



# PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 10.00 a.m. – 1.55 p.m.

Gibraltar, Monday, 30th June 2014

## Business transacted

Questions for Written Answer .....	2
Government Bills.....	2
First and Second Reading .....	2
Appropriation Bill 2014 – First Reading approved.....	2
Appropriation Bill 2014 – Second Reading approved – .....	2
<i>The House recessed at 12.45 p.m. and resumed its sitting at 12.57 p.m.</i> .....	32
Appropriation Bill 2014 – Second Reading – Debate continued .....	32
<i>The House recessed at 1.55 p.m. and resumed its sitting at 3.17 p.m.</i> .....	40

# The Gibraltar Parliament

*The Parliament met at 10.00 a.m.*

[MR SPEAKER: Hon. A J Canepa GMH OBE *in the Chair*]

[CLERK TO THE PARLIAMENT: P E Martinez Esq *in attendance*]

## Questions for Written Answer

**Clerk:** Sitting of Parliament, Monday, 30th June.  
Answers to Written Questions. The Hon. the Chief Minister.

- 5      **Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to table the Answers to Written Questions numbered W172 to W209/2014 inclusive.

### GOVERNMENT BILLS

#### FIRST AND SECOND READING

##### **Appropriation Bill 2014 – First Reading approved**

**Clerk:** Bills – First and Second Reading.

- 10      (1) A Bill for an Act to appropriate sums of money to the service of the year ending on 31st March 2015 and further sums of money to the service of the year ended the 31st day of March 2013.  
The Hon. the Chief Minister.

- 15      **Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that a Bill for an Act to appropriate sums of money to the service of the year ending on the 31st day of March 2015 and further sums of money to the service of the year ended 31st March 2013 be read a first time.

- 20      **Mr Speaker:** I now put the question which is that a Bill for an Act to appropriate sums of money to the service of the year ending on the 31st day of March 2015 and further sums of money to the service of the year ended the 31st day of March 2013 be read a first time. Those in favour? (**Members:** Aye.) Those against? Carried.

**Clerk:** The Appropriation Act 2014.

##### **Appropriation Bill 2014 – Second Reading approved –**

- 25      **Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that the Bill now be read a second time.  
Mr Speaker, this is my eleventh budget session as a Member of this Parliament and my third budget address as Chief Minister and I now have the honour to present the Government's revenue and expenditure estimates for the year ended 31st March 2015, which will mark the third full year of a Socialist Liberal administration since we took office in December 2011.

- 30      I will also, Mr Speaker, report to the House on the revenue and expenditure out-turn for the previous financial year, 2012-13, as well as on the public finances and the state of the economy generally; making

this speech, as it has been since it has been led by Chief Ministers since Mr Bossano's ground-breaking address in 1988, very much a State of the Nation address and not just an appropriation.

Mr Speaker, I will end my address to the House by outlining the budget measures that this Government will introduce this year, in pursuance of our electoral commitments and in order to continue to address the social and business needs of our community.

In parliamentary terms, Mr Speaker, I am very proud indeed to reflect on the fact that this is the 24th meeting of the House that I have convened since I was elected – the 25th, if we include the ceremonial meeting for the opening held in December 2011.

It is important in my view that we as a community do not forget that it is only as a result of the election of this administration that we now enjoy the benefit of monthly meetings of the Parliament. Before then the previous administration made up of Members Opposite convened no more than the three meetings required by the Constitution in any calendar year.

Mr Speaker the 24 meetings of Parliament convened by my Government in the past two and a half years compare therefore very favourably to the same number of meetings convened by the previous administration in 10 years from 2002 to 2011. What we have done in just over half the lifetime of this Parliament, it took them the lifetimes of two and a half Parliaments to do! So we are very proud to have demonstrated to our people that we are committed to democracy, not just at election time but throughout the lifetime of the Parliament.

And to make it even clearer, Mr Speaker, we have now fully implemented the technology that allows the public full and open access to the proceedings of this Parliament by way of video feed. The public have now had a full year of being able to see what is happening in this place by way of accessing the audio/video feed on their computers, their laptops, tablets or mobile devices.

I of course want to pause there, Mr Speaker, to thank you and your staff for the work done already in this respect. It is incredible to think that it is only a year ago that we started testing the technology that allows such broadcasting of the video feeds. I think that the Clerks of the Parliament have done an extraordinary job in adjusting themselves to the requirements to provide this service. At the same time, Mr Speaker as they have adapted from the practices of a sleepy Parliament that did not meet very often to the demands that we now make of this place, even now publishing a timetable of activity – which in the model of Westminster is also something that was never done here before.

We are rightly proud, Mr Speaker, of our record on Parliamentary Reform and we will go even further as we finalise the work on the Select Committee on Parliamentary Reform.

It is also true that in the past year, Parliament has required funding in order to manage a European Parliamentary Election. Although not supported as we might have wished by those entitled to vote in Gibraltar, all Members on this side of the House would of course wish to thank the Returning Officer for his work on that election; a good dry run for a new incumbent who will have to deal with a national election in due course.

The Deputy Chief Minister will, Mr Speaker, be addressing matters relating to the refurbishment of Parliament in the course of his address later today, as I turn now to the economic aspects of my address.

Mr Speaker, as has been the case with the previous two budgets of my Government, this budget is carefully designed to support working families, to support our youth and our senior citizens and to support our business community and improve our public services. This budget is designed to continue to deliver on our mission to improve the quality of life and standard of living of all residents of Gibraltar, whilst seeking to keep the costs of doing business here as low as possible so that we remain an attractive place in which entrepreneurs can base their companies. That is an essential prerequisite for continued growth for our community which we cannot lose sight of.

I am pleased to say, Mr Speaker, that we approach this Budget with the European Economic picture a little less bleak than it was a year ago, although in many advanced EU economies the slight economic improvements detected by central banks and financial commentators do not yet seem to be trickling through to citizens. Global activity strengthened during the second half of 2013, as anticipated in the October 2013 World Economic Outlook (WEO) of the International Monetary Fund (IMF). This also predicted that 'activity is expected to improve further in 2014-15, largely on account of recovery in the advanced economies. Global growth is now projected to be slightly higher in 2014, at around 3.7%, rising to 3.9% in 2015, a broadly unchanged outlook from the October 2013 World Economic Outlook'.

The World Bank has cut its own growth forecast for the global economy in 2014 following a weak start to the year in both rich and poor countries. World Bank President, James Kim, has recently stated that the bank expects the global economy to grow by 2.8% compared with the 3.2% predicted in January. Developing country expansion has been revised down from 5.3% to 4.8%, whilst expansion in high-income countries has been shaved from 2.2% to 1.9%. After a sluggish start to 2014, the bank expects activity to accelerate during the rest of the year and for global growth to be 3.4% in 2015 and 3.5% in 2016.

The Vice President of the European Central Bank, Vítor Constâncio, said recently at the 71st Plenary Meeting of the Group of Thirty in Versailles on the 30th May 2014 that:

‘growth remains modest. In many countries, GDP levels are still below or barely above pre-crisis peaks. Euro area GDP in 2013 was 1.7% below 2007 levels.’

In the United Kingdom, growth will happily, it appears Mr Speaker, likely be the highest amongst Europe’s large economies. The most immediate consequence of this for Gibraltar would appear to be the growing strength of the pound sterling. This will obviously have hugely beneficial effects for British holiday makers, our own people included, and for those who work in Gibraltar and live in the Eurozone. The negative effect will be that our products will become more expensive for those who are holding Euros. That makes the shopping experience in Gibraltar also not so affordable. We must keep a careful eye on the strength of the pound sterling and juxtapose that to our need to remain competitive. Local traders may need to adjust pricing as a result of the need to remain attractive to national and international consumers. We have given the cushion with the import duty reductions we have been making in many areas that they need and some which will follow today.

Mr Speaker, it is in this context that we are also working on a consultation on the nature of our status within the EU. We clearly have a debt of gratitude to those who determined our current status on entry 42 years ago. In their own analysis, they got it right that we should stay out of the Common Customs Union in the early 1970s when we entered the European Economic Community, as it then was.

Now we are already developing legal papers and starting work on economic briefs in order to work with the employer and employee representative groups and with Finance Centre and Gaming industry representative groups to ensure we once again understand and get right our determinations of where the future shape of our membership of the EU lies.

This is an exercise which has been widely welcomed and the strategic importance and relevant timing of which is understood by all right-thinking members of our community.

Indeed, Mr Speaker, the issue of the UK’s position on Europe, membership of the EU and a referendum and renegotiation, the order of which may now not be so clear, is playing out on our television screens and on the front pages of the British press at a speed that is frankly vertiginous and itself has entirely justified and vindicated the manner in which we have positioned Gibraltar for this essential consultation process.

Continuing with the economic analysis, Mr Speaker, in neighbouring Spain conflicting data suggests slight improvements, but unemployment remains, in the areas around Gibraltar, as unfortunately harsh as it has been in recent years. This of course means that there are economic pressures on some Spanish citizens – and on those of other nationalities, as well – which sometimes reflect on us in Gibraltar. At least it is now evident that civil servants in the municipality of La Linea have finally been paid the amounts overdue to them in salary, something which has been a difficult to comprehend reality for many professional people in our neighbouring city. The fact that those payments have been made are an effective demonstration of the hard work put in by the current administration of the municipality in righting that previously listing ship. But economic pressures in Spain have repercussions in Gibraltar in myriad ways, not least in its national government wishing to use Gibraltar as a useful distraction where possible.

Mr Speaker, Members of the House will be disappointed to know that UNICEF’s 2014 report informs that child poverty in Spain has grown to 27.5%. That represents a heart-breaking 2,306,000 children living under the property threshold. Unemployment in La Linea and the Campo Area remains exceptionally high, as I have said, and we continue to be of the view that with mutual co-operation and understanding, with dialogue and with goodwill, which has been the consistent attitude of this Government of Gibraltar, we are convinced that Gibraltar can be an economic powerhouse for the whole region that would – in very great measure – help redress the unemployment issues in the region. Without co-operation, however, we are hopeless to help.

The Government, nonetheless, looks forward to a recovery in the Spanish economy as soon as possible which does manifest itself in improvements in particular in the daily lives, we hope, of the people in the whole of the neighbouring Campo de Gibraltar, which would be as good for them as it would be for Gibraltar as a whole. And in this respect Mr Speaker, we remain committed to dialogue as the only mechanism to deliver improved relations with our neighbours’ national government in a way that would boost mutually beneficial economic growth and could result in successful joint job-creation strategies. But we cannot talk to a wall, Mr Speaker.

Mr Speaker, let me turn now to the traditional detailed analysis of our own economic performance.

Mr Speaker, inflation in Gibraltar averaged at 2.1% in 2013 compared to 2.7% in 2012. The Food Group contributed 0.5 percentage points over the year to January 2014. As hon. Members will know, the latest published rate of inflation for April 2014 stood at 1.8%, down from 2.5% in January 2014. The Government’s Statistics Office reports uncertainty on how long inflation in Gibraltar can remain near the target rate of 2%. This uncertainty arises from the openness of the Gibraltar economy and the effects of movements in the exchange rate and commodity prices, both of which are prone to move sharply. The statisticians’ expectations is that downward inflationary pressures in the Eurozone and the weak Euro

should nonetheless slow down price increases in Gibraltar during 2014, keeping the rate below the 2% target.

Mr Speaker, in employment terms the excellent work being done in the Ministry of Employment by the Hon. Mr Bossano, now also one of the longest serving parliamentarians in the Commonwealth, is also shining through. In October 2013, the number of employee jobs was 22,907, representing an increase of 6.5% – up by 1,388 from 21,519 in October 2012. There was an increase in the number of employee jobs in both the Private and Public Sectors, where jobs grew from 15,844 to 16,941 – up 1,097 – and from 4,991 to 5,378 – up 387 – respectively over the period. Employee jobs in respect of Gibraltarians *increased* by 126 from 10,731 to 10,857 over the year, representing just under 50%, or exactly 47%, of all employee jobs in our economy.

Mr Speaker, last year the Government reported the largest ever increase in Gibraltarian employment levels. The number of Gibraltarians in full-time employment increased in the year between October 2011 and October 2012 by 524. This demonstrated the massive and unprecedented success of the policies introduced by this GSLP/Liberal Government on 9th December 2011 by the increasing full-time employment levels for Gibraltarians.

In the whole 15 years of GSD Government, the number of Gibraltarians in full-time employment only went up by an average of 22 a year, or a total of 325 in 15 years. Our average, for the two years of the employment survey since we were elected is 325! In other words, our average in two years is greater than their total over 15 years! **(Several Members: Hear, hear!)** *(Banging on desks)*

That is, I am delighted to report to the House, a truly remarkable achievement.

Mr Speaker, I do know that in some circles it is popular to knock Joe Bossano. But if people put away their prejudices and look at the results that the hon. Member is producing, they will see that he is delivering for our people jobs at a rate never seen before in history; and certainly nothing like the pitiful levels seen under the previous administration.

So when it comes to other contributions in this debate, I would ask all hon. Members, in particular the Member shadowing Mr Bossano, to deal with the substance of the matter of employment; namely the huge and unprecedented success that we are delivering and the abysmal record that their previous administration were responsible for.

Mr Speaker, the numbers speak for themselves and we will not rest until every able-bodied Gibraltarian who wishes to work is in a job.

Mr Speaker, on the back of those encouraging employment figures, I will turn now to the annual analysis of GDP, which is the internationally relevant measure of progress in all advanced economies.

The latest figures available from the Government's Statistics Office indicate that Gibraltar's Gross Domestic Product for the financial year 2011-12 was £1.17 billion.

The GDP figure for 2012-13 is now estimated at £1.28 billion and the forecast for 2013-14 is £1.41 billion.

Mr Speaker, when we stood for election in December 2011, we made very clear commitments as to the rate of growth that we anticipated for our GDP and how we believed that the GDP figure could grow in actual cash terms over the lifetime of this Parliament. Our prediction was, as has been the case in each election in which the GSLP has made such predictions, entirely ridiculed by individuals standing against us.

Well, Mr Speaker, with the continued roll-out of our manifesto commitments – in particular the refurbishment of the forgotten estates, the building of affordable housing projects and the excellent small boats marina project, together with the development of two new schools in the Upper Town area, and the effect that just these projects will have on our economy in the coming years, GDP growth can now confidently be expected to accelerate and in fact entirely comfortably be predicted to surpass our original estimate of a GDP of £1.65 billion by 2015-16. Our economy is therefore on target to deliver and exceed the target we set in our manifesto.

There were some that said – almost with glee, Mr Speaker – that our predictions were too ambitious and unachievable. There were some who said that it was impossible for us to grow our economy as fast. On this subject, I am sure I am joined by all right-thinking citizens and residents of Gibraltar, in being very satisfied indeed that Her Majesty's Treasury in Gibraltar has confirmed this level of growth has been and is being delivered. There can be no happier 'I told you so' than this one for all our community, Mr Speaker – even, ironically, for those who relished predicting we would fail to reach these targets of growth.

Mr Speaker, I am delighted to be able to report to the House and to the people of Gibraltar that these figures reflect a continued growth in percentage terms in our economy of around 10.3% per annum. This is double digit growth unseen *anywhere* else in southern Europe, or indeed the rest of Europe.

Mr Speaker, these numbers will rank Gibraltar as one of the fastest growing economies in the world; no mean feat for a nation with a population of 30,000 people in southern Europe – and especially given the current attempts to strangle our economy that have been so evident to the whole world.

Mr Speaker, last year I told the House that the Statistics Office had reported GDP per capita had risen to an average of £41,138 – or US\$64,478. By the per capita rankings of the International Monetary Fund, Gibraltar then ranked fifth in the world, with the GDP per capita up from ninth place in 2011-12.

And, indeed, Mr Speaker, Gibraltar actually now still ranks in the Top Five worldwide in terms of GDP per capita.

In fact, I am *very, very* proud indeed to be able to report to the House today, that I am telling our citizens, and all those who come in daily to work in our economy, that our GDP per capita is estimated by the Government's Statistics Office to now be US\$75,117 – which translates into *third place* on the International Monetary Fund World Economic Outlook Database Ranking of Countries based on GDP per capita. Up from ninth to third in two financial years!

Mr Speaker, it is personally for me a *huge* satisfaction – and for the whole of the Government of course an enormous source of pride – that in the two and a half years since we have been elected we have been able to steer our nation on such a steep rise in this index. I told the House then and confirm now my view that these measures are not entirely scientific because of differing methodologies and fluctuating exchange rates; but they are the measures that the rest of the world relies on.

And the main drivers for this growth, Mr Speaker, are primarily the continued increased employment and turnover in the online gaming and financial services industries, as well as the increased levels of construction – both from the public and private sectors – now evident in our economy.

Mr Speaker, moving on now to public debt.

The level of Gross Public Debt as at 31st March 2014 was £450 million. That means that in the context of an economy that has already grown by over a fifth from £1.17 billion to £1.41 billion, our Gross Public Debt is now £70 million lower than under the previous GSD administration.

The level of Cash Reserves is estimated to have ended the financial year at a very high level indeed of just shy of £100 million, or £96 million to be exact. This is a huge increase in terms of useable cash reserve and is the valuable fruit of our prudent economic management. Fifty times more useable cash reserve than the Members Opposite left at the end of their last financial year in office, which is the measure that really matters!

This analysis reflects a Net Public Debt of 25% of GDP or £354 million; all well within the borrowing limits set out in the Public Finance (Borrowing Powers) Act.

As a percentage of Annual Recurrent Government Revenue in the previous year, Net Public Debt at the end of March 2014 was 65%, leaving a clear margin of 15% – or around £82 million – of useable Cash Reserves under the Public Finance (Borrowing Powers) Act. This compares with usable Cash Reserves of just £20 million when this Government took office on 9th December 2011 – £16 million by the following Monday – and just £2.5 million at the end of March 2012.

In short Mr Speaker, Usable Cash Reserves have now been fully restored to prudent levels and the Public Debt is well within the levels permitted under the Public Finance (Borrowing Powers) Act. There will be no need for us to come to this House to seek a resolution to raise the borrowing limit, as the previous GSD administration were set to do before the last election because they could not balance the books within the borrowing limit formula they set out in the law.

Mr Speaker, as we have said since before our election, this administration is committed to seeing reduced levels of Public Debt on both a Gross and Net basis. This year, we are in the middle of paying for projects that will produce revenue in the future, in particular the building of affordable homes. For that reason, we estimate that the Public Debt will remain broadly at present levels during this financial year; but we can confirm our view remains that it will fall to the levels we estimated by the time of the final budget in the life of this Parliament. In this respect also, we are therefore on target to deliver the reductions in debt in ratio terms that we committed ourselves to deliver.

Mr Speaker I turn now to an analysis of Government revenue and expenditure for the past and coming year.

Government revenue collected in the last financial year has exceeded the original budget by around 12%. As a clear reflection of the continuing growth in our economy, PAYE receipts increased by around 8% over the previous year and Company Tax increased by over 20%. Revenue is up from £387 million, which was the amount in which the financial year 2010-11 ended on 31st March 2011 – and the figure to which the Financial Secretary referred in his Doomsday Memo to me of 13th December 2011 – to an estimate now of £547 million in the two and a half years since we were elected.

Mr Speaker that reflects a growth in recurrent revenue in cash terms of £160 million.

In percentage terms, Mr Speaker, we have taken our nation's economy on a quantum leap forward of growth of 41.34% from the figure at the end of March 2011 to the figure in the conservatively predicted estimates for the end of this financial year.

In the past year alone, revenue has gone from an estimated £487 million last year to the aforementioned estimate of £547 million for this financial year 2014-15. That is a cash estimated growth of £60 million, or

percentage growth of 12.32% in recurrent revenue. That would be hailed as *excellent* growth in any FTSE 100 company!

270 Departmental Expenditure, on the other hand, has been rightly carefully and tightly contained and has ended the year at less than 5% over the original budget. This is excellent control of departmental expenditure which comes in at less than half the revenue growth increase.

Mr Speaker, based on those figures, I would have been delighted to announce to this House that during the last financial year 2013-14, we would once again have achieved an all-time record budget surplus. With 275 those numbers that are reflected in the estimates, at £50.3 million, the Government's budget surplus for the year would have been up by an increase of more than £33 million over the original estimate which was originally a conservatively estimated £17 million.

But this address to Parliament today cannot be one that only delivers good news to everyone. Unfortunately, Mr Speaker, as you and everyone in our community knows, this has been a year when 280 Gibraltar has suffered continued attempts to strangle its economy. These have been designed to try to undermine the work not just of the Government but of every person who works in our economy. The nefarious attempts to undermine us economically have clearly had an effect on the numbers that we expected to be bringing to this House and the prosperity that our community can enjoy.

Mr Speaker, I am therefore very sorry to have to report to the House, in terms of the surplus to be 285 declared, that there is unfortunately a huge disappointment in store for those watching or listening this morning – at least Mr Speaker, for those who are watching or listening this morning hoping to have damaged us; but unfortunately, not all of those seem to be outside of Gibraltar.

Mr Speaker Her Majesty's Government of Gibraltar is *delighted* to be able to report that the surplus is actually much higher than expected – *even* higher than at the time that the estimates book was being put 290 together.

I am delighted to disappoint all of those who wished our community ill.

The surplus to be declared this year is expected finally to be in the region of a huge, record-busting, economic-strangulation-beating, £65 million! (*Banging on desks*)

Mr Speaker, this surplus is a reflection of the hard work of the Government, of every public servant in 295 Gibraltar, of the prudent work being done in the management of our finances by the team at the Treasury and in particular, it reflects the hard work of everyone in this economy. What some people beyond our shores do not recognise, in particular those who believe their own putrid arguments that we are just a military fortress with a few civilians in it, is that we are a community of hard-working, conscientious men and women, toiling each day to make our way in the world.

300 In fact, Mr Speaker, the pillars of the Gibraltar economy are not, in the view of those of us in this GSLP/Liberal administration, those sectors that may or may not be doing better in our economy in any particular year. They are not the particular industry that may be in fashion at any particular time. They are not five. They are not six. They are not seven, Mr Speaker. They are just two.

305 The two twin pillars of the Gibraltar economy are our land and our people. Those are our natural resources.

And our whole wealth, prosperity and way of life depends on using, and defending our right to use, those resources effectively and efficiently. We have nothing else, Mr Speaker, as the Hon. Mr Bossano so succinctly and eloquently set out as Chief Minister in the first real GSLP budget after the 1988 election. And this is a philosophy that we established from the time we were first in Government then in 1988 and 310 which resulted in the huge investment made by that administration, followed by others and now added to by us, of educating our population to the highest possible standard in tertiary education – now including even Masters degrees as compulsory scholarship awards.

And Mr Speaker, that is what the surplus that we declare today reflects above all else: the prudent and appropriate application of wealth to the investment in and management of our human resources and the 315 management of our real estate, so that it is geared towards ventures that produce returns in the long run and all of it topped up by the hard work of our people – a reflection of the real twin pillars of our economy.

So today, Mr Speaker, the Government does not just congratulate itself on this record surplus. We congratulate the Community as a whole: the working people of Gibraltar and the entrepreneurs in Gibraltar. This is the fruit of the labour of those who put out their hands each day to work, not to take. The result of 320 365 days of toil, of getting on with it when the chips are down. The Government says congratulations to all sectors of our economy. The Government says thank you to all economic actors.

This is a rewarding record year for which our people and their Government enjoy joint responsibility.

The prudent management of our economic affairs and the prudent application of our resources is producing the excellent results that we have always believed to be possible.

325 Mr Speaker, in line with our manifesto commitment to allow Gibraltar Community Care Trust to build up its reserves so that it can once again be totally independent of Government grants, I am delighted to inform the House that, out of this record budget surplus for the year, a total of £45 million has been earmarked by the Government as a contribution to this charity. This brings the total contributions made by

this Government to Gibraltar Community Care Trust, during the past two financial years, to £80 million. (Applause and banging on desks) 'Eight zero', Mr Speaker, not 'one eight'.

Mr Speaker, in making this contribution to Community Care, I am very, very proud indeed to be able to report to our community that the reserves of that charity are now reported by the trustees to be in excess of the £60 million which they had in 1996 and which, under the previous administration, were allowed to run down to zero.

I know that everyone in our community will understand the importance of having re-established the contribution to Community Care and the value of that charity, having once again established reserves in excess of the sums they have ever held before. Once again, Mr Speaker, the rainy day fund for Household Cost Allowance is in place.

Mr Speaker, I now move on to the Revenue and Expenditure Budget for the current financial year.

As I have already indicated, estimated recurrent revenue for the year is budgeted at £547 million. This reflects the significant increase in recurrent revenue that has been achieved in the previous year but, Mr Speaker, this is nevertheless a conservative budget going forward, which is less than 1% above the forecast out-turn figures for the previous financial year. Mr Speaker, we believe it is important to be prudent in making these predictions and not to overstate the potential for increased income.

The overall recurrent expenditure budget for the year is £513 million, which includes a contribution of £25 million to pay costs of Government companies with recurring expenditure which the previous administration had entered into, and which therefore reflects a very modest increase in real terms over the previous financial year of under 4%.

For this year, Mr Speaker, the Government is therefore projecting a recurrent budget surplus for this financial year of around £34 million. Again, we are projecting conservatively, based on the conservative estimates we are making of revenue and working hard to once again be able to deliver expenditure as close as possible to the target estimated.

Mr Speaker, it is important to set that predicted increase in recurrent expenditure into its proper context, and I intend to do so. In that way, other Members who speak in this debate will have had the benefit of this analysis and will be able to also see how prudent we are being, given how these figures have previously increased.

More importantly, Mr Speaker, we need to analyse these figures in order to ensure that the community properly understands where responsibility lies for many of these increases.

Historically, Mr Speaker, my analysis will begin with the position just before the GSLP was elected in 1988.

In 1987-88, recurrent expenditure was £67.3 million. Those estimates were prepared by the AACR Government, although there was an election in between which required the GSLP to lead the Appropriation debate.

In 1988-89, the first year that the GSLP was elected, but given the date of the election still reflecting really AACR estimates, recurrent expenditure was £71 million on Revenue of £74 million.

In 1996, eight years later, in the estimates published by the GSLP – although again, the debate happened under the new administration, which was the GSD – and therefore the position of the GSLP when it left office, recurrent expenditure was reflected in the estimates to be £73.2 million.

In 2000-01 recurrent expenditure was £126 million.

In 2003-04 it was up almost £40 million, or 31%, to £165 million.

In fact, Mr Speaker, 2003 was an important year. In October 2003, Mr Speaker, the way in which we account for jobs in the public sector in the Employment Survey was changed, so in order to ensure that I am comparing like with like, I will tell the House that in the Employment Survey that year there were 2,938 people employed in the Public Sector, excluding the MOD.

In 2007-08 recurrent expenditure had risen another £40 million to £207 million – or up by 25.5%. By October 2007, in that year's Employment Survey the number of Gibraltarians employed in the Public Sector had increased to 3,092.

It is important to note, Mr Speaker, that in the Employment Survey for 2011, the year of the last election, the total number of people employed in the Public Sector had increased to 4,574. That is a staggering increase of 1,636 people employed in the Public Sector – many of them coming in from the MOD and us now selling services to the MOD; but not all of the increase accounted for in this way.

It is also important to note that by the time we were elected in December 2011, the Public Sector Pay Roll which we inherited gives us a figure of employees which we are paying for out of the public purse, and thence quite the best snapshot of the 'public sector' that we can have – absent the Employment Survey figures which relate to earlier in the year – of 4,804 people in December of that year.

Mr Speaker, that is an increase of 1,866 people in the public sector under the previous GSD administration or 39% growth in employment in the Public Sector since 2003. That is to say an increase in the Public Sector of just under 40% in just two of their four terms. In terms of increases since 1996, Mr



Speaker, the figure would be even higher, but we may not be able to compare like with like, if we use the Employment Survey for that year. We are working on obtaining a correct figure for 1997.

It is nonetheless useful to see that the payroll of the Government and the increase in recurrent expenditure of course is always going to be dependent on the number of Public Sector employees; and that rises quite dramatically in the last 10 years.

And now coming back to the analysis of the recurrent expenditure simpliciter, hon. Members will note, Mr Speaker, that at the end of eight years of GSLP Government from 1988 to 1996, recurrent expenditure had gone up from £67.3 million to £73.3 million. That represents a growth in recurrent expenditure in that period of £8 million in cash terms, or 8.1%; an average of 1% a year over the first eight years of GSLP administration. If I did this exercise, Mr Speaker, from 1997, which are the first estimates that the Bossano administration prepared, then you would see that the recurrent expenditure figure for 1997 was £73.3 million, and that was actually the same figure for recurrent expenditure in 1996. But you cannot do many calculations with zero, Mr Speaker, which would have represented the zero growth in recurrent expenditure in those eight years.

Mr Speaker, in the first estimates for which the GSD was responsible in 1997-98 – because 1996-97 were prepared by the GSLP – recurrent expenditure was up to £110 million. Let's call that the real figure that they say they inherited. Let's work from there for them, Mr Speaker.

By 2011-12, the last estimates book prepared by the outgoing GSD administration, the *estimate* for recurrent expenditure had gone up to £372.1 million. But in fact the forecast out-turn at the end of that year was quite different. Mr Speaker, remember please, that financial year was three quarters of GSD administration spending in the run-up to a General Election and one quarter GSLP administration stopping all expenditure, having found almost nothing left in the bank.

You see, Mr Speaker, in the year from when the estimates for April 2011 were completed to the time of the forecast out-turn, the then Chief Minister valiantly led an effort to increase wages in a number of Government Departments, Agencies, etc. Indeed, some new Agencies were even created. The forecast out-turn of the recurrent cost for the final year in which the GSD was in office was actually £421 million.

Mr Speaker, even when giving them the benefit of their own £110 million figure in their first estimates in 1997-98, as their starting position – which is the first estimate for their second year of government, 1997-98 – that represents a cash increase of £311 million or a percentage increase of 283% in the 16 years of GSD Government in recurrent expenditure. Those figures rise to £348 million, if compared with the GSLP's closing figure of £73.3 million, and juxtaposing that to the £421 million actual spend that represents their last financial year in office. Mr Speaker, that would represent a *staggering* 474% increase in recurrent expenditure in their time in office!

In yearly average terms that is an average increase of £20.7 million per year, or a percentage average increase of almost 18% a year when working from the £110 million to the £421 million, over 15 full financial years. If we went for the purist approach and compared the £73.3 million of recurrent expenditure in the last GSLP estimates book that they inherited, and compared that to the £421 million that they bequeathed to us, then the increase averaged out per year they held office is £23.2 million per year, as an increase in recurrent expenditure in cash terms.

In percentage terms, that would be a staggering growth in recurrent expenditure of 31.62% in average annual percentage terms in the full 15 financial years that they were in office. If they prefer to divide by 16 for shorthand, the numbers do not differ much.

As part of that figure, Mr Speaker, is a contribution of £28.3 million to Government Companies that had recurrent liabilities and which also had a debt due to the Consolidated Fund which included spending commitments of almost £100 million and approximately £70 million already spent by the time that we were elected.

But that is not the end of the matter, because, in fact, in respect of recurrent expenditure, a large measure of the increase which resulted in 2012-13 estimates which we tabled really reflect some of the increases already agreed by the outgoing GSD Government and the losses that we found and had to tackle, even two years later.

So when we make an estimate in 2012-13 of recurrent expenditure growth to £440 million, from £421 million the year before – the actual that they left us – that actually reflects *also* a growth in recurrent expenditure incurred in particular in the last months of the GSD administration.

The three-year pay deal agreed by the GSD had been 2.5% for 2011-12, 2.7% for 2012-13 and 2.9% for 2013-14. So in the context of the rise in recurrent expenditure from £421 million in 2011-12 to £440 million in 2012-13, in the context of that increase of £19 million the GSD's pay deal, the part of the rise for which they are again responsible, was £4.1 million.

That is to say, of the increase in recurrent expenditure in our first estimates, 21.5% was what the Hon. Mr Caruana had agreed with the unions before he left. And that is just the general public sector pay deal.

Let me give you a few examples of where the other growth in recurrent expenditure came from, which is not, Mr Speaker, to say that we are here to blame the GSD – it is actually to do a forensic and detailed exercise and analysis to understand how, why and where Recurrent Revenue is rising.

Remember, Mr Speaker, the 16% pay increase in the Buildings & Works Department which became the Housing Works Agency?

Remember the generous 16% pay increase awarded to all GJBS staff after the election had been called?

Some things Members perhaps cannot remember because they are not things ever announced, but, for example, what about the GBC pension fund which had been underfunded by £2 million? This is a publicly funded scheme which was allowed to remain in deficit. To bring it back requires a contribution to GBC from the Consolidated Fund of a quarter of a million pounds a year for eight years.

Remember also, Mr Speaker, that you have things like the creation of the Highways Enforcement Officers which was an entirely new agency created by the GSD and which cost in its first full year of operation £1.15 million – as was the incorporation of a company to be called Gibraltar Car Parks. The latter also operating at a loss, funded by a contribution from Government in company structures created by the GSD and in which we found the huge black hole of £100 million, which we will come to again later.

Remember also, Mr Speaker, the creation in the last financial year in office of the GSD of the Gibraltar Culture and Heritage Agency, which took spending from an estimate of £1.9 million in the estimates for 2011-12 under then Head 38 to a forecast out-turn in 2012-13 of £3.7 million under the free standing Gibraltar Culture and Heritage Agency. In other words, the real extra cost to the taxpayer of the creation by the GSD of the Culture and Heritage Agency was a staggering £1.8 million. He really was giving it away that year, Mr Speaker.

And that, Mr Speaker, accounts for almost 10% of the increase in spending that year; which is therefore also attributable to the time that Members Opposite were in Government and the decisions they implemented in the run-up to the general election. Mr Speaker, the community will be happy to hear that spending in the Gibraltar Culture Agency, where the Principal Auditor's investigation showed a large number of *a dedo* appointments to very large salaries, has now been reduced considerably by almost £1 million. But in the context of the 'hand-over' increases in spending, let's be clear, 10% of the increase in spending from GSD to GSLP/Liberal administration represents that increased GSD spending on the creation of that particular Culture and Heritage Agency.

Some increases of course, whoever is in Government, cannot be budgeted for and are inevitable. For example, the estimate in 2011-12 for fuel for the electricity authority was £9.2 million; but the increases in the cost of diesel raised that by £5 million to £14 million by the time of the forecast out-turn. And the estimate for 2012-13, the year we are now analysing, Mr Speaker, was £16.5 million.

The increase in scholarship costs is also outside of control when it arises from the increased tuition fees in the United Kingdom. That cost went from £6.4 million forecast out-turn in 2011-12 to a forecast out-turn of £9.6 million in 2012-13. So £3.2 million of the increase in recurrent expenditure from GSD to GSLP/Liberals is due to increased charges in the UK.

So, the increase of £19 million that was the increase in recurrent expenditure between the last real year of GSD administration and our first year in administration, we can show is made up as follows: £4.1 million, or 21.5% was the cost of the first of the GSD pay deals; £1.8 million, or 10%, was the extra costs of spending on culture after the creation of the Gibraltar Culture and Heritage Agency; £0.5 million, 2.5% approximately, which is the cost of four new executives employed in the Financial Services Ministry, or the '4 New Jimmys', which both the GSD had promised and which we employed, and so this increase can also be seen to have been approved in effect under the GSD; £3.2 million or 15% was the cost of increased tuition charges in UK; £7.5 million or 30% was the cost of diesel fuel; and another £0.5 million or another 2.5% is factored in as the cost, of course, of inflation for that year.

Mr Speaker, the House and the community at large will be able to see in that detailed analysis that almost 90% of the increase in recurrent expenditure between the estimates for 2011-12 and the accounts for 2012-13 are directly attributable to the spending and spending commitments that Members Opposite entered into before the last General Election, as to almost 40%, or to factors which are outside the control of any party in Government, like fuel cost increases related to the ever-growing price of diesel for electricity generation or increased tuition costs for students as a result of a hike in fees in the UK, which is 47.5%.

So Mr Speaker, any honest analysis of the increases in recurrent expenditure has to be made on the basis of our having inherited recurrent expenditure at a level of almost £421 million, when our responsibility for growth from there to £440 million the following year is about 10% of it. In other words, of that £19 million growth, £1.9 million is the responsibility of the GSLP/Liberals.

So in terms of annual expenditure growth, which was approximately 4.5%, we were responsible for £1.9 million out of £440 million. That is to say, Mr Speaker, our spending decisions related to 0.3% of that year's recurrent expenditure Budget.

When we trace those inherited increases through into the increased estimate for the following year, Members will once again see that a very large part of the next year's increases continue to be the effect of policies entrenched by the previous administration.

510 For example in financial year 2013-14, which we have just left behind, the estimate was for expenditure to grow from a forecast out-turn of just above £448 million in 2012-13 to an estimate of £470 million. That represents in cash terms an increase in recurrent expenditure of approximately £22 million, or in percentage terms 4.9%, which is about a quarter of the average annual growth in expenditure that they were responsible for.

515 Well, of that £22 million, again nearly 25% is represented by the final instalment of the Public Sector Pay Rise agreed by the GSD, which cost £4.8 million in that financial year.

Another continuing increasing expenditure which will not be tamed until we are no longer using diesel to generate electricity was the recurrent cost of that ever more expensive fuel. The cost of that fuel to the Community was estimated to go up *again* in that year, now from an estimate of £13 million in 2012-13 to  
520 an estimate of £23.5 million in 2013-14. That represents, Mr Speaker, a staggering £10.5 million increase in the cost of diesel fuel. That is approximately 50% of the increase in recurrent expenditure for that year; again, not driven by GSLP/Liberal spending plans but by market forces outside our control. In fact, the forecast out-turn is even higher, Mr Speaker at approximately £26 million – but with fuel costs now distributed between Waterport and the new sets brought in, is therefore shown in different parts of  
525 Appendix I for this year.

The cost of scholarships again increased from £9.6 million to an estimate of £10.25 million – over £0.5 million increase – to actually a forecast out-turn increase of £12.3 million.

Inflation was also at approximately 2% for that year, so another £8 million can be attributed to that.

Again, Mr Speaker, almost all of the increases – in the region of 80% of the increase – in recurrent  
530 expenditure driven, not by policies of the present administration, but by the spending commitments of the previous administration or the uncontrollable market forces that increased the price of fuel or the UK's increases in the scholarship fees for our students, the latter being something that we are certainly committed to and that Members Opposite have, until now at least, also said that they remain committed to.

I am also, of course, assuming in this analysis that, despite the high cost of diesel, Members Opposite, if  
535 they had been returned to Government would have continued to purchase that fuel because (a) they would have wanted us to have electricity; and (b) because one of the big dividing lines between our respective positions on the generation of electricity has been our commitment to bring in a cheaper and less polluting fuel in the form of Liquefied Natural Gas, whilst they actually signed agreements – luckily with one final get-out trap door – to purchase a new diesel fired power station for Gibraltar.

540 In that context, Mr Speaker, the increased amounts of spending on recurrent expenditure attributable to GSLP/Liberal commitments in the financial year 2013-14 amount to a miniscule part of the increase. Not much to write home about. Well, Mr Speaker, certainly nothing to base a serious speech in reply to a Chief Minister's Budget Address, that is for sure.

Turning to this year's estimated increase, Mr Speaker, I am very happy that the overall increase in  
545 recurrent expenditure will represent only a 4% increase on the out-turn for the year before – less than a quarter of their average annual yearly increase from 1996 to 2011, if you use the 18% figure. It is too embarrassing for them, Mr Speaker, if I do it as a calculation based on the 34% figure.

We had to make an even larger contribution than expected to recurrent expenditure and the black hole in capital expenditure in the companies than expected in the year 2013-14. That increased from an estimated  
550 £17 million to an actual of £20 million. Mr Speaker, this continues to concern us as a Government. This year we are budgeting a £25 million contribution. But this is exclusively an issue created by the previous administration. There were no uncovered recurrent costs in Government companies under the first GSLP administration; and the few trading companies in the structure then paid their way. This company black hole is a phenomenon created under my predecessor, the hon. the now back bencher.

555 So £25 million has to go to that which we are seeking in any event to tame in some way.

The rest of the increase is in part also going to be explained in terms of market forces affecting in particular the cost of fuel. We are budgeting £33.6 million for the cost of fuel; £12 million for Waterport and the balance for the additional generating capacity that has had to be imported. Again, the cost is related to the increasing cost of diesel. That is now going to represent a further £10.6 million increase over the £23  
560 million budgeted for the year before; again approximately 50% of a 4% increase in recurrent expenditure.

Inflation is similarly running at 2% which represents another £8 million or so. Tuition fees are expected to increase again by another £4.5 million from an estimate of £10.25 million to an estimate this year of £14.86 million. That is £4.5 million – almost a quarter of the increase in recurrent expenditure.

And, as I will come to later Mr Speaker, the Public Sector Pay increase for this year, which I will  
565 announce in greater detail later in the course of this address, represents again a similar part of the balance of the 4% increase which we are talking about for this year.

All in all, Mr Speaker, although this analysis of recurrent expenditure has had to be lengthy and detailed, I think it is an important exercise to do with our community on an 'open-book' basis.

570 It is particularly useful, Mr Speaker, so that we can frame in honesty any debate Members may want to embark on in the context of trying to attribute what I might call 'political blame' for the increases in recurrent expenditure over the years since we were elected.

I think it is hugely important to frame in honesty any suggestions that controlling recurrent expenditure is something which Members Opposite might have been more responsible for, if they had been returned to Government.

575 You see, Mr Speaker, we need to understand how the easy soundbite that 'recurrent expenditure is too high' or 'recurrent expenditure is growing too fast' would be dealt with by those who suggest that they might be able to do a better job than us – those who left us with an average of 18.8% per year of growth, or 34%, if we were to be really analytical.

580 Would they stop generating electricity for some hours in the day to save money, Mr Speaker? Would they cut the pay of civil servants or public servants generally? Would they not give a pay rise to the public Sector this year, Mr Speaker?

Those who express concern about rising recurrent expenditure need to be honest and tell the public what it is that they stand for.

585 Would they cut down the complement of the public sector? Or would they be stopping our young people from having their scholarships, even if they themselves have two degrees and a professional qualification paid for by the taxpayer?

Well, Mr Speaker, we will not do any of that, and we will continue to run surpluses, grow the economy and control recurrent expenditure; and one of the main ways that we will do this will be to switch in fuel from diesel to gas which is good for the environment and is good for the collective pocket too.

590 But let us, by all means, Mr Speaker, have a meaningful debate on recurrent expenditure if the House wishes, Mr Speaker. Certainly. By all means. But let us have it framed in honesty and not in deceit.

Let us not see our people led into thinking that costs which are at large driven by market forces can be controlled in any other way than we are already working to control them by planning for a future when we are buying less diesel.

595 That is how we will loosen the noose that Members Opposite have tied around the neck of our community by the staggering average annual increases in recurrent expenditure of between 18% and 31% in the years that they were in office. Even the lower figure is a staggering indictment of their management of our economic affairs!

600 And let us not seriously have to endure seeing those who agreed pay deals that cost almost £4.5 million or £5 million a year for three years now say that it is remarkable that costs have increased in part by that very same £15 million.

Because this debate is not about blaming the GSD. It is about telling the truth; about framing debates in honesty and not in deceit; about opening citizens' eyes and not allowing Members to wriggle off the hooks that they have made for themselves.

605 And neither should this debate just be about happily going off to spend some more. It should be about spending on things that matter to our people, that make their lives better and that are long-term investments for our community. And part of that also requires us to have a good and strong discipline in sticking to budgets.

610 Mr Speaker, in the last financial year, the Government invested around £128 million on capital projects funded from the Improvement and Development Fund.

615 Around £26 million was invested on 'Works and Equipment' and a further £102 million was invested in specific capital projects, including £12 million on the conversion and refurbishment of the Old Naval Hospital Dementia Facility; £5.8 million on the Sandy Bay Beach Protection; and £5.2 million on Improvements to our Housing Estates. A total of £40 million which was also provided as Equity Funding for the Government-owned asset-holding corporate structure.

620 Capital Projects that are being funded through the Government-owned companies include the construction of over 1,000 new affordable and rental homes; the construction of car parking facilities in numerous locations throughout Gibraltar; a programme of replacement of our bus fleet with more environmentally friendly vehicles; a number of reclamation projects, including the Eastside Reclamation Development, which has now been brought back fully under Government ownership and control, resulting in a significant increase in the Government's land bank that is available for development projects currently under discussion.

625 Indeed, Mr Speaker, hon. Members will have recently seen advertisements seeking 'expressions of interest' for the development of the whole or part of the Eastside reclamation which the Hon. Joe Bossano had the long-term vision to start when he was Chief Minister.

We sincerely believe it is possible for us to see that plot in earnest development in the short to medium term. The appetite certainly seems to be there and we are looking forward to the end of the period for expressions of interest in order to progress as much as possible in respect of that particular area.

This is an area of responsibility which is principally under the ministerial remit of the Hon. the Deputy  
630 Chief Minister, Dr Garcia, under his portfolio for lands. Hon. Members will no doubt agree that the management of that prized land asset could not be in better and more reliable hands.

Mr Speaker, in this financial year, the expenditure budget of the Improvement and Development Fund is around £120 million. The investment in Works and Equipment continues at around the same level as in the previous year. The other main capital investments include the first phase of the excellent 700-berth Small  
635 Boats Marina; investments in our housing estates and our beaches; the relocation of a large number of MOD estates, making way for the release by the MOD of further land and properties for use by our community.

Equity funding of £25 million has also been provided as the initial capital base of the Gibraltar International Bank. The new Bank is expected to open its doors to the public later this year and will provide  
640 full retail banking services to our community, as Barclays Bank plc reduces its retail banking presence in Gibraltar.

Mr Speaker, I am delighted to announce that we have now secured a board of directors that fits exactly what we had in mind when we announced the bank on 16th December 2013. In that statement, I said that I was:

‘excited that GIB will be a modern, innovative institution designed to meet the needs of our community, licensed and regulated by the Financial Services Commission and independently managed by the banking professionals providing an excellent service to its community’.

Mr Speaker, as Members will know, we have engaged the services of two excellent individuals as the  
645 CEO and COO of the Bank with extensive expertise and experience in the banking business. However, it has always been our intention to provide them with independent professional support at board level and this has now been secured. Mr Speaker the Board of Directors of GIB will, in addition to the CEO and the COO as Executive Directors, be joined by the following Non-Executive Directors: Mr Albert Langston JP, a  
650 banking professional and currently Chairman of the Board of Directors of Lloyds Bank Plc in Gibraltar; Mr Marcus Killick OBE, the former CEO of the Financial Services Commission; Mr Peter Montegriffo QC, a Senior Partner of Hassan’s, previously Deputy Chief Minister; Mr Colin Vaughan, a Director of PWC in Gibraltar; Mr Stephen Reyes, a Director of Deloitte’s in Gibraltar; Mr Anthony (‘Tony’) Welsh, as he is known, a well established and well known Gibraltar businessman; Mr Peter Isola, the Senior Partner at  
655 Isola’s; and Mr Dilip Dayaram Tirathdas, the Financial Secretary.

Mr Speaker, each of these individuals is well known in our community and each has excelled in their own area of expertise. I am grateful to each of them for having agreed to join what is the founding board of the GIB, and I have no doubt that their appointment will reaffirm our serious commitment to deliver to the people of Gibraltar exactly what I had promised on 16th December 2013 and which our community richly  
660 deserves: a new, first-class, independent local bank.

Mr Speaker, there is of course very positive news for clients of the Gibraltar Savings Bank, as well. As hon. Members are aware, when this Government took office, the reserves of the Bank had fallen – or been taken, really. They had not fallen, Mr Speaker. They had been taken, and they were down to almost zero.

Before 1997, there was a requirement for a Reserve of at least 10% of deposits to be held in the Savings  
665 Bank before a transfer of any surplus in excess of this could be transferred out. In 1997, an amendment was made under Members Opposite to the Gibraltar Savings Bank Act to exclude Government deposits or deposits in Government-owned companies from these minimum reserve requirements.

Despite this change which the previous administration made just after they were elected, Members of the House and the public will recall that in the financial year 2008-09, a further amendment was made to  
670 the law by the previous administration so that the reserves of the Savings Bank, which had been £19.8 million, built up since the bank was established, could be and were transferred by the then GSD administration into the Consolidated Fund.

The actual reserves of the Gibraltar Savings Bank at the end of March 2011 were therefore just £1,444.51. Yes, Mr Speaker. I am no longer talking in millions. In this respect, I am talking *literally* of just  
675 ‘one thousand, four hundred and forty-four pounds and fifty one pence.’ *Down*, Mr Speaker, from reserves of £19.8 million that the Savings Bank had built up year on year since its inception, I believe.

Well, Mr Speaker, having inherited a Gibraltar Savings Bank with a reserve of £1,444 I am pleased to be able to report to the House today that the reserves of the Bank now stand at around £11 million and that these reserves are projected to increase to over £20 million by the end of this financial year. Mr Speaker, we  
680 have therefore re-established the Savings Bank’s own ‘rainy day fund’, having increased the amounts available to it by – and it took me a while to work this figure out, Mr Speaker; most calculators did not want

to do it – 1,385,000%. Yes, one million, three hundred and eighty-five percent increase since the time we were elected! We received the Savings Bank with a reserve of £1,444 and we have increased it to £20 million. A ratio increase, a percentage increase of 1,000,385%

That is a phenomenal reversal, Mr Speaker, of the fortunes of the Bank under the life of this administration to date and it leaves little room for argument about how prudent the management of the affairs of the Bank is under our administration. It is a huge and important step forward in the re-establishment of the reserve the Bank had before and likely is already exceeding them in the space of only three financial years.

Just this would serve to demonstrate that the time we have been in office has been excellent for the Savings Bank reserve.

However, in the period since we took office, Mr Speaker, there have been repeated attempts by Members Opposite, the Leader of the Opposition in particular, to raise concerns in people's minds about the security of deposits in the Savings Bank. We have been clear about the fact that those deposits are in fact safer than ever.

Mr Speaker, one of the ways in which the Savings Bank has invested part of its deposits is in redeemable preference shares of a company owned by the Government, namely Credit Finance Company Limited.

Credit Finance has been the subject of much comment in the past 18 months or so, and I therefore want to report to the House on the investments by the Savings Bank in that vehicle and assure the community that this investment vehicle is performing extraordinarily well and, contrary to the assertions of the Leader of the Opposition, is structured and is operating entirely in keeping with the Constitution and all relevant legislation.

As I have said already during the course of the proceedings of this House at different Question Times, the Government will provide all non-sensitive details of the investments which are being pursued by Credit Finance. Also at different Question Times, and now monthly online, we are providing details of the total amount of the loan book which Credit Finance has been running.

The loan book stood at £49.42 million when I answered questions last week. The total size of the loan book can be found at table CF1 on the Government website and will be updated on a monthly basis. The details published respect the right of confidentiality of individual borrowers.

The details of what amounts have been loaned to individuals who have used the money to pay off Government debts has been provided, again respecting the right of confidentiality of the borrower. That sum is also on the Government website and is less than £1 million.

The loans which have been granted to enable borrowers to repay debts due to the Government are all now *secured* against assets with realisable value. Previously, the debts were not secured.

Separately, Credit Finance is paying the commuted pensions of civil servants. How is it doing this? Well, Mr Speaker, as people who have been following the debate will know, it pays the lump sum of the commutation in exchange for an assignment of the pensioners' rights to receive their monthly pension payments. At the moment it has invested approximately £23 million that way. The Government still has to pay the pensions of those individuals, as those are the terms of the assignments signed by them when they commute; we just pay them to Credit Finance instead of directly to the individuals. So in each year Government is still paying a recurring amount in respect of those commuted pensions. The recurrent expenditure side is therefore not 'flattered', as the hon. the back bencher flatteringly put it, to the tune of the pension which is still being paid, only to the difference between the pension paid and the commutations paid in that year. In other words, Mr Speaker, if the commutations had been paid out directly by the Government this year then the amounts that would have been added to the expenditure would be say £11.5 million in financial year 2012-13 and another £11.5 million in financial year 2013-14.

Interestingly therefore, Mr Speaker, even if the Government had paid the commutations directly, and we had not received – which we have not – half of the £1 million paid in arrears equally in instalments of £0.5 million each year from loans granted by Credit Finance, we would still have been declaring record surpluses in each of the years in which I have been addressing the House as Chief Minister. The surplus this year would be just £12 million smaller; *still* a record and *still* even above the record predicted!

I trust that the Leader of the Opposition has followed that and is not going to therefore suggest in his reply that our records this year and last year might not have been records if it were not for Credit Finance. They would just have been both records that were £12 million smaller – but records nonetheless.

And as I have also said repeatedly, what Credit Finance is not doing, Mr Speaker, it is not funding Government projects. We were asked by Members Opposite about each project which we have in our manifestos one by one and whether we were going to fund these from Credit Finance or from the Savings Bank. I guess they asked one by one in order to increase the numbers of questions they asked. We answered 'no' to all of their questions.

So Credit Finance isn't a credit card or a blank cheque for anything that we are doing. But never let the facts get in the way of a good soundbite!

In fact, what was interestingly not commented on by the Leader of the Opposition at the last Question Time was the fact that Credit Finance has already started to pay the Savings Bank returns on the investment in its redeemable preference shares. The payments have totalled almost £25 million since late 2012-13. And all of this information is now on the Government website. Talk about transparency!

And of course it is also in Parliament, not just because we have answered questions from a disbelieving Opposition, but also because it is required to be. Let me show hon. Members how.

Appendix L this year shows the amount of the Savings Bank Fund. This estimate once approved is reflected in the approved estimates book. Then that is audited, after the end of the financial year, and the Principal Auditors Audited Account will reflect this, as well as the investments in which the Savings Bank has invested its own money. As he knows, this is published in the *Gazette*.

So where is the wall of silence that they like to talk about, Mr Speaker? More like a wall of understanding which cannot be penetrated by reason because it is purposely shut for partisan political purposes! They do understand, Mr Speaker. They can see how well Credit Finance is doing. But they want to make mischief.

And yet they ask all these questions of Credit Finance; but none about the other more remote funds in which the banks invest. Incredible that they trust the Financial Secretary and the Chief Secretary of Gibraltar less than they trust people they do not even know – any of whom could be another Bernard Madoff.

Mr Speaker, let me end this part of my address by saying that the Government has taken detailed legal advice from leading counsel on all of the legal issues that the hon. Member opposite has raised throughout in relation to Credit Finance; not because we consider that there is any grain of reason or merit in the things that he has said about section 69 of the Constitution or the Borrowing Powers Act. We have taken advice in order to responsibly knock all of his points on the head with the benefit of the best legal advice available, and I can happily confirm to this House that everything that Credit Finance has applied funds to has been in keeping with all Constitutional and legislative requirements.

Mr Speaker, I must also address generally the question of using Government wholly owned companies to administer and finance part of the Governments asset holding and development programme.

Members of the House will recall that when describing the recurrent expenditure issues earlier, I have had to refer to the £100 million black hole in Government company spending which I addressed to the nation just after the last General Election to appraise them of the state of Government finances at the time.

Well, the issue of Government companies has been a live issue for my predecessor when he was Chief Minister also. In his first Budget Address as Chief Minister in 1996 – don't ask me why I read these things, Mr Speaker, but I find them interesting! The Hon. Sir Peter Caruana said this – this is a direct quote:

'Mr Speaker, the list of companies wholly owned by the Government of Gibraltar directly or indirectly would appear to be as follows: Gibraltar Investment Holdings Limited; Gibraltar Land Holdings Limited; Gibraltar Residential Properties Investment Company Limited; Gibraltar Commercial Property Company Limited; Brympton Co-ownership Company Limited; Westside II Co-ownership Company Limited; Westside I Co-ownership Company Limited; Gibraltar Information Bureau Limited; Gibraltar Joinery and Building Services Limited; Gibraltar Industrial Cleaners Limited; Calpe Cleaning and Painting Services Limited, subject to question marks that I still have to clarify; and Gibraltar Quarry Company Limited.'

He went on to say this:

'The Government are considering which of these companies can be eliminated and it is the policy of the Government [the GSD Government, Mr Speaker] to eliminate such companies that are not essential for the proper and good organisation of the affairs of Government in the light of the structures as they presently exist.'

That was in May 1996. I think he had literally just been elected and found himself bounced into a budget session.

Well, Mr Speaker, I was not at all surprised to hear the Members Opposite once again making reference to 'a web of companies', no sooner had they left Government and landed back on the seats Opposite. Interestingly, since the time of his maiden budget address as Chief Minister, not much had been heard from the hon. the back bencher on this issue of the web of companies. And yet, in his first New Year's Message as Leader of the GSD, the Hon. the Leader of the Opposition opposite said that the use of Credit Finance amounted to:

'a return to the days when public finances were structured through an impenetrable web of companies'.

I am not sure, Mr Speaker, whether that was not actually just a New Year's 'Mess' rather than a New Year's 'Message'.

You see, Mr Speaker, if the hon. Member had been curious enough to peer not just into his Estimates Book but actually into the approved accounts, which is the book which appears once we have ended the

debate in this House and which turns the *draft* Estimates the House debates into the Approved Estimates on which we spend, he would see that a chart appears there.

That chart, Mr Speaker, in the Approved Estimates for 2011-12 – that is to say, the last Estimates approved by this House with the GSD in Government and the hon. the back bencher as Chief Minister and the Hon. now Leader of the Opposition then as Minister for Justice with specific responsibility for upholding the Rule of Law – if they look at that book, on page x, they will see a chart which tells us that they maintained the list of companies which Mr Caruana had read in his first Budget speech 16 years earlier except for Calpe Cleaning, which was not a wholly owned company at all, I believe, and Gibraltar Quarry Company Limited which had been incorporated – Mr Speaker, you will probably know better than us – by the AACR, the first Government to incorporate a company to do Government business. I believe that company was actually incorporated to work on the sand slopes on the eastside and never did anything and has been struck off.

But in all other respects, Mr Speaker, not only had the GSD maintained the company structure they inherited from the GSLP – that structure which was an impenetrable web, that they were going to try and eliminate it – they actually added to it. They added wholly owned companies and then added wholly owned subsidiaries to wholly owned companies; and they even added more trading activities and employees to some of those wholly owned subsidiaries of wholly owned companies; and then they added debt due to both capital and recurrent commitments of the wholly owned subsidiaries of the wholly owned subsidiaries of wholly owned Government companies.

And then, Mr Speaker, almost at the end of their time in office, they then added another *40 or so* companies registered at Convent Place, without announcing it to anyone – the sort of things that gives the Hon. Mr Bossino the heebie-jeebies, Mr Speaker (*Laughter*) – except of course if the GSD do it – in order to become the management companies of the Government's post-war housing stock as they are sold.

In fact, Mr Speaker, as can be seen now in clear and unequivocal terms, what they did was that they turned a straight forward asset-holding structure with no trading entities that had any debt into – a *huge web of companies*, Mr Speaker! (*Laughter*)

Yes, Mr Speaker, surprising though it may be for those who have not followed the political careers of Members Opposite, they did what we always know and expect they will do. That is to say, the very opposite of what they say they are doing or going to do!

So I think it would be wise for all of us simply to have clear agreement across the floor of the House that companies are actually an important part of the way in which modern Government can discharge some of its functions in a fully transparent and appropriate way; but in a manner that also adds business efficacy to the business of Government. There is nothing wrong with that. We do not consider that this is at all a complex structure or a web of anything other than a perfectly straightforward vanilla structure that works – as they obviously think it did, given that they used it for 16 years. They used it and added to it through the 16 years, and then at the end, threw in an extra forty just before they left.

Well, Mr Speaker, as ever there are, in any event, objective measures to help us analyse how the public have perceived the positions of the Government against those who have been scaremongering and clearly trying to undermine both the Government and the Savings Bank in the way that they have approached this issue. In this case, the best measure would of course be to look at the deposit base of the Bank.

Mr Speaker, the voices raising unnecessary concern about risk have had an effect on the deposit base of the Bank. Mr Speaker, deposits with the Gibraltar Savings Bank have in the period since we were elected grown from around £330 million when we took office to over £800 million now.

It seems clear Mr Speaker that when it comes to looking after their money, the public has clearly chosen to follow the Government's position that the Gibraltar Savings Bank represents a very safe investment indeed and take no heed of the scaremongering of Members Opposite. Indeed, the position is a little more complex than that of course, given that the very founder of the GSD, Mr Montegriffo has been very clear in his view – and this is a quote direct from him:

'I don't think savers should be worried. The savers' money is in my view perfectly safe and any suggestion that the money is under threat I think is quite irresponsible.'

Mr Speaker, who would have said, 20 years ago, that a GSLP Chief Minister would be quoting Peter Montegriffo – the founder of the GSD – with approval and agreement at a GSD led by a Mr Feetham; but that is the reality. Incredible to think that there are other areas on which there is public disagreement between the man who is presently the current leader of the GSD and the man who will forever be the founder of the GSD.

Mr Speaker, building on the strong and strengthening foundations, the Gibraltar Savings Bank will continue to provide a good range of savings products to our community, as indeed it has been doing since it was established over 130 years ago. However, the bank will see a transformation during the current



financial year, as it starts to make full use of the latest available developments in banking technologies and as it opens a number of further branches and public counter positions.

In the next few months, the bank will be offering our community a number of new and enhanced services. These will include instant-access current-account facilities for the payment of Government bills by standing order and by direct debit and facilities for the electronic transfer of funds between bank accounts. There will be a number of new Gibraltar Savings Bank ATM machines and a new 'VISA approved' Debit Card will also become available to all the bank's current-account holders.

I should say, Mr Speaker, that we will not allow Credit Finance to have one, lest somebody might suggest that they are being used by the Government.

These developments will complement the services that I have already referred to which will be offered by the Gibraltar International Bank Ltd, which will be providing a full range of retail banking services to members of our community, including mortgage finance to prospective home-owners and commercial lending to our local businesses.

Mr Speaker, two important projects for the future are the airport underpass or tunnel and the new power station.

Mr Speaker is aware that one of the greatest challenges we faced on our election was the dispute with OHL, the successful tenderers for the development of the tunnel or underpass. That dispute grew into litigation and that litigation has required and consumed a considerable amount of my time since my election. Happily, as the community is now aware, Mr Speaker, we have prevailed in that litigation to date. We are already considering how best to activate finalisation of the tunnel works whilst we continue the process of enforcing awards and dealing with appeals.

Today, Mr Speaker, I am delighted to be able to announce that late on Friday, I was informed by the Government's solicitors in this matter, Messrs Triay Stagnetto Neish, that we have now received the sum of £4.5 million by way of payment of the interim amount of costs awarded to the Government in this matter. Mr Speaker, this represents 80% recovery of all our costs in the litigation to date, calculated on the standard basis.

Mr Speaker, I told the House last year that one of the most important things on the Government's agenda and one of the biggest capital projects for the Government is the replacement of our three existing power stations with a single new power station in order to guarantee Gibraltar's power needs for the next three decades.

Tenders were invited with a closing date for submissions of 1st August 2013 last year. The time for the award of the tender has however had to be extended in order to deal with queries raised by the tendering parties.

The Government has now awarded the tender for the construction of the new power station. All tenderers were advised of this decision by the Government. None of the parties that have been turned down have sought to challenge the tender award in the 10-day period after the award which is allowed for that purpose.

Mr Speaker, before I continue, I want to refer the House to a part of the maiden speech as Leader of the Opposition in his Budget Address last year of the Hon. Mr Feetham. In one part of his intervention he said, talking of our commitment to build a new power station, the following:

'a power station that will cost, in anyone's estimate, over £100 million'.

Mr Speaker I am today able to announce in this House that the Government has awarded the tender to Bouygues Energies & Services for a basic sum of £67,958,000. (*Applause and banging on desks*) The Bouygues offer was found to be the best Capital and Opex offer and also had the best environmental scoring. So much for the estimating skills of the Member Opposite! Maybe, Mr Speaker, we can put it down to just another 'Rookie error'.

The new power station will consist of three in number MAN branded dual fired engines and three in number MAN branded gas engines with a total guarantee power output of 81.45 MW – 81.45 MW for £68 million.

An additional sum of £8,200,000 will be payable for the inclusion of Heat Recovery Systems which was part of the Government requirements to provide additional output of approximately 4.2 MW using a more efficient and environmentally friendly way of producing additional generating power.

My colleague, the Minister for Utilities, Mr Linares, will be providing such further additional details as he may be able to, during the course of his address to the House this morning.

Mr Speaker, as the Government has set out to do from the beginning, and for the financial reasons that will have become obvious to all in the context of my explanations earlier of the increased costs of diesel fuel, the new power station will operate using natural gas with diesel only as a backup. Perhaps most importantly, the use of natural gas as the main fuel for the engines will reduce airborne NOx and particulate emissions.

Mr Speaker apart from the fact that the cost of diesel has been rising for many years, international reserves of gas are greater and more accessible than reserves of oil. As a result gas is not just a more efficient and more environmentally friendly fossil fuel, it is also a considerably cheaper fuel compared to diesel and its supply more diverse.

Mr Speaker, for all of those reasons, the use of natural gas will be a win-win for Gibraltar technically, environmentally and economically.

Bouygues Energies & Services is the parent company of ETDE who had previously been awarded the Lathbury Barrack power station contract by the previous administration, initially at a cost of £114,200,000 to construct a 64 MW power station. The overall price for the Lathbury power station later increased to approximately Euro 145 million on 13th July 2011 – that was the latest price given to us – due to the delays in awarding the contract. That was the equivalent at the then exchange rate – at the exchange rate of 13th July – of £128 million – £128 million for 64 MW, as compared to £68 million, add the further £8 million, £76 million for 85 MW.

Mr Speaker, this solution, the community will be very happy to hear – the solution that I have announced today – will *not* require a 100% increase to consumers in electricity costs over 20 years at 5% a year – in fact it is much more, because it is compound – as was planned by Members Opposite as the funding for their own power station plans. Those who constantly urge the Government to keep the cost of doing business in Gibraltar down will want to congratulate us for making a choice for our community that both will not require such increases as the previous administration had in store for them *and* will generally reduce recurrent expenditure.

Again, I want to thank the inter-ministerial committee that worked on this matter with me for their clarity of thinking and their tenacity in finding the right solution for the future; not just for today but for many generations to come.

The new power station will be located partly in a reclaimed area off the North Mole but the reclamation area may also yield land available for other purposes also.

Most importantly, and whilst we develop the new facility Gibraltar now has, thanks to this Government, already security of supply and no lack of generating capacity. But we have nonetheless seen catastrophic events this year, when Gibraltar has suffered major power cuts not as a result of not having a power station or sufficient generating capacity, which there is, but because of the creaking distribution network infrastructure, work on which is already on-going.

Mr Speaker, the Government is clear that the Electricity Authority must provide power as an essential prerequisite for modern life and the state-of-the-art businesses we have and want to further attract to Gibraltar. We must do everything in our power, so to speak, as we are, to ensure security and continuity of supply.

But in the context of the huge problems that the recent explosion at Waterport produced, we are indebted to the staff of the Electricity Authority for the way in which they are working, not just on the new facility and the tender, but in repairing the existing facility to see if it is viable that it should provide at least some base power for the months before the new facility is finally supplying the electricity. They have been excellent in agreeing changing shift patterns and putting their shoulder to the mill.

Similarly, the GEA must also get better at communicating with all its clients, in particular its premium clients; and we are working together in Government and with the GEA to deliver better communications should the day come again when we suffer a major catastrophic loss of power again; something which all I am sure sincerely hope and are working to ensure does not happen.

Mr Speaker, the Government continues to explore other ways of reducing energy consumption including the use of solar energy for street lighting and in Government Buildings and a number of projects are being developed in this respect. My colleague the Minister for the Environment, the Hon. Mr Cortes, will be speaking further – and as ever with him, authoritatively – on this subject.

I will add only this: the Government sees huge value in the reduction of the demand for electricity and renewable energy provides for Gibraltar a chance to see that become a reality, as is already the case in some private estates in Gibraltar.

Mr Speaker, technical facilities in relation to broadcasting, to which I now turn, are today at GBC a far cry from what we inherited. A number of additional professional employees have been recruited. Premises – although still very cramped – have been improved, staff morale is higher, and very importantly, programming is better. And, the public is acknowledging the change.

As reported in the news this morning, a recent survey of 1,000 people has suggested that practically all of those polled consider GBC to be vital, very important or important to the community, as all Members of the House will no doubt agree, Mr Speaker.

Radio Gibraltar is listened to by 53% of respondents, making it the most heard station on The Rock by far, while 93% have watched GBC TV since its re-launch last September, with more than half of those consulted enjoying the revitalised programming. I know I do, Mr Speaker.

Perhaps unsurprisingly, 'Newswatch' is the most popular TV programme with a staggering viewership of 69%, while 'Viewpoint' is seen by 35% of those polled, indicating the public's preference for current affairs-based programmes. In fact, all of GBC's shows fared well, which is very encouraging. GBC's recent re-launch appears to be working, Mr Speaker, with Gibraltarians returning to watch their TV station in relatively large numbers, in the same way as listeners are tuning in to Radio Gibraltar, which with our investment is broadcasting now also a choice of English and Spanish language programming every weekday through two distinct services. In any event, the Government would encourage the Corporation to do more to exploit our bilingualism in order to ensure that those around us are able to better comprehend us socially, culturally and politically.

GBC must now work, as I have no doubt they will, so that the autumn television schedule will reflect the results of this survey.

Gibraltar's membership of UEFA has also meant that GBC now also includes live football whenever the senior team plays. Football transmissions are expensive, and although a drain on the Corporation's financial resources, it is important that local fans are able to follow their team on their national TV. Joe does not miss a match!

Gibraltar's first game against Slovakia, was also a first for GBC TV, given the live broadcast of the game from Faro. Several other live matches have followed, including one from Estonia, and negotiations I understand are underway with UEFA with a view to agreeing the rights to broadcast Euro qualifying matches from September if they are affordable.

Mr Speaker, broadcasting is an expensive business and creating bespoke broadcasts for a community of 30,000 people can cost as much as we want it to. Moreover, the Government shares the view of other mainstream media in Gibraltar that GBC must – as the only media funded from this House's appropriation – not compete in the market for advertising on which other media depend for their income. For that reason, and as I have repeatedly said since I delivered my first Budget Address as Chief Minister, GBC has to stop taking traditional advertising, with the exception of programme sponsorship. This may require a small increase to the Government in its subsidy to cover the reduction in income when this occurs.

Together with the Board of GBC and its CEO, we are continuing the work of developing the huge potential for alternative sources of income for the Corporation, with the consequent benefit to the taxpayer from a smaller subsidy, should these materialise.

Mr Speaker, GBC's human resources are now fully maximised and following a very professional work ethic, with the results visible on our TV screens. GBC is now very much a different place to what it was just a couple of years ago. But more needs to be done to ensure the staff remains motivated, and the public is kept informed and entertained.

Broadcasting House is desperately small for the size of the operation, for which we must pursue the long promised relocation of facilities. Although we have previously mentioned possible alternative locations, circumstances have meant that for one reason or another, these have had to be discarded. However, the CEO, the Board and my Ministry are considering a number of new options in consultation with the office of the Deputy Chief Minister who holds responsibility for lands, and I sincerely hope to be able to make a final and definitive announcement during the course of this financial year on GBC's moves elsewhere.

There is one issue regarding GBC that has been a huge concern to this Government. Mr Speaker, apart from the physical and operational problems at Broadcasting House that we inherited in 2011, we have also had to address the matter of a major shortfall in the staff's pension fund. The previous administration ignored the problem for years, resulting in a projected deficit in the fund of very nearly £2 million. We have had to give this urgent attention in order to ensure GBC is able to meet its obligations in respect of its pensioners, and we have agreed to cover the financial hole over a period of eight years by making annual contributions to the fund – another area of expenditure that is down really to their failure in office, Mr Speaker. Of course, this could have been avoided if the matter had been addressed by the previous administration when the problem first arose; but a contribution to an underfunded public pension fund does not photograph as well as a new roundabout.

As hon. Members will recall, this is one of the matters affecting the increased cost of recurrent expenditure and will be relevant for the next eight years.

The pensions issue is in addition to the impending digital switchover that the previous administration also ignored, and which we had to resolve within a period of months to avoid GBC TV channels from being shut down. I am pleased to report, Mr Speaker, that the current phase of the required technical infrastructure at both Broadcasting House and the Digital Multiplex has now been completed with very positive results, including GBC HD, the picture quality of which is now in sharp contrast to the blurred image that was on air in December 2011.

Mr Speaker, investment in technology will continue to ensure that this remains so.

With this Government's support of all GBC's services, Mr Speaker, we will continue to develop during the next 12 months as we have over the past two years the output of the Corporation. Mr Speaker, I am satisfied with the direction being taken by our local broadcaster, and pay tribute to the entire team that are

making it happen and ask them to do even more, as the progress we have seen to date is in my view only the beginning of what they can achieve.

Mr Speaker, staying with broadcasting, I turn now to Gibraltar Freeview, the Digital Terrestrial TV (DTT) platform from which GBC Television is able to broadcast digitally and an important media asset that, as a result of the foresight of this Government, is paving the way for exciting opportunities for the Rock.

Essentially, in layman's terms, GibFreeview is our very own equivalent of Freeview in the UK, which provides a bouquet of free-to-air terrestrial television channels. The very significant investment in the complex hardware came about following the digital switchover deadline imposed by the EU, a deadline that despite being a legal requirement was one that at the time that we took over, the previous administration had approached with little more than indifference.

Never mind, Mr Speaker, for although we started from scratch out of necessity, that enabled this Government to do things properly.

Gibraltar now enjoys a superb DTT platform from which a number of broadcasters can reach our community and beyond. Attracting international television companies is no easy task, but Gibraltar Freeview Limited is already actively engaged at a commercial level with a number of such entities. Although in the main still very much in the initial stages and with a lot more work to be done, a number of news and general content providers are considering entering into carriage agreements with GibFreeview, with the positive revenue implications that entails for Gibraltar.

In fact, this is already a reality, Mr Speaker. One major international media network is, as we speak, broadcasting on GibFreeview and we are proud that such an established, respected household name has been the first international broadcaster to come on board. We suspect, Mr Speaker, that in due course they will have been only the first of many.

By way of example, discussions are ongoing with one TV company that is available to all UK households on platforms like Freeview, Sky, Freesat, Virgin Media and Astra and which is keen to broadcast from the Rock. GibFreeview has been able to negotiate an in-principle agreement with this particular broadcaster, subject to further discussions, that will result in television exposure throughout the UK of Gibraltar and all it has to offer from a tourism, historical, social and cultural perspective. The potential benefits to our Community are enormous.

In addition, Mr Speaker, interest has also been generated for the licensing in and by Gibraltar of DTT entities that will then be able to broadcast elsewhere in Europe. Mr Speaker, this is media services using Gibraltar to access the single European Market in much the same way as we successfully passport banking and insurance services beyond our frontiers.

As can be seen, Mr Speaker, this Government's approach to media generally, and in this instance to digital broadcasting, is as forward-thinking as it is pro-active. We break away from the tired, plodding dinosaur steps of the past to instead embrace the future and the many possibilities out there that will benefit Gibraltar and its people.

Finally, Mr Speaker – and returning to more traditional media without which we could not imagine Gibraltar – Mr Speaker, I continue to salute all our national print and internet media. I believe we have been fair and equanimous in our treatment of each of them. They are a hugely important part of our democracy and we as a political class in this House must recognise that role. In particular the *Chronicle*, *Panorama* and *The New People* are our nation's newspapers and we must cherish their continued existence and the critical analysis that they bring. In access to news, we must treat all alike.

The respective editors with those of GBC's newsroom are our fourth estate and we – and all who have a role to play in Gibraltar – do well not to lose sight of that or favour one over the others.

Mr Speaker, I will now address my responsibilities as Chairman of the Borders and Coastguard Agency. In my address last year, I informed the House that the Agency, now coming up to its third year, had carried out a review of its operations at the airport, frontier and the port. The review highlighted a number of deficiencies, which had been inherited by the Agency, which it is positively addressing, striving for a more professional, engaged and focused operation.

The review also highlighted the need for professional development, training and management development in particular. This Government continues firmly committed to providing opportunities for professional development for all staff, and as such is supporting the Agency in its effort to address this issue. It has already started the process towards Investors in People recognition and managers at different levels are working towards Chartered Management Institute professional development qualifications.

Mr Speaker, the Agency is working hard to become the focal point for a more centralised immigration service in Gibraltar, working in partnership with other Government Departments and Law Enforcement Agencies to improve the level of immigration service Gibraltar provides.

In the last year alone, the Agency has processed over 12 million people at our borders. In addition, this Government's initiative to introduce amendments to the Immigration, Asylum and Refugee Act, granting Tourist Visa Waivers to Moroccan, Russian, Chinese, Indian and Mongolian nationals in possession of

1085 Schengen visas, has proved extremely successful, and close to 7,000 visitors, whom we would otherwise not have been able to see visit Gibraltar, have done so to date. Given the success of this initiative, the Government has made additional provisions for visa waivers for persons who hold indefinite leave to remain in any EU member state, which is part of the Schengen *aquis*.

1090 Mr Speaker, the Agency works very closely locally with the RGP, with whom it is currently operating in partnership a Ports Policing initiative. Further afield, it works closely and shares information with HMG's Home Office, the UK Borderforce, Spain's *Policía Nacional*, Interpol and more recently the Moroccan Immigration Service.

1095 As part of the Government's programme to make use of information and communication technology more generally, the Agency has been engaged together with other Law Enforcement partners and Government IT contractors in the setting up of a modern fit for purpose IT infrastructure platform for the frontier. The Frontier Management Project will be available to the public very soon; it will enable us to access real time frontier queue information including cameras, statistics and an improved and digitised frontier queue hotline service. In addition, the Agency is also developing its online presence with an interactive webpage which amongst other things will enable visitors to apply for visa waivers online, thus  
1100 improving the visitor experience.

In addition to their immigration duties, the Agency carries out aviation and maritime security duties at the airport and port, where it is inspected regularly by HMG's Department for Transport to ensure compliance with strict EU legislation. These industries, particularly aviation, are highly regulated, and in order to protect the air and sea transportation of persons and goods, there are established common rules, applicable across the EU, which safeguard against acts of unlawful interference. I am happy to report that  
1105 the Agency continues to meet the high standards set by the Department for Transport and the EU.

The Agency remains committed to improving the service it provides, contributing to the security of Gibraltar and acting as a facilitator and working in partnership with the private sector.

1110 In terms of my responsibilities for Civil Status and Immigration, the big changes in the past year to report have really been the introduction of the Civil Partnership Act and the recent reduction in the qualifying period for Gibraltar status – from 25 to 10 years of continuous residency – as well as the extension of ability to pass their Gibraltar status to single fathers who are included in their child's birth certificates all of which we were very pleased to introduce to this House.

1115 We have also made considerable progress in the elimination of the backlog of applications for exemptions from immigration control to enable persons, primarily Moroccan nationals who have been resident for over 25 years, to be granted British citizenship.

This year will see progress on a number of other important fronts also.

1120 We shall shortly see the opening of a 'one-stop shop' for the registration of births and deaths. This will enable the public to conduct all the business related to the registrations from a single office without the need to visit other Government Departments and Agencies spread throughout town. The one-stop shop will open during the course of next month and responds to representations from pensioners' representative organisations.

1125 We also expect that this year will see the introduction of new ID cards, which will include enhanced security features and microchip technology to allow for a multitude of other uses. The present target date for rollout is in autumn 2014. As hon. Members know, this is not just an important matter in terms of immigration matters, but also an essential prerequisite for the launch of more substantial e-government applications.

This is a good point, Mr Speaker, in which to turn to my responsibilities for Government IT.

1130 Through the use of Information and Communication Technology, Her Majesty's Government of Gibraltar is promoting a more efficient and effective Government which will facilitate more accessible Government services and allow greater public access to information. e-Government will involve delivering a wide range of Government services online.

1135 During the past year the key investment areas for HMGoG in this sector have included: the work to enhance the physical hardware infrastructure and enhancements to network security and connectivity, together with the expansion of the Government Secure Intranet (GSI) and many others, including finishing the work on this Parliament's video and audio feeds.

The e-Government portal has recently been launched with basic services. New services will be added on an ongoing basis.

1140 The introduction of the new e-ID Card in coming months will offer a citizen profile page where the individual will be able to transact business with Government in a secure environment and will also allow the citizen to access Government parking and bus services, with other services being rolled out as they become available.

I will now turn to my responsibilities for Industrial Relations and to what has been a landmark year in that respect.

It was always my desire to introduce a modern and progressive approach to the way that I deal with representative bodies in the workplace. How we deal with Industrial Relations is key to having a productive workforce who feel that they form part of their organisation, and that their voices are heard.

This has been done in a way that the previous administration chose not to pursue. We have dealt with legacy issues in key areas of the Public Sector where individuals' claims and grievances have been ignored – in some instances for over a decade.

Customs, Sewers, Ministry for Housing Technical Division, Elderly Care Agency are but a few of the areas where we have not only improved terms and conditions of service to employees, but we have also brought in modern working practices that deliver ultimately better, more cost-effective services to the taxpayer, all achieved in partnership.

And Mr Speaker, talking of partnership, I have also broken ground in Government's relationship with representative bodies. As announced at May Day, we have entered into a partnership agreement with Unite the Union, where we are looking at a principle of mutual gains through co-operation. This approach is designed to produce more efficient working practices and improve financial performance within a better working environment.

Mr Speaker, I sincerely hope that within the next year, it will be possible to extend this approach in the dealings with other representative bodies also.

And it has been in application of those principles, Mr Speaker, that we have already been able to deliver on long-standing, life-changing issues that will form the basis of our future public sector workplace. The introduction of the new public sector working hours is something that the workforce has been crying out for. As has been the implementation of legislation to prevent bullying at work. Mr Speaker, we have delivered these changes within my first two years of office, and not only have we delivered a flexible system that focuses on the needs of individuals, we have also been able to deliver a vastly improved service to our customers by the extension of public opening hours.

Too often one hears criticism of the Civil Service; some of it deserved, some of it less so. So, Mr Speaker, let me share with the House and the community at large today an e-mail I received last week as I prepared for this debate, which reads as follows:

'Just a short note to thank you and your staff at the Income Tax Department for your assistance and professionalism in dealing with the various issues I had with your Department.

Despite the many criticisms received from the general public towards Civil Servants, it was certainly a breath of fresh air to be dealt with in this manner.

Keep up the good work.'

It is right, Mr Speaker, to speak up for the Civil Service and report on positive feedback also, Mr Speaker, and I am delighted to have had such an apposite chance to do so today.

Much progress has also been made on the legislation designed to deliver the eradication of bullying in the workplace, making it an environment that people will now feel safe to work in. We have also introduced a Health and Safety Working Group in order to introduce changes to the way in which we manage risk in the workplace.

Mr Speaker, I move on now to an entirely different matter.

I have spoken before about establishing for Gibraltar a status akin to that of the Privy Council in the United Kingdom. When a nation such as ours finds that there are issues that affect the national interest, there needs to be a body above party politics that can provide an opportunity for consideration of those issues.

Mr Speaker, such a body can of course be established on an *ad hoc* basis at any time. I have had *ad hoc* contact with the Leader of the Opposition and his predecessor on such terms last year. The previous Chief Minister established a similar *ad hoc* consultative body when Gibraltar was facing the threat of Joint Sovereignty but did not choose to include the Opposition in it.

I want to go further than that, Mr Speaker. I want to change the way we do politics on issues that matter to the national interest. I am a supporter and defender of the Westminster party adversarial system. But when the national interest is at stake, then we must all be able to work together, because Gibraltar's best brains can be brought to work in unison when necessary, but not condemned to never have to challenge each other by a change to a committee system of government that some have talked about in the past. But any such new body must in my view be permanent. It cannot be *ad hoc*.

I therefore today propose to create a body to be known henceforth as the Chief Minister's Consultative Council (CMCC), the makeup of which will be as follows: for their lifetimes, all individuals who have held the post of Chief Minister; for their lifetimes, all individuals who have held the post of Deputy Chief Minister; for the period of their tenure in office, the Leader of the Opposition and the Minister for Justice; for such period as may be stipulated in the notice of the appointment, such other person or persons as the Chief Minister of the day may consider appropriate to appoint.

Membership of the CMCC will require members to sign the Official Secrets Act so that information shared with them is subject to strict rules of confidentiality, or such other equivalent as may be the case in the Privy Council.

The CMCC will enable the Chief Minister of the day to meet with all, some or just one of its members as he or she may consider appropriate, and exchange ideas or take advice on any particular matter or issue within the parameters of the strict confidence required of individuals who will make up the Chief Minister's Consultative Council.

It is my view, Mr Speaker, that all individuals who become members of the CMCC should be able to use the pre-nominal letters 'The Right Honourable', as is the case in respect of membership of Her Majesty's Privy Council in the United Kingdom.

I have asked that legislation be drawn up for this purpose. Before anyone starts getting any ideas, Mr Speaker, the appointments will not be remunerated!

Mr Speaker, I turn now to the Budget Measures for 2014-15.

Mr Speaker, it was a manifesto commitment to re-activate the Widows and Orphans Pension Scheme and to give those officers who opted out of the scheme in the late 1980s the opportunity to opt back in. Much work has already been done in this respect in the Treasury. Implementation of this manifesto commitment has however been delayed following on-going representations from, and discussions with, the Gibraltar Pensioners Association.

As a result of this, Mr Speaker, it has been agreed to introduce a revised basis for re-entry which the Government believes represents a more equitable solution of this longstanding issue than has been previously proposed.

As a consequence, Mr Speaker, those re-entering the scheme will repay arrears paid to them in 1989-90 re-valued for RPI increases to date. They will also repay outstanding contributions on the same re-valued basis up to the date of their retirement. However, such contributions will be adjusted to take account of PAYE relief which is available under the Income Tax Act throughout the period in question.

The effects of this measure introduced in this way, Mr Speaker, will be to effectively treat re-entrants in exactly the same way as existing contributors who remained in the Scheme.

The Gibraltar Pensioners Association, with whom I have met on this subject, have made numerous impassioned representations about the terms of repayment, arguing that, in some cases, it may be onerous to repay monies due in one up-front payment. The Government has therefore decided that applicants should be offered the opportunity to re-enter the scheme on the basis of one of the following repayment mechanisms: either 100% repayment on acceptance of terms; or 75% repayment on acceptance of terms, with the balance deducted in equal monthly instalments from the applicant's pension during the following 12 months; or 50% repayment on acceptance of terms, with the balance deducted in equal instalments from the applicant's pension during the following 18 months.

With the caveat, Mr Speaker, that in the event that the applicant dies during the repayment period, the monthly repayments are to be made in proportion to the pension payable to the widow thereby extending the repayment period until the full amount is paid.

It seems to us to be fairer and equitable, Mr Speaker to do this in this way. For those who might not yet have expressed an interest in being included in this option, there is still an opportunity to do so by writing to No. 6, with their letter addressed to either WOPS Opt-In, No. 6 Convent Place or by e-mail to [wops@gibraltar.gov.gi](mailto:wops@gibraltar.gov.gi).

Mr Speaker, the following measures are designed to encourage and reduce the cost of doing business in Gibraltar. In order to further stimulate the retail sector in Main Street, for which we care deeply as a Government, and to continue to make Gibraltar a more attractive destination for shopping, and in order to stimulate environmentally positive behaviour by businesses and citizens alike, the following reductions in import duty will be introduced, with immediate effect.

Import duty on all LED lighting, including LED torches, is reduced from 12% to zero; import duty on all appliances or white goods with a C or D rating is doubled from 6% to 12%. There are very few such items on the market these days and they are hugely inefficient.

Import duty on all writing implements, including pens, pencils, ball point pens, and felt-tip pens, is reduced from 12% to zero.

Import duty on mobile phones is reduced from 3% to zero.

Import duty on pleasure craft, yachts and other seagoing vessels under 18 metres in length, including jet-skis and kayaks, is reduced from 6% to zero.

Import duty on pet food, including dog and cat food, is reduced from 12% to zero.

There is no import duty on food, Mr Speaker, unless it is for dogs and cats.

Import duty on fertilisers for all flowers, gardens and other greenery is reduced from 12% to zero. Import duty on all paper-based stationery, including receipt books, carbon paper, envelopes, diaries, maps, plans, drawings, trade advertising material and post cards, is reduced from 12% to zero.

1260 Import duty on all umbrellas, including sun umbrellas, is reduced from 12% to zero and import duty on sunglasses is also reduced by 3% to zero.

Import duty on musical instruments, musical instrument parts and accessories is reduced from 12% to zero.

Import duty on natural and cultured pearls is reduced from 12% to 4.5%, in line with the import duty on other jewellery items.

1265 Import duty is introduced on the commercial importation of single-use plastic bags and single-use paper bags not made from recycled paper, at the rate of 5p per bag.

Import duty discount and cash-back on hybrid vehicles is extended to purely electric vehicles also. The cash-back is increased to £750 for cars and introduced at the rate of £150 for motorcycles.

1270 Electricity and water charges will not be increased this year, despite the increasing costs of providing these public utilities, as per our manifesto commitment and in order to keep the cost of doing business down. Government will continue to subsidise the balance between the reduced amounts collected in revenue and the cost of generating power. This is – for the reason ventilated earlier in my address on the subject of recurrent expenditure – a huge subsidy for every household in Gibraltar and every business in Gibraltar, which needs to be understood by those who call for even greater subsidies and reductions of costs.

1275 And, Mr Speaker, as I announced at the Thomson Reuters Jaguar Land Rover Dinner at St Michael's Cave a week and a half ago, the import duty on all artwork, including paintings, drawings and pastels, sculptures and other statutory, original engravings, prints and lithographs, basketwork and wickerwork, is reduced from 12% to zero.

1280 Given that the Government is expecting the stock of affordable homes to come on-stream in large measure during the course of the next calendar year, we want people to find it attractive to furnish their homes purchasing from local furniture suppliers. As a result, Mr Speaker, on items of furniture and furnishings as well as domestic appliances, also known as white goods – unless they are caught by the increases for C and D rated goods – import duties payable by locally registered companies with a valid trade licence are reduced from 6% to 3%. Import duty on textiles imported also by those with a valid trade licence is reduced from 6% to 3%.

In order to better promote the use of Gibraltar as a maritime jurisdiction in all respects, passenger tax at Gibraltar Airport is abolished for passengers who are joining vessels in Gibraltar.

1290 Any vessel calling at the Eastern Anchorage in order to take on provisions, spares, stores, or to carry out crew changes will receive a 75% discount on tonnage dues – compared to the 50% discount at present.

Ships anchoring in the Western Anchorage, whose main purpose is bunkering, will receive a 75% discount on tonnage dues – compared to 50% at present.

1295 Mr Speaker, in line with the Government's manifesto commitment to encourage and reduce the cost of doing business in Gibraltar, the discount for early payment of rates for offices, workshops, construction and manufacturing industries, and transport and distribution industries, will be increased from 10% to 15% with effect from 1st July 2014. A further discount for responsible businesses who pay on time.

For new companies starting up business in Gibraltar, there will be a larger discount for early repayment of rates of 65% for their first year of trading. Rates further reduced to encourage start-ups – an excellent additional incentive for entrepreneurs.

1300 In addition to this, the Government has already announced that for bars and restaurants, the discount for the early repayment of rates will be increased by a further 20% to 40% between 1st October 2012 and 30th September 2013 and to 30% between 1st October 2013 and 30th September 2014, in order to assist in the introduction of the smoking ban. This assistance is now extended for another year until September 2015.

1305 Mr Speaker, Government will be setting up a small Fund to support the development of new start-ups in Gibraltar. We will set aside £250,000 of the surplus this year, and invite the Chamber and the Federation of Small Businesses to sit on the board of the Fund to consider applications from business start-ups for loans which would be secured and at competitive rates.

1310 Mr Speaker, our Social Insurance benefits will in future need to be funded, as far as possible, from the income receivable in Social Insurance contributions with less reliance on Government contributions. In this respect, the Government continues to study a number of proposed innovative reforms to our Social Insurance Scheme in order to make it self-financing for future generations of our community. An announcement in this respect will be made when the study has been completed.

1315 We had hoped to do this this year, but we have not been able to do so. As a result, once again this year, the cost of Social Insurance will *not* increase. This will, I know, be welcome by the business community as it will reduce again the cost in real terms by the rate of inflation. The reduction has therefore been in the order of 6% since we were elected, if calculated in that way.

In order to assist working families with the purchase of their homes, as well as those families who may need to move to alternative accommodation as their family composition changes, no Stamp Duty will be



payable by first-time and second-time buyers on the first £250,000 of the cost of their property, irrespective of the total cost of their new home.

The Government will arrange to provide soft loans to residential estates for funding projects to change traditional lighting within their residential estates to LED lighting. Approved projects will receive funding which would be repayable in a period of up to 10 years at an effective interest rate of 1% interest per annum, with the Government funding the difference in the cost of finance by way of a grant.

The Annual Pensioners Utility Grant, applicable to persons aged 60 and over, will be increased from £75 per annum to £100 per annum, with effect from 2014. Old age pensions will this year also of course increase by the rate of inflation. The Minimum Income Guarantee will similarly rise.

Mr Speaker, in line with this Government's commitment to keep the National Minimum Wage under constant review, the statutory minimum was increased from £5.40 to £5.70 in August 2012; from £5.70 to £6.00 in August 2013. This will now be increased again, in line with the Index of Retail Prices, from £6.00 to £6.11, with effect from 1st August 2014.

Mr Speaker, despite the continuing pay restraints in the UK public sector over the last few years, Civil Service pay in Gibraltar has continued to increase over the years as a result of the introduction by my predecessor of the increases in Gibraltar which kept up with the cost of living, which we analysed earlier today. These put the public sector in Gibraltar beyond parity. The Government will once again increase Public Sector salaries under the 2014 Pay Review, which will increase by 2.5%, with effect from 1st August 2014.

Mr Speaker, Her Majesty's Government of Gibraltar felt, as expressed in its election manifesto, that Her Majesty's Customs Gibraltar was under-resourced in the execution of its role as one of our Law Enforcement bodies and in particular in the administration of our country's imports and exports controls and one of our main sources of Government revenue.

We therefore embarked on a review process with stakeholders, which has now successfully concluded. The purpose of this process has been to deliver to our community and to those working at Customs a stronger department that transitions to a statutory disciplined body with its discipline code, the law enforcement functions of which will be specifically recognised and enshrined in a tailor-made Act of Parliament. Raising the status of that Department to be in line with other Law Enforcement bodies has been a key aspiration of all members of staff of the Department and of the representative bodies that represent them. This will also require the staff to adapt to these changes to meet the needs of the organisation.

To achieve this, Government and staff have now agreed to implement a roadmap in which individual points of this agreement will be introduced as and when they are ready to come into force. HM Customs have powers of arrest, search, detention, rights of access, investigation, seizure of goods etc. The remuneration of officers has therefore been increased to reflect their rank, duties, responsibilities, risks and exposure and any other duties that may be assigned to them.

The general restructure of the Department will be introduced to bring it in line with modern operational needs which will include, in salary terms, an agreed 12% increase which is in line with the proposal made by the previous administration to the men and women of that Department. A change of nomenclature to the current grades will reflect the new Law Enforcement status and separation from Civil Service grades. In order to deliver this change, Government will be creating new Customs Officer posts.

The advertisement for those posts has appeared in today's national press. Applicants will need to meet entry qualification requirements and attend a one-day selection programme to assess their suitability. With the introduction of a new structure, there will be six additional promotions at Senior Customs Officer level (HEO) and 17 new Executive Customs Officer posts (EO).

This proposal provides for an excellent step forward for HM Customs. It is designed to enhance opportunities within the Department and to add to officers' career prospects. The Government thanks all the parties for their positive involvement in these negotiations and for their patience in seeing the proposals through – a process which floundered under the previous administration as voted down and which has prospered now by a huge and overwhelming majority of officers backing the changes.

Mr Speaker, it is also true that Government has been in negotiation with the members of the City Fire Brigade (CFB) for some time. Under the previous administration there was little progress in the practices of the Brigade. Again, with good faith and hard work we have made huge advances in our discussions but have not yet reached final agreements in some areas, including progress on new premises. One thing that is clear is that the commitment is there from both the official and the CFB side to now accelerate and reach new agreements and understandings which are within reach and with which both sides will feel we are able to consider progressive and value for money, whilst ensuring we have the fire service our community deserves. For this reason, I am today able to announce that the Public Service Pay Review will be doubled for members of the City Fire Brigade and that the present 3% abatement applicable to their pay is henceforth eliminated.

Mr Speaker, this Government's commitment to law and order and the Rule of Law has been clear from the moment that we presented our manifesto to the electorate in November 2011.

1380 Mr Speaker, the RGP has enjoyed unprecedented access to resources in the time since we have been elected. This year, members of the public will have noted the arrival of splendid new BMW police bikes. New vehicles are on order. This week a further new police vessel has been launched, after we agreed to fund a full refurbishment of a forfeited vessel. Another very large vessel will be delivered to the RGP also during this calendar year, which will be aptly named *'The Sir Adrian John's'*. Why so many resources to this organisation? Because a commitment to law and order and a commitment as real as ours to the Rule of Law cannot materialise into reality without that level of delivery on resources and the commitment and ability of a Minister as able and dedicated as Mr Licudi.

1385 Indeed, Mr Speaker, the only accusation levelled at us in this respect is that we are *too* committed to the Rule of Law, even if it has required us to make difficult decisions about not accepting agreements that can see some break the laws of Gibraltar with impunity.

1390 And the primary instrument of law and order amongst our Law Enforcement Agencies is the Royal Gibraltar Police; an organisation of which everyone in this community is and should be justly proud.

Last week we saw 14 new Police Officers pass out on parade in the square outside. We were all reminded then in the programme that:

'Policing in Gibraltar presents unique demands and challenges. It is a difficult and demanding role.'

1395 Mr Speaker, that is only the tip of the iceberg of what we as a nation expect our Police men and women to do as they strive to work together with all of us to make our community safer.

Only last week, we have seen what is possible with the figures that speak to continued decreasing crime. I am delighted to say that Commissioner Yome's Neighbourhood Policing mechanisms are working at every level, something on which I am sure my colleague the Minister for Justice, Mr Licudi QC will be saying more.

1400 Mr Speaker, deciding to join the Police and deciding to stay are not things that any person would do simply on the basis of looking at earnings; but the Government accepts that such issues might in the future potentially affect recruitment and retention in this important body. I sincerely believe that the success of our Police is principally down to one thing above all else: the sense of vocation and love for this community and its safety, which makes our officers such an example to others.

1405 Mr Speaker, for that reason I am today announcing the removal henceforth of the abatement of 3% from officers' salary, and the doubling in the case of the RGP also of the Civil Service pay award of 2.5%, also as from 1st of August. In addition, Mr Speaker, we have wanted to see Police Officers be able to purchase their own homes for some years now. Officers who enjoy the benefit of Government housing do not pay rent or rates. Officers who have bought their own homes have enjoyed an allowance pegged at £76 for some years now, analogue to an average rent of a 3RKB Government quarter. Years ago there was even a central area of residence for Police Officers in the Old and New Police Barracks. Those days are gone and more and more of the new officers that are recruited are home buyers like so many others in our community. I am therefore today formally breaking the analogue in the RGP's housing allowance for officers who do not reside in Government accommodation. Given that it has been stuck for so long at £76, I am raising it today to £125 per calendar month with immediate effect.

1410 Mr Speaker, how apposite after dealing with the RGP and Customs, that I should now turn to deal with duties in relation to tobacco. In support of this Government's continuing efforts to discourage smoking generally among our community, and despite the sensitivities in raising the price of this commodity of which hon. Members are fully aware of, hon. Members will have noted that Import Duty on cigarettes was raised in April 2014 by 10p per packet, which followed a similar increase in December 2013.

We will now again raise the import duty on rolling tobacco, which was last raised in May 2013, with immediate effect from midnight last night, by 20% from £35 per kilo to £42 per kilo.

1425 Mr Speaker, we are conscious of the growth of the import duty collected in respect of this particular commodity in the past 18 years. For reasons related to public health arguments around the world, this is not in our view a future proof source of revenue and we are therefore keen to move our economy back to the situation we were in in 1996, when we left Government, which made income from that source surplus to expenditure needs. This requires short, medium and long-term work on which the Government has already embarked and is a sensitive area in which I trust that we will be able to work without attempts being made to undermine our efforts, in the interests of the whole community. As the whole House knows, this is an area exploited poisonously against us by our international political adversaries. We must not allow them to use any part of our national political debate to fuel their toxic discourse.

I will say no more at this stage about those strategic issues.

1435 I am, however, very proud of the fact that the Government can further demonstrate our commitment to the Rule of Law and law and order in the manner in which we have acted decisively in the banning of retailing of tobacco in the residential estates at Laguna and Glacis. I particularly want to thank the RGP and Customs for the work they have done and are doing in curtailing activity in these estates, other estates

where there are less serious but equally anti-social issues which we are going to tackle and generally throughout Gibraltar.

1440 We have also acted decisively in respect of the EU Commission's recommendations in this respect. The House has before it legislation to consider later in this session.

Mr Speaker, I am very happy to tell the House today, that in addition to the position we have taken in relation to Laguna and Glacis Estates, I have now directed the Trade Licensing Authority that I consider that it is not in Gibraltar's public interest for any further retail licences to be granted given the serious  
1445 reputational risk to Gibraltar and I have accordingly, within the parameters permissible in law, discouraged the Trade Licensing Authority from issuing any new retail or wholesale tobacco licences, unless an existing one falls away. I have also directed the Authority that I strongly encourage it to grant requests from holders of existing tobacco retail licences who may wish to move out of residential areas to areas not designated as Special Zones. A copy of my Direction to the Authority will be annexed to printed copies of this speech.

1450 Mr Speaker, in order to assist those businesses which have had to move their tobacco retail licences out of Laguna and Glacis, a 100% discount will be applied on General Rates payable in their new premises for one year and an additional capital allowance or tax credit is allowed equivalent to the relocation costs approved by the Commissioner of Income Tax in his discretion.

This year, Mr Speaker, there will be no increased duties on fuels.

1455 Mr Speaker, in pursuance of the Government's commitment to reduce the level of personal taxation for every taxpayer in Gibraltar, the following reductions in income tax will apply, with effect from 1st July 2014: taxpayers with assessable income of £10,500 or less will be brought out of the taxation system altogether and will pay no income tax. This applies to taxpayers in both the Allowance Based System and the Gross Income Based System.

1460 A tax free allowance of up to £3,000 over two years is introduced for both the Gross Income Based System and the Allowance Based System for the installation of solar energy for boilers. A streamlined application process will be applied for any necessary Town Planning applications, along with a waiver of any fees payable.

Taxpayers under the Allowance Based System will benefit from the following increases in allowances:  
1465 Medical Insurance Allowance is increased by 100% from £2,000 to £4,000; Nursery School Allowance is increased from £3,000 to £4,000 per child; the Blind Person's Allowance is increased from £3,000 to £4,000; the Disabled Individual's Allowance is increased from £5,000 to £6,000.

At present, any deductions for disabled individuals under the Income Tax (Allowances, Deductions and Exemptions) Rules 1992 are dependent on whether the parent or individual claiming the income tax allowance is in receipt of financial assistance out of the Social Assistance Fund. However, eligibility to  
1470 financial assistance out of the Social Assistance Fund is dependent on the applicant residing in Gibraltar for a period of five years. Even though this five-year residence requirement will remain in force for social assistance purposes, this requirement will be dispensed with for the purposes of obtaining an income tax allowance on the grounds of disability.

1475 Single Parent Family Allowance is increased from £3,000 to £4,000; Personal Allowance is increased from £3,000 to £3,100; and Spouse Allowance is increased from £3,000 to £3,100.

For those taxpayers who have elected to pay income tax under the Allowance Based System, the tax rate for the taxable income bracket ranging from £4,001 to £16,000 will be reduced from 24% to 18% as set out in our manifesto.

1480 Taxpayers under the Gross Income Based System will benefit from the following measures.

In order to further assist working families with the purchase of their first-time home, a deduction from assessable income of £6,000 will be made to taxpayers under the Gross Income Based System in respect of approved expenditure incurred towards the purchase of their home, during the tax year commencing 1st  
1485 July 2014.

In order to encourage saving for retirement by way of employee contributions to approved pension schemes, a deduction from assessable income of £1,200 per annum will be made to taxpayers, under the Gross Income Based System, in respect of contributions made with effect from the tax year commencing  
1490 1st July 2014.

For those members of our community who choose to have private medical insurance, a deduction from assessable income of £2,500 per annum will be made to taxpayers under the Gross Income Based System, in respect of premiums paid for such cover with effect from the tax year commencing 1st July 2014.

Mr Speaker, at present any employment-related loans made to a director, a shadow director or any connected person is treated as earnings from employment and is taxed as a benefit-in-kind. This applies to all loans or advances irrespective of whether an arm's length rate of interest is paid or not. I believe there  
1495 are genuine cases where a company may wish to make a loan to a director and expect a repayment to be made and interest paid. I am therefore happy to announce that, with effect from 1st July 2014, all loans or advances made to a director, a shadow director or any connected person and the terms of the loan is such that an arm's length rate of interest is paid and that the loan agreement has received the approval of the

Commissioner of Income Tax then such loans or advances shall not be treated as earnings from employment.

Mr Speaker, the standard rate of tax for individuals currently stands at 30%. This rate has remained unchanged for over 25 years notwithstanding reductions in tax rates in both the Allowance Based System and the Gross Income System. Today no-one pays tax at an effective rate of more than 25%. Therefore, with effect from 1st July 2014, the standard rate of tax for individuals is slashed to 20%.

Mr Speaker, the income of a trust resident in Gibraltar is currently charged to tax at the standard rate of 30%. With effect from 1st July 2014, the standard rate of tax for trusts is reduced to 10%.

Mr Speaker, changes are being introduced to the Pension Scheme Guidelines by the Commissioner of Income Tax, which will permit members of Approved Pension Schemes in Gibraltar to continue as active members and make contributions to such pension schemes, even whilst not in employment. Mr Speaker, this will encourage all members of our community, whether or not they are in active employment and indeed the self-employed, to save for their retirement.

Mr Speaker, the Government is also pleased to note that the Provident Trust Pension Schemes have been approved by HM Revenue and Customs in the UK as Qualifying Recognised Overseas Pension Schemes or QROPS.

This QROPS approval, together with the changes to the Pension Scheme Guidelines mentioned previously, will be of particular benefit to Barclays Bank employees in Gibraltar who may wish to transfer their UK pension funds to Gibraltar, following the decision by Barclays Bank to close its retail business in Gibraltar.

Mr Speaker, in my last Budget address I stated that occupational pensions received by retired members, aged 55 or over, of the Royal Gibraltar Regiment would be exempt from income tax. I am now delighted to announce that this measure will also be extended to members of HM Customs Department, in keeping with the implementation of the agreement entered into with Government which I have already announced to the House. In addition to this measure, we shall be awarding to retired members of the Royal Gibraltar Regiment and HM Customs social insurance contribution credits as from the age of 55. In doing so, we shall be bringing the Royal Gibraltar Regiment and HM Customs in line with the Royal Gibraltar Police and other uniformed bodies. This will take effect as from 1st July 2012 for the Royal Gibraltar Regiment and from the effective date of the implementation of the aforesaid agreement for Customs.

Mr Speaker, in last year's budget, I announced that the Government was considering the introduction of a Payroll Giving Scheme, thereby allowing tax-free charitable donations to be made to approved charities through employment earnings. I am now delighted to confirm that this Scheme will shortly be introduced, enabling any person who pays income tax in Gibraltar to give regularly and on a tax-free basis to approved charities of their choice.

Donations under the Payroll Giving Scheme shall be capped at a maximum of £5,000 per taxpayer per annum.

As a separate measure, Mr Speaker, places of worship of all faiths and denominations recognised as such by the Chief Executive Officer of the Gibraltar Electricity Authority will enjoy a credit against their electricity bill of the average of their consumption in the past two financial years, each year.

Also separately, all spousal allowances will now apply between civil partners as a result of the Civil Partnership Act, as the House is aware, Mr Speaker. Today I am announcing that the Government will now consider claims for allowances or benefits payable from individuals who are or have been in common-law partnerships in respect of allowances or benefits payable to married couples or couples in a civil partnership, if the relevant individuals can satisfy the relevant officers of the administration who are in charge of payment that they are or have been in such common-law relationships. Discretion will remain with the relevant officer, subject to review by the Chief Secretary as appropriate. Legislation may be required for this long overdue change.

Finally, in order to encourage the construction of office accommodation in Gibraltar last year, I announced that any such developments on which construction commenced on or before 31st March 2015 would be allowed a Capital Allowance deduction in the first year following completion of construction equal to 30% of construction costs and the remaining 70% written down over the following seven years. This allowance will be claimable in part or in full by either the developer or the occupant up to a maximum claim of the full construction costs. Construction costs will be considered to be those costs wholly, and exclusively laid out or expended in the construction of the office accommodation, including all primary planning, design and associated costs but excluding the cost of the land.

That measure has met with a huge success, Mr Speaker. A number of such schemes are now in development and about to break ground seeking to meet the deadline of March 2015.

As the Government is presently providing for the market in affordable homes, we are therefore now extending the measure I made for office accommodation to developments of high value accommodation, where ground is broken before December 2015.

In the same way as Gibraltar needs affordable homes for our people we also need to stimulate the market in high end homes for those who wish to re-settle in Gibraltar.

Mr Speaker, one of the products in our Financial Services Sector which has certainly stood the test of time and which has led to many people resettling in Gibraltar in luxury homes – and in that way added to our economy very significantly – is the Category 2 Individual Status. Professionals across the sector have used and worked with this status in the structuring of their clients’ personal affairs since this was first implemented in 1992 as the then High Net Worth Individual Status.

Yes, Mr Speaker, this hugely successful financial services product was introduced by the last GSLP administration and unfortunately has not been seriously reviewed since that time other than by the hiking of the tax payable by those who hold the status.

This particular product is one which involves personal status and residence issues and is therefore also one in respect of which I carry ministerial responsibility for that reason.

We firmly believe that it is the duty of Government to work in partnership with the private sector to maintain our portfolio of products current and updated in an ever-changing world and to ensure that these products remain relevant to the needs of Gibraltar’s clients.

I am therefore, Mr Speaker, delighted to announce today that an inter-ministerial committee comprised of my office and the office of the Minister for Financial Services and Gaming, the Hon. Albert Isola, my Government has commissioned a long overdue review and report of the Category 2 product, and to this end has engaged and instructed the professional services of the leaders in their field in each of these areas.

Mr Speaker, the professional working group will be asked to consider and report on all aspects of this product and its development. They will engage with existing holders of this status as well as with those involved in the application process to ensure that applicants enjoy the benefits of a product that is fit for purpose in today’s world and delivered in a manner that meets the expectations of those we are seeking to attract to Gibraltar. They will also be in contact with professional intermediaries outside of Gibraltar who are experts in the field.

In terms of the Government’s affordable home ownership scheme, progress is huge and for all to see at the building sites at Eastern Beach and Waterport.

We are well down the road of the construction of the first projects and the acquisition of the Queen’s Hotel will allow us an opportunity to develop even more rental housing for the elderly near the town centre.

Mr Speaker, the Government is nonetheless of course conscious of the difficulties currently being experienced by prospective home owners in obtaining finance from mortgage-providers in Gibraltar, especially mortgages for financing the purchase of their homes under the Government’s co-ownership schemes.

The Government is in advanced discussions with the local banks and other financial institutions in this respect, and is considering proposals which will lead to an increase in the availability of such mortgage finance in order to assist the growing number of working families who would like to own their own home – and that is most of them, Mr Speaker.

The Government is also working on proposals to provide further assistance in order to free up some of the pressure on the mortgage market by arranging facilities for public sector employees who may wish to purchase their homes under any of the Government’s home ownership schemes. Government is seeking to arrange that such loans be secured against their pensions and gratuities. This would enable many public sector employees to purchase their own homes in cash without the need to have a mortgage on their property with interest charged at market rates, on a reducing-balance basis. Interest and any capital repayments would be deducted from their monthly salaries, with the loans being repaid in full upon the employee’s retirement or earlier departure from Government service.

Moreover, Mr Speaker, the Government will also now be extending the 50/50 scheme to the sale of its Post War Housing Stock to sitting tenants and eligible relatives. We shall shortly be communicating with those who were eligible to purchase to advise them of how this extension of the scheme will work in relation to that part of the Housing Stock.

Mr Speaker, as a further measure to assist those who may wish to buy their home in cash and who may have their savings locked up in fixed-term debentures with either the Government of Gibraltar or the Gibraltar Savings Bank, such debenture-holders will be given the option to redeem their debentures before the maturity date with no penalty, if they can satisfy the Financial Secretary that the redemption monies will be applied for that purpose.

Mr Speaker, I have received a petition from Unite the Union signed, amongst many others, by Members of the Government and the Opposition in which we were asked to consider the possibility of making it compulsory for every individual in the private sector to have a pension. I am today creating a working group to be made up of the relevant unions and employers’ representative bodies including the Chamber of Commerce, the Gibraltar Federation of Small Businesses and Unite the Union, onto which we will also invite the Gibraltar Betting and Gambling Association in order to consider whether such measures are feasible in the context of our economy. I am aware that these measures are now in place in the United

1620 Kingdom and I want to recognise and praise the work done by Unite in understanding the way in which these systems have been introduced in the UK by the Conservative Liberal Coalition who have done so in a manner that appears to have enjoyed the support of employers and employee organisations. I will be asking Michael Crome from my office to Chair that Working Group.

1625 Finally, before rounding up Mr Speaker, I am delighted to announce that the Government will be creating two annual scholarships to be available to children under the age of 18 who are exceptionally gifted in the arts and who are able to obtain placements to progress their development and the study of music, dance or another art other than at degree level which is covered by the present Scholarship programme.

1630 Mr Speaker, last year I was very disappointed that the hon. Gentleman did not actually reply to my budget address. Just like I did last year, I have again made a very large number of announcements this morning which are clearly for the good of our community. I have disclosed important figures that demonstrate that some of his criticisms throughout the year have been entirely unfounded. I have shown that his oft expressed concern about the growth of recurrent expenditure is actually something they created whilst in government that we are now taming and bringing under control.

1635 I trust that this year he will in his speech respond to these matters and not simply deliver what he has come prepared to say. I do hope he will specifically respond to what I have said and not just fall into the trap of delivering his prepared text; because his analysis will be less than relevant if all he says to us is that he is worried about rising recurrent expenditure, blaming us for what he says is a £66 million rise without addressing the fact that it has actually grown principally as a result of what his previous leader used to call untameable market forces and as a result of the things they did when they were in government before they left.

1640 Mr Speaker, I want to thank the unions who have worked with me this year, the Chamber, the Federation, ATCOM, the Finance Centre Council and all others for their input. Not all their requests or shopping lists can be accommodated, but good input from those organisations helps us to better calibrate this appropriation and to consider how some structures may change to accommodate innovative suggestions in the future. We will certainly continue our full engagement with them.

1645 It is also right of course that I should thank all public servants of Gibraltar, without whom Government cannot operate and who in great measure are as responsible for these great results as any of the 10 of us on this side of the House.

1650 In particular, Mr Speaker, our thanks to you, the Clerk and staff of the House for bearing with us this year. This month we continue the work of refurbishing the work areas of Parliament behind the Speaker's Chair and as a result I am happy to announce that there will be no July session. It is an issue which we have considered in the Select Committee in any event.

1655 I apologise in advance to you and your staff, Mr Speaker, for the disruption the refurbishment will create and trust that the absence of a meeting whilst it is ongoing will minimise the effects it will have on your work which, as Members know, but the rest of the community may not be aware, continues even when Parliament is not in session. The installation of the lift to make the Chamber accessible will also now commence in earnest, and I understand is expected to be finished in time for the October sitting.

1660 Again, this year, this is a useful moment to extend a very special acknowledgment also to the staff of No. 6 Convent Place, especially the team that works on my corridor of the building.

Two and a half years in, and it is very much thanks to them that I never feel alone at any time of the day or night when I am working at our nation's challenges at that emblematic address, and that is finally being transformed – as Members Opposite and on this side will know – into an address which is the representation of the modern Gibraltar and not what it was.

1665 Today, I also want to continue the tradition I established, which I think is fitting in a system of real Cabinet Government, of publicly thanking all other members of the ministerial team, for their sterling efforts in the course of this past financial year. It is that work and the work of the civil servants who work alongside us that delivers these excellent results.

1670 Because it is quite clear to me, Mr Speaker, and no doubt to people outside this place, that this is a *game-changing budget*; a game-changing appropriation of monies for our community.

This Budget shows our community that our long-term strategy for the future of this nation of ours is starting to bear fruit.

Already, the rainy day funds are well established once again in Community Care, now with over £80 million on deposit.

1675 Already, the rainy day funds are well established once again in the Savings Bank, where reserves are estimated to be restored again to the level at which they were before Members Opposite took the money for their general purposes – talk about using savers' money for the Government's own purposes!

Mr Speaker, this is the Socialist Liberal Government's third budget, which once again delivers social justice for all our community.

- 1680 This is a budget for people of aspiration; for hard working people who are the spine of our success as a community.  
Because this budget demonstrates that we care about the people who cannot pay their bills and who are not riding high and we care about businesses that are not doing as well as they could because of the attempts to strangle our economy.
- 1685 This is a budget for entrepreneurs and the working man and woman.  
A budget not for those who put out their hands just to take; it is a Budget for those who put out their hands to work and for those who genuinely cannot work.  
And these are exciting times for business in Gibraltar.  
Entrepreneurs can see there is a Government in Gibraltar that is on their side.
- 1690 A Government that understands their needs.  
A Government that wants to see growth continue and spread to every sector of the economy.  
A Government that understands each taxpayer is a shareholder in this common enterprise that we call the nation we are building.  
And our role is to ensure that we maximise shareholder value in everything that we do: adding shareholder value in tangible, economic terms and in non-tangible non-economic ways too; a balancing act that we are getting right at every turn.  
We are delivering game-changing developments like Commonwealth Park in partnership with responsible charitable organisations like the Kusuma Foundation, whilst also delivering game-changing surpluses.
- 1700 And we are not just relying on established industries and established standards.  
We are dragging Gibraltar out of the culture of mediocrity; we are reaching out for a better standard and new businesses.  
We take not just the low-lying fruit of the established sectors; we go further to try to establish new industries with innovative thinking and set our sights on the future, not just the present and the past.
- 1705 And that is what is resulting in investors breaking ground on new office developments which just would not get off the ground before we were elected.  
That is why we already have a fabulous new 5-star hotel already operating, barely 30 months after our election – organising functions Gibraltar could never have hosted before.  
We can see we have the confidence of the financial services sector which has grown in jobs since our election, despite the challenges that industry faces.
- 1710 We can see the confidence from the gaming sector which has grown in jobs since our election despite the challenges that industry faces, *by almost 50%*, Mr Speaker.  
We enjoy the confidence of unions and employers' representative organisations, because we listen and we act when we believe their ideas are better than ours.
- 1715 But we are clear that we enjoy the confidence from all sectors of society because we are working *for* all sectors of society and delivering to all sectors of society.  
And so I say, Mr Speaker, to every member of our community, whoever they may have supported at the last election: this is a budget for you: for those of you who voted GSD or PDP, for those of you who mixed your vote and for those who did not vote at all as much as for those who voted GSLP/Liberal, because we are a government for *all* of Gibraltar – as we promised to be *and we make absolutely no apology for that!*  
We are a government delivering a budget for workers and for entrepreneurs; for those on middle class incomes and working class incomes; for the worker and for the business man.  
A budget that delivers social justice for all of our people, as we will endeavour to do in every appropriation we bring to this House.
- 1725 A budget that demonstrates that we will take *no lessons in finance* from those who left Gibraltar with just £2 million in the bank when they left.  
We will take no lessons in democracy from those who financed their party newspaper exclusively with taxpayers' money or hardly called any meetings of this Parliament when they could.  
Because this is a budget of a government that will always put country before party and not the other way around.
- 1730 This is a game-changing budget, Mr Speaker, that sees our people basking in the bright sunlight of the new dawn.  
A budget of a record-breaking surplus that exceeds even the record-breaking estimate.  
A budget of useable cash reserves up again to almost £100 million – *50 times* the paltry £2 million the Members Opposite left behind.
- 1735 A record high in Gibraltarians in employment.  
And Gibraltar now third in the international rankings of GDP per capita with people enjoying the benefits of that in the carefully targeted spending commitments of their Government.  
Mr Speaker, more cash, more jobs, more surplus and much more transparency and democracy than ever before.
- 1740

Not just a record-breaking Socialist Liberal Government; a *game-changing Socialist Liberal Government for all our community*.

1745 Mr Speaker, it is therefore with both great pride and humility in having been allowed to present the fruits of the work of this whole team in the opening address in this debate, that I commend the Bill to the House. (*Banging on desks*)

**Mr Speaker:** Having regard to the fact that hon. Members have remained in their seats for over two and a half hours, including the Clerk and myself, I think we should have a very short comfort recess, not exceeding 10 minutes.

1750 The House will now recess.

*The House recessed at 12.45 p.m. and resumed its sitting at 12.57 p.m.*

**Appropriation Bill 2014 –  
Second Reading –  
Debate continued**

**Mr Speaker:** The Hon. the Leader of the Opposition.

**Hon. D A Feetham:** Mr Speaker, it is an honour for me to rise to deliver my second budget speech as Leader of the Opposition.

1755 As I said in my budget speech last year, the Opposition will never make political capital against the Government at the expense of this community or without clear justification. Where we can work with the Government, we will do so. Where on balance it is justified and we believe that for the sake of national unity we need to be adopting a different policy to the ones we have held in the past, we will also do so. We will not stick rigidly to partisan political lines, even where intellectually we would have been justified in doing so, if on balance it does not serve the national interest.

1760 Thus for example, we attended the National Day Rally last year, despite our long held position in Government to depoliticise National Day. We have also done so on attendance at the United Nations Committee of 24, where I said publicly on more than one occasion on first becoming my Party's Leader, that although we do not resile from our Party's long standing position that the 2007 Constitution created a modern, non-colonial relationship with the United Kingdom with the maximum level of self-government, short of independence and compatible with continued British sovereignty, we would for the sake of national unity attend, provided that I could see the Hon. the Chief Minister's speech beforehand and agree the text with him.

The hon. Gentleman has not taken me up on that.

1770 On the attempt by the UK Prime Minister, David Cameron, to negotiate new terms of membership with the EU, I brought a motion to this Parliament within weeks of becoming Leader of the Opposition, calling on the Chief Minister and myself to work together so that Gibraltar's interests could be protected. Not once have I been briefed, despite his recent unilateral decision to undertake a consultation exercise on Gibraltar's inclusion in the Customs Union and Schengen.

1775 On our relations with Spain, I have said on many occasions again, from very soon after I became Leader of the Opposition, that he and I should work together and devise a common strategy, and for us to be an example to future generations of politicians here in Gibraltar. He has never taken me up on that either.

1780 Last year, for two months we suspended normal political activities and criticisms of the Government, to give the Government the political space to resolve a difficult situation in the aftermath of the laying of the concrete blocks. He briefed me for those two months but the briefing ceased as soon as normal political exchanges resumed.

1785 There are therefore many initiatives from this side of the House where we have held out an olive branch to the Government on issues of national importance, and the reality is that for whatever reason, they have not been taken up by the Government. Indeed we have gone, Mr Speaker, far further than they did when they were in Opposition.

That said, Mr Speaker, what the Government cannot do is equate its own narrow political interests with the interests of this community of Gibraltar. Every time it is met with criticism on their handling of public finances and indeed on their handling of relations with Spain. They are not the same and indeed, I note, Mr Speaker, that he has done precisely that during the course of his speech here today, this morning.

1790 Thus, whilst we welcome some of the measures – for example, the measures to encourage savings and also the measures to stimulate trade in Main Street – that the hon. Gentleman has announced today and indeed the growth of the economy, we continue to have very real and considerable concerns about the way



that the Government is managing our public finances, including the opaqueness surrounding the expenditure of the Gibraltar Savings Bank and Credit Finance Company Limited and the legacy of debt and spiralling expenditure that the hon. Gentlemen is leaving future generations of Gibraltarians.

The seeds for the opaqueness management of our public finance today were sown by the Chief Minister in his political discourse at the last election, as we will see in a moment. It is a discourse that goes to the heart of whether hon. Members, and the Chief Minister in particular, deserve the trust of the people of Gibraltar at the next election, Mr Speaker.

The reality is that the Hon. the Chief Minister's position remains riddled by substantial, fundamental and presentational contradictions, as he himself has always known and which I said last year during the course of my Budget address, would catch up with him sooner rather than later if it had not already done so. Well, Mr Speaker, it has caught up with him in this Budget, for reasons that I am going to be developing in a moment.

Mr Speaker, what this Budget shows is that the Big Lie has well and truly unravelled. (*Banging on desks*) Highest net public debt in the history of Gibraltar in monetary terms. Substantial increases in gross debt despite the Chief Minister's address last year and his predictions that gross debt would actually go down. Highest levels of recurrent expenditure in Gibraltar's history.

It is not surprising, Mr Speaker, that the Hon. the Chief Minister has been so defensive about recurrent expenditure this morning, and he uses and deploys the well-known and tiresome mantra of 'blame the GSD'.

Well, Mr Speaker, what the Chief Minister cannot do is on the one hand argue that our public finances were in a ruinous state in 2011 and claim credit for some miracle in two and a half years, whilst saddling the GSD with recurrent expenditure (**Several Members:** Hear, hear!) (*Banging on desks*) because it was our fault, Mr Speaker. Mr Speaker, the French saying, *Qui s'excuse, s'accuse* comes to mind and the Chief Minister has done it perfectly this morning.

Mr Speaker, increases in recurrent expenditure outstripping increases in recurrent revenue in both percentage and monetary terms; highest ever reliance on import duty, despite the Chief Minister decrying our dependence on it rightly, from the Opposition Benches; overspend across the majority of Government Departments; and a very worrying propensity Mr Speaker, for overspend in the Chief Minister's own Department, No. 6 Convent Place, Mr Speaker. It really is, money is no object when it comes to No. 6 Convent Place, (**A Member:** Hear, hear.) as we will see in a moment.

This, Mr Speaker, from the gentleman that used to criticise his predecessor, Sir Peter Caruana for his expenditure, when he makes Sir Peter Caruana look like a veritable scrooge in comparison, Mr Speaker. And that, without taking into account the opaque investment – because that is what it is – of £400 million by the Gibraltar Savings Bank in Credit Finance Company Limited, over £70 million of which the Government has already spent.

Mr Speaker, if the Government has spent that £70 million directly, instead of using savers' money as its credit card, and accounted for that expenditure in these estimates of revenue and expenditure, the Government would not be making anywhere near the kind of surplus it is making and declaring today, Mr Speaker. Indeed, it would be making a mere loss. That is the fundamental reality of this budget, Mr Speaker. (**Several Members:** Hear, hear.) (*Banging on desks*)

Mr Speaker, for the last two years my predecessor as Leader of the Opposition and I, Sir Peter Caruana, have been describing the 2011 Election as the Big Lie election, involving not one big lie, but two big lies. One on the state of public finances and the level of public debt, which he described as astronomically high or in excess of the legal borrowing limits; and a second lie about electoral promises made to the electorate, which were quite frankly undeliverable in the way that the Chief Minister said that they were going to be delivered, Mr Speaker.

He promised £750 million of capital projects and indeed huge increases in recurrent expenditure to boot. He promised to freeze rents, rates, electricity, to cut income tax, the effective rate, from 25% to 15%, to cut public debt by half and to donate every single last penny of Government surpluses to Community Care. Mr Speaker, a veritable miracle by biblical proportions.

And it does not take a rocket scientist to work out that if you are going to increase Government capital and recurrent expenditure to those very significant – and by Gibraltar standards – astronomical levels, whilst at the same time cutting the income available to the Government – because what you are doing is, you are cutting income tax, freezing rates, rents, electricity, cutting the public debt and donating every single last penny of Government surplus to Community Care – how on earth did he expect to pay for it all, Mr Speaker?

In his very first address to this community on 18th January 2012, he appeared on public television on an emergency basis and spoke quote 'serious public debt problem'; quote 'a serious public finance problem'; quote 'an impenetrable curtain'.

He then went on to create the impression, an impression that he reinforced in the budget last year and he has done so again this year, that there was somehow a sinister £100-million black hole in the public finances of Gibraltar.

Mr Speaker, it is a claim that he even repeated on Spanish television last year! If I had made such a criticism of his Government on Spanish television, I would have been required to walk in procession, Mr Speaker (*Banging on desks*) from College Lane to No. 6 Convent Place, self-flagellating myself in the process, prostrating myself in front of No. 6 Convent Place, until his party machinery had forgiven me for my supposed sin, Mr Speaker.

But of course, what he does not do, he does not judge his political opponents by the same standards that he judges himself, Mr Speaker.

And Mr Speaker, yet by the beginning of last year, when challenged by a GBC reporter on the levels of Government spending in the light of that very bleak picture that he painted, barely 12 months earlier, he said that the Government, and I quote ‘had cured’ any public finance problems that he had inherited. Mr Speaker, from financial ruin to the land of milk and honey in barely 12 months! Mr Speaker, *it is simply not credible*.

And of course Mr Speaker, he had to find a miraculous cure pretty quickly, because this was a Chief Minister that was going to be embarking on some of the most expensive capital projects that we have seen in Gibraltar, Mr Speaker. He would be soon spending money as if there were no tomorrow: 1,000 affordable homes at a cost of over £100 million; the cladding and improvement to three estates at a cost of nearly £100 million; the small boats marina at a cost of £24 million. Sandy Bay at the cost of between £5 and £10 million; £4.5 million Mr Speaker on a semi-Venetian palace at No. 6 Convent Place, Mr Speaker! (**Several Members:** Hear, hear.) (*Banging on desks*) the Queen’s Cinema, Commonwealth Park and £25 million as he has today announced on the Gibraltar International Bank, to name but a few.

But also, Mr Speaker, importantly, *huge* increases in recurrent expenditure.

Mr Speaker, last year I said that in comparison to the financial year ending 31st March 2012, the projected overall, the current expenditure for the year ending 31st March 2014 will have risen by £66.6 million per annum or £5.5 million per month. In fact, Mr Speaker, the recurrent expenditure has risen during that period by £95.6 million per annum or £7.96 – nearly £8 million – per month. That includes increases in recurrent departmental expenditure of £76.6 million; recurrent contribution to Government-owned companies of £9.6 million and £9.4 million paid in previous years to the Social Security Fund, which this year has inexplicably been transferred as a one-off payment out of surplus, which has artificially increased the size of the surplus, only for that money to then be paid from the surplus to Community Care.

In other words, in the past, £9.4 million was paid to the Social Security Fund, from there to Social Assistance and then from there to Community Care. This year, it has been treated as part of the surplus and from there it has been paid directly to Community Care.

Mr Speaker, I will return to this later on, but for present purposes, it represents an increase of 28% in recurrent expenditure from the position that it was in March 2012, when the hon. Gentleman first gave his first Budget speech. Even if you take the £9.4 million from recurrent expenditure, as they have done, recurrent expenditure would still be £86.2 million more than it was in March of 2012, Mr Speaker. An astronomical increase by anybody’s standards from a Government that won the election claiming that the public finances of Gibraltar were in a ruinous state, Mr Speaker.

But it is the implications of these huge increases for the community and not the big lie in itself that concerns me, as I will explain in a moment. But the big lie is the reason for the hon. Gentleman’s blind gamble – for that is what it amounts to, a blind gamble – with the future of our children and our children’s children, because these levels of public expenditure are simply not sustainable and someone at some point in the future is going to be left with an almost impossible task, when the mess that he is creating comes back to bite us all, Mr Speaker.

Mr Speaker, recurrent expenditure for next year is expected to rise by 32% from the position it was in March 2012 to £108.95 million per year, an increase of £9 million per month. But Mr Speaker, almost across the board, there have been huge increases in expenditure and overspending in Government Departments from the levels that he predicted in his budget last year. Twenty-four out of 41 Government Departments have spent more than their allocated budget – 24 out of 41 Government Departments are overspending, Mr Speaker. No. 6 Convent Place is spending £16 million per annum today, compared to £7.5 million per annum in March 2012, Mr Speaker. (*Interjections*) It is an excess over budget of 45%. The hon. Gentleman cannot even keep within a budget in his own Department in No. 6 Convent Place, Mr Speaker!

Mr Speaker, No. 6 Convent Place is spending £16 million today, compared to £7.5 million in March of 2012 – an increase of 112% rise in expenditure in the Chief Minister’s own Department since March 2012. Now, the Chief Minister may argue in his response, that the IT Department is within his budget now. Therefore that would account for a large part of the increase because the IT Department accounts for £1.1

million of the increase. However, even that £1.1 million, Mr Speaker, that increase only happened when the IT Department was within his control, was within part of No. 6 Convent Place.

1915 Even if I were to give him the benefit of the doubt for the increases within the IT Department, and other Departments which have moved in and out since March 2012, there is still a rise in overall expenditure of £7 million, which is still an increase in his Department of 93.5%, Mr Speaker, and the increase is across all the items within his Department. Total payroll, Mr Speaker, at No. 6 Convent Place has increased from £2.2 million in March 2012 to £4.26 million in 2014, with a further increase to £4.4 million by 2015.

1920 As at March 2014, No. 6 was spending £2 million, or 91%, more in salaries than it was in March 2012. Excluding the IT Department, it equates to 36% increase in salaries, Mr Speaker.

1925 In 2015, the Chief Minister plans to increase the levels of staff by seven more bodies. That is more than the total increase planned for the GHA during the same period, Mr Speaker. Legal consultancy fees for No. 6 Convent Place have increased by £666,000 in March 2012 to £2.25 million in March 2014 – an increase of a staggering 237%. This despite significant increases in legal staffing levels employed directly by No. 6 Convent Place during the same period. For the first time, there is a Head for Media Monitoring which comes in at £475,000.

Mr Speaker, I know that he likes to spend an awful lot of time monitoring what everyone says on social media, but £475,000 on media monitoring is an awful lot of money to spend on media monitoring.

1930 Travel and entertainment was an item that I focused on last year. The estimated figure was £390,000. The actual was £1.3 million, or a massive 287% over budget, Mr Speaker.

Mr Speaker, it is a question of priorities. Priority is a word that he ought to learn and ought to be in his vocabulary, Mr Speaker. I really cannot understand how all this expenditure on his offices can be justified when one looks at the priorities for this community, especially from a ‘new dawn’ Socialist Party that claims to be the people’s party, Mr Speaker.

1935 One has to ask what benefit is there to the ordinary man in the street by this extravagant spending and overspending on No. 6 Convent Place? Mr Speaker, there has rightly been a public outcry regarding the availability of doctor’s appointments at the Primary Care Centre. The overspend on travel and entertainment alone of £920,000 could have employed 10 doctors for a year, Mr Speaker, which would have dramatically reduced waiting times. Yet the priority is given to the Chief Minister’s own offices and it would appear his own comfort, Mr Speaker. (*Banging on desks*)

1940 Perhaps the next time that the leader of the new dawn socialists is near the Primary Care Centre, he should pop in and explain to all those people who are hours waiting to see a doctor, why he is spending so much money on his own offices, on his own staff, on his own travel and entertainment when they have to wait hours to see a doctor, Mr Speaker. (*Banging on desks*)

1945 None of this of course takes into account the £4.5 million plush upgrade to his offices or the Jaguar or the Tesla or the three or four Mercs, Mr Speaker and he had the audacity to criticise his predecessor for the gas-guzzling Jaguar, Mr Speaker!

1950 Turning to other Departments, Culture and Heritage: estimated spend was £3.7 million; the actual came in at £5 million, which means a 35% over budget. Utilities: the estimate was £48 million; the actual spend was £64 million, which means 33% over budget. Human Resources: the budget was £1.4 million and the actual has come in at £2.4 million, which means a 64% over budget. Treasury: the projected expenditure was £16 million; the actual came in at £17 million or 6% over budget.

1955 Mr Speaker, the Hon. the Father of the House is not here to listen to my response to the Hon. the Chief Minister’s Budget, but I know that he delights in reminding me, Mr Speaker, that he has known me since I wore short pants. The issue whether I wore short pants or not shall forever remain a bone of contention between him and I, but we do go back a long way and I know him as well as he knows me – and he must be absolutely gritting his teeth, Mr Speaker, at forming part of a Government that is spending at the levels that this Government is spending, Mr Speaker, and overspending across Government Departments!

1960 Whatever happened, Mr Speaker, to his famous and I think correct policy of the rainy day fund policy, Mr Speaker? And Mr Speaker, to the extent that he forms part of a Government – a *Socialist* Government Mr Speaker – that agrees to pay a former Socialist activist in Hong Kong, £250,000, Mr Speaker! Ten times the national wage average here in Gibraltar, inclusive of the private education of his children, Mr Speaker. Since when have socialist governments anywhere in the world, Mr Speaker, paid for the private education of anyone’s children, Mr Speaker?

1965 The reality is that the Hon. the Father of the House is going to remain, Mr Speaker, the only non-champagne-drinking Socialist at this rate, on the Government benches, Mr Speaker! (*Laughter and interjection*) I hope that he is listening to this, because at this rate – and I hesitate to make the point, because Mr Speaker, I will incur the full wrath of his response – but at this rate, he is going to feel more at home on these benches than on theirs, because at least I used to listen to him when he used to talk to me about the need for financial prudence and the setting aside of a little bit of money in order to meet a situation when the going gets tough – a lesson that obviously the Hon. the Leader of the new dawn Socialists has simply not learnt, Mr Speaker.

But Mr Speaker, I now turn to recurrent revenue.

Recurrent revenue increased by 19.97% since March 2012, whilst I have already indicated, that expenditure has risen by 28%. From March 2012, recurrent revenue has increased by £90 million. Of that amount, £54.45 million or 44% was accounted for by an increase in import duty. Mr Speaker, increases in current expenditure are expected to continue to outstrip increases in recurrent income in both percentage and also monetary terms next year. The expected rise of revenue for March 2015 is only £2.5 million. The expected rise in expenditure is £22.8 million next year. What is concerning about these figures is that the bulk of the increase in recurrent expenditure is attributable to import duty.

In March 2011, import duty accounted for 25% of total Government revenue. Today it accounts for 32.6%. Mr Speaker, when he was on these benches and in these debates – indeed in the speech that he gave when he was Leader of the Opposition, his only one – he said that we needed to cut dependence on tobacco revenue. Well, Mr Speaker, I agree but dependence on tobacco revenue is going up, it is not going down and it has been two and a half years on his watch that this has continued to happen.

Mr Speaker, that careful calibration between increases in recurrent revenue and expenditure which the Government predicted at the last election is not happening because the Government's expenditure is out of control. That is the reality. I recently said in the *Gibraltar Chronicle* that the Government is creating the ingredients for a perfect storm in future and I have to say that I am more worried than ever having read these figures for this debate. And I emphasise again, that you cannot hermetically seal the public finances of Gibraltar from outside influences.

Even the EU Commission visit on Wednesday of this week could have an important impact on important sectors of our revenue, Mr Speaker. Our relations with Spain can also affect not only important sectors of our economy such as gaming, which accounts for 20% of GDP and nearly 3,000 jobs, but also important revenue streams too, Mr Speaker and they have to be conducted in a calm, mature, intelligent way, Mr Speaker. Less of the flashing of the cufflinks, Mr Speaker, and more thought.

And in this regard, I do congratulate him for his toned down UN speech that he delivered this year. A far cry from his speech last year comparing, whether he believes it or not, comparing Spain to North Korea, which I thought was one of the biggest own goals that any Chief Minister in the history of Gibraltar's politics has actually scored.

Mr Speaker, I do not think that it is a coincidence that we have seen a decrease in certain revenue streams this financial year. Tourist site receipts are down by 5%; bunkering charges are down by 33%; ship registration fees are down by 17.2%; revenue from vessels using the east side anchorage down by 45%; Upper Rock visitors down 3% compared to last year – down 30% when compared to 2012; yacht arrivals down approximately 13%, the number of coaches arriving in Gibraltar via the land frontier down 33%; Gibraltar Museum revenues down 27%, Mr Speaker.

Mr Speaker, I now turn to my analysis of public debt. The gross public debt stands at £450 million and cash reserves stand at £96 million. That gives a net public debt figure of £354 million. In monetary terms that is the highest net public debt figure in the history of this community.

Let me repeat that for the benefit of hon. Gentlemen opposite: £354 million, the highest in monetary terms for net public debt in the history of this community, Mr Speaker. And this is from a leader who decried the levels of public debt at the last election and he is responsible now for saddling this community with the highest levels of net public debt in monetary terms in the political history of this community.

Last year, he promised to reduce this figure by £12 million. Instead, it has actually risen by £76 million, or 27%, and it is expected to rise again next year by £25 million. Even if you analyse it, in gross public debt terms – which is their preferred method and was their preferred method at the last election – I remind the Chief Minister that last year he said that he was well on course to meet his manifesto commitment of reducing gross public debt to £260 million. Well, the outturn is £450 million – an increase, Mr Speaker, of £74.3 million in gross public debt.

Mr Speaker, of course he may decide to convert to GSD policy by arguing that we should not look at gross debt but we should look at net debt and net debt as a percentage for the size of the economy, and it happens to be 25%. I will leave that up to him in his reply. But if he does that, if he argues that it is low because it is net debt as a ratio of the size of the economy, well perhaps he can also apologise to the people of Gibraltar for his misleading public discourse at the last election, Mr Speaker. **(Several Members: Hear, hear.) (Banging on desks)**

But Mr Speaker, these net and gross public debt figures do not even provide us with an accurate picture of public debt – and I am turning to analyse the Gibraltar Savings Bank and Credit Finance Company Limited. Mr Speaker, last year I said that the Gibraltar Savings Bank would and I quote:

‘become absolutely pivotal to any debate on public finance and the Government expenditure over the next few years’.

Mr Speaker, at the time that I uttered those words, I did not know about the existence of Credit Finance Company Limited – and unfortunately, I have been proved absolutely right.  
I also said this and I quote:

‘Mr Speaker I have been observing the Hon. the Minister responsible for the Gibraltar Savings Bank, Minister Bossano, for many years. I may not always agree with what he does or the manner in which he does it, but he does everything for a reason. I hope, Mr Speaker, that I am wrong and that the Government is not contemplating using that money. The consequences for these annual debates and the transparency of Government finances would be considerable because it would be blow, a massive hole in the Governments duty to account to this House at budget time for the expenditure because as we all know, the Gibraltar Savings Bank expenditure is not reflected in these estimates’.

Again Mr Speaker, I made these predictions, which have turned out to be absolutely totally accurate, because since they came into office, they have been effectively shifting Government debentures which rank as Government debt from the books of the Government to the Gibraltar Savings Bank where they do not rank as Government debt. Of course, the Government still guarantees all deposits, including debentures, in the Gibraltar Savings Bank.

Mr Speaker, in March 2011, the Gibraltar Savings Bank debentures stood at £27.6 million. They now stand at £378 million, plus £74 million in bonds. Including deposits, the total amount in the Gibraltar Saving Bank is £815 million, compared to £330 million in 2011.

Mr Speaker, in March 2012 the Government caused the incorporation of Credit Finance Company Limited, a company owned by the Government and the Gibraltar Savings Bank. It did so with an initial investment from the Gibraltar Savings Bank of nearly £300 million. For a Government that delights in issuing press releases on virtually anything and everything, it is remarkable that it made no announcement at all on such a huge investment of savers’ money. Probably, Mr Speaker, because they knew there was a by-election around the corner, Mr Speaker.

And when I asked in this House, before that by-election, whether the Government had directly or indirectly provided any kind of financial assistance to the owners of the Sunborn, which would have led me to the existence of Credit Finance Company Limited, he said – and he could have answered yes – he answered ‘No, sir’, only to come clean the day after the by-election, Mr Speaker. The lack of transparency and accountability to this House in the handling of the finances of the Gibraltar Savings Bank and Credit Finance Company Limited will forever be a huge stain on his transparency and accountability agenda, Mr Speaker. (A Member: Hear, hear.)

Yet further, Mr Speaker, he still refuses to answer legitimate questions as to who is in receipt of loans from the Government and in what amounts. It makes a mockery of this debate today. What is the point, Mr Speaker, of having 24 meetings of Parliament which he crowed about during his own address, if he will not answer questions on where Credit Finance Company Limited is spending that money and that expenditure is not accounted for in these estimates of revenue and expenditure? It is the single most important assault on the democratic and parliamentary process since I have been in politics, probably ever.

Mr Speaker, Credit Finance Company Limited’s only employees are its directors, the Chief Secretary, the Financial Secretary and another senior civil servant. To date, the Gibraltar Savings Bank has invested £400 million, or 49% of all monies deposited in the Gibraltar Savings Bank, into this company and the Government has invested a further £30 million. You do not invest such colossal sums of money in a Government-owned company unless you intend to make use of that money in some way. This is particularly so, Mr Speaker, when one understands that the rates being offered by the Gibraltar Savings Bank are significantly higher than the rates available in the open market.

There is a deliberate policy of making Gibraltar Savings Bank debentures as attractive as possible to encourage deposits within the bank and anecdotal evidence suggests, from the banking sector, that even foreign investors are being encouraged to take advantage of the higher rates of return within the Gibraltar Savings Bank. Mr Speaker, it is simply not true to say that under the GSD Government, the Government could and indeed did make use of the monies deposited in the Gibraltar Savings Bank. It is not true. That is their policy and it was this Government that changed the law quite deliberately to allow them to do so.

In March of 2012, the Chief Minister moved a Bill to amend the Gibraltar Savings Bank Act and took out the requirement that the investments of the Gibraltar Savings Bank be limited to cash deposits or their equivalent. That is why we voted against the Bill.

The importance for present purposes is that, as a consequence, we now have a situation where legally there is no longer a requirement for the Government to invest in Gibraltar Savings Bank deposits in very safe forms of investments with very low returns. That is the reason why the investment of £400 million by the Gibraltar Savings Bank in Credit Finance Company Limited has been possible and I repeat, it is inconceivable that the Government is not going to be using that money because it is already costing the Gibraltar Savings Bank a considerable amount of money in interest payable to debenture holders.

So far the Government has spent £72.43 million out of the £400 million, Mr Speaker.

Mr Speaker, I say the Government, because no-one in a million years, and less still Her Majesty's Opposition, is going to believe that the Chief Secretary and the Financial Secretary wake up every morning, hold a breakfast meeting and unilaterally decide who Credit Finance Company Limited lends money to and who Credit Finance Company does not lend money to.

It is a ridiculous notion to suggest that two senior civil servants decided unilaterally that they were going to be lending £30 to £40 million; we do not know what amount because he refuses to answer those questions, to the owners of the Sunborn. Absolutely ridiculous! They are obviously rubber stamping, Mr Speaker, the decisions of the hon. Gentlemen opposite, of the Government.

The expenditure is properly the expenditure of the Government: £23.05 million has been paid to pay off commuted pensions of civil servants; £49.42 million has been used to provide loans to the owners of the Sunborn and housing estates, of which we know of – because it could be others but we do not know because he refuses to answer questions; £1 million has been used to allow individuals or entities to pay off their arrears including tax arrears to the Government, Mr Speaker.

Mr Speaker, this not only inflates Government recurrent revenue because at its most basic, it is allowing individuals to pay off their debts to the Government whilst parking a Government debt in a Government-owned company so that it is not reflected in these accounts, but it allows the Government to use Credit Finance Company Limited to pay for expenditure that it would otherwise have had to meet through borrowing or its own reserves.

Mr Speaker, if the Government had spent that money itself, the surplus would have been much more reduced this year, Mr Speaker. Indeed it might have even made a loss. In other words, if you take out the £70 million out of the forecast surplus, that surplus would be virtually wiped out, Mr Speaker. Even if you treat the loan book of £49.42 million in accountancy terms as a loan from the Government and not expenditure, the surplus would be reduced by the amounts that had been paid in commuted pensions of civil servants. As I said at the beginning of my speech, that surplus has already been inflated by £9.4 million which has always been treated as a payment to Social Security and eventually to Community Care, which this year has been treated as a one-off payment to surplus and then paid from there to Community Care thus inflating the surplus.

Mr Speaker, it is smoke and mirrors economics. That is what it is. Conversely, if the Government had borrowed the money, Credit Finance Company Limited has paid out, there is no doubt that the net and gross public debt of this community would have increased by £17 million so we would be even more in debt than we are now directly – debt directly attributable to the Government, Mr Speaker. Indeed, it would be interesting to conduct the exercise, Mr Speaker, when he is through next year, as to the amounts that he eventually spends out of that £400 million in Credit Finance Company Limited and the levels of gross and net public debt to see whether actually, if you take them both together, the legal borrowing limits set down in law would have been exceeded, Mr Speaker, if the money that is being spent by Credit Finance Company Limited had been properly, as I say, properly been spent by the Government.

Mr Speaker, that is the true face of the Government he presides over. No economic miracle; he is mortgaging Gibraltar to the hilt and part of that mortgage is being kept away from these estimates which what we have consistently objected to since this debate first arose last year.

Finally, Mr Speaker, on this area, these figures do not give and take into account, substantial expenditure by the Government on for example the power station – and I will return to that at the end of my speech – or the installation of the liquid natural gas at the Detached Mole and its supply to the power station or the land reclamation associated with it. It does not take into account any expenditure by the Government on home ownership estates, so there will therefore be more spending next year, Mr Speaker, and there will either be more borrowing, either directly by the Government or through Credit Finance Company Limited.

Mr Speaker, I now turn to economic growth. Mr Speaker, the forecast gross domestic product for the financial year 2011-12 was £1.137 billion and the forecast GDP for 2012-13 was £1.226 billion. Today the Chief Minister has said that economic growth for the year ending 31st March 2014 was 10.3% and that GDP was forecast to rise to £1.41 billion. Of course, Gibraltar is bucking global trends as it has done since the financial crisis broke in 2007. These figures are therefore good figures, there is no doubt that there will be further growth next year, driven entirely Mr Speaker, by Government projects.

But we must however be careful about economic growth based largely on Government projects funded by borrowing. At some stage that money will have to be repaid, likewise, lending the owners of the Sunborn or any other business £30 to £40 million to relocate to Gibraltar is not with respect, the best economic model. This is not economic growth generated by huge inward investment.

And I remind the Chief Minister that when he was Leader of the Opposition, and he was interviewed by Gerard Teuma in May 2011, he said that just as the GSLP had international investors lined up before we were elected to Government in 1988, so too did he have international investors lined up if he became Chief Minister of Gibraltar. Of course he never gave any details and that was understandable but there has been an election, they won it and I asked him on four separate occasions about these supposed international

investors. After almost two years of asking him, he finally came clean in January of this year and said that it was a coin-minting company from Austria that he had in mind in 2011.

2145 Mr Speaker, talk about damp squibs! How on earth can he possibly compare himself to the first GSLP Government with the land reclamation at Europort, the Euro Towers and all the international investment that quite rightly that first GSLP Government has been praised for bringing to Gibraltar to a coin-minting company, Mr Speaker, from Austria? They are simply not comparable, Mr Speaker.

2150 Mr Speaker, the hon. Gentleman really needs to spend less time on photo opportunities and more time thinking about ways in which he is going to be attracting inward investment to Gibraltar and indeed, we have a number of ideas on this side of the House on how to attract that business and if he wants to, he can sit down with me and I will gladly impart some of those ideas. I have no reason to keep them to myself. At the end of the day, we are both working towards a common purpose and if he wants to engage with me, I will happily engage and tell him about the ideas that we have on this side of the House for attracting inward investment.

2155 Mr Speaker, during the course of his speech, he spoke about the web of companies that supposedly the GSD had created during his 16 years and then he said, in reference to my Hon. and Learned Friend Mr Bossino – and he has the audacity to talk about secret companies... Mr Speaker, how on earth can you compare and how on earth can you trust the creating of a Government-owned company to the creating of a situation where you are allowing or incorporating companies registered at No. 6 Convent Place, with public servants as its Directors owned by GSLP activists being provided by direct allocation with Government contracts subsidised also through the Future Job Strategy, Mr Speaker? How on earth is that comparable? (Banging on desks) Because it is not.

2160 Mr Speaker, he also spoke about the power station. Mr Speaker, I had actually anticipated that he would be making the announcement of the power station during the course of his Budget, but Mr Speaker, he talked about in his speech, ‘we have got to frame this debate in honesty’. He said ‘frame the debate in honesty’ and then he proceeds to talk about £67 million for the power station, but actually omitting to say that on top of the £67 million he is going to have to spend money on the building of a liquid natural gas installation at the Detached Mole with a supply from that installation all the way to the power station and he is also going to have to spend extra money as well on the land reclamation, Mr Speaker, because that is what he is going to do. It will be £120 million from this same company because it is the same company, Mr Speaker, that he has announced, it was going to be building our power station, the £120 million included a new building for GibElec and it also included all the installations and all the infrastructure that was necessary, including storage facilities for that power station.

2170 Mr Speaker, he is comparing apples with pears but that is his style, he is over eager Mr Speaker and often over plays his hand, that is what he does, losing credibility in the process, just so that he can say, blame the GSD and look at what the GSD is doing and look at what we are doing. If he spent less time thinking about the GSD and getting on with the business of running Gibraltar, Gibraltar would be all the better for it, Mr Speaker.

2175 Mr Speaker, in relation to the black hole, he seems to have forgotten, Mr Speaker, what I said about the supposed £100 million black hole during the course of my Budget speech last year. Let me remind him, after outlining the arguments about the £100 million black hole, I basically said as my Hon. and Learned Friend, Sir Peter Caruana explained last year, this so called £100 million black hole is attributable entirely to the fact that the public debt ended higher and cash receipts ended up lower than the Government had estimated at the start of the year.

2180 It happened before in 2009, in 2010 it was estimated would finish the year at £116 million and it ended at £148 million. In 2010-11 £180 million was estimated and it finished at £216 million. All it takes, Mr Speaker, is for capital expenditure to proceed more quickly than budgeted for, for capital receipts from the sale of assets or for capital receipts from the sale of assets to be delayed or a combination of both, to produce this effect. The GSLP Opposition, Mr Speaker, has never criticised that position before in any of the statements that it made during the course of this debate in the past.

2190 Last year Mr Caruana said, and I quote:

‘delayed asset receipts for the year remain on-stream to come in now or in the future.’

Well Mr Speaker, he was absolutely right. If the hon. Member looks at page 143 of the Estimates, actual receipts for last year from the sale of Government properties and other premia amounted to £1.4 million, whereas the forecast outturn for this year is £102 million, an increase of just over £100 million – end quote.

2195 There is your black hole, Mr Speaker – a black hole of the hon. Gentleman’s own invention, Mr Speaker.

Mr Speaker, last year to conclude he said that what needed to go down had gone down and what needed to go up had gone up. Not even he can maintain a straight face, adept as he is at it, keep a straight face, whilst making that remark for this Budget today. We finally see his true face, Mr Speaker. We finally see that this is no economic miracle, a miraculous cure for an illness he himself invented at the last election. He

2200 is mortgaging the future of Gibraltar, the future of our children and our children's children to the hilt to pay for a plethora of reckless promises he made at the last election. That, Mr Speaker, is his true face.

**A Member:** Hear, hear. (*Applause*)

2205 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I cannot quite believe that that is it – but then again it was a game-changing budget, so I therefore move that the House do now adjourn until 3.15 p.m. this afternoon.

**Mr Speaker:** The House will now –

2210 **Hon. Chief Minister:** Recess, I am sorry, thank you until 3.15 p.m. this afternoon.

**Mr Speaker:** I am sorry I am school-masterish...!

2215 **Hon. Chief Minister:** Ah! Quite right.

Mr Speaker, if I may I will inform Members as soon as I know of the changes proposed to the schedule of the Hon. the Minister for Europe whose plane has gone back to London and therefore we may have an opportunity of continuing with the session this afternoon as a result, and, as soon as I know more, I will make sure that hon. Members are informed either here or privately, of what the arrangements may look like.

2220 **Mr Speaker:** The House will now recess until 3.15 p.m. this afternoon.

*The House recessed at 1.55 p.m. and resumed its sitting at 3.17 p.m.*