with Industrial Cleaners in terms of the day-to-day management of the money flow and it is now estimated that that is what it will cost.

HON J C PEREZ:

Where have the people who were managing Industrial Cleaners been shifted to? Those £80,000 were probably there to cover the wages of the people who were managing it before it passed on to the Treasury, where are they shown now this year?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, as far as I am aware, the Minister may be able to help on this, there has been no change in the employment base at all. This is just simply through looking at the mechanisms the way the

contract works. We have been able to cut it down to an estimated £1 million from £1,080,000 and that is simply it, there are the same number of employees and through efficiency.

HON K AZOPARDI:

I can confirm that. As far as I am aware there has been no change and because the Treasury now have the staff and are looking at this, it is a Treasury assessment. I cannot explain the basis of that.

Subhead 9 – Refuse Collection was agreed to and stood part of the Bill.

Subhead 10 – Street Cleansing and Associated Services – Contracted Services

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, subhead 10 we would like to split into subheads, (a) and (b) – (a) would be the materials and sundry costs which we would like to keep as £50,000 and the contracted services (b) would be the £950,000 so the subhead will remain as £1 million in total.

HON K AZOPARDI:

If I can explain that. We are splitting it up so that I can have the £50,000 back that is because the £50,000 which was merged should not have been merged in the first place because my department has always had a sum of money of between £50,000 and £60,000 which has nothing to do with cleaning, it has got to do with things like removal of dangerous trees, ad hoc emergency environmental projects that are carried out, general payment of watering of plants, if new projects are carried out through the year that are not provided for in any else's budget, that sort of thing. So that needs to be provided and has nothing to do with cleansing. In relation to the £950,000 figure itself that, of course, is subject to

the tender award and it may be a completely different figure once that is awarded.

HON J J BOSSANO:

I asked in subhead 9 about the element of management of industrial cleaners that would be provided in there and the Minister said that is in subhead 10 so I am asking now that we are in subhead 10 what I asked in subhead 9.

HON K AZOPARDI:

What I meant was that it is under subhead 10 generally in that when people have tendered for the service in the tender form at the back of the documentation they have been broken down into individual services so that we have been able to assess the tender properly. One of those elements has been management of industrial cleaners so when the final figure is inserted into street cleansing and associated services – contracted services, that figure which will be inserted and the cost, which will be this year will cover an element in respect of industrial cleaners. Whether Treasury will then seek to include it as a separate item or as part of the merged total is something that I have not discussed but it will be included in a financial sense in that subhead.

HON J C PEREZ:

Mr Chairman, I know for a fact that there is at least one individual and one typist who prepare wages and carry the sick leave and everything of industrial cleaners, if they are going to be subject to another contract my question was in the previous one and it is still in this one, what happens to those two individuals who I believe are employed by the Gibraltar Development Corporation but I am not very sure, do they disappear, do they move somewhere else or do they move with the contract?

HON K AZOPARDI:

Those people will carry on doing their function. I think the individual that the hon Member is mentioned is now actually physically sitting in the Treasury, if I recall rightly but they are still employed by the same people and they are still doing the same functions. I envisage that they will carry on doing that.

HON J C PEREZ:

Under the new tender?

HON K AZOPARDI:

Yes because all they are doing is doing the logistical function of ensuring that the wages are paid. The management element of the new tender which will impact on this has nothing to do with financial management, it is operational management and so the financial management process will continue as has always been envisaged.

HON J C PEREZ:

But Industrial Cleaners is a company wholly owned by the Gibraltar Government and has the tender for the refuse collection. If that tender now moves to AB Limited and the industrial cleaners have two people preparing their wages, carrying their pension books and everything else, that responsibility is obviously transferred to AB Limited who is the new employer of the people concerned?

HON K AZOPARDI:

The employees of the cleaning companies that are in existence now will have the option to be transferred to AB Limited but that is not the situation with the refuse collection service. The refuse collection service will continue to be done by Industrial Cleaners, the employees will still be Industrial Cleaners employees and what the new contractor is going to be able to do is to show

operational leadership to the company but we are not in a transfer of employees situation as we are with the option that will be given to the other employees in respect of the sweeping of streets contracts.

HON J J BOSSANO;

Mr Chairman, in subhead 10 I take it that although there is no breakdown shown in respect of the companies that had the contracts in the financial year for which there is a forecast outturn, presumably they are continuing to be paid out of that subhead until the new contractor takes over. Can I ask, in respect of Sights Trading Company, is the position that that is being done by the Development Corporation, the street cleaning?

HON K AZOPARDI:

The original preface to the Leader of the Opposition's question is partly yes. In other words, the services being conducted by these companies are all being done except in the case of Sights Trading. Indeed there were a couple of companies whose contract expired in May and they were asked whether they wanted to accept the option of extending their contract until the new contract was awarded and the new operator was in place and those companies accepted. So they are either under their existing contracts or under extended contracts performing the service except for Sights Trading who informed the Government that they were not in a position to be able to accept the extension and as far as I am aware, the arrangement that we entered into was that those people were taken over by the Government on a short-term arrangement until the new contract was in place and they would be passed on to the new contractor. Whether they are physically on a short-term arrangement through the Government or the GDC I cannot tell the hon Member that element of detail but I know we are doing that physically on the ground, as it were, to perform those services.

HON J J BOSSANO:

So, Mr Chairman, presumably if it is GDC eventually there will be a cross payment and if it is not GDC they would be paid wages straight out of the Consolidated Fund, is that right?

HON K AZOPARDI:

Yes, my hon Colleague, the Minister for Tourism, with whom I discussed the arrangements in principle at some stage and who indeed is supervising the former Sights Trading contracts under the Ministry for Tourism, his people at Tourism took responsibility for ensuring that these arrangements were put in place and he tells me that they are GDC employees.

Subhead 10 – Street Cleansing and Associated Services – Contracted Services was agreed to and stood part of the Bill.

#### Subhead 11 – Other Refuse Services and Disposal

HON J C PEREZ:

Mr Chairman, could we be told whether that sum of money includes the amount that is spent on the disposal of the fly ash too or is this just a contractual obligation towards Intown Developments?

HON K AZOPARDI:

It is just the contractual relation and I think my hon Colleague can elaborate on the other item.

HON LT-COL E M BRITTO:

It does not include the fly ash, that will be found under a different subhead under Head 4, Support Services.

Subhead 11 – Other Refuse Services and Disposal was agreed to and stood part of the Bill.



Subhead 13 – Services provided by Gibraltar Community Projects Ltd

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, only a minor point. Really subheads 13, 14 and 15 should read 12, 13 and 14.

Subhead 12 – Services provided by Gibraltar Community Projects Ltd

HON J J BOSSANO:

Mr Chairman, in the accounts that were tabled of Gibraltar Community Projects up to March 1998 it shows that the operating costs exceeded the amount provided by the Government by £857,000. Is there an element of recovery of the under-funding of March 1998 in either the forecast outturn or the provision for this year?

HON K AZOPARDI:

Not as far as I am aware of unless the Financial and Development Secretary corrects me otherwise.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think this was dealt with in the financial year 1997/98 by the Government. If we look back at the revenue page 14 where we took back of Gibraltar Community Projects £935,000 from £1 million, I recall off the top of my head, they have been capitalised so in fact that was made good in that year.

HON J J BOSSANO:

Actually the explanation does not make any sense, it makes it worse because how could one take back a loss? The accounts show that they did not have £1 million to give back in 1997/98.

The accounts show that the equity shareholders fund at the end of March was £136,000. I know that that was shown in the accounts then as a clawback of money previously provided but in fact the accounts that have been tabled in this House shows that the money was not there to be taken back.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, what happened was that we reduced the shareholders fund. If one looks at the balance sheet of Gibraltar Community Projects the shareholders fund is simply being reduced, there was no need for us to keep, as we were funding Community Projects from the Consolidated Fund there is no requirement for us to keep £1 million of shareholders fund so we have withdrawn it back into the Consolidated Fund.

HON J J BOSSANO:

I know that that is what I am being told but in the accounts that have been tabled it says, "Operating costs - £4.2 million; and turnover - £3.4 million" and then it explains that the turnover is the amount it receives from the Government and then there is a breakdown of the operating costs given and in the £4.2 million of operating costs, £3.7 million is wages and social insurance. A reduction of capital is not shown there as an operating cost. The information that has been provided suggests that the company at the 31<sup>st</sup> March did not have £1 million of equity to be reduced, it had £136,000, it had a nominal capital of £1 million but a carried forward loss into the financial year 1998/99. Since we have, in the vote that we are looking at, an amount that was provided which shows a forecast outturn of money paid to the company of £2.6 million which shows, if we look at the figures in the estimate for this year and in the outturn for last year that would be indicative that this amount of money was in fact the Government financing the recurrent running cost of the company, that is what that suggests. It is precisely because in 1997/98 the explanation that we got was that in fact the company did not need the £1 million which is what has just been repeated, I was surprised when we got a copy of the accounts that not only did they not need it they

did not have it either according to these accounts. If they did not have £1 million because the authorised share capital is £1 million and the issued share capital is £1 million on the 31<sup>st</sup> March 1998 but out of that £1 million, according to the accounts, £863,831 was in fact using part of the share of the clawback share capital to meet the gap between the operating cost of the company and the money the company had received up to the 31<sup>st</sup> March 1998. My question therefore is given that on the 1<sup>st</sup> April 1998 Gibraltar Community Projects had a deficit carried forward of £863,831, has any of that deficit been met by either the forecast outturn or the estimate for this year which would not seem to be consistent with the breakdown in the estimates?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, the estimate and the forecast outturn are exactly what has been spent on Community Projects this year so the hon Member is right. I would just need to look into that and come back to him later if I may.

Subhead 12 – Services provided by Gibraltar Community Projects Ltd was agreed to and stood part of the Bill.

Subhead 13 was agreed to and stood part of the Bill.

Subhead 14 – Consumer Protection Services

HON J J BOSSANO:

Mr Chairman, I note that under Consumer Protection Services, I take it that subhead 14(b) Gibraltar Development Corporation Staff Services is in fact the salaries of the staff employed in the Consumer Protection Unit and if that is the case is it that there has been an increase in staff, it goes from £21,000 to £31,000 and then up to £45,000?

HON K AZOPARDI:

There has not been an increase in the staff.

HON J J BOSSANO:

It says staff services.

HON K AZOPARDI:

Yes, that being the case that puzzles me as well I have to say. I will look into that matter.

HON J J BOSSANO:

Is there going to be any changes in this area as a result of the new provision that is being made for which there is a surplus element in the creation of the office of the Ombudsman?

HON K AZOPARDI:

At the moment that is unclear because I had originally thought that it might be possible, indeed, maybe expedient for the Ombudsman structure which really gives a civil rights, consumer protection advisory service to the public, to take charge of the whole umbrella and for this to be merged with the office of the Ombudsman. It has been included here while discussions take place. My own personal view is that that should be the case. I am not sure if it will happen, I have not discussed it with the Ombudsman and he may not share my view. Ultimately because he should feel the structure which is independent of Government, he will have the final say on it and at the moment therefore the final decision has not been taken and it is a matter that I would hope to be able to have a discussion with him at some stage.

HON J J BOSSANO:

Can I say, Mr Chairman, in the light of those comments, that while we accept that it is important to maintain the independence I share entirely the logic of that analysis, it seems that it is a sensible way of proceeding given that it ought to be more cost effective to run the operation like that.

HON K AZOPARDI:

And in that context it might be that the increase is representative of the additional staff that the Ombudsman would require were he to take them all over and it might represent vacancies but I will check it and let the hon Member know.

HON J J BOSSANO:

Does the Minister have any notion of why it is that the outturn is £21,000 instead of £31,000 because even that seems odd?

HON K AZOPARDI:

I think at the beginning of last year there were three people in employment and now there are two.

Subhead 14 – Consumer Protection Services was agreed to and stood part of the Bill.

Head 3 – B – Health

Subheads 1 and 2 were agreed to and stood part of the Bill.

Subhead 3 – Other Charges

HON J J BOSSANO:

Mr Chairman, the contribution to Gibraltar Health Authority, perhaps given that the details are in the appendix I can use this subhead, I am not sure that we got an answer on the question of the £1 million projected income which obviously has an impact on this subhead because presumably if the £1 million did not materialise this would have to be £1 million higher.

HON K AZOPARDI:

What £1 million is the hon Member talking about? The £1 million that he debated with the Chief Minister about two hours ago, is that the one he is talking about?

HON J J BOSSANO:

I do not know whether I debated it. In the Gibraltar Health Authority figures the estimated receipts from the GPMS are £17 million instead of £16 million, on page 116, Appendix C. the amount that is being provided in this subhead of £5.1 million is obviously because they expect to collect £1 million more from GPMS, if they were not collecting from GPMS £1 million more that would have to be £6 million instead of £5 million. We are asking on what basis is there a projection of £1 million more given that the outturn up to the 31<sup>st</sup> March is £16 million which happens to be in line with the estimate a year ago?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Of course, Mr Chairman, if the 1998/99 year there was a change to the social insurance stamp effective from January 1998 so in fact the timing of people paying their stamp there was quite a lag in as actually getting the benefit of that and therefore we predict some of the benefit will come in 1999/2000. In addition to that, we are also anticipating that we will collect more arrears of social insurance on which there are substantial amounts. But the hon Member is perfectly correct that if we do not achieve the £17 million it will obviously mean we will have to make a higher contribution to the Consolidated Fund assuming the expenditure stays the same and that will have to be met by supplementary funding.

HON J J BOSSANO:

In the light of that reply, can I ask, Mr Chairman, where is the money from the increased prescription charges reflected on the receipts of the Health Authority?

HON K AZOPARDI:

I think the hon Member is asking this question because last time in the House of Assembly question and answer session he asked me whether the increase in prescription charges goes to revenue or the Authority. I did answer yes but I have had second thoughts since I answered yes actually because the mechanics of it itself is such that I think that it does not, on reflection, figure in that column but I have not had an opportunity to discuss that with the Chief Executive who has the direct handling of the GPMS arrangements and I want to ask him the particular question as to whether it is revenue or whether there is a set-off arrangement, I think in the mechanics there may be some set-off for it. If the Leader of the Opposition would bear with me I will certainly write to him with that information.

HON J J BOSSANO:

So, in fact, if there is a set-off as would appear to be the case given that it is not reflected on the receipts then it does mean that the supposed savings in the prescription charges are not entirely due to the efficacy of the mechanism and are partly due to the fact that the original cost of prescription charges in the preceding year was when the prescriptions were £1.20 and that in this year the increase of £1.30 has meant a higher set-off and that the figure on the expenditure side is the net amount and that is why there is a £4 million charge, would that not be accurate?

HON K AZOPARDI:

I think the hon Member is very ungenerous with the pharmacy controls that were introduced. I think whatever money has been kicked up by the new charges we estimate could be £100,000 or £200,000 but it would not reflect a descent of the figure by £1 million or £1.5 million which in real terms is what has been achieved. I think the real issue on controls of what has been achieved is the pricing of each individual prescription, that is what has delivered the savings.

HON J J BOSSANO:

Mr Chairman, I am not saying it accounts for the whole, I am saying it accounts for some of it and the impression that was given when the Minister spoke in the general principles of the Bill was that he made no mention of this factor at all and therefore that is why we have been looking for it on the revenue side.

HON K AZOPARDI:

If I made no mention of it it certainly was not intentional. I was cognisant of the fact that I was trying to sweep through the achievements of my department and as there were quite a number I did not want to take the time of the House. *[HON J J BOSSANO: He forgot the negative bits.]* Can I just for the purpose of clarification, given that the Leader of the Opposition was dealing with the Appendix of the Health Authority, can I just point out that there is a slight error in the receipts column of the Health Authority. I would ordinarily have raised that in the Improvement and Development Fund but given that we are here now I think it might be a pertinent moment to do so. There is a column "Contribution from the Improvement and Development Fund - £1.3 million", if we go to the Improvement and Development Fund the real figure is £985,000 which is reflected and that sum in an expenditure sense. If we then go to capital expenditure, subheads 38, 39 and 40 I think the error lies in the fact that this has not been corrected from the original version, the Improvement and Development Fund was the corrected version and so the figures should be instead of £560,000, £500,000 and £70,000 should be £425,000, £325,000 and £35,000 which would then give a different contribution from the Improvement and Development Fund and obviously a different total and the total would be £26,409,000.

HON J J BOSSANO:

Presumably this would appear in the approved copy of the estimates.

HON K AZOPARDI:

Well, I hope so, that is why I am mentioning it so that account can be taken of those matters.

Subhead 3 – Other Charges was agreed to and stood part of the Bill.

#### **HEAD 4 – GOVERNMENT SERVICES AND SPORTS**

##### **Head 4 - A - Support Services**

##### **Subhead 1 – Personal Emoluments**

HON J C PEREZ:

Mr Chairman, just a small one here. There has been a move of personnel from the Infrastructure, Engineering and Design where it says General in Personal Emoluments. If we look at the figure provided for both salaries and we take into account there has been a decrease in one of minus seven and an increase in the other of eight the difference between the forecast outturn this year and the provision is £122,000 for one and £83,000 for the other less it would seem to me that that figure should be more equal although I understand that there is one extra body which is an extra Executive Officer which must have come from somewhere else not from the Infrastructure.

HON LT-COL E M BRITTO:

Perhaps the hon Member would clarify where his figures come from. My figures for the combined administration and infrastructure are an estimate for last year of £542,000, an outturn of £543,000 - £1,000 more – and an estimate for this year of £588,000 which is £45,000 more.

HON J C PEREZ:

My page 42 under subhead 1(e) salaries, infrastructure, engineering and design has a forecast outturn of £410,000 and an estimate of £327,000. Is the Minister following me now?

HON LT-COL E M BRITTO:

I am following him totally.

HON J C PEREZ:

What I am saying is that the figure of £320,000 estimated and the figure of £184,000 estimated in salaries general under subhead 1(a) the decrease in one figure should be more or less equivalent to the increase in the top figure since it has to do with the number of people transferring from one department to the other. The difference between the forecast outturn figure and the estimate figure for the infrastructure is £83,000 less whilst the increase on the top is £122,000. I understand that on top of the seven that have moved there is an extra Executive Officer but I wonder whether the EO accounts for £42,000 extra.

HON LT-COL E M BRITTO:

The figures that I gave him was for the total columns of those two departments. *[HON J C PEREZ: But I am talking about salaries.]* if we take everything into account, the differences are much more reasonable.

HON J J BOSSANO:

Mr Chairman, the salaries are a reflection of the numbers of people in post. There can be other changes in other elements which fluctuate like overtime or whatever but the salaries are finite, they are fixed. If there are more salaries there must be more people in one subhead and less in another.

HON LT-COL E M BRITTO:

There is a net increase of one body, if we take both sections into account. That accounts for the estimate which is estimated on those figures. The forecast outturn is accurate on the figures that there are and the estimate is what was estimated last year, it is a bookkeeping exercise. There is not an extra EO, there is a net increase of one body; there is one extra EO, there is one extra Messenger and there is one extra Quantity Surveyor and there is minus a technical grade and minus a telephonist.

HON J C PEREZ:

If the Minister would care to turn to page 38 he will see that the net increase between the total figure of the two sections has to do with an extra EO in the total amount of the two sections.

HON LT-COL E M BRITTO:

No, Mr Chairman, the hon Member is wrong.

HON J C PEREZ:

It has got Executive Officer, there was one in Support Services and now there are three, an Executive Officer here there was one and there is nil so if the one goes up and there was one last year it would make two but there is an extra one that makes three and that is the extra body shown.

HON LT-COL E M BRITTO:

No, Mr Chairman, the hon Member is wrong. He is right as far as he goes but if he also looks at the Messenger he will find that it is a new post and if he looks at the Quantity Surveyor he will also find that it is a new post, so there are three new bodies but against that increase of three there have been two losses, the Technical Grade has been lost and the Telephonist has been lost. So there is an increase of three and a decrease of two which gives him his net increase of one.

Subhead 1 – Personal Emoluments was agreed to and stood part of the Bill.

#### Subhead 2 – Industrial Wages

HON J C PEREZ:

Mr Chairman, would it be possible for the Minister now that the Electricity Section and the Workshops and Garages are shown separately to show also separately the industrials so that we know how many people are employed in the Electricity Section and how many people are employed in the Garage and Workshops?

HON LT-COL E M BRITTO:

I would presume there is no technical difficulty in doing that, yes I do not see why it should not happen.

Subhead 2 – Industrial Wages was agreed to and stood part of the Bill.

#### Subhead 3 – Other Charges

HON J C PEREZ:

Mr Chairman, under (c) Telephone Service it seems to me that with a forecast outturn of £20,000 that an increase to £36,000 is a bit too much unless there are circumstances which need to be explained.

HON LT-COL E M BRITTO:

Yes, Mr Chairman, of course there are, of course it is a substantial increase and there is a very easy explanation. In this year the IT Services Unit have been absorbed into Support Services in the move into Joshua Hassan House and the telephone account of the IT Services Unit was previously shown

separately and came under somebody else and it is this year included under Support Services hence the increase.

Subhead 3 – Other Charges was agreed to and stood part of the Bill.

Subheads 4 and 5 were agreed to and stood part of the Bill.

#### Subhead 6 – Government Web Site

HON J J BOSSANO:

Mr Chairman, the £15,000 is what is being paid to somebody on an annual contract because it was last year and this year?

HON LT-COL E M BRITTO:

Yes, Mr Chairman, these are the expenses of initially setting up the web site, the consultancy, the security side of it, the actual setting up of the web site. This year we have shown the same amount to reflect the running costs of the web site. This is a figure that is a little bit of a guesstimate and may be subject to adjustment next year. It is the same amount but for a different purpose last year to this year. The web site is now almost finished, there are still a little bit of expense in the setting up of it and from now on it will be running costs.

HON J J BOSSANO:

If what we are voting is £15,000 for the running costs on what is that based? I know he said it was a bit of a guesstimate but what is it that we are actually paying?

HON LT-COL E M BRITTO:

It is not salaries or wages, it is not personal emoluments of any kind. It is things like software, hardware for that matter, additional material that we might import into the web site, licence fees that we may have to pay. It is purely the technical content of the stuff

that appears on the screen but there is no personal emoluments involved in this.

HON J J BOSSANO:

Is there a fee attached to having the web site?

HON LT-COL E M BRITTO:

No, there is no fee attached in the sense that one does not pay a subscription to anybody. The internet works in such a way that anybody, the Leader of the Opposition, myself or anybody else can set up his own personal or corporate or, as in this case, governmental web site so there is no fee as such. But once one has the blank page there it depends what one wants to print on the blank page; if one wants to put a song one may have to pay royalties; if one wants to show somebody's picture one might need his permission or buy the picture to show it, that sort of thing.

Subhead 6 – Government Web Site was agreed to and stood part of the Bill.

Subhead 7 was agreed to and stood part of the Bill.

#### Subhead 8 – Compensation in lieu of Water Tariff Increase

HON J C PEREZ:

Mr Chairman, is the fluctuating element in the figures in the estimates on the outcome to do with the fact that the arrangement is one where Lyonnaise is paid depending on the supply of cubic metres of water to the population or is this done by units consumed and that is why there is a fluctuating element or is it just a negotiated price and is covered on an across the board basis?



HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, the 1997/98 figures reflects a part year. I think the agreement came into effect in June or July so it only reflects nine months. The £840,000 was Lyonnaise's estimate of how it would work and it actually turned out to be less and that is their estimate for the next year. It is based on the actual amount of water they supply.

HON J C PEREZ:

But is it still the same contract as the original one? There has been no change in the arrangement, it is the same arrangement but there has been a lower calculation in 1997/98 which has proved to be higher?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

There has been no change in the arrangement, 1997/98 represents three-quarters of a year because what we did was we introduced a new arrangement which substituted for the price of water in the original contract.

HON J C PEREZ:

Is the arrangement one where Lyonnaise calculates this depending on the calculation of water supply either in terms of units or in terms of cubic metres of water and the Government pay Lyonnaise a compensation, for example, at a price per cubic metre supplied or a price per unit consumed by consumers?

HON LT-COL E M BRITTO:

As the hon Member knows the contract allows for the price of water to go up and as the price of water has not gone up then Lyonnaise is consequently out of pocket. So based on the amount of water supplied the calculation is directly based on consumption of water with maybe one or two other factors.

HON J C PEREZ:

Did the Government, during the budget debate, not say to the Leader of the Opposition that the fact that there was a dividend payment by Lyonnaise this year was the result of a change in this contract? Am I not right in saying that?

HON CHIEF MINISTER:

The fact of the matter is that as the company has only just started collecting the compensation in lieu of tariff rises, it is now making a small profit from which we are getting, I think Government's shareholding is a third.

Subhead 8 – Compensation in lieu of Water Tariff Increase was agreed to and stood part of the Bill.

Subhead 9 – Disposal of Fly Ash

HON J C PEREZ:

Mr Chairman, I presume that the 1998/99 estimate took account of the backlog of fly ash that was here. There seems to be a great disparity between the estimate and the forecast outturn and the estimate for next year certainly gives a more realistic one. Has this got to do with the operation of the incinerator?

HON LT-COL E M BRITTO:

The hon Member is right, obviously there is a great disparity, nothing to do with the actual operation of the incinerator per se. I think I am right in saying that 1997/98 was the first year in which we actually paid for disposal of ash as opposed to storing it in tunnels as had been done during the hon Member's time so that first figure was an actual. The £110,000 was an estimate because we did not really know, and that £55,000 got rid of everything and we expected to have to get rid of more in the following year. As it turned out our figures were way out and we only needed to dispose of £44,000 worth last year. Having said that, the figures

for this year include, as well as the ash it now includes also disposal of large items, I think it is mainly mattresses which the incinerator under the new environmental legislation will not dispose of. So that is why it came down to £45,000 it should theoretically be £45,000 or £50,000 this year but there is an extra element because of the mattresses.

Subhead 9 – Disposal of Fly Ash was agreed to and stood part of the Bill.

#### Head 4 – B – Electricity

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

#### Subhead 5 – Generation

HON J C PEREZ:

Perhaps I can raise on this one the issue that was raised with the Minister in respect of subheads 5 and 10 which is the difference between the contractual obligation of OESCO and the fuel being used in Waterport Generating Station.

HON LT-COL E M BRITTO:

The factors that were pointed out to us by Opposition Members cannot be explained by one single factor. But let me start off from the point which I suspect is of greatest interest to hon Members and that is that there has been no change to the OESCO contract, let us get that absolutely clear. The liability for the contracted payment remains the same. The other factors that one has to take into account is the fluctuating FCA where the tendency has been dropping. The third factor that one has to take into account is that the estimate, and this year is no exception, is normally based – when I am talking of the estimate I am talking about subhead 9 now – the estimate on the payment to OESCO is based on the contract price. In reality what has happened over the last two years is that OESCO has supplied more electricity than that under which it was contracted. So one has to see the reduction in the

pattern in the OESCO side arising from both a forecast in the reduction of quantity of electricity to be purchased and a reduction in the FCA charges, that is why it is coming down. The odds are that that estimate of OESCO might turn out to be higher if this year we buy more again. In respect of subhead 5(b) the actual fuel, the relatively static figure there reflects a forecast of increased generation at Waterport coupled to a reduction in the fuel price.

HON J C PEREZ:

Could the Minister perhaps confirm the information which is at my disposal that there has been another design problem with the engines at Waterport and that there might be a possibility of having to change, I think it is a crankshaft as a result of one of the pistons having come out which is when we were in office one of the pistons came out of one of the engines by the side and could the Minister, if he knows, tell us whether the amount of electricity taken from OESCO has exceeded the contractual amount and we have taken advantage of the lower tariff of electricity from OESCO because I believe after the contracted amount the price falls if we take more electricity. Has that happened in the last year?

HON LT-COL E M BRITTO:

Yes, Mr Chairman, as I indicated in my previous answer that is exactly why there has been a creeping up of the figures in the OESCO amount because we have taken more than the contracted figure. To come back to the first part of the question, I wish I could answer in Spanish but I would say to him something about, "Hearing bells ringing and not quite knowing where the sound was coming from". Coming back to the first part of the question I would not call it a design fault but basically I think some cracks were found on the heads of the pistons. This is a fault that has been identified in generating stations and we were asked to look and see whether there were any but when we had done the overhaul on that particular engine, we have found more than the expected number of cracks. So basically yes, there is going to be extra expenditure which is not reflected directly because this has

come to light very recently, it is not reflected directly in the estimates as a separate head but it is intended to meet it from within the present expenditure and the amount has not been quantified because we know it to be on one engine but as other engines are overhauled the same problem might arise and we have asked the company to say why is it that we have a higher incidence of faults in our pistons than others.

HON J C PEREZ:

Is the Minister in a position to state whether Mirrlees Blackstone is going to pay part of the cost of the change?

HON LT-COL E M BRITTO:

Yes, in the prices negotiated so far there has been a substantial reduction from the original asking price as a subsidy from Mirrlees Blackstone towards the problem.

HON J J BOSSANO:

Mr Chairman, the Minister says that the figure we are voting for fuel this year is, in fact, a combination of higher consumption on lower prices because he is expected to generate more electricity from the Government production and presumably have to buy less. Can he give us an indication of what we are talking about, is it 10 per cent more or 20 per cent more?

HON LT-COL E M BRITTO:

No, I cannot give him an indication of the percentage. I thought in fact his question might be slightly different but in order to explain the situation further it seems to me that the logic that is being used is that we are estimating the contract figure in subhead 10 and we are estimating what the figure should be for generation in subhead 5(b) in order to meet demand whereas practices show that the figure in subhead 10 tends to be increased because – in the last three years anyway – more electricity is purchased from OESCO and the figure in subhead 5(b) will tend to come down

because the fuel cost remains low. That is the way it has been explained to me but it turns out as it turns out, depending on what happens during the year.

HON J J BOSSANO:

He is right in thinking that what we are doing is looking at the two subheads and trying to see what is the relativity between the two figures given that one has come down quite dramatically from £3.8 million in 1997/98 to £3 million estimated for the next 12 months whereas if he looks at the fuel he will see there is hardly any difference between 1997/98, the estimate for 1998/99, the outturn for 1998/99 and the budget for this year. Between 1997/98 and next year there is a difference of £49,000 over the 24 months in a budget of £1.6 million, that is not a significant change. On the other side, in subhead 9 the change is from £3.8 million two years ago to £3 million in the next 12 months, that would indicate given the fact that he is talking about increased billing of units running at 3 per cent, well if in fact we look at the 1997/98 situation and the 1999/2000 situation that would be indicative of quite a significant shift in the production costs of electricity from the purchase to the owned production, that is what that suggests.

HON LT-COL E M BRITTO:

I think there is an additional factor that the cost of generation in Waterport is less than in OESCO. But all I can say to the hon Member is that I took note of his comments when they were made the last time which were very much on what he has said just now and I have asked for explanations, I have given those explanations on the fundamental philosophy, I have sight here on the way they are calculated which is complex formulas and a lot of detail which, quite honestly, I have not gone into and I have no intention of going into. I have confidence that the professional people in the electricity department presumably are getting their sums right. I have asked them to check whether they have got their sums right and when they come back to me and they tell me

that they have not I shall inform the hon Member. But at the moment I am told that those figures are a reflection on what has happened and what is expected to happen and there is nothing else I can add to that.

HON J J BOSSANO:

Mr Chairman, with all due respect to the Minister, obviously the people who put the figures in the estimates put the figures in the estimates that they believe are the correct figures otherwise they would not put them there in the first place, that is true of every estimate in every budget. The purpose of the House considering the estimates is in fact to seek further information on the sums of money we are voting. Where we have a shift in the purchase of electricity from £3.8 million two years ago to £3 million this year frankly I do not think is enough to say, "The guys in the Generating Station who are technical and produce very complex formula and they are satisfied that the complex formula works." Maybe he would like to pass me the complex formula and maybe I can have a look at the complex formula if he does not want to look at it. But certainly I would like to know, for example, how much electricity in the estimate is being obtained by the purchase in subhead 9 and how much is being produced on the figures that he has given us because he has volunteered information in his contribution to this budget of the amount of electricity being generated. I would like to know how much is being generated from one source or the other to relate it to the money that is being voted.

HON LT-COL E M BRITTO:

The total amount of units generated by both stations is 116.31 million units.

HON J J BOSSANO:

Mr Chairman, that is in the forecast outturn, am I correct?

HON LT-COL E M BRITTO:

Yes, Mr Chairman, that is correct. Of that figure of 116.31 OESCO generated 64.27 million but used up for its own use 7.07 million leaving a balance of 57.20 million. Waterport generated 52.04 million which added to the 64.27 million gives us the 116.31 million.

HON J J BOSSANO:

So in fact the £3.2 million in the forecast outturn is the cost of purchasing the 57 million units and therefore presumably, since we are being asked to vote £200,000 less it is because it is not expected to have to buy 57 million in the next 12 months.

HON LT-COL E M BRITTO:

That is what I said in my original answer, Mr Chairman, the reduced figure is due to a reduction in the purchase of electricity which arises both from a forecast in the reduction of the quantity of electricity we purchased from OESCO and a reduction in the FCA charges payable to OESCO, that is why the forecast is lower.

HON J C PEREZ:

If more work than is projected is scheduled of the generators at Waterport and the work projected is in line more or less with what there is every year given the materials but as a result of changing the pistons et cetera, if more work is expected to be generated because the overhauls might take longer as a result of that then we would expect next year to get a reduction in the outturn of the fuel price from Waterport, that would be the case I presume?

HON LT-COL E M BRITTO:

With the greatest of respect to the hon Member, I am neither the City Electrical Engineer nor an expert in this field. *[HON J C PEREZ: He sounded like him yesterday in his contribution.]* Having said that I think I can still hold my own and give the information that the hon Member wants. To start with I think his question is based on false premise. If there is extra work generated because of the faults that may be found, firstly we are not intending to strip the engines to look for the fault, it will be done through an overhaul and then if the fault is identified I have already indicated that under I&D we expect to use funds available there to provide the materials and presumably the cost involved. But even if that does happen and the engine is out of commission for longer then the amount of units generated will have to remain the same, OESCO will have to supply more if the generating station is applying less. But these figures are, I say again, based on the estimates of the contract for OESCO as per the contract and the other one is based on Waterport on increased generation.

Subhead 5 – Generation was agreed to and stood part of the Bill.

Subhead 6 was agreed to and stood part of the Bill.

Subhead 7 – Electro-technical

HON J J BOSSANO:

On Electro-technical on the materials side, subhead 7(a) there is a drop in the outturn where they underspent £30,000 compared to the amount provided in last year's estimate and the estimate now is £110,000. Has the Minister got an explanation for that change?

HON LT-COL E M BRITTO:

It is a combination of two factors, I understand, Mr Chairman. Firstly, less work was done because there was more involvement in the last year under subhead 11 – commercial projects where the hon Member will see a substantial figure of work recovered

from the work under commercial projects, that accounts for the drop in the expenditure. The increase in the expenditure, hon Members may remember in my contribution I referred to a programme of updating and modernisation of substations and again they will see reference to that in the I&D.

Subhead 7 – Electro-technical was agreed to and stood part of the Bill.

Subheads 8 to 10 were agreed to and stood part of the Bill.

Subhead 11 – Commercial Projects

HON J J BOSSANO:

In the outturn in commercial projects, Mr Chairman, is this something that is recovered from developers?

HON LT-COL E M BRITTO:

Yes, Mr Chairman, the figure of £5,000 is a token figure which I understand is put in there every year as a token figure because it is never known how much is recoverable. The amount is the amount as the hon Member says, that is the cost of the commercial project and is fully recoverable from the commercial development.

Subhead 11 – Commercial Projects was agreed to and stood part of the Bill.

Head 4 – C – Fire Service

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

#### Subhead 4 – Operational Expenses

HON J J BOSSANO:

Mr Chairman, subhead 4(g), £20,000 this year, it was £5,000 last year and then it was not spent. Is this the system that we have heard about which is going to be provided for different essential services?

HON LT-COL E M BRITTO:

Yes, it is, the TETRA system which will be used by all the emergency services.

HON J J BOSSANO:

So I take it that there are similar provisions in other subheads?

HON LT-COL E M BRITTO:

That is correct, Mr Chairman.

Subhead 4 – Operational Expenses was agreed to and stood part of the Bill.

#### Head 4 – D – Post Office

##### Subhead 1 – Personal Emoluments

HON J C PEREZ:

Mr Chairman, perhaps it is the only opportunity I have of raising this matter and I would like to raise it here given that it has to do with the administrative staff. When the Minister said that the staff might have to move to the Haven for repairs to be effected, were we talking about the administrative staff only or the administrative

staff and the sorters, were the counters at any stage considered being moved so that repairs could be made, the whole thing would be moved?

HON LT-COL E M BRITTO:

Mr Chairman, the reality is that this is very much at the conceptual stage and will be looked at because the exercise has not started yet, needs to be looked at by both the Post Office and by the technical people from Support Services. Off the top of my head I would hazard a guess that it would mean the move of the counters staff and the administration department not necessarily at the same time. I have my doubts about the postmen and the sorting office, whether it would be even possible to move them or whether it would be easier to relocate them from within the building. The honest answer is that it is too early to say anything at this stage, Mr Chairman.

Subhead 1 – Personal Emoluments was agreed to and stood part of the Bill.

Subheads 2 to 4 were agreed to and stood part of the Bill.

##### Subhead 5 – Outgoing Mail and Bulk Mailing

HON J C PEREZ:

Mr Chairman, is it possible to have, at some stage, a breakdown of what amount of money is outgoing mail and what amount of money is bulk mailing and a breakdown for previous years so that we compare and see whether there has been an increase in bulk mailing or not?

HON LT-COL E M BRITTO:

I can give the hon Member the figures for the outturn of last year now but I would need to follow up the information for other years. Of the £400,000, £260,000 is bulk mailing:

HON J J BOSSANO:

Can the Minister confirm that the amount provided presumably is on the same basis? The £400,000 for this year assumes £260,000 for bulk mailing again?

HON LT-COL E M BRITTO:

Yes, once again this is a figure that is difficult to project because firstly, we do not know how much business there is going to be and, secondly we do not know whether the payments for it will come within the current financial year. I understand it is provided on the same basis of the same sort of volume.

Subhead 5 – Outgoing Mail and Bulk Mailing was agreed to and stood part of the Bill.

Subheads 6 to 8 were agreed to and stood part of the Bill.

Head 4 – E – Broadcasting

Subheads 1 and 2 were agreed to and stood part of the Bill.

Subhead 3 – Other Charges

HON J C PEREZ:

Mr Chairman, although I know that it is a subvention but GBC's subvention was always primarily geared up for meeting the cost of the salaries. I presume that there has to be a net profit projection in over the cost of employing people if the subvention has remained at that level. That is to say, that if they are going to employ five people the intention is that the other income would absorb the cost of those five extra people because if not the subvention would be shown here to be higher to take into account the four or five extra bodies that they have taken on.

HON LT-COL E M BRITTO:

Mr Chairman, I think one has to look at the relaunched GBC in a much wider viewpoint than that. The Government have asked GBC to become more commercial. We have asked it to look at a reducing subvention somewhere down the line. We have asked it to restrain the subvention this year so although yes, the business plan that the board has produced does include cost for the extra bodies but it also takes into account the new opportunities being offered for increased advertising, increased revenue and that is why there is no increased subvention.

HON J C PEREZ:

Given that the subvention is in line with last year and that the number of licences has not increased and the projection of GBC is that it is the same income from the number of licences, the only new source of income that they are expecting to receive is increased advertising as part of the relaunch. What I am asking is that if GBC in their projections are expecting to cover the extra cost of employing people in the first year, if the increased income would cover the cost of the increased cost of employing people? That is what I am asking.

HON LT-COL E M BRITTO:

The hon Member obviously misunderstood my reply. I intended to answer exactly that point in what I said before. *[HON J C PEREZ: He did not.]* Well, let me say it again in different words. Precisely because we are keeping the subvention the same, precisely because they have increased costs, then obviously they envisage increased revenue not just from advertising but also from sponsored programmes and from other opportunities that will arise and the bottom line is that they expect the bottom line to be neutral. They are not expecting to make a loss.

HON J J BOSSANO:

Mr Chairman, in discussing the profitability of the new operation I note that in the accounts that have been tabled at this meeting of the House GBC still retained a net book value of decoders which presumably is now scrap.

HON CHIEF MINISTER:

The last we heard they were not scrap, indeed they had an interested party to purchase them. [HON J C PEREZ: Botswana?] Well, we are not racist about who we sell things to. If it were Botswana it would not matter, what matters is the colour of their money. I cannot remember the exact amount but it was a substantial amount, it was not a nominal amount.

HON J J BOSSANO:

I do not know whether the balance sheet value of the decoders are the decoders that have not been distributed or is it that now that there is no longer a need for a decoder because there is no longer BBC Prime is GBC expecting licence holders to go back and give them back all the decoders so that they can sell them, is that the situation?

HON CHIEF MINISTER:

They have a large stock of them, the hon Member may have seen it if he has visited GBC, stacked up in some remote corridor and I think they are also hoping to persuade subscribers to return them, yes, so it is really a combination of both.

Subhead 3 – Other Charges was agreed to and stood part of the Bill.

The House recessed at 7.17 pm.

The House resumed at 7.30 pm.

#### Head 4 – F – Sports

##### Subhead 1 – Personal Emoluments

HON J J BOSSANO:

Mr Chairman, given the plans that have been announced in the general principles of the Bill by the Government on additional facilities, does it have any manning implications?

HON LT-COL E M BRITTO:

The Government are, as I have announced, intending to go down the path of expanding considerably the sports facilities but it is expected that the full cost of this financial year will be taken up in the development side and the provision of the facilities. It is unlikely that there will be, in fact I think highly improbable that there will be personal emolument implications in this financial year.

HON J J BOSSANO:

But eventually it would presumably?

HON LT-COL E M BRITTO:

Yes but there is no provision here for that if that is what the hon Member wants.

Subhead 1 – Personal Emoluments was agreed to and stood part of the Bill.

Subheads 2 and 3 were agreed to and stood part of the Bill.



#### Subhead 4 – Operational Expenses

HON MISS M I MONTEGRIFFO:

Can the Minister say what the £10,000 is in relation to Ancillary Sports Facilities?

HON LT-COL E M BRITTO:

This is a new item as hon Members will note and this is for the upkeep, cleaning and maintenance of the following facilities – Hargraves, the South Barracks tennis courts, the Mount tennis court, the Queensway tennis courts and the USOC playing area.

Subhead 4 – Operational Expenses was agreed to and stood part of the Bill.

Subheads 5 to 7 were agreed to and stood part of the Bill.

#### HEAD 5 – SOCIAL AFFAIRS

##### Head 5 – A – Social Security

##### Subhead 1 – Personal Emoluments

HON J L BALDACHINO:

May I ask seeing there is only one extra AO in the complement how is it that the estimate for 1999/2000 is £88,000 more than the forecast outturn?

HON H CORBY:

There is now a Senior Officer who used to be an SEO, and an Executive Officer was recruited for the Key and Anchor and there is an additional AO.

HON J L BALDACHINO:

If we look at the Social Security establishment on page 50 it shows only one change which is an AO. On page 50 the complement now is 36 and last year it was 35 but the difference is in one AO yet the estimate is £88,000 more.

HON CHIEF MINISTER:

The explanation is that there were officers provided for in last year's estimate which were not in post during the last financial year. Am I addressing the right point?

HON J J BOSSANO:

The Chief Minister has addressed the right point except that the provision last year was £414,000 which is not indicative that the provision was made at the time of the estimates. If £414,000 was the provision for 35 officers in the complement in the last financial year then £470,000 seems a big difference for one more AO.

HON CHIEF MINISTER:

No financial provision was made last year for posts that were vacant and there are quite a lot of them. There are, for example, even as we speak, there is an SEO post vacant at the moment; there is one AO post vacant and there are two inspectors posts vacant and those are provided for in this year's estimate but not provided for in last year's estimate.

Subhead 1 – Personal Emoluments was agreed to and stood part of the Bill.

Subheads 2 to 4 were agreed to and stood part of the Bill.

Subhead 5 – Workers Hostels: Services by Gibraltar Community Projects Ltd

HON J L BALDACHINO:

Under (a) wages if we look at the estimate in 1998/99 which was £171,000 and the forecast outturn was £165,000 and it is now being estimated at £145,000, can we have an explanation why they intend to spend less and if we compare that with the Devil's Tower one which was £111,000 in 1998/99 estimate and the forecast outturn was £95,000 yet they are estimating for 1999/2000 £114,000, is it that there are people moving from one hostel to another?

HON CHIEF MINISTER:

The hon Members I know are aware that this is a service provided by Community Projects and what they do is that they provide to us at the start of the year a calculation of the wage cost that they expect to incur in providing the service. I could give the hon Member a breakdown of both of those figures but what I cannot do is compare it to last year because we have not got it here. I suspect that it has something to do with the fact that the labour force of Community Projects is gradually falling and that they therefore distribute their resources amongst all their various functions on a decreasing manpower basis. How they deploy the manpower resources amongst their various responsibilities is a matter that we leave up to them. What I cannot do is answer the hon Member's question about what the exact reason is, why this year they claim that they need less manpower than last year.

Mr Chairman, the answer has just been handed to me. The explanation is that there are in fact less employees required at Buena Vista than at Casemates because it is smaller in size and I suspect more coherent in its structure and therefore there are three bodies less; there are 14 as opposed to 17. One

clerk has been redeployed; one labourer has been redeployed and one cleaner has been redeployed so the hon Member's assumption was correct.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, if I could come back to the Leader of the Opposition's question about Community Projects. In fact what happened was in two years we actually reduced the turnover of Community Projects, all the turnover is equivalent to the receipts they received from the Government. In fact we actually reduced that to bring in the £935,000 to retain that in the Consolidated Fund which effectively meant they incurred a deficit in that year which was eaten up against their share capital and so there is no deficit to the fund in future.

HON J J BOSSANO:

I am afraid I am not able to follow the explanation.

HON CHIEF MINISTER:

Mr Chairman, when we formed Community Projects Ltd our initial notion was to capitalise them and allow them to operate at arms length, so to speak and therefore £1 million went across and was paid out of share capital. We then changed our minds as to how Community Projects was going to operate and that it was not going to run its own financial operation, it was not going to invoice Government, Government were simply going to indemnify it in respect of all its costs. So we wanted £1 million back but company law does not allow one just to reduce share capital once it has been subscribed and paid out, one has to go to the court and petition the court to reduce share capital. So we looked around for a mechanism to get that £1 million that had already been subscribed in share capital back given that we were changing the method of their operation. The method that we agreed on was to under-fund them in terms of their operating costs one year by that amount of £900,000 so that they would make that loss – it is not that we under-funded them, they had the

£900,000 and we said to them, "For one year use that £900,000 for your operating costs" and the Government saved £900,000 that one would otherwise have had to pay to Community Projects in terms of operating costs. So in other words we were just working off, so to speak, the £900,000 share capital in company operating expenses – labour, materials and things of that sort and when they used that then we kicked in with Consolidated Fund subventions of the sort that we are voting on now.

HON J J BOSSANO:

Mr Chairman, that sounds logical except that it does not seem to fit the facts that we had been provided in the House previously because in the estimates last year on page 11 we have a figure that says "£935,000 recovery of Community Projects expenditure" which went into the Consolidated Fund and I asked at the time for an explanation and I was told this was precisely the recovery of money. The recovery of money cannot be the under-funding of expenditure because one appears on the revenue side and the other one appears on the expenditure side. The explanation that the Chief Minister has given me is not consistent with the information in the estimates tabled in the House a year ago although I can understand the logic of what he is saying but it does not fit. Mr Chairman, I think in fact in the estimates of last year on page 11 the money recovered from Community Projects was shown as an addition to the reserves in the same way as the balances in the dissolution of special funds and in the transfer of the Savings Bank surplus, they are all shown together on the same page and consequently, in fact, I remember asking specifically about this and I was told that it was because they had decided that the company did not need £1 million of funding, that the money had been recovered.

HON CHIEF MINISTER:

I will have this checked out for him but I suspect that what happened was that the Government had in fact funded the whole of Community Projects expenditure that year and £900,000 worth or thereabouts was reversed with instructions that they should

replace it with their share capital so that there is revenue back to the Government in an accounting sense although, of course, the cash never left, Government did not send Community Projects a cheque for £1 million share capital, it was bookkeeping. So if we look at page 14 of the estimates booklet which he has referred to and it shows that in 1997/98 we received from Community Projects into the Consolidated Fund £935,000, there must be a refund of money that had previously been paid out which they were then told to take out of their share capital and pay back the Government subvention so to speak. I suspect that that is what happened but I will certainly have that point looked at and come back to the hon Member on it.

HON J J BOSSANO:

Mr Chairman, except that the Chief Minister has tabled accounts in this House in this meeting dated the 31<sup>st</sup> March 1998 and in those accounts the £935,000 payment does not appear.

HON CHIEF MINISTER:

The arrangement that the auditors have approved is that that is reflected in a reduction in the turnover. If we look at the profit and loss account there is a reduced turnover there below operating costs which the hon Member will see is strikingly similar or near enough to that figure resulting in an operating loss of £916,464.

HON J J BOSSANO:

I do not know whether the Chief Minister did not hear me when I spoke earlier. All he is telling me is what I told the Financial and Development Secretary about an hour ago, that is the first question I asked. I pointed out that the accounts that had been tabled in this House showed, in the profit and loss account, a loss of £863,000 and when we came to vote this year's money my original question which the Financial and Development Secretary is now trying to answer is precisely what the Chief Minister has just quoted to me. I know that, I actually asked are we voting money this year to cover the loss for that year and the answer

was, "No, we are not". It seems to me, Mr Chairman, that if the accounts of the company on the 31<sup>st</sup> March show that the operating costs are in excess of the receipts from the Government then the expenditure of the Government must necessarily match the receipts of the company. I do not see how else it can be. The two things must match. Therefore either the money must be moving from the company to the Government and then it appears as a minus in the company and a plus in the Government or the money must be moving from the Government to the company in which case it appears as a minus here and a plus there. I would have thought that if, in fact, the money was being recovered by under-funding then it would be reflected on the expenditure side of the 1998/99 estimates and therefore I would have expected that that would be reflected in the final figure. If that is the explanation then it is not the explanation we have had so far.

HON CHIEF MINISTER:

Mr Chairman, the hon Member will notice that the accounts of Community Projects that have been tabled are not the accounts for a 12 months period, they are the accounts from the 20<sup>th</sup> August 1996 to the 31<sup>st</sup> March 1998. The Consolidated Fund had paid, although not necessarily dispersed but in accounting terms we had voted £1 million for the share capital of the company. The Government then entrusts work to Community Projects and they incur costs which we would normally pay them for. Because we wanted the £1 million back – I do not think it was quite £1 million by then – but because we wanted what was left, £900,000 back, what we said to them was, "The Consolidated Fund is not going to fund your £4,266,427 worth of costs. We are going to fund, from the Consolidated Fund less" because all this was done at the financial year end and the Consolidated Fund had already dispersed the monies, it was a bookkeeping reversal of entry. In other words, there was then £935,000 although I cannot tell the hon Member how it is exactly £935,000 but subject to that figure there was then a position in the Consolidated Fund where, in effect, Gibraltar Community Projects Ltd was returning £935,000 to the Government which the Government placed in the Consolidated Fund and it appears on page 14 there as an item of

revenue but how is that revenue generated? It is generated by the company returning that money to the Government in the form of a return of a subvention because it was agreed between the Government and the company that £935,000 of that year's operating costs would not be funded by the Government from the Consolidated Fund but rather would be defrayed by the company from its internal resources. What were those internal resources? The share capital £1 million that the Government had, prior to that, already made available to the company within the Treasury. I think that that addresses the problem of chronology. These accounts up to the 31<sup>st</sup> March 1998, the money was received by the Government from Community Projects in the year ended 31<sup>st</sup> March 1998. I do not follow the hon Member's point, why is he suggesting that there is a mismatch in chronology?

HON J J BOSSANO:

If we have got audited accounts for the 31<sup>st</sup> March 1998 and a receipt by the Government of £935,000 there must be, I would have thought in the estimates of the company, a payment to the Government and it is not there.

HON CHIEF MINISTER:

The hon Member is theoretically technically correct in that.....  
[HON J J BOSSANO: *Technically.*] Well, yes, in the sense that if the company is making a payment to, in this case the Government, it ought to presumably, I am not an accountant myself but I would have thought it logical that it should appear somewhere in the profit and loss account. It does appear because it appears as operating costs so that figure of operating costs under the heading "turnover", that figure of £4,266,727 in effect is the expenditure that relates to that £900,000-odd that went out to the Government. If the hon Member turns over the page of the accounts to page 4, the balance sheet, in the capital and reserves section he will see there how the loss has been set off against the £1 million share capital. [HON J J BOSSANO: £863,000.] £863,000, I do not know how it gets from £863,000 to £935,000 but there must be an explanation for that as well. So the point that

the hon Member is making is, all right accepting that that is how it all works why is the payment out not reflected? Mr Chairman, I can only suppose that these are not cash books, this is not a cash book which shows out the payments made, this is a statement of the profit and loss account which shows the company's operating revenue and operating costs. [HON J J BOSSANO: *They are audited accounts.*] Yes but they are audited accounts of the company's operating costs and operating revenue. The payment back to the Government was no more than a return to the Government of monies that the Government sent to the company and said, "No, give them back to me" and the result of the Government saying, "Give them back to me" and the company saying "okay, here they go" is that the company incurred an operating deficit which it then set off against its share capital reserve. So saying to the Government, "okay have your money back" is not necessarily in accountancy terms a profit and loss account figure. Subject to my limited knowledge of accountancy principles that is the only logical explanation that I can come up with.

HON J J BOSSANO:

Mr Chairman, on that basis, would it not then have been logical that if the money was not recovered from the company but effectively what happened was that a payment for work was returned that all that that would have required then would be that at the time of the forecast outturn for the year 1997/98 that would be corrected by the final audited figure of payment showing what was actually paid. The inconsistency that we have is that the whole purpose presumably of tabling this is so that we look at it and then when we look at it we can see the movement from one side to the other. It seems to me that by putting it as an addition to the reserves last year that the impression that was given then, I think, was that it was going to be done on the basis of a reduction of share capital.

HON CHIEF MINISTER:

I entirely understand the point that the hon Member is making. What he is saying is if what has happened is that a payment has just been returned to sender there is no need to show it as revenue in the Consolidated Fund, it is simply unspent estimate. That would be true on the assumption, which I am not in a position to dislodge but nor is he in a position to make without us making further enquiries, that the payment went out from the Government in the same year as it was returned to the company bearing in mind, that is why I said to him that these are two years worth of accounts for the company but these are only one years worth of accounts for the Government. So the fact that the Government gets the money back in the year 1997/98 does not mean that that is the year in which the company received it from the Government because these are two years worth of accounts for the company. So, for example, the company might have sent back to the Government, I am not suggesting to the hon Member that this is the case, the company may have received money from the Government in the financial year, for example, ended 31<sup>st</sup> March 1997..... [HON J J BOSSANO: *Or August.*] Possibly, yes, I cannot tell the hon Member right now when the £1 million went out. If he is interested in having a detailed answer to this I can find out those details for him. All I am saying to him is that the logical alternative way of doing it does not necessarily follow in this case because the return of the money to the Government did not necessarily happen in the same year in which it features as revenue and, of course, if it happened in different years and one has already booked it in the previous year as expenditure, if the company sends it back to sender then it is revenue because it has already been recorded as expenditure in a previous year. It would be interesting to see from the 1996/97 accounts how the Community Projects expenditure features in that year and if the hon Member just will bear with us we will give him that information as soon as we can.

HON J J BOSSANO:

Can I just make one final point in that context, Mr Chairman. Even if that is the case, surely if we are talking about the fact that the operating costs over an 18 month period was £4.2 million then even if there was money paid in the first six months there was nothing to have stopped the under-funding happening in the second 12 months over the 18 month period.

Subhead 5 – Workers Hostels: Services by Gibraltar Community Projects Ltd was agreed to and stood part of the Bill.

Subhead 6 – Drugs Misuse Programme

HON J L BALDACHINO:

Mr Chairman, during the debate I gave notice that I would be asking what is the £140,000 estimate. Are wages part of that £140,000?

HON H CORBY:

Yes, it is for the house manager, two counsellors, four clericals and two part-time cooks which makes it £18,800.

HON J L BALDACHINO:

Can he also clarify for me that there is no payment to the MOD for the lease?

HON H CORBY:

There is no payment to the MOD.

HON J J BOSSANO:

Mr Chairman, I think in the 1997 estimates the Minister announced that he expected that Bruce's Farm Rehabilitation Centre to be operational within a couple of months. In fact, we were told earlier that there were problems in getting the place, this is two years.

HON CHIEF MINISTER:

I have explained to the hon Members in my reply what the various reasons are for the delay in opening. The most critical one, the one that has impacted most heavily in the period to which the hon Member refers is the difficulty with the trustees. When in effect we had to change trustees because we could not come to mutually agreeable terms with the first batch.

HON J J BOSSANO:

We have got an original estimate of £130,000 and then an outturn of £60,000. Is it that the centre has been operating already before now?

HON H CORBY:

Let me give the hon Member a full picture of what was happening. It was partly furniture, when we inherited the two buildings there was water penetration insofar as one of the roofs was concerned, we had to do that up. We also had to paint the whole building, we had to buy furniture, we had to buy mattresses et cetera. We bought some of the furniture but we had to pay the MOD for it so that is part and parcel of the whole amount of £60,000. We had to refurbish the place and it was not in a very good state.

HON J J BOSSANO:

Then none of the money there has gone actually into giving assistance to people with problems related to drug rehabilitation?

HON H CORBY:

No, what happened in the interim was that we funded people to go off to centres in Spain as and when they needed it but none was on the rehabilitation side of patients.

HON J J BOSSANO:

Presumably two years ago when they thought that they would be able to run the centre here, what has happened in the interim, have the arrangements with Camp Emmanuel been carrying on all the time until now?

HON CHIEF MINISTER:

Camp Emmanuel closed when Joe Caruana sold the land. There has been an element, I do not know where it is included, of subsidy, we funded one or two of his patients for treatment in rehabilitation centres outside Gibraltar, one or two that he asked to be financed but other than that the subvention, which I think was £50,000-odd to Camp Emmanuel stopped the moment he sold the property.

HON J J BOSSANO:

Did that happen in the last financial year or earlier than that?

HON H CORBY:

I think it happened prior to that but we only received people who wanted rehabilitation this year and we funded those people as they came through Nazareth House or Mr Caruana was involved in as far as asking the Government for help to sending people, actually a chap to UK and at the moment we have got two in Spain.

HON J J BOSSANO:

In the last financial then the money that has gone towards helping people to be rehabilitated because of drug related problems has not been charged to this subhead?

HON CHIEF MINISTER:

No, to the Social Assistance Fund.

HON J J BOSSANO:

Mr Chairman, I am trying to get some idea of what is the client base, how is it that we have coped in the interregnum between the closure of one and the opening of the other? The perceived need which is real but in terms of how big it is, in terms of what do we need to provide, if there has been a gap how have we managed in that period?

HON H CORBY:

I think that a lot of rehabilitation, if one wants to call it that which is not rehabilitation in the sense that people come on heroin and get detoxed in a centre, I think most of it was only counselling insofar as the rehabilitation side of it by Nazareth House and we have got Narcotics Anonymous as well giving counselling to them. When there was a heroin addict then we were asked for help insofar as that person was concerned because one has to have the detox side of it which was not done in Gibraltar and there were also detox done in KGV wing of the hospital and then they took them into Nazareth House for counselling. They did not do any detox in Nazareth House but when a mother wanted her child to go off to Spain they were referred by Joe Caruana and we funded that from our department.

HON J J BOSSANO:

Is it that the unit with the funding that is being provided in this year's estimates is expected to do all those things without the need for anybody to be sent anywhere?

HON H CORBY:

If and when the centre starts it will do the detox either at St Bernard's Hospital or with the Health Authority because it only takes 48 hours in the hospital and then it can be done either in the Health Authority itself or in-house at Bruce's Farm. The crucial time for detox is 48 hours.

HON J J BOSSANO:

Is this something that requires sort of trained people to be able to do?

HON H CORBY:

Yes, I have been speaking to the Minister for Health, there is a psychiatrist coming who is very well versed in that area. He is coming and he is prepared on a controlled basis to do the detox himself.

HON J J BOSSANO:

Then, Mr Chairman, I do not quite understand. To me it would seem that either we are providing something in the rehabilitation centre which we did not have previously or we had it previously in the Health Authority in which case I do not see why it is that we were having to send them abroad or to Spain or wherever if we were able to do it. I mean, we are able to do it now for somebody in Bruce's Farm then presumably we would have been able to do it in the last 12 months, no?

HON K AZOPARDI:

I think what my hon. Colleague is pointing out is that at some stage in a detox procedure they require the assistance of the Health Authority. That assistance may have been able to be delivered prior to the establishment of the centre but what the centre provides is something that was not available in Gibraltar previously in that there may be people who need detox, maybe people who do not but in both cases people who do not need to go to a separate centre out with normal health facilities, people who have undergone the 48 hours then subsequent to that would need to go to a centre separate to any other connected facility so that they can, as the centre name suggests, rehabilitate after being left for a certain amount of time. I think what the centre is intended to achieve is for it to provide those adequate facilities which can concentrate the mind of that individual so that the person can work towards breaking the habit and that was something that was not here before and I think that is what my hon. Colleague is trying to establish. The Health Authority assistance might have been there in the past if called upon but of course there was no point doing the 48 hour detox because that then required a transfer to a separate facility where the person could rehabilitate but there was no facility to which the person could be sent. Added to that, of course, there is the issue that as far as I am aware, there was no particular doctor well-versed, particularly well-versed who had experience in administering these detox procedures but we were lucky enough that the new consultant psychiatrist apparently does have experience in this and has expressed an interest in it.

HON J J BOSSANO:

Can I ask, the arrangements in fact for the operation of the centre, is that the Government are advertising and recruiting people to run it or there is a contract with an organisation?



HON H CORBY:

No, there was an advert by the trustees and about 34 persons applied. It is just a matter now of having the facility in the hospital so that we can open and carry on. The trustees have already interviewed the people and they have already got the applicants to fill these posts.

HON J J BOSSANO:

Is the Minister in a position to say whether any of the people who were previously involved in this type of work in Camp Emmanuel if there were any people from Gibraltar involved over there, are any of them involved in this new operation or not?

HON H CORBY:

I believe that what they were trying to do is get qualified staff, there were no qualified staff, as far as I am aware, in Camp Emmanuel. There have been very good people coming up qualified, one of them is an ex-drug addict who has gone to UK and gone on a mandatory scholarship. These are the people that I think the trustees are looking for, qualified people.

Subhead 6 – Drugs Misuse Programme was agreed to and stood part of the Bill.

Subheads 7 to 10 were agreed to and stood part of the Bill.

Head 5 – B – Social Services Agency

Subhead 1 – Personal Emoluments

HON J C PEREZ:

Mr Chairman, since I cannot identify it here I might as well raise it here and the Minister might enlighten me. Where is the expense of the Home for Children in Care, the one by the KGV Hospital?

HON H CORBY:

The salaries cover Bishop Healy Home, St Bernadette's and all the rest but I will come back to it.

HON J C PEREZ:

I have nothing to question about the salaries, I wanted to ask the Minister specifically and I do not see provision there about certain repairs that were initiated a very long time ago in the home, in fact, when we were still in office, some of them were undertaken pretty quickly but I understand that there are still some repairs that are needed in the Bishop Healy Home.

HON H CORBY:

Is the hon Member talking about the fire escape?

HON J C PEREZ:

Part of it is that, the gate and some things internally that I understand they have not been completed, that it is about three or four years ago.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I think it would be under minor improvements to a Government building what we are talking about. I think that it would come out of the I&D Fund, Head 104, subhead 2.

HON J C PEREZ:

As long as I can get a commitment from the Government that the works will be carried out this year. I am not questioning any particular amount of money, what I would like is a commitment that those works started a long time ago and really until everything is ready, they are not really complete and it is a pity.

HON H CORBY:

We have already addressed that, that is why we have contacted both John Navas of minor works and Michael Gil, they did a study and also we were informed by the Fire Brigade and they are involved and very much on top of that, yes.

HON J J BOSSANO:

On personal emoluments, I asked in the general principles about the cost to the Social Insurance Funds of the administration of those funds by civil servants which appears as revenue in the Government estimates. I have not had an explanation so far and I imagine that the cost of the civil servants concerned appears here on the expenditure side.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, the management charges are calculated for all the special funds using the same methodology which I think we started in 1997/98. We charged the exact direct staff costs, whether that represents a third of a person or half of a person in the particular department and we then calculated a percentage for overheads, for senior management time, the Secretariat, the Treasury and Audit. The hon Member commented about the sharp increase in particular over two years and, in fact, he is quite right that the increase applying the formula which has been applied, the formula has not changed so it is obviously the direct staff input has changed. The increase printed in the Social Assistance Fund between 1997/98 and 1999/2000 from £210,000 to £260,000 is in effect 19 per cent of that increase. Equally the increase between 1994/95 and 1996/97 where certainly I had nothing to do with it, was also 19 per cent so I do not think there has been a sharper increase in these management charges than has necessarily been there before.

HON J J BOSSANO:

With all due respect, it is not a question of whether he has anything to do with it or not. It is that in looking at the estimates the purpose of bringing the Appropriation Bill to the House is to enable us to raise these issues irrespective of what was done in 1994/95. In any case, he has quoted the Social Assistance Fund which I have not mentioned because it does not make any difference what they charge the Social Assistance Fund. It does not matter what the Social Assistance Fund is charged because the Social Assistance Fund is funded by a contribution which we have just voted which is transfer to Social Assistance Fund, Head 5-A, subhead 7 so all that happens in the Social Assistance Fund is that if more amount is built, as it were, and appears as revenue then it will simply reappear on page 52 as expenditure to the Government which needs to be voted, it is a purely circular movement. My concern was particularly when I saw the cost charged to the Closed Benefit Fund which went up from £303,000 to £415,000 between 1998 and this year, if we look at the final figure, which seems quite an extraordinary increase given that if it is the same formula, as the Financial and Development Secretary has said, well the salary of the civil servants have not increased by that ratio in that time. And when we look now at the expenditure the personal emoluments in the Social Services Agency, were presumably the people are employed and paid, do not indicate that kind of increase in expenditure or manpower. I raised it before and I am raising it now simply because, Mr Chairman, as I think I pointed out in the general principles of the Bill, the problem is that if we identify something on the revenue side, we do not vote the revenue, we vote the expenditure so we have to relate it to an expenditure item. I would have expected that if we have got higher costs in the Social Services because of the management of the Social Security Fund then the Social Security Fund is being charged more because the Government are spending more but I would not expect that the Government should not be spending more and be charging the Fund more because, in fact, this is paid out of the contributions to the Social Insurance Fund, it has always been like that, I said that initially. The thing is totally self-funding, there is no Government subsidy.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, the cost has gone up more than the hon Member would expect but I think it is simply because the direct staff time being applied to operating that Fund will have gone up and so it may be that there is half an extra person working in that Fund, or a third of a person in that year and therefore that would also reflect in the overhead which is a percentage. I repeat, it is based on the actual, the department lets the Treasury know and the Treasury lets itself know exactly what staff input is made into the particular Fund and that is actually totted-up and then there is a percentage that is added on for overheads and general expenses and the formula is exactly the same. So if it is increased more than the hon Member would have expected, it can only be because the number of staff working on that particular Fund in that year is expected to increase.

HON J J BOSSANO:

That is all very well, Mr Chairman, but surely the Financial and Development Secretary must accept that since this comes out of social insurance contributions over which the contributors have got no control and over which there is no independent body to suggest whether the thing is being properly costed, there is nothing to stop – I am not saying that this is what is happening but certainly there is nothing to stop the department on that basis deciding, “Let us book somebody to the Social Insurance Fund because if it is more manpower than I would have expected that it should be possible to say why it is that now we need more manpower to administer – it is not that we have had a huge increase in the number of pensioners; it is not that they have to calculate pension increases because the pensions are frozen, so there does not appear to be a readily visible explanation for the increase in cost.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, there was, for instance, taking as an example the one used of the Closed Long-Term Benefit Fund, without having all the details in front of me it is difficult, I think there was a small increase in the amount of time the Treasury were spending on it. Whether that was a real increase or a recognition of time they have been spending before but not charging. There was also the Senior Officer post which came into being who also spends quite a proportion of his time on that. Those are just two examples, there may well be others.

HON J J BOSSANO:

Obviously since the Financial and Development Secretary does not have the information readily available perhaps I can ask him to look into it because if, in fact, we look at page 30 which is when I raised the question in the general principles of the Bill, the Social Insurance Short-Term Benefits Fund will cost less to administer in the next 12 months than in the last one and the Long-Term Fund will cost more. So the formula cannot have been unchanged, there seems to have been a difference in the apportionment of cost to different elements of the Social Insurance Fund otherwise the effect would be the same throughout the three years that are reflected in the estimates and that is not the case. Obviously he cannot give me the answer now because he does not have the figures now.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I can give the hon Member the answer to the Short-Term Fund, in terms of the administration of that Fund as projected in the 1999/2000, there is overall a slight decrease in the number of staff, or the proportion of that staff actually going to be working administering that Fund and therefore applying the formula has brought the cost down.

HON J J BOSSANO:

Perhaps the Financial and Development Secretary could let me have the breakdown of how the figures have been arrived at, eventually?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I would be very happy to do so.

Subhead 1 – Personal Emoluments was agreed to and stood part of the Bill.

Subheads 2 to 5 were agreed to and stood part of the Bill.

Subhead 6 – Support to the Disabled

HON J J BOSSANO:

Mr Chairman, I note that Contingencies which normally would carry a token figure on the basis that one does not know what the contingency is going to be. They are obviously expecting five times as many contingencies this year as they expected 12 months ago.

HON CHIEF MINISTER:

It is £30,000, Mr Chairman, it is for such things as equipment. The hon Member is right, it is a provision and therefore it could be a token amount. Of course if the hon Member wants he can always propose a reduction in the vote for support for the disabled.

HON J J BOSSANO:

If I am in a position to propose a reduction I will wait till we come to the salaries of Ministers under the House of Assembly Head and I will propose a reduction in his salary and an increase for the disabled instead.

Subhead 6 – Support to the Disabled was agreed to and stood part of the Bill.

Subhead 7 – Milbury Care Services Ltd – Contracted Services

HON J L BALDACHINO:

Mr Chairman, I gave notice during the Second Reading of the Bill and maybe the Minister can give me an answer.

HON H CORBY:

There have been variations to the contract and I will explain each one of them. There are six trainees based in Dr Giraldi and the cost estimated at the time of the contract negotiation was taken by Government to be £20,000, in actual fact these costs were £32,315 with social insurance. The variation is the difference in this cost. There is also a stay on place scheme, this scheme operates in the summer holidays and provides care each morning for 12 children from St Martin's School. The scheme operates each morning from 9 till 1; it employs eight students paid directly by Government and staff from Milbury Care Services who also arrange and manage the scheme and the total cost of this is £3,664. Another item is respite care which has gone up because parents have asked for this to be increased. There are now 21 users of the respite service and the total cost is £12,000. The other item is the replacement of the assistant house parent with a total cost of £13,000. That is a variation in the contract which explains the figures that the hon Member has asked.

HON J J BOSSANO:

The amount in the £950,000, Mr Chairman, is both the money retained by Milbury and the money that Milbury pays out, is that correct?

HON H CORBY:

That is correct.

HON J J BOSSANO:

Can the Minister tell me how much of that £950,000 is retained by Milbury?

HON DR B A LINARES:

The part-time social worker additional sum has gone into the consideration because the social worker is provided by Milbury while the local social worker is studying in UK so that is £397,000 plus £11,000 and the prescribed expenditure is £483,000 plus £42,000 which is this additional sum which my hon Colleague has just explained. That is £483,000 plus £42,000.

Subhead 7 – Milbury Services Ltd-Contracted Services was agreed to and stood part of the Bill.

Head 5 – C – Housing Agency

Subhead 1 – Personal Emoluments

HON J L BALDACHINO:

Mr Chairman, can the Minister state if the increase in the forecast outturn on salaries for 1998/99 is due to the extra TG1?

HON H CORBY:

That is correct.

HON J L BALDACHINO:

Is the TG1 employed to do exactly the same as the other two TG1s?

HON CHIEF MINISTER:

His principal function will be to administer a contract for the maintenance and upkeep of Edinburgh House, minor works and that sort of thing. But it will be different, it is not the same role. The Government envisages entering into a contract for the cleansing and maintenance of Edinburgh House and he will manage that contract.

HON J L BALDACHINO:

By the answer the Chief Minister has just given, I suppose he is still not in post, is he?

HON CHIEF MINISTER:

He is not in post. As I recall the advertisement has just gone out or is just about to go out, no he is not in post.

Subhead 1 – Personal Emoluments was agreed to and stood part of the Bill.

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

Subhead 3 – Other Charges

HON J L BALDACHINO:

Mr Chairman, out of curiosity, this is the only office that has not got a forecast outturn on electricity and water, is it that the Housing Agency do not use electricity?

HON CHIEF MINISTER:

It may be that it is not separately metered because in effect they squat in the building that is basically the Ministry of the Environment. It may be that those two or three rooms occupied by Housing is not separately metered and it goes in with the rest of the City Hall.

HON J L BALDACHINO:

Accepting what the Chief Minister has said but we estimated last year £1,000 and we are doing it again this year on the estimate side.

HON CHIEF MINISTER:

He is absolutely right, Mr Chairman.

Subhead 3 – Other Charges was agreed to and stood part of the Bill.

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

Subhead 5 – Other Housing Payments

HON J L BALDACHINO:

Can I ask the Minister for Housing if this is payment for the security at Edinburgh House because I have been looking through the estimates and I cannot find that provision? Is it included there?

HON H CORBY:

Other Housing Payments is the Rosia Dale service charges for Government tenants.

HON J L BALDACHINO:

There is a service which is being provided at Edinburgh House which is the security but I cannot find it anywhere because all the other contracts have contract beside it and I cannot find it in the estimates, where is it being charged to?

HON CHIEF MINISTER:

Mr Chairman, I think but to work that way round and tell the hon Member where in the estimates a particular item of expenditure, but from memory I think it is included in the Improvement and Development Fund as part of the cost of the project given that it was really to prevent vandalism whilst the works are in progress, so it is really a form of labour cost related to the security of the works. If he has not been able to find it in the Consolidated Fund then that would tend to corroborate my recollection which is that it is being paid for out of the Improvement and Development Fund vote for that project.

HON J L BALDACHINO:

I am only asking because I think it went out to tender, I think it was contracted out to a company. Is that what is being provided? It is a company that is providing the service, is that correct?

HON CHIEF MINISTER:

Yes, I think it went out to tender and the fact that it is a contracted in service does not make it any less payable out of the Improvement and Development Fund than if it was a direct labour cost. I do not think the appropriateness or otherwise of paying it out of the Improvement and Development Fund does not depend on whether it is direct labour or contracted-in labour.

Subhead 5 – Other Housing Payments was agreed to and stood part of the Bill.

Subheads 6 and 7 were agreed to and stood part of the Bill.

Head 5 – D – Prison

Subheads 1 to 6 were agreed to and stood part of the Bill.

## HEAD 6 – TOURISM AND TRANSPORT

### Head 6-A – Tourism

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

#### Subhead 5 – General Embellishment

HON DR J J GARCIA:

Mr Chairman, can the Government say what the reason is for the great disparity between the estimate and the outturn for 1998/99 on the general embellishment?

HON J J HOLLIDAY:

The principle behind this particular head is the budget that was put aside for general embellishment using Community Projects employees. The reality is that it has always been very difficult to obtain the labour force in this particular area as they are tasked with specific within other ministries and get them round to actually focusing them on any particular embellishment programme for our Ministry was never possible. So we have put in a bid for £30,000 for this coming year and hopefully we will achieve something during this coming year. We have been working with the directors and management of Community Projects in trying to put in place a certain amount of embellishment in certain areas.

HON DR J J GARCIA:

Is this the hit squad which was mentioned last year?

HON J J HOLLIDAY:

That is correct, the hit squad that never was.

Subhead 5 – General Embellishment was agreed to and stood part of the Bill.

Subhead 6 was agreed to and stood part of the Bill.

#### Subhead 7 – Official Functions

HON DR J J GARCIA:

There is also quite a large disparity between the estimate and the outturn in this particular subhead, is there any reason for that?

HON J J HOLLIDAY:

The actual 1997/98 figure included the opening of Main Street which we had some celebrations the day that Main Street was officially opened, therefore the figure was increased. Subsequent to that the figure has been much lower because we took the view that any official functions in relation to a particular event would be charged from the marketing vote as part of that particular event. In other words, if the Blue Water Rally comes to Gibraltar and I, as Minister, host a reception, it would be part of the budget attributed to that particular event rather than have an official function aspect of it so therefore the actual spend was in region of about £4,000 for this last year and the budget is £7,000 for this year.

Subhead 7 – Official Functions was agreed to and stood part of the Bill.

#### Subhead 8 – Marketing, Promotions and Conferences

HON DR J J GARCIA:

Mr Chairman, in this particular subhead there has actually been an overspending of £135,000 and there is a further increase projected for next year in the estimates to £825,000. Is there a specific project or any idea which the Government have in mind?

HON J J HOLLIDAY:

Basically the overspend on this last financial year is as a result of opportunities that arose and which Government took the view we ought to pursue with. As far as the increase for this year we have gone, I think, I addressed this during my budget presentation, obviously we now have an office in Madrid which we intend to make use of; we are targeting Spain as a main source market this year and therefore our budget has been increased to meet this particular requirement.

Subhead 8 – Marketing, Promotions and Conferences was agreed to and stood part of the Bill.

#### Subhead 9 Apes Management

HON J C PEREZ:

Mr Chairman, one cannot understand how it is that the Government kill off 24 apes and instead of providing £4,000 for food they now provide £40,000. Is it that the apes left are eating more?

HON J J HOLLIDAY:

No, in the last financial year the cost of food was part of the Sights Management contract. This was terminated in February this year so we only had to feed the apes for a few weeks before the end of the year so the cost was obviously relatively lower. This year obviously we have to meet the full cost of that and we have made provision for the management, the food and the staff which will now come under the Gibraltar Tourist Board.

Subhead 9 – Apes Management was agreed to and stood part of the Bill.

#### Subhead 10 – Hotel Training School

HON J J BOSSANO:

Mr Chairman, I think my hon Colleague raised in his contribution to the general principles of the Bill the fact of underspending on the estimates on training. The estimate for this particular item last year, the training courses related to hotel training was £90,000, they have spent £29,000 instead of £90,000. I do not quite understand that because presumably the cost of running the courses is not related to the number of people. Even if there are less people the cost is the same, is it not?

HON J J HOLLIDAY:

Mr Chairman, I think the figure when the estimates for 1998/99 were prepared were done very much as what they were, an estimate, we did not have the experience, we did not know the number of students, we did not know the actual cost so we did a global annual figure for this particular year. The school actually opened in September and the first intake was just 20 students and therefore the second intake then progressed later on that year or at the beginning of this year so relatively speaking till the end of March what we are really talking is of two intakes for only six months of the year for the first intake and three months for the second intake. So it obviously reflects part of the cost of the Hotel Training School for that particular period only.

HON DR B A LINARES:

It may be pertinent also to point out that the actual allowances for the trainees irrespective of the number of trainees at any particular time does not come from this vote. This is paid out of the vocational cadet vote.



HON CHIEF MINISTER:

The hon Member's question which I do not think has been answered is whether the number of students is a factor in the cost. [HON J J BOSSANO: I am assuming it is not a factor.] It may not be so, it may well be that as the courses are in effect being bought from Julia Sibley Associates, it may well be that there is a per head charge for the cost because this is not infrastructure that we are providing. The delivery of the course is contracted in from a specialist provider of that service and there may well be, I am not familiar with the contract, a per head charge.

HON J J BOSSANO:

I would not expect the Chief Minister necessarily to know that but presumably somebody must know whether they are paying simply on a per capita basis or a fixed sum for running a course.

HON J J HOLLIDAY:

There is both elements, there is an element for actually undertaking the contract and running the actual course itself and then there is a per head cost which is attributed to the books and the actual course material that is required which is charged on a per head basis.

HON J J BOSSANO:

I questioned in relation to Appendix B on page 114 the recharging of expenditure and, in fact, there was no real explanation given as to why there should be a recharging except that it had been decided to recharge it just to bring the money back into the Government. But we have got annual training expenses £250,000 estimate, £279,000 forecast outturn. I have difficulty in understanding how it is that one estimates £250,000 if one spends £128,000 and one estimates £279,000 when one spends £31,000. [Interruption] I accept that there is more than one department but is it that we are being told that the mere £100,000

less being spent here has been overspent in another department because I have not seen it so far? Mr Chairman, last year when the House voted £128,000 and I questioned.... [HON CHIEF MINISTER: Where are we on?] We are on page 61, Head 6-A, subhead 10 and the total amount under subhead 10, Hotel Training School was £128,000 and when I asked last year why we were charging £250,000 annual training reimbursement in page 114, Gibraltar Development Corporation, Appendix B, I was told that of the £250,000, £128,000 came from here. Given the fact that we are now being told that the outturn is £31,000 instead of £128,000 I am questioning how it is that if the Government have spent £31,000 instead of £128,000 they are charging the Development Corporation £279,000 instead of £250,000 in the forecast outturn of the reimbursement annual training expenses for this current year that has just finished?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I am afraid I am not able to account what people may have said on some previous occasion but that reimbursement of Consolidated Fund expenditure annual training expenses relates solely to the expenses of Head 1-B plus the social insurance pensions contributions that are paid direct out of the Consolidated Fund.

Head 10 – Hotel Training School was agreed to and stood part of the Bill.

Subhead 11 – Gibraltar Tourism Board

HON DR J J GARCIA:

Mr Chairman, can Government say how many people are actually employed or paid out of the £400,000 estimate for next year?

HON J J HOLLIDAY:

I am not absolutely certain but I think the figure is 22, there has not been any change since the last budget but I think I recall the

figure of 22. The increase from £349,000 to £400,000 is the result, obviously we are making provision for additional bodies which are going to be required, that is three, for the running of the coach park and the ferry terminal which will now be run by the Gibraltar Tourist Board and not by Terminal Management and therefore we are making provision for that in the estimates because we hope that these will be in operation as from August this year.

HON DR J J GARCIA:

Mr Chairman, would it be possible, at this stage, to ask for a breakdown of the various posts and the various salaries which are involved, would that information be available?

HON J J HOLLIDAY:

I do not have this information with me at the moment, no but I will make it available to the hon Member if he requires it.

Subhead 11 – Gibraltar Tourism Board was agreed to and stood part of the Bill.

#### Subhead 12 – Tourism Sites

HON DR J J GARCIA:

Mr Chairman, again really the same question regarding Subhead 12(b), the number of people involved in that vote.

HON J J HOLLIDAY:

Those are staff that we have taken over from Sights Management who have now been transferred to the Gibraltar Development Corporation and are now working for the Gibraltar Tourist Board.

HON DR J J GARCIA:

Do we know how many are involved?

HON J J HOLLIDAY:

I answered the question in the House only recently the total figure is about 54, as far as the permanent posts are concerned, I think the figure is about 35.

Subhead 12 – Tourism Sites was agreed to and stood part of the Bill.

#### Subhead 13 – Tourism Information Services

HON DR J J GARCIA:

Mr Chairman, on subhead 13, is that essentially the new services, I think the Minister mentioned to do with the ferry terminal and the coach terminal, the information centres at those two points of entry?

HON J J HOLLIDAY:

This is what we call the History Alive Project and that is bringing to light certain activity in the centre of town during the summer months in order to try and convince day trippers to stay longer by actually having a parade and people in costumes et cetera. Last year we found it extremely difficult to recruit people to do that so we are still hopeful that this will happen this year so if anybody is looking for a uniformed job they can definitely apply as a part-time anyway.

Subhead 13 – Tourism Information Services was agreed to and stood part of the Bill.

#### Subhead 14 – Cleaning Services

HON J C PEREZ:

Mr Chairman, I see that there is no provision for the Carreras Concert, is it that they are not going to repeat it?

HON CHIEF MINISTER:

No, we have no immediate plans to repeat but let me say if it were to be repeated I am sure it would be as enjoyable as the last one.

HON J L BALDACHINO:

Mr Chairman, on subhead 14(a), can we have an explanation why it was £52,000 under cleaning services of beaches and they only spent £11,000?

HON J J HOLLIDAY:

This was a subhead which I believe was changed, it used to be cleaning services before and that cleaning services was for the cleaning of the cruise terminal, ferry terminal and coach park, in actual fact because they went into basically a construction site, there has not been any cleaning contract so basically £11,000 covers the cleaning of the cruise terminal and nothing else. This year we have made provision for that and obviously now we have got beaches where we have had to make provision to cover some of the cleaning that used to be undertaken by Sights Management for non-summer months in order to have an all-year round cleaning function in the beaches. This may change with the new cleaning contract but we have made provision there to at least have a budget in place to cover us temporarily.

HON J J BOSSANO:

Is he saying that the £52,000 in the original estimate was not for beaches, is that correct?

HON J J HOLLIDAY:

No, originally it was not for beaches but I think that there has been a change this year in that it has been subdivided into tourists and other sites and beaches and therefore there is the overlap which originally was not included.

Subhead 14 – Cleaning Services was agreed to and stood part of the Bill.

Head 6-B – Transport – Airport

Subheads 1 and 2 were agreed to and stood part of the Bill.

Subhead 3 – Other Charges

HON J J BOSSANO:

Mr Chairman, the actual contract for the running of the airport actually shows a decline in the outturn and in the provision for this year. Is there an in-built clause in the contract that says they reduce the value every year?

HON J J HOLLIDAY:

My understanding here is that when we came into office in May 1996 there were arrears in the payment of Terminal Management to the Government and, in fact, the figure of £828,000 covers a 15 month period. The £700,000 is what we now have as a sort of level and we are now up-to-date on this collection with them so the figure should be now stabling at £700,000 unless obviously there is substantial increase of traffic and therefore there could be a difference in the proportion of the contract.

Subhead 3 - Other Charges was agreed to and stood part of the Bill.

Head 6-C – Transport – Roads

Subhead 1 – Personal Emoluments

HON J C PEREZ:

It seems to me that the provision for salaries given that there is no increase in staff there is a bit steeper than what would be normal, I would presume that the normal thing would be to provide

something like 10 per cent for salary increases or even less but there is about £34,000; is there any intention of recruiting non-industrial staff?

HON J J HOLLIDAY:

I think the explanation here is that we have had some vacancies throughout the year which have not been filled. Actual posts that have not had people in place. The figure of £254,000 takes into account that these positions are now going to be filled.

HON CHIEF MINISTER:

Last year there was one supervisor vacancy and one TG1 vacancy out of 14. In this year's provision of 14 there is still one vacancy in work supervisor and it is now provided for.

Subhead 1 – Personal Emoluments was agreed to and stood part of the Bill.

#### Subhead 2 – Industrial Wages

HON J C PEREZ:

Is it the same case in respect of the industrial wages? The £185,000 covers the wages of the 22 people now in post. The Minister said that there was going to be an increase. I would suggest that the increase is not of one, because that is what is reflected there.

HON CHIEF MINISTER:

The increase reflects the fact that there is currently one vacancy in the 22. The increase does not reflect any proposed increase in staff which is still too much on the drawing board to be reflected here. There is one vacancy out of the 22.

Subhead 2 – Industrial Wages was agreed to and stood part of the Bill.

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

#### Subhead 5 – Materials and Other Costs

HON J C PEREZ:

Mr Chairman, I think I made the point in my contribution that the provision in the estimates under forecast outturn reflects the inability of the manpower in the section to spend the money allocated. The Minister has just said that the employment of extra staff is very much on the drawing board, I would suggest to him that unless that post is not filled that the estimate here could not possibly be met with the manpower that there is in sewers and highways.

HON J J HOLLIDAY:

Mr Chairman, in respect of both highways and sewers, there was an underspend basically because the department actually tried to settle some of the bills in respect of the last financial year on the last day of the financial year and were not able to process the payments so in actual fact if one were to take those into account there has been an underspend but not to the amount which is reflected in these figures which are obviously produced in advance.

HON J C PEREZ:

But the Minister's explanation would suggest that some of this work also went out to contract and the payment was to a contractor where the normal thing would be that the contractor would get paid from the Improvement and Development Fund, major works and the explanation given by the Chief Minister that minor works in the department would come out of the recurrent expenditure makes sense to me.

HON CHIEF MINISTER:

Mr Chairman, I cannot tell the hon Member that there is no element of truth in that but there is also materials in respect of direct labour force. The explanation that the hon Member has given applies principally to materials used by the direct labour force.

HON J C PEREZ:

And that is in respect of the sewers as well?

HON J J HOLLIDAY:

Yes, that is in respect of the sewers as well. I think the Hon Mr Perez is correct in saying that some of this vote was actually used for outside work. There are certain jobs where we do not have the expertise or maybe the manpower at the time to be able to do it. There are times that the men are actually tasked with a particular job in an emergency builds up and that basically, the Highway Engineer discusses with me when there is a possibility; there are times when there are four men on this section to carry out works which they feel they do not have the expertise to do and therefore rather than leave the job we go ahead and we tender out to get the job done as soon as possible.

HON J C PEREZ:

I would suspect that similarly that some of the work done by the direct labour is charged to the Improvement and Development Fund for work which has been approved already there?

HON J J HOLLIDAY:

Yes, there are programmes of work in the Improvement and Development Fund where the direct labour feel that they are able to cope with it, yes that is done. But I tend to have a programme in place, for example, for road resurfacing for the direct labour and for outside contract. My undertaking to the men in this section

has always been that they will always have enough work, more than they can chew and I have a full programme for the whole year, week after week to be able to cover their full programme throughout the whole year.

Subhead 5 – Materials and Other Costs was agreed to and stood part of the Bill.

Head 6-D – Transport – Traffic

Subhead 1 – Personal Emoluments

HON J C PEREZ:

Mr Chairman, I recall the arguments I put to the Minister on the position of the income derived from the MOT tests. Could the Minister say what happened last year that the income was less?

HON J J HOLLIDAY:

Mr Chairman, when the hon Member raised this during his presentation I had this checked and in actual fact the outturn as reflected in the figures here in front of me is actually much higher. When these figures are prepared towards the end of the year and when the public were made aware of the fact that they would need their MOT certificates in order to be able to get their road tax there was an avalanche of people to get those tests done so the figure is not very much lower than what we had estimated in the original figure but obviously it is not reflected in the figures in the revenue as presented to the House.

Subhead 1 – Personal Emoluments was agreed to and stood part of the Bill.

Subheads 2 to 4 were agreed to and stood part of the Bill.

Head 6-E – Transport – Port

Subheads 1 to 5 were agreed to and stood part of the Bill.

## Head 6-F – Transport – Shipping Registry

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

### Subhead 4 – Operational Expenses

HON A J ISOLA:

My question is twofold, I do not see any provision either under subhead 4 – Operational expenses under Shipping Registry or indeed under the Port, for the Chief Executive. I am not certain as to whether Government intend to deal with that under the Shipping Registry Head or the Port Head. The second question is, Mr Chairman, in respect of marketing, bearing in mind we have been told by the Minister that the Chief Executive will have a more commercial role and that there will be indeed a lot of marketing, there does not seem to be any provision in either the Shipping Registry or the Port Head for any of that marketing. There is a standard marketing budget of £20,000 in respect of the Shipping Registry but there is nothing in the previous or this one that was not there last year.

HON J J HOLLIDAY:

Mr Chairman, as far as the estimates that are being presented to the House in respect of the Port they reflect the situation as it stands today, it has not made provisions for the changes unless it is also reflected in the revenue side where we are going to restructure all the revenue raising measures in the Port and therefore the structure that we see here is exactly the structure that exists today. Obviously there are changes envisaged and when these take place obviously we will have to bear these in mind with supplementary funding. As far as the marketing aspect, let me say that the Port has a budget of £10,000 for advertising and the Shipping Registry has £20,000. My strategy in both promoting the Port and the Shipping Registry is to work very much with the private sector. In fact, what we have done is that, for example, when we went to Athens I worked around five

different companies who are Port operators who have an interest. They have now convinced me that we ought to do a presentation in Athens and they will be funding part of it and the cost will be relatively nothing to the Government. They fund these promotions themselves so therefore we are using the private sector to be able to put funds in to actually promote the Port as part of their own strategy. They welcome the fact that they have the support of the Government in the presence of the Minister, all that adds to their own promotional and marketing efforts in their respective market. So we feel that these funds can take us a very long way. Contrary to what I find in other sectors that I deal with where I try to convince them to participate in marketing and do not get a penny out of them, the Port is an area where the private sector does come over extremely favourably with any proposal. The Land and Marines Handbook for the Port, for example, which will be published possibly later this month, has been totally financed by the private sector and, in fact, the Government are only putting in an advertisement as a contribution towards the actual publication. But in essence the private sector has been helping and assisting in this and has put their money where their mouth is.

Subhead 4 – Operational Expenses was agreed to and stood part of the Bill.

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

## HEAD 7 – TRADE AND INDUSTRY

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

### Subhead 4 – Operational Expenses

HON A J ISOLA:

May I just ask on land management consultants fees, there was a provision of £10,000 last year and £33,000 were spent, can I just ask in respect of what that is?

HON P C MONTEGRIFFO:

Mr Chairman, that is a whole range of different fees that arise in the context of, for example, valuation fees that are required in respect of any particular problem that is related to land; it might also be surveyors' fees in some particular circumstances, I think the provision this year was largely due to a valuation issue that we have that we are going to pursue further.

Subhead 4 – Operational Expenses was agreed to and stood part of the Bill.

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

Subhead 6 – Marketing, Promotions and Conferences

HON A J ISOLA:

In this respect last year when I asked a question as to what marketing the administration and statistics division was going to do, I think the Minister said that this was in fact the part that funded the Minister's and his team's travelling on these promotional visits. Is it a fact that less of that is intended in the forthcoming 12 months or would the expense be what was budgeted last year?

HON P C MONTEGRIFFO:

What happens is that last year we took a decision to actually split the Trade and Industry marketing budget. There had been an overrun going back I think two years because of the HMS Britannia trip. We had to spend more than the original estimate and we decided last year to actually split the marketing into three different Heads – administration, commercial and finance centre division. It was very much just a sort of hit and miss type of assessment. What has happened this year certainly as far as the Minister's expenditure is concerned, he will see that I have considerably underspent from the estimate and therefore we thought it reasonable and therefore appropriate to reduce the

estimate for this year. We have simply reflected the fact that less was spent this year than had been forecast in a lower figure for the forthcoming year. It does not reflect any particular assessment of what we will be doing in the course of the next 12 months.

Subhead 6 – Marketing, Promotions and Conferences was agreed to and stood part of the Bill.

Subhead 7 – Contribution to Financial Services Commission

HON J J BOSSANO:

Mr Chairman, as I understand it the contribution to the Financial Services Commission was to cover the shortfall between their spending and their income, is that not the case? Why are they expecting that shortfall to grow by £30,000 in the next 12 months?

HON P C MONTEGRIFFO:

There are various reasons, for example, some funding that has come from the FCO on the basis that somebody was seconded to Gibraltar under certain arrangements. It is finishing and therefore the funding now will be done locally. Furthermore there have been additional regulatory requirements that have necessitated further resourcing. The Government take a very, very close look at the estimates prepared by the Financial Services Commission when deciding what level of subvention is made and I can assure the hon Member that drawdown by the Commission is only effected when we are entirely satisfied that they have exhausted every other possible revenue option. There are indeed on-going discussions with the FSC with regard to a number of other revenue streams not least certain contingencies that the FSC have in their estimates and those will be seen probably from the accounts laid in this House. There is also, of course, the issue, Mr Chairman, in the medium term of whether there should not be some form of review of certain fees paid by the industry in respect of the running of the Commission. Fees have not been looked at for many years and there are certainly some categories of activities where the fee has fallen behind by quite some measure

as compared to other jurisdictions. So in direct answer to the hon Member's question, there are certain sources of income that the Commission enjoy that are ceasing, funding of regulators that we are taking over. There is further regulatory resourcing that has arisen in the course of the year and that has given rise to further need for funding. I am happy for the Financial and Development Secretary to add anything further since he has dealt with the FSC in detail, if I have left anything out certainly I will be happy for him to add if he thinks so.

HON J J BOSSANO:

Is it that their expenditure is going to be higher this year or that their income is going to be lower, which of the two is it?

HON P C MONTEGRIFFO:

I think the expenditure is going to be higher. I think the income, I am not sure if it is projected to be significantly lower, I do not believe so, they are fairly static. There are one or two banks that have terminated their licence position in Gibraltar so it may be marginal but there is nothing major on the income side which has been projected therefore taking a conservative view on new entrants coming into Gibraltar et cetera. It is primarily the expenditure side that is .....

HON J J BOSSANO:

The expenditure side is because they are now having to pay for certain salaries which before they only had to pay part of because it was a contract, is that correct?

HON P C MONTEGRIFFO:

That is one of the aspects of it. The other aspect is just general regulatory need to beef-up certain resources. There is a need for certain expertise that they have had to contract in. I suppose that part of the increase may simply be due to salary increases and

normal salary increases that are index-linked or are otherwise provided for. It arises from a combination of those factors.

Subhead 7 – Contribution to Financial Services Commission was agreed to and stood part of the Bill.

### Commercial Division

Subheads 8 to 11 were agreed to and stood part of the Bill.

### Finance Centre Division

Subheads 12 and 13 were agreed to and stood part of the Bill.

### Subhead 14 – Marketing, Promotions and Conferences

HON A J ISOLA:

Can I ask in respect of that subhead, Mr Chairman, whether in fact there is a programme or is that just a head which they work towards or is there a programme on marketing over the next 12 months?

HON P C MONTEGRIFFO:

Yes, there is a programme of marketing and promotions and conferences generally. That obviously also includes advertising and the whole range of promotional effort but it is not something cast in cement. It is not something cast in stone, it is something that we adapt to as opportunities arise and as propositions are put to the Government. A lot of that marketing goes in support of private sector initiatives and therefore it is quite common with only perhaps two or three months needing for a company to come to us and say, "There is a conference that is taking place here. We would like the Government to accompany us on a particular initiative". So therefore we have a fairly flexible approach but



certainly there is more than enough in our plans to use that money but we will only expend as we move along depending on competing claims that might be made of the funds as we move forward.

HON A J ISOLA:

Is the Gibraltar Annual Insurance Conference covered in this?

HON P C MONTEGRIFFO:

Yes, it is, it would all come under that Head.

Subhead 14 – Marketing, Promotions and Conferences was agreed to and stood part of the Bill.

#### Subhead 15 – Gibraltar Development Corporation Staff Services

HON A J ISOLA:

There is an increase there which is obviously over and above the pay settlement. Could the Minister confirm whether in fact more people are to be recruited into that division or what that increase is for?

HON P C MONTEGRIFFO:

I think that is in respect of the gratuity that the current post holder is entitled to, that would explain the majority of that, there is a gratuity that he is contractually entitled to. It is likely that there will be a successor to him rather than his actually staying in post now. I can certainly indicate that to the House at this stage and I think that is the provision that is being made in the estimates. It is likely that there will actually be a new successor to the current post holder and therefore there will be a draw down gratuity which was only put there at this stage prospectively because had he stayed then that would have been rolled forward.

HON A J ISOLA:

In respect of how many people is this for?

HON P C MONTEGRIFFO:

For one. This is the post of Finance Centre Director.

HON J J BOSSANO;

Mr Chairman, then the £113,000 forecast outturn for 1998/99 which does not include the gratuity, is that his annual salary? Is there anything else there?

HON P C MONTEGRIFFO:

There is one extra body actually. There is an extra body but it is salary and also provision, I think the House is aware of, for allowances in terms of expenses and other matters related to the contract. Primarily it is the Finance Centre Director's expenses and salary and one extra body.

Subhead 15 – Gibraltar Development Corporation Staff Services was agreed to and stood part of the Bill.

#### Telecommunications Division

#### Subhead 16 – Telecommunications Regulator – Designate

HON J C PEREZ:

Mr Chairman, I see that that vote is divided in two. I thought that everybody in this Head was under the Gibraltar Development Corporation or is it that there are some staff who are civil servants and some of the staff comes under the GDC? The Regulator designate is now an employee of the GDC if I remember correctly.

HON P C MONTEGRIFFO:

Mr Chairman, no. As far as I am aware the Telecoms Regulator is still a secondee of GBC, his position is still to be regularised. As far as the others are concerned, they are I believe all GDC employees.

HON J C PEREZ:

So it is the Regulator's salary that is shown there?

HON P C MONTEGRIFFO:

Yes, that is right.

HON J C PEREZ:

And that is what, deducted from the money given to GBC? That is to say, the sum of money awarded to GBC contains his salary and then that is deducted?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, my understanding is we do refund GBC the cost of that salary.

Subhead 16 – Telecommunications Regulator – Designate was agreed to and stood part of the Bill.

Subhead 17 was agreed to and stood part of the Bill.

Subhead 18 – Frequency Co-ordinator Expenses

HON J C PEREZ:

Mr Chairman, if I recall part of the expenses of the Frequency Co-ordinator are recovered from prospective satellite, that is still the case?

HON P C MONTEGRIFFO:

We intend that that position should continue as we go forward, that the work of the Co-ordinator who is not based in Gibraltar most of the time is in respect of the work of the satellite companies have an involvement with and we would certainly envisage their contribution continuing to cover the entire cost of that.

HON J C PEREZ:

Can I just ask whether the Co-ordinator is the same one who was in post when we left office because I do recall that the gentleman in question was sick for some time?

HON P C MONTEGRIFFO:

The guy that we use is a chap called Mr Maurice Daniels. Yes, he is the same gentleman.

Subhead 18 – Frequency Co-ordinator Expenses was agreed to and stood part of the Bill.

## HEAD 8 – ADMINISTRATION

### Head 8-A – Secretariat

Subheads 1 to 10 were agreed to and stood part of the Bill.

### Subhead 11 – Compensation Scheme – Fast Launches/Vehicle Windows

HON J C PEREZ:

Mr Chairman, on the vehicle windows, is this the item that is still pending which does not allow the Government to respond to the problem of the car importers?

HON CHIEF MINISTER:

Yes, Mr Chairman, but I am happy to tell the hon Member that a decision has just been made about which of the three options put out to the Government to resolve the problem we will pursue so we are now hopeful that that will be pursued and given the choice that we have made, we do not expect to involve the payment of compensation.

Subhead 11 – Compensation Scheme – Fast Launches/Vehicle Windows was agreed to and stood part of the Bill.

Subhead 12 – Private Sector Fees for Legal Advice

HON J J BOSSANO:

Mr Chairman, the increase from £150,000 to £565,000 in the outturn, I think there was some money shown in supplementary estimates but not this much. Is it that it has not yet come through?

HON CHIEF MINISTER:

The figure in supplementary estimates would be a balanced figure from what could not have been vired from somewhere else. The high level of this figure in 1998 reflects the fact that Government are involved in two or three large and expensive, it has to be said, legal cases. There is the Tabacalera case, there is the Fatima Oussa case, there was the Calpe Cleaning case, the Incinerator arbitration and that is what it reflects. A lot of those cases have been resolved, for example, the hearing of the Calpe Cleaning case is over, we are just waiting for judgement. The Fatima Oussa case is satisfactorily concluded. The Tabacalera case is also satisfactorily concluded. So we do expect the figure to reduce but simply because there are fewer cases running.

HON J J BOSSANO:

But the cases that he has mentioned were cases that were there at the beginning of the financial year when £150,000 was put?

HON CHIEF MINISTER:

Yes and no but with civil litigation the expenditure kicks in in a difficult to predict way, one never knows when one is going to come to trial, one's counsel's fees kick in in the run-up to the trial and therefore the fact of the case is running. The costs involved in civil litigation are not equally and uniformly spread out throughout the whole period between issue of the writ and final judgement. There are times of intense expense and there are times of very little expense and it is very difficult to estimate. I agree, I would have thought that to have estimated £150,000 in 1998/99, I think it was more than an element of wishful thinking. I agree that there was an under-provision but I think that does not invalidate the fact that in any case it is difficult to estimate.

Subhead 12 – Private Sector Fees for Legal Advice was agreed to and stood part of the Bill.

Subheads 13 to 15 were agreed to and stood part of the Bill.

Subhead 16 – Grants

HON J J BOSSANO:

Mr Chairman, on John Mackintosh Homes, the provision this year is in fact exactly the same as the outturn for the year that has just finished, is it that .....

HON CHIEF MINISTER:

Mr Chairman, we are further along the road now as a result of the intense meetings that have taken place during the last few weeks but at the time that this work was done we just could not even begin to conceptualise what the cost implication might be of the new structure because the new structure itself was so much up in the clouds so there is no provision here for any potential cost implication and there is bound to be some, of whatever we might do differently relating to Mount Alvernia in the future and that will have to come from supplementary funding.

HON J J BOSSANO:

But if something different is done there will be cost implications, is that right?

HON CHIEF MINISTER:

Yes, realistically speaking, Mr chairman, I do not think we can improve the service for the same or less money.

Subhead 16 – Grants was agreed to and stood part of the Bill.

Subheads 17 to 20 were agreed to and stood part of the Bill.

Subhead 21 – Development Studies

HON A J ISOLA:

Can I just ask, Mr Chairman, what development studies are foreseen to merit that increase? Is this the Input/Output Study that we are talking about?

HON CHIEF MINISTER:

It is a provision but it is a provision against envisaged things. There is the Input/Output Study, there is the Electricity Review being undertaken by Manx Energy, we are also given that there is such growth in what the hon Member's like for political purposes to call "gambling" we are more comfortable with the emphasis on gaming, we are asking for a study into our legislation which really provides very little regulatory mechanism. So we are engaging in gaming regulation and legislation consultants to advise us on what legislation we need so that we, as an administration, can regulate people providing gaming facilities from Gibraltar, whether it is on the internet or whether it is offshore bookmaking on the telephone, this sort of thing. At the moment we have a Gaming Ordinance which was conceived in a completely different climate

with one bookmaker and one casino. Now gaming is proliferating in various facets and we feel that we are under-legislated and that is one of the studies.

Subhead 21 – Development Studies was agreed to and stood part of the Bill.

Subheads 22 and 23 were agreed to and stood part of the Bill.

Head 8-B – Personnel

Subheads 1 to 5 were agreed to and stood part of the Bill.

Subhead 6 – Staff Terminal Payments

HON J C PEREZ:

Is it possible to get an explanation on that subhead, on the £7,000?

HON CHIEF MINISTER:

I understand that this is a provision for a case that is envisaged to be arising this financial year of somebody who has left the service in circumstances that would disentitle him to a gratuity and this is a provision for providing some sort of exit.

HON J C PEREZ:

An ex gratia payment?

HON CHIEF MINISTER:

Yes, an ex gratia payment in circumstances where because of the strictness of which the Pensions Ordinance is drafted he would not be entitled to a gratuity.

Subhead 6 – Staff Terminal Payments was agreed to and stood part of the Bill.

## Head 8-C – Civil Status and Registration Office

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

## HEAD 9 – FINANCE

### Head 9-A – Financial and Development Secretary

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

### Head 9-B – Treasury

Subheads 1 to 8 were agreed to and stood part of the Bill.

### Subhead 9 – Contribution to Gibraltar Development Corporation

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, we have a figure of £61,000 in 1998/99 and £70,000 for the estimate 1998/99 and so forth. It should not appear against the Arrears Section, it should appear against the General Office. We will amend that in the final book.

HON J C PEREZ:

I presume, Mr Chairman, that there is another figure for item (b) which is missing?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, in 1997/98 and 1998/99 the Arrears Section was not using any GDC staff whereas there is a proposal to do so from this financial year.

Subhead 9 – Contribution to Gibraltar Development Corporation was agreed to and stood part of the Bill.

## Subhead 10 – Contracted Services

HON J C PEREZ:

Mr Chairman, can I remind the Minister that he promised us an explanation on the question of electricity arrears and on the question of the contract of the collection of electricity by Land Property Services.

HON CHIEF MINISTER:

Yes, Mr Chairman, starting first of all with the LPS contract; there is one contract with LPS which covers two functions: (1) the collection of arrears, and (2) land titles, neither of which has really got off the ground. The Government never got round to activate the transfer of the land titles from the Supreme Court to LPS and the hon Member knows the background as we have discussed before, to the fact that the arrears collection has not really got off the ground either. The original reason for that was as we have explained before, the difficulty in getting the information from Lyonnaise to LPS but it has to be said that now the principal reason is that the Government are considering, in conjunction with LPS, the entirety of that contractual arrangements and they have made proposals to my office upon which I, for some time now, have owed a response - it is one of those files that languishes on my desk - to review generally the LPS contractual arrangements in some respects of which we think it is not operating fairly to Government, in respect of other services they do not think it is operating fairly to them and therefore we are going to sit down and look at the whole picture and they have proposals on which a response from Government is admittedly overdue. In that context the Government were not making any payments under this contract, this contract relating to land titles and electricity and indeed - this is item (g), we estimated nothing because we took the view that we were not paying them. During the course of the financial year they approached the Government and made a case that it was unfair, withholding payment completely suggested that they were at fault in the non-performance of the contract and they thought that this a harsh

view so we agreed to pay them half. In fact, that figure of £63,000 in the forecast outturn column should not be £63,000, they have not been paid £63,000, they have been paid £30,500. In the estimate it is £63,000 to provide for the possibility that this contractual review will result in the contract being activated either in its current or in a modified form but with the original degree of contractual payments from the Government. That is the position. No decisions have been made. It is not that we have terminated the contract. It is lying there, unperformed for a variety of reasons. LPS feel quite aggrieved about that situation because they say that they incurred expenditure in preparation for consummating this contract and that they have not had the income deriving from it so the situation is in a state of flux we are reviewing the entirety of their arrangements, we are considering proposals that they have put to us in that respect so the answer is no, the contract has not been terminated. No, it has not been performed but Government have made payment of half the amount due this year in response to the case that they made that they had incurred expenditure, renting additional office space, recruiting additional staff, decorating additional office space in preparation for servicing this contract and they have never had any revenue from it.

HON J C PEREZ:

Is the £30,500 related to any sort of performance because on previous years there was a very low performance but there was one and I remind the Chief Minister that I did put a question at Question Time on how much arrears had been collected in the two periods and I still have not got the answer. Have those arrears been collected by Land Property Services or not and are they shown as income as being collected by Lyonnaise in page 4?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

In 1997/98 in arrears to the nearest thousand, they collected £82,000.

HON J C PEREZ:

I gave the Government that figure in my speech. I am interested in the last financial year.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

The figure for this financial year is £62,000 or thereabouts.

HON J C PEREZ:

Is that shown as income to Lyonnaise des Eaux in the front of the estimates because here it says, "Collected by Lyonnaise des Eaux"?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, all electricity arrears, when they are collected will eventually be passed through Lyonnaise des Eaux.

HON J C PEREZ:

So it is shown here as if it were collected by Lyonnaise?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, they all have to be passed through Lyonnaise des Eaux because they have to record the fact that an arrears has been paid and is no longer arrears because they handle the billing system through electricity.

HON J J BOSSANO:

The explanation that he has given is in conflict with the information that has been provided.

HON CHIEF MINISTER:

What information?

HON J J BOSSANO:

We have just been told that no activity was performed and that they felt aggrieved that notwithstanding that they had not performed any activity, they had incurred expenses in painting the office, employing people and getting the place ready. We asked whether they had collected anything and we get told they have collected £62,000 and that the previous year they collected £82,000. How can we be told that there was no provision a year ago because no activity was performed and they had already collected £82,000 and been paid £59,000?

HON CHIEF MINISTER:

Mr Chairman, they were not being paid, if they were doing services they were not being paid for it, that is the point. I think obviously Lyonnaise must have started at some point actually passing sufficient information for them to collect at least that much of arrears. If I said that they were doing nothing obviously they were not doing nothing at all, they were doing that degree of electricity arrears collection.

HON J J BOSSANO:

Mr Chairman, with all due respect, the Chief Minister stands up and tells us an explanation that sounds perfectly plausible in that the contract was not performing, they made a case, they felt aggrieved, they had employed people who were not doing anything through no fault of their own but we have just been told they collected £82,000 the previous year. How can that be? They have been collecting, according to the Financial and Development Secretary, in the year beginning the 1<sup>st</sup> April 1997 and according to the published estimates they got paid the previous year £59,268 so it is not true.

HON CHIEF MINISTER:

Mr Chairman, I explained to the hon Member that this contract related to both electricity arrears and land titles register. The Financial and Development Secretary is just refreshing my memory to the effect that the expenditure in additional offices and decoration had been incurred in relation to the land titles part of the contract. But it is also true to say that until just a moment ago I thought that they were not doing anything under the electricity collection either. It appears that they have been doing it under the electricity collection but certainly they were not being paid for it.

HON J J BOSSANO:

The Chief Minister forgets that a year ago he knew that they were doing something but he decided they were not doing enough and we asked last year, "How is it that there is an estimated outturn in 1997/98" - which was shown last year - "and no provision for the forthcoming year?" and the explanation that he gave us was that not that they were doing nothing but that they were not doing enough a year ago. That is the explanation he gave us a year ago. Is it that apart from this, the amount here is purely payable in respect of electricity arrears, at least that is the indication in the text of the provision in the estimates so is it correct that the £35,000 is purely for electricity and has nothing to do with the lands registry?

HON CHIEF MINISTER:

Mr Chairman, they are certainly not doing land registry. They have got another contract in which they do the land registry type work that used to be done in the Crown Lands Department but the bit of the land registry that has always been done in the Supreme Court is still being done in the Supreme Court. Therefore they are certainly not doing any land of that sort of land registry type work, it just has not been transferred, it is still where it has always been.

HON J J BOSSANO:

I accept that explanation, that they are not doing that work, that was not my question. My question is, Mr Chairman, in the money we are being asked to vote for the forthcoming year, the £63,000, and in the forecast outturn of £30,000 – the corrected figure – the explanation is electricity arrears – LPS, so can I take it then that whatever aggrieved representations they may have this payment is just in respect of electricity arrears, is that right?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, the division of various parts of subhead 10 – Contracted Services that relate to Land Property Services do not exactly mirror individual contracts. In fact, Land Property Services has three contracts and the money is split over five subheads and we have made further subdivisions of their contract. The £60,000 is a Treasury estimated amount that the electricity arrears proportion of the third contract is worth.

HON J J BOSSANO:

But it is for the electricity arrears and not for any other service, is that correct?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

That is the Treasury's estimate of the position.

HON J J BOSSANO:

Then I take it that in respect of the actual figure for 1997/98, which is not an estimate, that would be the actual amount paid for collecting £82,000 of electricity arrears, is that accurate?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Again, it is a subdivision, it is what we estimated for that part of the contract that covers land titles as well as electricity arrears. It is the proportion we allocated to electricity arrears. Whether it is actually the amount is another matter.

HON J J BOSSANO:

But is there a relationship between what is collected and what they get paid?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Obviously not £1 for £1.

HON J J BOSSANO:

Is the Financial and Development Secretary in a position to say, if they have estimated it they must have had a formula for estimating it. Does the amount collected feature in that process of estimating how much is attributable to the collection of arrears?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think the hon Member tests me but I recall that originally the division was done by actually working out the cost of the land titles side which was very easy to work out because it involved extra bodies, physical space and the residual amount was assigned to the electricity arrears. That is my recollection. If it turns out not to be the case I will let the hon Member know subsequently.

HON J J BOSSANO:

I interrupted the Chief Minister when he was about to give us further explanations on other aspects on this subject. I would not want to deprive him of the opportunity, Mr Chairman.



HON CHIEF MINISTER:

I was going to give the Hon Juan Carlos Perez some background on this electricity arrears issue that has so vexed him and the Leader of the Opposition. Mr Chairman, whilst I was hearing the hon Member it was not quite clear to the Government exactly what the point was of the whole exercise, was it simply a sort of number crunching 'this does not all quite fit exercise' or was there a point at the end of it? Therefore what I am going to do is to give the hon Member the figures as they have now been confirmed to me. The arrears at the start of last year stood at £5,003,000. The billing during the year was £9,300,000, that totalled £14,303,000 – adding arrears to billing; in other words, collectibles of which £9 million was collected leaving arrears at the end of the year of £5.3 million. Last year I said that we were raising the estimate by £1 million mainly due to the expectation of better arrears collection. In fact it was both that and an estimated slight increase in billing. The billing appears to have risen by about £300,000. Hon Members have to bear in mind that we, as receivers of the revenue, cannot actually differentiate between current and arrears collections by Lyonnaise des Eaux. They collect monies paid into their office and then it gets passed ..... *[Interruption]* I realise I am not addressing any particular point, I have just tried to set out a set of agreed facts upon which we can then discuss this issue. The Central Arrears Unit, which is separate to Lyonnaise des Eaux or LPS for that matter, collected £372,000 in respect of that same period. LPS collected about £62,000. In the context of those facts perhaps the hon Member can put to us again what is the issue that concerns him quite apart from any inconsistency between figures and answers.

HON J C PEREZ:

It is a bit clearer now, Mr Chairman, given that we now have the total amount of arrears collected for the year which is what would give us the right picture. The estimates have been misleading in that it refers to collections by Lyonnaise and one would take that collections by Lyonnaise are the collections over this last financial year by Lyonnaise which does not include arrears, it is collections

in the current year. What now seems to have happened is that it is a bit of both; it is a bit of Lyonnaise having been more successful of collecting a greater proportion of the billing than in other years and therefore leaving less arrears behind during the year and a greater amount of arrears being collected through the efforts of the Central Arrears Unit which was an equation which has not appeared either in last year's budget or in this year's budget because it is all shown by Lyonnaise. The only thing that was odd is that the figure we asked in August of the amount collected there was already an increase in arrears for this financial year of £300,000 and that taken as an indicator would have created the same liability in new arrears as other years where one would have finished up with nearly £1 million in arrears again but there seems to have been a greater effort made between August and March to collect a greater proportion of the billing of this year and then for the result of Lyonnaise was much better than what that figure indicated. That seems to be the case but really what clarifies the situation a bit better is the figure of the Central Arrears Unit which was not mentioned by anyone last year, has not been mentioned this year and we have only been looking at the figure of Land Property Services and the figure of Lyonnaise without having an indication that the Central Arrears Unit was also collecting electricity. By the way, Mr Chairman, it seems odd to me that the information by Lyonnaise should be available to the Central Arrears Unit and not to Land Property Services who have the contract.

HON CHIEF MINISTER:

It does not work quite like that. The hon Member, for example, has not asked in what circumstances is the Central Arrears Unit find itself collecting electricity charges. It is usually incidental. When the Government do an agreement to collect when somebody comes to do a settlement on rates or a settlement on any arrears then the Central Arrears Unit staff go to whoever Lyonnaise and say, "How much does this person owe in electricity?" and extracts that way the information on a specific case by case basis and then includes it in a global municipal charges arrears agreement. That is how the Central Arrears Unit

comes to be dealing with electricity at all. As to what the hon Member said, I do not know whether it is still the position that there is difficulty in communication between Lyonnaise and LPS or whether the delay now is just the fact that we are sitting on their contractual proposals.

HON J J BOSSANO:

Can I just get confirmation on one thing, Mr Chairman. In the light of this information, assuming the answer given in September was accurate as to the figure in August, it means that the increase in arrears to £5.3 million was already there last August and that in fact there has been no movement since then, is that correct?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, in the light of the discussion that has taken place on this point, I am surmising as to whether there is a lag in that figure that was given up to the end of August because the information is being posted from Lyonnaise des Eaux and then transferred into the Government's books. There could have been a time lag and we are only getting what we thought was six months and was in fact five months.

Subhead 10 – Contracted Services was agreed to and stood part of the Bill.

Subheads 11 to 13 were agreed to and stood part of the Bill.

The House recessed at 10.15 pm.

The House resumed at 10.33 pm.

#### Head 9-C – Customs

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

#### Subhead 4 – Operational Expenses

HON J C PEREZ:

Mr Chairman, I notice that the Gibtel Radio Communication System there is a greater chunk of the expense in Customs than there is in other departments. Is that because they have got more terminals, is that it?

HON CHIEF MINISTER:

Yes, it is the provision which relates to the number of connections and the number of people involved.

Subhead 4 – Operational Expenses was agreed to and stood part of the Bill.

#### Head 9-D – Income Tax

Subheads 1 and 2 were agreed to and stood part of the Bill.

#### Subhead 3 – Office Expenses

HON J J BOSSANO:

Mr Chairman, what is the explanation for the increase in the printing and stationery from £18,000 to £30,000?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think the provision is for printing new tax tables.

Subhead 3 – Office Expenses was agreed to and stood part of the Bill.

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

## Subhead 5 – Professional Fees

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, with your indulgence, if I could just point out to Opposition Members there is a difference of £1 and this is a Head where it applies, in fact if we were to add up that Head in the actual column it should come to £743,626 and not £743,625. In the actual columns of some other Heads there is sometimes a £1 difference and we will correct all those in the final approved version. I say this in case someone goes to the length of checking every single actual figure in the draft against the approved version.

HON J J BOSSANO:

Now that he has suggested it I think I will check it, Mr Chairman.

Subhead 5 – Professional Fees was agreed to and stood part of the Bill.

## HEAD 10 - JUDICIARY

### Head 10-A – Supreme Court

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

### Subhead 4 – Operational Expenses

HON A J ISOLA:

Mr Chairman, I see recording equipment - £2,000, is that for a sound system in the Supreme Court to record the proceedings?

HON CHIEF MINISTER:

It relates to the maintenance contract for the court's equipment not for the actual purchase of new equipment.

HON A J ISOLA:

My understanding is that there is not any recording equipment. I imagine that is the microphones that are used then?

MR CHAIRMAN:

There was in my days.

HON CHIEF MINISTER:

The hon Member must go to court more often.

HON J J BOSSANO:

The Law Reports Production, Mr Chairman, are these the new laws of Gibraltar which have been tabled in the House?

HON CHIEF MINISTER:

The Law Reports Production, Mr Chairman, refers to a series where decided cases are reported, nothing to do with statute law. It relates to the editing and publication in bound books of the judgements of the Judges of the Supreme Court and the Court of Appeal in cases. In other words, it is our common law reports as opposed to statute law.

Subhead 4 – Operational Expenses was agreed to and stood part of the Bill.

### Head 10-B – Magistrates and Coroners Court

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

### Head 10-C – Law Officers

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

### Subhead 5 – Private Sector Prosecution Fees

HON J J BOSSANO:

Mr Chairman, in the previous Head where there was a very substantial increase in the outturn compared to the original one, there is a note that says that the Private Sector Legal Fees – Civil which is shown here as £60,000 outturn for the previous year is now shown under Head 8A – Secretariat, subhead 12. When I asked about the outturn I was told this was a number of civil cases. However, in the Consolidated Fund Statement of Reallocations approved by the Financial and Development Secretary which has been tabled in the House, the explanation that is given for the private sector is for legal advice in the Secretariat is special legal advice mainly telecommunications.

HON CHIEF MINISTER:

It includes both litigation and commercial advice civil.

HON J J BOSSANO:

Given that it is £250,000 for legal advice mainly telecommunications, previously when I asked about the.....

HON CHIEF MINISTER:

Mr Chairman, was that not to do with drafting? It was in drafting telecommunications which is a separate subhead. There is a subhead for drafting and there was another subhead for legal fees. As I recall it was mainly telecommunications in respect to the drafting figure which is true. The Government's bill, having created a more expensive structure in-house in the Legislation Support Unit, the one item where we are still spending significant sums of money in private sector drafting is in the telecommunications directives and bills. Indeed, I cannot think of what telecommunications advice other than drafting. The only telecommunications legal advice that we are getting, as opposed

to drafting, relates to the possible mergers and some of the satellite commercial arrangements.

Subhead 5 – Private Sector Prosecution Fees was agreed to and stood part of the Bill.

Subhead 6 was agreed to and stood part of the Bill.

### HEAD 11 – POLICE

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

### Subhead 4 – Operational Expenses

HON J C PEREZ:

Taking the opportunity that there is also part of the Gibtel radio link there, is this the initial cost of introducing it and is there an expectancy that it is going to be a recurring item or will the recurring cost be smaller than the vote that is there?

HON CHIEF MINISTER:

Mr Chairman, this is a recurrent cost. Gibtel makes a very substantial investment in the system and this is for the service provision and it includes the certain number of minutes used.

HON J C PEREZ:

The capital cost is provided by Gibtel and then it services the department for a fee?

HON CHIEF MINISTER:

Yes.

Subhead 4 – Operational Expenses was agreed to and stood part of the Bill.

Subheads 5 to 7 were agreed to and stood part of the Bill.

## HEAD 12 – HOUSE OF ASSEMBLY

Subheads 1 to 8 were agreed to and stood part of the Bill.

## HEAD 13 – PRINCIPAL AUDITOR

Subheads 1 to 5 were agreed to and stood part of the Bill.

## HEAD 14 – SUPPLEMENTARY PROVISION

### Subhead 1(a) – Pay Settlements

HON J J BOSSANO:

Mr Chairman, last year I asked about the provision in the estimates for 1998/99 compared to the preceding year's estimate and the explanation given was that there were arrears for two years, Senior Officers for 1996 and the GGCA for 1997. Of the £1.5 million that was provided what is the position as regards the amount that has been used to meet pay settlements?

HON CHIEF MINISTER:

The information is available by examining all the virement statements.

HON J J BOSSANO:

Can they confirm that there are no further virement statements to come?

HON CHIEF MINISTER:

I have been told that there are still some to come, that some departments are still to submit virement statements for emolument pay rises.

HON J J BOSSANO:

So I cannot find the information from the virement statements?

HON CHIEF MINISTER:

The hon Member can find the position to date from the virement statements but not the total annual position.

HON J J BOSSANO:

But given the fact that we are now talking about money that is going to be debited to the 31<sup>st</sup> March irrespective of the fact that we are in June.

HON CHIEF MINISTER:

I am advised, Mr Chairman, that the Accountant General has already put out what I think he calls 'the final warning'. I think he has already put out the statement to Controlling Officers that there is now a deadline, that by the 15<sup>th</sup> June is the last day by which bookings will be allowed for the financial year ended 31<sup>st</sup> March 1999. So by the 15<sup>th</sup> June we will have what is missing of the information that the hon Member wants and the Financial and Development Secretary can certainly provide it to him.

HON J J BOSSANO:

Really what I am interested in knowing is whether the whole of the £1.5 million has been used or considerably less. From what I have seen of the virements there does not seem to be the amount transferred anywhere near that total.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

The hon Member tests my memory at a late hour in the day. As I recall in pay settlements we have actually used about £600,000 and all the other money for pay settlements has been managed to be funded from within the various virements. I think there will be a little bit more but I cannot be sure how much. In terms of that total Head we will, if one adds up all the departments outturns and see those that have gone over, we are planning to use all the supplementary funding Head so we will have to have a virement from what we do not use of pay settlements into supplementary funding. I would suspect that the final virements, I would hope, will be able to be laid in the next House.

Subhead 1(a) – Pay Settlements was agreed to and stood part of the Bill.

Subhead 1(b) – Supplementary Funding

HON J J BOSSANO:

On supplementary funding when I asked last year why there was an increase I was given the explanation of the arrears for the £500,000 increase in pay settlements and in the other one where there was also £500,000 what the Chief Minister said, “The Government envisage having to spend more on training than is available in direct revenue in the Gibraltar Development Corporation”. That is what I was told, that they put in £500,000 because they did not think there was enough in the Gibraltar Development Corporation where they have just clawed back £750,000. Obviously the £500,000 has not been used for training and if we are being told that, in fact, all of it is going to be needed, there must be some substantial requirement somewhere else.

HON CHIEF MINISTER:

In the Health Authority. The big user of supplementary provision is the Government’s Consolidated Fund contribution to the Health Authority notwithstanding that the hon Member who is absent, the

Hon Mari Montegriffo, says that we are not spending enough on it. Already they have had £450,000 from virements and I think we expect it to turn out at nearly £1 million. Almost £1.2 million will be the difference between the outturn and the estimate for the Consolidated Fund payment to the Health Authority.

HON J J BOSSANO:

This is, of course, Mr Chairman, because last year in the estimates they reduced the amount by £1.1 million from the actual for 1997/98. If the Chief Minister looks at page 116 he will see that it went down from £4.5 million to £3.6 million and now the outturn is shown as £4.8 million which is the £1.1 million he is talking about.

HON CHIEF MINISTER:

Yes, that is the £1.2 million I am talking about.

HON J J BOSSANO:

The Chief Minister also said last year that in that £500,000, apart from extra spending on training, there was a particular project which he did not want to give information about for commercial reasons because they were in the middle of negotiations. We have not heard anything more about the £500,000 or the project.

HON CHIEF MINISTER:

This is not training, he did not use the word training did he?

HON J J BOSSANO:

No, I am saying when I asked what the £500,000 was there for I was told it was there for two things: (1) to top up the training in the expectation that the amount they had put in the Gibraltar Development Corporation would not be enough, and (2) the balance was for something else.

HON CHIEF MINISTER:

That something else has not yet happened but is imminent. [HON J C PEREZ: *It is still secret.*] Well, I suspect that Opposition Members know exactly what it is. It is interesting and it would not be appropriate to bring it to the House just yet but it relates to the restructuring of a long-established institution in Gibraltar.

HON J J BOSSANO:

Mr Chairman, given that we are being asked to vote £1.5 million in supplementary funding this year, can I then ask if since the money has not been used in the last year I take it, if I am right that the money has not been used in the last year then there is no extra provision this year for that particular project then because the £1.5 million is the sort of normal supplementary funding that is provided.

HON CHIEF MINISTER:

That is true, there is an expectation which I always regard as somewhat forlorn to keep a tighter grip on expenditure in departments in the hope of reducing the recourse that there is to supplementary funding provisions. We are trying to impose discipline on departments and therefore we do not want to send them signals that there are too much funds available because everybody knows, first of all, they are kept on a reasonably tight grip from the Treasury but once we have spent the supplementary funding provisions the next recourse is a Supplementary Appropriation Bill and it serves to keep a lid on it. If we were to provide there £3 million or £4 million, the more we provide there the more laxity that there is in budgetary control because of the ease of access to unspecified devoted funds. It is not a particularly good attitude to encourage but yes, if we do spend this £500,000 on this project and we do not curtail budget surplus over estimates expenditure then we will find ourselves short as we would have done this year had the £500,000 come in for this project this year and in those circumstances we would have to do

what the hon Members I remember – I have only been in the House for one Supplementary Appropriation Bill, I think it was some time in 1995 when they came for an extra £1 million or something. I am just being reminded that we did one as well.

HON J J BOSSANO:

Mr Chairman, we are not against providing supplementary funding. We think in a budget of this size it is not an unreasonable amount of money to have there to deal with fluctuations and we have always accepted that estimates at the beginning of the year, however accurate one makes them, cannot hit the nail on the head. The point that I am making is that the normal amount is £1.5 million and that last year it was increased because there was a specific additional commitment. If that specific additional commitment was not entered into in the last financial year and is now entered over in this year then the fact that it is not reflected there means that one has actually decreased the supplementary to £1 million, the normal supplementary shall we say. Is that the case?

HON CHIEF MINISTER:

That is the inevitable analysis of the figures on the page. Yes, I think hon Members always used to have £2 million in their budget towards the end of the last budget, £1 million for pay settlements and £1 million for supplementary funding. I agree, we could find ourselves short in this Head.

Subhead 1(b) – Supplementary Funding was agreed to and stood part of the Bill.

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

Clause 3 – Consolidated Fund Contributions

HEAD 15 – CONTRIBUTIONS FROM CONSOLIDATED FUND – RESERVE

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

Subhead 2 – Resettlement Scheme

HON J J BOSSANO:

Mr Chairman, the resettlement scheme that we are being asked to vote £100,000 for is what?

HON CHIEF MINISTER:

It is really what I explained to the hon Member earlier. We never actually said publicly that the scheme is closed so I suppose if somebody, they are unlikely to now given that we have now opened their access up to the labour market but theoretically people could still come up from the guys that registered as interested in taking it up and who had not come to collect their cheques, theoretically it is still open for them to claim. I suppose at some point, I query that it should not have happened already, at some point we shall have to formally announce that the scheme is closed in which case this subhead will become redundant. It is not that we envisage spending £100,000 on resettlement, we have not had a taker for months and months and months now. It may be redundant already.

Subhead 2 – Resettlement Schemes was agreed to and stood part of the Bill.

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

Clause 4 – Improvement and Development Fund

HEAD 101 – HOUSING

Subhead 1 – Major Remedial Works and Repairs to Housing Stock

HON J L BALDACHINO:

Mr Chairman, the Government estimated in 1998/99 £1.3 million, can we have an explanation why the forecast outturn has only been £653,000?

HON J J NETTO:

No, I am sorry, I cannot give an answer at the moment.

HON CHIEF MINISTER:

Not a specific answer, Mr Chairman. The fact is that there is saturation in the construction industry and even with the Buildings and Works working flat out and Government contracts in hand in the private sector, it still takes longer than we anticipate to actually get work done. Either there is a blockage at the design stage within Support Services, then there is a blockage in the tendering process, it just takes much longer than we envisage it should take to get on with doing these houses. So a lot of it has just been carried forward into the current year's estimate in the hope that there can be an acceleration in the rate of doing of works. But I agree, it is slow and laborious, much more so than I would have thought necessary.



HON J J NETTO:

Perhaps I could add to that in the same vein, that some of the actual buildings themselves which were going to be contracted out and was envisaged in the previous financial year has not been carried out through delays and that is part of the reason for that as well.

HON J L BALDACHINO:

So what has been spent is not only on private contractors, there is also an element there which is work that has been done by the Buildings and Works workforce is it?

HON J J NETTO:

No.

HON J L BALDCHINO:

Then what they are estimating now which is £2,023,000 is not what they expected to spend in this financial year?

HON CHIEF MINISTER:

We hope so especially given the fact that it is election year. Mr Chairman, there is a programme of works on buildings and an order in which we would like to see the work done. We would like to see it all done and it remains to be seen that the system just is able to get round to doing all the work but there is a fixed programme of specific buildings and a specific order with specific works, some of it designed just waiting to go out to tender, others not yet designed and waiting to be designed in the pipeline in the Surveyor's office or in the Quantity Surveyor's office or in the Architect's office.

HON J J BOSSANO:

Mr Chairman, first of all, to come up with the explanation that it is just that there is saturation in the market and that they cannot cope with the work, well it does not seem very reasonable that if the House votes £1.3 million for repairs to the housing stock and the saturation in the market only permits £600,000 worth of work to be done that the House should be asked to then provide £2 million the following year which is three times the amount that has been spent in the last 12 months.

HON CHIEF MINISTER:

Except that it is really the same, as I said I think it was during my contribution to the Second Reading, that many of the properties now on the programme are in the pipeline, some of them are in hand. The buildings at Calpe, Willis, Macfarlane, some are about to start; the contract for one is about to be allocated having already gone through the tender process. So where there are projects that have gone through all that process of delay and at the start of the financial year they start to kick in hard in expenditure terms, we have really got the rest of the financial year to get additional projects pushed along the conveyor belt, I fully expect that we will get near the £2 million on this vote this year. It may not get to the whole £2 million but I think we will get substantially there because many of them are either now in progress or contractors are about to move into the site or they have already been designed and are just about to go out to tender. In other words, it is much more likely to happen than last year.

Subhead 1 – Major Remedial Works and Repairs to Housing Stock was agreed to and stood part of the Bill.

## Subhead 2 – Edinburgh House Refurbishment

HON J L BALDACHINO:

In the forecast outturn of the £858,000 how much of that was paid for the security contract?

HON CHIEF MINISTER:

Mr Chairman, the hon Member is obviously interested in that particular bit of information, we will let him know. It is not a lot, it is not a particularly valuable contract I think it is a couple of thousand pounds a week or something but I will get the information to the hon Member.

HON J L BALDACHINO:

Mr Chairman, seeing that the Government have got extra flats in Edinburgh House which have been transferred over from the MOD, will the sum now also cover the refurbishment of those two blocks?

HON CHIEF MINISTER:

Yes, it does.

Subhead 2 – Edinburgh House Refurbishment was agreed to and stood part of the Bill.

## Subhead 3 – Harbour Views

HON J J BOSSANO:

Mr Chairman, the amount last year was £100,000 and the expenditure is zero and then we have got £1 million this year and last year we had an estimate for 1997/98 of £10 million and a balance to complete of £9.9 million and this time there is no balance to complete. What is the rationale of these very remarkable changes?

HON CHIEF MINSITER:

Well, Mr chairman, last year the estimate of £100,000 was real token, a token token. This year it is not quite a token, works have started as the hon Member knows in Harbour Views in a big way on the first four blocks.

HON J J BOSSANO:

Surely they started before the end of the last financial year?

HON CHIEF MINISTER:

Yes but this is the part of the explanation that I am just coming to. This £1 million is a guesstimate of the monies that we will need beyond what we have got left in the companies. I do not know if the hon Member recalls but I explained to him last time we discussed this that it was the Government's intention to use on Harbour Views first the monies left in the Company – I think most of it is in Residential Property Company, there is one that perhaps has the lion's share of the monies, £3 million or £3.5 million or whatever is left there. This is where we think the contractor will get to by the end of this financial year; in other words, what is left available in the Company plus this £1 million but this might be short. There is a real possibility that we will have to come back to this House for supplementary appropriation in relation to Harbour Views because the project is now at a stage where after a long delay whilst they got to grips with certain design difficulties relating to the remedial works, all those are now about to be resolved and it may be possible for the contractor to accelerate and the contract for the other 18 blocks will be able to be adjudicated and it is very difficult for us to know how much expenditure will kick in before the 31<sup>st</sup> March 2000. So this £1 million is on the basis of the current situation. Our best estimate of the monies that we will need for Harbour Views this year over and above the balance left in the Company.

HON J J BOSSANO:

But when the estimate was produced for last year's expenditure estimate the cost of the project was estimated at £10 million with a balance to complete of £9.9 million and the implication of the way it has been presented this year is that there is no balance to complete.

HON CHIEF MINISTER:

And indeed there is not, Mr Chairman, we have not yet got an agreed final design for the first four blocks on which the contractor is already on site, it is being designed as they go along and until those designs are completed we will not have an agreed set of specifications and designs for the other 18 blocks. Until there is not an agreed design and specification it is just not possible to put a price tag on these works. I am told by those who think they are knowledgeable in these matters and by all accounts they appear to be, that this project is going to come – well, I should not mention the figure because potential bidders may be listening for the contract and there is no point in putting..... [HON J J BOSSANO: *At this time of night?*] At this time of night, but it will get reported in the Chronicle or somewhere. Suffice it to say, Mr Chairman, that the balance to complete is unknown. There is no balance to complete at the moment because we are assuming that the £1 million plus the amount of the Company will be enough to take us through to the only part of the project which is presently under contract which is the first four blocks and therefore in respect of the project being the project of the first four blocks, we do not think that there is a balance to complete. We think that this £1 million will be enough to carry us across. Then there are the other 18 blocks.

HON J J BOSSANO:

That sounds fine except that it does not explain how it was that 12 months ago they were able to come up with a figure of £10 million.

HON CHIEF MINISTER:

Well, it was just a provision, Mr Chairman, it was not a figure that we could come up with. I think that figure has been there almost from our first budget. It was a very early estimate of what the project might cost. Would the hon Member agree to continue this conversation with me in the ante room?

HON J J BOSSANO:

No problem.

Subhead 3 – Harbour Views was agreed to and stood part of the Bill.

Subhead 4 – New Housing for Senior Citizens

HON J L BALDACHINO:

Mr Chairman, I presume by seeing that they are estimating for £392,000 for this year and no balance to complete that the project will be finished during this financial year, is that correct?

HON CHIEF MINISTER:

It is indeed, yes.

HON J L BALDACHINO:

In answer to questions I was told that extra things had been done which could have increased the project's initial cost. Do they know by how much it has been increased?

HON CHIEF MINISTER:

The hon Member may be referring to Edinburgh House where there were extra things, in this project the only thing extra from the original contract which is not a major expenditure is the rehabilitation of a little spare bit of land left at the end of a plot into

a sort of garden and bench area. I do not think it relates to the construction project as such.

Subhead 4 – New Housing for Senior Citizens was agreed to and stood part of the Bill.

Subhead 5 – Housing Consultants Fees

HON J J BOSSANO:

Mr Chairman, can we have an explanation of the Housing Consultants Fees. I see that there was £50,000 put last year and in fact they have spent £20,000 of the £50,000 and they are putting another £50,000 this year which brings the cost up to £70,000.

HON J J NETTO:

Yes, I can give an explanation, in fact, I think I already have in my speech on the Second Reading. Hon Members will recall that I said that resources in-house in Buildings and Works to deal with contracts there is already one HPTO which basically all he does is do the preparatory work, the contract and the monitoring. What I said in my speech was that whenever extra resources are needed in order to carry out the commitments within Head 101, the first port of call is Support Services and because they have other priorities we then have to contract out consultants which I have given in answers to questions already. If one relates that to the explanation given in the forecast outturn for Head 101, subhead (1), in relation to the delays of some of the works that is the reason why the forecast outturn is £20,000 but we do envisage, in the provisions that we have for 1999/2000, £50,000 is that part will be coming out from those works which will be in a greater number and we will be hoping to do much of the contracts in Head 101(1) so that is the reason for the forecast and why we have gone back to £50,000.

HON J J BOSSANO:

What is it that these fees are payable for? What is it that is involved?

HON CHIEF MINISTER:

I suppose it is a misnomer, it should not be Housing Consultants Fees, it should just be Consultants Fees in the Housing Head. This is not consultancy in relation to housing, this is consultancy fees in respect of the design element, the pre-construction work element of in-house work. Just as the Government contracts out the design work for work that we subsequently put out to contract, this is to enable the Buildings and Works Department to contract in professional services in relation to the design and project supervision - quantity surveying, architectural works, in respect of contracts done in-house in the Buildings and Works Department.

HON J J BOSSANO:

I am afraid then, Mr Chairman, he has just totally contradicted the explanation given by the Minister because the Minister has told us that if we look at Head 101(1) where he said there was no direct labour, well are these consultants doing the work for either direct labour which is what we have just been told or for Head 101(1) where there is no direct labour which is what we were told two minutes ago? Which is it?

HON J J NETTO:

No, this is not for direct labour.

HON J J BOSSANO:

The Chief Minister has just said that it is for direct labour, Mr Chairman, and the Minister has been nodding. I know the Minister is used to nodding to whatever the Chief Minister says but he has just contradicted the Minister and he keeps saying yes with his head.

HON J L BALDACHINO:

Mr Chairman, why has he not used the remaining £30,000 that are there?

HON CHIEF MINISTER:

Where, Mr Chairman?

HON J L BALDACHINO:

In the original vote.

HON CHIEF MINISTER:

Used it for what?

HON J L BALDACHINO:

The estimate for 1998/99 was £50,000; the forecast outturn has only been £20,000, if that was the case and the Minister had the money, why has he not spent the £30,000 and maybe more projects could have been done in subhead (1)?

HON CHIEF MINISTER:

It does not quite work like that, Mr Chairman. The fact of the matter is that delays are not just in relation to the programmes of the works that relate to this subhead. The delays are not just in design services and it is not just in contract supervision. It is also in contracting documents and the tender process and in all sorts of other things. But going back to the previous point, Mr Chairman, this contains both. For example, there are projects that are being led through the Support Services Department and there are projects that are being led through the Buildings and Works Department. For example, the design responsibility for the Glacis repavement project is being done through the Buildings and Works Department but with access for the Buildings and Works

management to private practice architects, designers and quantity surveyors. So it relates to both and the inconsistency between us in that we were giving the impression that it was exclusively for one or exclusively for the other and this is the issue that I think was that we were misleading the hon Member.

Subhead 5 – Consultants Fees was agreed to and stood part of the Bill.

## **HEAD 102 – SCHOOLS, YOUTH AND CULTURAL FACILITIES**

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

Subhead 2 – School Buildings – St Anne’s and Westside

HON J J BOSSANO:

Can I invite the Minister to explain how it is, here we have got a figure where the actual for 1997/98 was £612,086, that suggests an on-going project, one would not expect in an on-going project that there should be an estimate of £450,000 and an actual of £29,000.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

The heading Schools Buildings – St Anne’s and Westside, is for the projects we are doing this year. In fact, the £612,000 actual related primarily to Bishop Fitzgerald and Governor’s Meadow which were the projects in that particular year.

HON J J BOSSANO:

So in fact then, Mr Chairman, the £450,000 voted last year for St Anne’s and Westside it is still a huge difference of £29,000.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

What was voted last year, the £450,000 was primarily for St Anne's and that project has not progressed and there is a plan to progress in the current financial year.

HON CHIEF MINISTER:

And the reason for that, Mr Chairman, is that we had to negotiate with the owner of the adjoining plot of land to get access to some of it; the triangle where the old Mediterranean Rowing Club was which belongs to the Marina, in the end they were very good about it.

Subhead 2 – School Buildings – St Anne's and Westside was agreed to and stood part of the Bill.

Subheads 3 to 5 were agreed to and stood part of the Bill.

## HEAD 103 – TOURISM AND TRANSPORT

### Tourism

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

### Subhead 2 – Enhancement of Tourist Entry Points

HON J J BOSSANO:

Mr Chairman, there is a very large increase in the provision for this forthcoming year, £750,000 on this particular item. Given what has been said about the problems in delays in other things, how realistic is this?

HON J J HOLLIDAY:

Mr Chairman, this covers the new coach terminal, not just the building but the extension covering the car park all the way up to

the roundabout in North Mole Avenue and that should be completed during the course of this year. In fact, the project has already started and this is a continuation of the project.

HON J J BOSSANO:

Is it realistic?

HON CHIEF MINISTER:

Yes, it is completely realistic. The contractors are on site, there is a contract, there is a completion date. This is one of the ones that is now running by itself and no longer requires any input from the Government except the vacation of one more tenant who is still on the site.

Subhead 2 – Enhancement of Tourist Entry Points was agreed to and stood part of the Bill.

### Subhead 3 – Airlines Assistance Scheme

HON J J BOSSANO:

Mr Chairman, is the Airlines Assistance Scheme now an annually recurrent thing?

HON J J HOLLIDAY:

The Airlines Assistance Scheme is composed of two different parts. In the figure of £325,000 includes our commitment to Monarch for the third year of their contract and the equivalent sum to GB Airways which we agreed we would pay penny for penny, in other words, whatever we gave Monarch we would give to GB Airways during the course of the three years. It also covers an incentive which I offered GB Airways and Monarch in order to increase the frequency on the London/Gibraltar route where any additional flights that they would fly to Gibraltar they would actually get an incentive for that. Monarch did take up the offer and has increased their scheduled service from four to six flights

and from three to five flights in the winter and obviously that has increased capacity considerably. GB Airways have not taken up the offer yet. There is provision also in that budget because I am in negotiations with other airlines as I have said in the House and a provision has been made in case we are able to put a programme in place so that there is an element of funds available to airlines to operate the route.

HON J J BOSSANO:

Can the Minister explain the fact that if we look at the estimate last year the 1997/98 estimate £365,000 and the outturn £176,000; the 1998/99 estimate was £210,000 and the outturn £134,000. Given the fact that this is an agreement which is pre-done and lasts over a number of years, how is it that the results do not match the original estimate?

HON J J HOLLIDAY:

There is an element of arrears in all this programme because money is actually paid to them at the end of every quarter when they submit an invoice and there is a fixed amount agreed with them and then an additional part of the funding is actually on the frequency of the route. In other words, it is not just based on a fixed sum irrespective of what they do, they are actually based on the frequency of landing and therefore there is an element of provision there so that the figure is not exactly as per what they require apart from the element of arrears which I have explained where the airlines are producing invoices three or six months behind their actual period in question.

HON J J BOSSANO:

I could understand that there might be arrears in the first year which show up in the second but, in fact, the second year is less than the first; it is £134,000 as compared to £176,000. Is it that there is money in the expectation of arrears coming in in the next 12 months?

HON J J HOLLIDAY:

It is less actually because in the first year, and I do not have the figures here in front of me but there may be a figure that whereas in the first year the airline was offered an assistance of £50,000, in the second year the assistance is actually £30,000 and in the third year it is £10,000. So it is a reducing scale as the three years progress, the third year started last month in May and we are running on the third year now.

HON J J BOSSANO:

I can understand that if we were talking about the amount budgeted because then on the reducing scale one is budgeting less but I am talking about the actual outturns. Presumably if there is a provision and it is £50,000 in the first year; £30,000 in the second I could understand that the provision should be going down. What I am questioning is why should the result be below the provision because that, surely, is not what was expected. When the House was asked to vote the money it was on the basis that the Minister is saying that there would be less money required in the following year but what was actually paid out, is it that the actual number of flights that were put were not what was originally assumed would be the case when the original figure was brought?

HON J J HOLLIDAY:

No, Mr Chairman, the commitment entered with Monarch has been fulfilled and the agreement we had with GB Airways was that we would pay the same amount to them as we would pay Monarch so long as they maintained the level of flights on the route and that has been honoured all along but there has not been any provision for that. I think the element of the actual outturn is due to arrears more than to anything, but I could not confirm this to the hon Member, I am quite happy to look at that for him but my views are that the figures involved are in respect of the fact that invoices are not being presented for payment at the end of each quarter and therefore they are dragging. I remember

distinctly at the end of this financial year I contacted the airlines through my Principal Secretary and asked them to submit invoices because we were coming up to the financial year.

HON J J BOSSANO:

They do not seem to be needing the subsidy very much, Mr Chairman, if they are not in such a hurry to collect the money.

HON J J HOLLIDAY:

That may be correct, I do not know. The reality is that they do claim they do need the subsidy and it was a contract that we entered in 1996 and has been maintained through to the end of May next year.

HON J J BOSSANO:

Is the provision this year then the last chunk of that?

HON J J HOLLIDAY:

Yes, it is the last chunk of the initial three year contract but as I have said, what I did this year, basically the airlines were talking to us as to what would happen after the three year contract was over and I said that the Government were not willing to give incentives unless they put additional flights on the route and so what we did was that we offered them an incentive for any additional flight they put on the route and not for existing operations. In other words, if Monarch were flying four times a week in the summer, what we did was we said, "you were willing to put on a daily flight" which is what they are trying to do even though they are flying six times a week at the moment but due to availability of aircraft they have not been able to meet that, I was willing to give them assistance on the additional two flights but not on the existing four flights because otherwise I felt that we would just not give them the incentive to actually promote the route and increase availability of seats which, at the end of the day, is what the Government are looking for.

HON A J ISOLA:

The Minister said that the original agreement was whatever Monarch had GB Airways would get and in respect of the increased flights they would qualify for some more, I imagine, but only Monarch had taken the offer up because they had put more flights on and obviously they alone benefit from that increase.

HON J J HOLLIDAY:

No, not at all. Whoever is taken on will be given an incentive for that particular issue and that agreement only stands for that part of the incentive.

Subhead 3 – Airlines Assistance Scheme was agreed to and stood part of the Bill.

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

Transport – Traffic

Subhead 5 – Refurbishment of Motor Vehicle Test Centre

HON J C PEREZ:

Mr Chairman, is this the refurbishment of the existing centre at Eastern Beach or has this got anything to do with the new contract for the new building?

HON J J HOLLIDAY:

This has to do with the new vehicle test centre in Eastern Beach.

HON J C PEREZ:

So it is not really the refurbishment of what is there, it is the building of the annex to what is there?



HON J J HOLLIDAY:

Yes, it is more accurately described as the hon Member has put it.

Subhead 5 – Refurbishment of Motor Vehicle Test Centre was agreed to and stood part of the Bill.

Subhead 6 was agreed to and stood part of the Bill.

Transport – Roads

Subhead 7 – Roads Construction and Resurfacing

HON J C PEREZ:

Mr Chairman, of the £2.5 million being provided this year, can the Minister say what chunk of that money is already committed on contracts which are on-going and already given?

HON CHIEF MINISTER:

Yes, £1.9 million plus another £400,000, that is £2.3 million.

HON J C PEREZ:

That is to say, that tenders are already out and the works have already commenced so we are really seeing not very much new here but on-going?

HON J J HOLLIDAY:

Well, Mr Chairman, during my presentation.....

HON J C PEREZ:

But we are talking about £200,000.

HON J J HOLLIDAY:

We are talking of Sir Herbert Miles Road that has already been signed and obviously is an on-going project.

HON J C PEREZ:

I am not asking the Minister and I heard his contribution and he gave us a list. I am saying that if there is £2.3 million committed to projects which are on-going, the difference between £2.2 million and £2.5 million is £300,000 and there is very little new, the rest is on-going.

HON CHIEF MINISTER:

No, it is not very little new, it is very little that will be started and finished during this financial year because they will start at the point during the financial year which will straddle the end of this financial year so that the completion costs will be in the next budget. *[HON J J BOSSANO: There is no balance to complete.]* There is no balance to complete because there are no specific projects but there will be at least one more major project started in the financial year and that is the Waterport Road. In other words, the continuation down from Customs House, so to speak, in front of Watergardens to Waterport roundabout. That project will start at some point during the financial year and my best recollection is that the total estimated cost is slightly more than the figure that the hon Member has mentioned as the balance left.

HON J J BOSSANO:

Mr Chairman, the figure of £2.5 million has got a footnote which shows that it includes the EU funding. So it was not included in the estimate for this particular subhead in last year that there was £1 million.

Subhead 7 – Roads Construction and Resurfacing was agreed to and stood part of the Bill.

Transport – Port

Subhead 8 was agreed to and stood part of the Bill.

**HEAD 104 – INFRASTRUCTURE AND CAPITAL WORKS**

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

Subhead 2 – Government Buildings and Works

HON J J BOSSANO:

Mr Chairman, the £1.2 million on Government buildings, which Government buildings now need to have this kind of money spent on them?

HON CHIEF MINISTER:

No, Mr Chairman, there has been a tidying up of the subheads if he compares to past years. For example, although the hon Member is thinking in terms of work to Government offices and depots and things of that sort, it now includes much more capital major works to buildings that will be Government owned. For example, in that amount of £1.2 million there is the re-siting of Customs House; there is developments to Dr Giraldi Home; there is extensions of the London Office; there is the re-siting of the Royal Gibraltar Police Marine Section; there is expenditure related to the alternative arrangements for the Devil's Tower Road Workers' Hostel; there are works in relation to the Sergeants' Mess which are on-going. So it is not the traditional sort of run-of-the-mill works.

HON J J BOSSANO:

So it is not directly comparable to the £300,000 of last year's estimate?

HON CHIEF MINISTER:

No, it is not, we ought to perhaps have explained that.

Subhead 2 – Government Buildings and Works was agreed to and stood part of the Bill.

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

Subhead 4 – Consolidation and Printing of Laws

HON J J BOSSANO:

Mr Chairman, on the consolidation and printing of laws, has there been no expenditure in the last year, the forecast is nothing out of an estimate of £50,000?

HON CHIEF MINISTER:

No, there has been work under a heading of consultancy for the actual legal work done by the lawyer assisting but there has been no printing expenditure because the first of the supplements came out recently and obviously the expenditure has not fallen in the year. This is production costs rather than editing costs. What we have been paying for the last financial year is editing costs, the lawyer doing the work. This subhead relates to the actual publication costs, the printing, the binding and things of that sort, very expensive.

HON J J BOSSANO:

Mr Chairman, the original estimate was £50,000 and £110,000 to complete and now we have got £80,000 and £200,000 to complete which means really that the estimated cost has doubled between last year's budget and this year's budget. Is there an explanation for the fact that what is expected to cost is now twice as much?

HON CHIEF MINISTER:

No, Mr Chairman, except that now that they have done the first of these supplements which I think is the second because the first one was the 1984 one, the LSU must have reassessed its estimate of what the cost of this project will turn out to be. I must say I am horrified at the cost of this exercise.

Subhead 4 – Consolidation and Printing of Laws was agreed to and stood part of the Bill.

Subhead 5 – Renovation of St Bernard's Church – Loan

HON J L BALDACHINO:

Mr Chairman, is it that there has been no expenditure in this financial year because I live near the Church and I have seen that nearly, apart from just one part of the Church everything has been knocked down and works are going on there.

HON CHIEF MINISTER:

I have to say that my personal recollection was that we had sent the Church's solicitors a cheque but the Treasury people assure me that my recollection is mistaken and that, in fact, they have not drawn down against the facility available to them at the Treasury yet. Certainly I know what the hon Member says is correct, the works are at an advanced stage.

Subhead 5 – Renovation of St Bernard's Church – Loan was agreed to and stood part of the Bill.

Subhead 6 was agreed to and stood part of the Bill.

Subhead 7 – Equipment – including Asycuda

HON J J BOSSANO:

Mr Chairman, would the Minister be able to provide the information on the breakdown when he has spent £25,000 including Asycuda?

HON CHIEF MINISTER:

The breakdown of the £111,000?

HON J J BOSSANO:

No, what I am saying is, once the estimated £25,000 is spent on equipment including Asycuda, will the Minister be able to provide a breakdown of that figure.

HON CHIEF MINISTER:

Well, I would not promise him that, I do not know.

Subhead 7 – Equipment – including Asycuda was agreed to and stood part of the Bill.

Subhead 8 was agreed to and stood part of the Bill.

Subhead 9 – Radio Communications

HON J C PEREZ:

This must be something separate to the Gibtel Communications for Essential Services, what is this?

HON CHIEF MINISTER:

The figure of £275,000 is the purchase of equipment in connection with the new system. The hon Member may recall that at Question Time I explained that Gibtel is making the investment in the central system – the computer, the installation, the base station, the networking but each user has to buy his own

handheld sets, the personal thing that is carried around by each officer. So Customs has to buy their own sets, the Police have to buy their own sets.

HON J C PEREZ:

The Chief Minister is contradicting what he said in Customs.

HON CHIEF MINISTER:

No, I am not contradicting what I said in Customs. What I said in Customs was that there was an annual recurring cost for just using the service and that is correct.

HON J C PEREZ:

And if he shows the annual recurring cost of Customs for using the service where is the capital cost of Customs and where is the recurring cost of the Police? This is being treated as a capital expenditure because it is in the I&D Fund. So the whole of the capital cost of everybody is in the Police vote?

HON CHIEF MINISTER:

In the I&D Fund. These are not Police votes.

HON J C PEREZ:

But it says Police.

HON CHIEF MINISTER:

Well, those are indicative, this is one Head – Infrastructure and Capital Works for the Government generally. It is true that it is broken up for convenience into groupings which are clustered under headings but this was one Head of expenditure, these are not individual Police Head or Customs Head. But I agree, it is confusingly put there under a heading which suggests that it all relates to the Police and it does not.

HON J J BOSSANO:

I take it that what he has just said is not true of the preceding subhead, that is to say, that the equipment including Asycuda is not a cluster of equipment for the rest of the Government and that the equipment – Chief Fire Officer - £103,000 is not that everybody is going to get bits of fire equipment but it is just the Fire Service?

HON CHIEF MINISTER:

The point I was trying to make is that this is not the Police vote rather like the Police have their own vote in the Consolidated Fund.

Subhead 9 – Radio Communications was agreed to and stood part of the Bill.

Subhead 10 – Refurbishment of Cemeteries

HON J C PEREZ:

May I ask because I recently had reason to be there, does anybody know what the patio outside the entrance is for? Is that a car park because everybody who went to the recent funeral that I went to was asking me what the patio was for and frankly I do not know what a patio outside the entrance is for unless it is for a car park?

HON CHIEF MINISTER:

It needs to be modified. I had a similar thought when I went to my last funeral. I think it will end up being a concourse. In other words, when people are waiting to go into the cemetery at the moment they stand along the road. At the moment it is going to be a car park and I think it is a bad idea, the entrance is too restricted, there are not enough spaces, by the time we have eliminated the access, in and out space, so I think it is going to be

modified to a concourse with trees and benches so that people can wait off-road rather than all over the road when the hearse arrives. There has been an error in concept there insofar in that project. If the hon Members wish to make that criticism we will take it on the chin.

HON J J BOSSANO:

Has there been no expenditure so far?

HON CHIEF MINISTER:

Apparently nothing has been paid for.

HON J J BOSSANO:

Is it being tendered, it looks as if it is being done by direct labour?

HON CHIEF MINISTER:

By tender.

Subhead 10 – Refurbishment of Cemeteries was agreed to and stood part of the Bill.

#### Subhead 11 – Storm Water Drains and Sewers Replacement

HON J C PEREZ:

Mr Chairman, given that in the recurrent expenditure only £40,000 was spent and there is a big chunk of money there and no money was spent at all of the £300,000, is the £169,000 a credible estimate for this year because we are talking about the Sewers Section again?

HON J J HOLLIDAY:

Yes. The reason why there was no expenditure last year was that it covered basically the storm water drains in Casemates which

we did not want to do until the Casemates project was actually lifting up the road and also the storm water drains between the Convent and Ragged Staff which due to problems with the fact that Lover's Lane has been done was actually in place so therefore there was no expenditure there. This actually covers the Casemates storm water drains of which part of it has already been completed. The area from the beginning of Main Street through to Waterport Gates have already been completed. Now there is an area that has to be completed from the Public Market along Corral Road and it also covers the survey of main stores in Line Wall Road and I understand that that is already in process at the moment.

Subhead 11 – Storm Water Drains and Sewers Replacement was agreed to and stood part of the Bill.

#### Subhead 12 – Computer Developments and Equipment

HON J J BOSSANO:

Do Government have a project on total computerisation with a price tag on it?

HON CHIEF MINISTER:

There is a comprehensive study report which identifies all the bits of Government that it was desirable to computerise and that exists, there is a booklet and there is a different section for each department and it is being done by the Computer Agency in the UK. The speed at which one implements that is a matter of choice, it is a question of how much resources one allocates to it. It has got a price tag. If we did everything that was in that report I think it would cost something in excess of £5 million but either one can do everything over as many years as one likes or one can do less of it over as many years as one likes, it is a question of now taking a la carte. We have our own priorities which we have extracted from that report of the departments that we want to start with especially the ones we want to network – Social Services,

ETB, Social Insurance, Immigration; the sort of departments that could usefully use each other's information for their functions. At the moment we tend to be providing something in the order of £500,000 a year just to get the project going.

Subhead 12 – Computer Developments and Equipment was agreed to and stood part of the Bill.

Subhead 13 was agreed to and stood part of the Bill.

Subhead 14 – Maintenance and Security of Existing Structures

HON J C PEREZ:

Can we know what that is about?

HON LT-COL E M BRITTO:

Yes, that is essentially the water catchment matting which is about £150,000. The matting that is laid on the sand and things are planted on top of it. The remainder is Lathbury Barracks security.

HON J C PEREZ:

Is the part nearer to the Caleta Palace Hotel, is that Gibraltar Government as well and the project will extend eventually to there?

HON CHIEF MINISTER:

Yes, the project is covering the whole of the part of the catchments which are Gibraltar Government. The MOD have got their own problems on their own side.

Subhead 14 – Maintenance and Security of Existing Structures was agreed to and stood part of the Bill.

Subhead 15 was agreed to and stood part of the Bill.

Subhead 16 – Demolition Works

HON J J BOSSANO:

Mr Chairman, presumably the fact that they are providing £250,000 means they have identified buildings that they want to demolish?

HON LT-COL E M BRITTO:

Building, singular mainly, this is the King's Bastion Generating Station.

Subhead 16 – Demolition Works was agreed to and stood part of the Bill.

Subheads 17 and 19 were agreed to and stood part of the Bill.

Subhead 20 – New Sports and Leisure Facilities

HON J J BOSSANO:

The £1 million, is provision for reclamation part of that £1 million?

HON LT-COL E M BRITTO:

Yes, Mr Chairman, but it also includes a revote of £140,000 for the skate park which is starting shortly on the USOC playing field but it is mainly the start of the project at Victoria Stadium.

HON J J BOSSANO:

But there is money for reclaiming the land, is that correct? I think the Minister said they were going to reclaim part of what used to be Scott's Yard?

HON LT-COL E M BRITTO:

Yes, this is what the money is for.

HON J J BOSSANO:

Is it that it is planned to go out to tender and get somebody to do it or are they going to do it by putting building rubble there?

HON LT-COL E M BRITTO:

That study is being done at the moment. There are various possibilities, some which have been discarded because they involved other projects and the way ahead is not absolutely clear and decided but it could be either of those; it could be dredging or it could be depositing materials, probably the first.

HON J J BOSSANO:

Is there any provision included there for any acquisition of any of the land around there that is not Government owned?

HON LT-COL E M BRITTO:

No, not under this vote.

Subhead 20 – New Sports and Leisure Facilities was agreed to and stood part of the Bill.

Subhead 21 to 23 were agreed to and stood part of the Bill.

Subhead 24 – Employment Service Projects

HON J J BOSSANO:

Mr Chairman, what specific projects are these employment service projects?

HON J J NETTO:

First of all, bearing in mind that the estimate for 1998/99 was basically for all the partitioning of what was going to be the Job Club but also bearing in mind that when I talk about the Job club I am not talking about a room, I am talking about a number of rooms and the first provision was doing the partitioning, cleaning the mess the place was in et cetera. What we are talking about in the new provision is all the equipment, furniture, an air conditioner needs to be provided, all the various facilities in all the various rooms within what we call the Job Club display unit, display of vacancies, a whole range of different things that will provide for the long-term unemployed as part of the facilities of the various rooms in the Job Club.

Subhead 24 – Employment Service Projects was agreed to and stood part of the Bill.

#### **HEAD 105 – ELECTRICITY**

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

#### **HEAD 106 – INDUSTRY AND DEVELOPMENT**

Subheads 1 to 5 were agreed to and stood part of the Bill.

#### **Subhead 6 – Refurbishment of Public Market**

HON J L BALDACHINO:

Mr Chairman, it was estimated in 1998/99 that it would cost £500,000; the forecast outturn was £90,000 and they have now estimated £300,000. Is it that that was over-estimated originally? Can we have an explanation?

HON P C MONTEGRIFFO:

The work has been undertaken in phases. £90,000 I think represents primarily the works to the roof that were the most urgent works because of the flooding that used to take place. We believe that the figure of £300,000 should be sufficient for the balance of the works although the original figure of £500,000 was an estimate that was calculated then and it is possible that we may have to come back at some future date for the balance of £100,000. But in discussion with the Public Market Association and with the project managers, I think an effort will be made to see whether the balance of works can be done for this amount.

Subhead 6 – Refurbishment of Public Market was agreed to and stood part of the Bill.

Clauses 4 to 6 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.

THIRD READING

HON ATTORNEY-GENERAL:

I have the honour to report that the Appropriation (1999-2000) Bill 1999, has been considered in Committee and agreed to, and I now move that it be read a third time and passed.

Question put. Agreed to.

The Bill was read a third time.

ADJOURNMENT

HON CHIEF MINISTER:

I have the honour to move that the House do now adjourn to Wednesday 7<sup>th</sup> July 1999 at 10.00 am.

Question put. Agreed to.

The adjournment of the House was taken at 12.15 am on Saturday 5<sup>th</sup> June 1999.