



# PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

**AFTERNOON SESSION: 4.00 p.m. – 7.04 p.m.**

**Gibraltar, Tuesday, 5th July 2016**

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# The Gibraltar Parliament

*The Parliament resumed at 4.00 p.m.*

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

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

## Order of the Day

### **Appropriation Bill 2016 – For Second Reading – Debate continued**

**Mr Speaker:** The Hon. Dr Joseph Garcia.

5       **Deputy Chief Minister (Hon. Dr J J Garcia):** Mr Speaker, this is the first budget since the General Election. It is my 18th budget debate as a Member of this House and my fifth as a Member of the Government. Time flies, Mr Speaker. The years continue to tick by and time shows no mercy to anyone.

10       I was surprised to find that, after the election, I am now the second longest serving elected Member of this House, after my friend and colleague, Joe Bossano. It seems like yesterday that I first set foot in this place after a by-election 17 years ago.

15       Indeed, Mr Speaker, the General Election of November 2015 itself now seems a distant memory, there is so much that has happened in-between. That election marked the start of our second term in office. It followed an overwhelming vote of confidence by the electorate, which was an endorsement, both of what we had achieved up to that point, and of what we set out in our programme to achieve in the years to follow.

20       It is with a sense of pride, Mr Speaker, that we acknowledge the faith that the people of Gibraltar placed in us at the last General Election. They judged us on our performance. We passed that test with flying colours. The numbers, Mr Speaker, spoke for themselves. But as my Hon. Friend, the Chief Minister, has said on more than one occasion, we will show humility and respect for the whole electorate. This mantra applies in our approach to those who voted for us, to those who voted for somebody else and to those people who did not vote at all.

25       Mr Speaker, we now face the challenge posed by a new manifesto for the next four years. This is a challenge that has been compounded by the potential exit of the United Kingdom from the European Union.

Teamwork has been a hallmark of our first term of office. That same teamwork will see us through the unforeseen challenges ahead.

30       Mr Speaker, in December 2011 the Office of the Deputy Chief Minister was formally created as a distinct entity. This year there has been a change in the Estimates book which now reflects that reality. This is therefore the first time that this Office is shown separately. The Estimates book shows an estimated expenditure of £3.4 million for the coming financial year.

The House will recall that a number of portfolios were redistributed between the Chief Minister and myself shortly after the General Election last year. This saw the creation of a new

35 Ministry for European Affairs and for political lobbying, for which I now have responsibility. All of this will be *very* relevant in the months and years to come. Whatever happens, Mr Speaker, Europe will continue to exist and Gibraltar will need to maintain a relationship with it.

That mini-reshuffle is reflected in the Estimates laid before the House. In particular, through the cost of the London, Brussels and Hong Kong Offices which have been transferred from the Chief Minister's remit to my own.

40 Before I move on to those areas, I want to say a few words on the EU Referendum that took place at the end June. Mr Speaker, little could David Cameron have envisaged the intensity of the storm that would be unleashed as a result of his decision to commit to a Referendum on EU membership in the Conservative party manifesto for the last UK General Election. The Prime Minister has resigned. The Conservative party is embroiled in a leadership challenge. The Labour Party has leadership issues of its own. Those who landed everyone in this mess have no direction and no plan. Some of them, indeed, have cleared off. The result is a power vacuum in London, which is apparent from simply watching the news.

Mr Speaker, thankfully the position in Gibraltar has been very different. We have taken control. We have provided leadership and we have a clear sense of direction. The Cabinet met within hours of the Referendum result. The Chief Minister, my Hon. Friend, Joe Bossano, and I then met with the Leader of the Opposition and two of his colleagues straight afterwards. My Hon. Friend, the Chief Minister, made a statement to this House less than 24 hours after the Referendum. Three days after the Referendum, the Chief Minister and I were in London for a whirlwind tour of meetings with the UK Government. We also met Members of Parliament, both on the Remain and on the Leave side of the argument. When we returned from London I came straight to this House from the Airport for a second statement.

Mr Speaker, the Government will take whatever steps are necessary to protect the position of Gibraltar.

We are looking at the details of a mechanism which will allow cooperation with the Opposition on these matters. We have met and reassured the finance centre, the gaming industry and the business community. We will explore every available option open to Gibraltar – except, obviously, the one that Mr Margallo continues to float. The people of Gibraltar can rest assured, Mr Speaker, that the Government will leave no stone unturned in order to secure our position.

65 Having said all that, it is important to recall that the UK and Gibraltar will remain in the EU and EU law will continue to apply until the moment of a potential exit in the future. We therefore expect business as usual in the interim.

Mr Speaker, we await the election of a new Conservative party leader who will become the new Prime Minister. Conservative MPs are voting today in the first stage of the process. The subsequent appointment of a new cabinet in September is another key event which will shape the way forward. The UK then needs to determine exactly what it wants from the negotiations with the EU. The Chief Minister and I were guaranteed, in London, that Gibraltar would be fully involved in that process. The House knows that we have already established contact with the Scottish Government, with the Mayor of London and with the Crown Dependencies. There will be face-to-face contact with overseas territories leaders later this month at the preparatory meeting of December's Joint Ministerial Council.

This is how things stand at present: the situation is fluid. There are many variables. Nonetheless it can be managed effectively. With every door that closes a new door will open. Mr Speaker, looking back over the last few months, it is an understatement to say that matters related to the Referendum have taken up a considerable proportion of the Chief Minister's time. They have also taken up a considerable proportion of my own time.

My Office served as a contact point for the inter-governmental work between Gibraltar and London on the logistics and the legal framework for the Referendum. I want to acknowledge the valuable and essential contributions from the Attorney General, Michael Llamas, from Paul Peralta and from the legal drafting team in this regard.

There was, Mr Speaker, a considerable amount of activity in the run-up to the introduction of the European Union Referendum Act to this House in February. Subsidiary legislation was also adopted. The House will recall that a number of reports were produced by the UK Government which covered different aspects of the Referendum. These needed to be analysed. The Government itself also contributed to some of them.

It is fair to say that there has been, and there continues to be, a very close level of cooperation and consultation between Gibraltar and London on all matters related to the Referendum. Indeed, it was a reflection of that close cooperation between the two Governments that saw Gibraltar included in the franchise in the first place. This was further reflected in the Prime Minister's historic visit of 16th June.

On behalf of the Government, I would like to thank all those involved for their hard work in the lead-up to and in the actual conduct of the Referendum, in the polling stations, during the count and elsewhere. A special thanks is due to Paul Martinez, the Clerk to the Parliament, who found that he also had a Referendum to contend with within eight months of a general election.

Mr Speaker, the dust has barely settled on the result. Our view as a Government, indeed our view as a Parliament, was that the UK and Gibraltar were better off inside the European Union. The House knows that, on our joint advice, Gibraltar voted overwhelmingly for this option. Sadly, the wider majority of voters in the UK did not agree.

The formal procedure for a UK exit will not commence until notice is given under Article 50 of the Treaty of Lisbon. This will trigger the countdown for two years of negotiations to commence. The extension of those two years will require unanimity. If there is no unanimity the Treaties will cease to apply automatically and the UK will be out. In the event of an agreement, before or after the two years, the content of that deal will require approval by the Member States through Qualified Majority Voting. Hon. Members will have followed the latest discussion in UK on whether Parliament would have to approve the issue of a formal Article 50 notice.

Mr Speaker, we are in uncharted waters. No member state has left the European Union before. We only have the example of Greenland which joined the EEC with Denmark in 1973, at the same time as we did. In 1979 they voted in a referendum to enhance their self-government and then opted to leave. The actual exit took place in 1985. I use this to emphasise the point that Gibraltar will stay as it is, as part of the EU, until that potential point of exit arrives at some point in the future.

Mr Speaker, the Government is looking at all the options. This includes the option of remaining inside the European Union as per the mandate that we have from our electorate. People can rest assured that the Government is equipped, qualified and able to deal with the challenges that we face. My Hon. Friend, the Chief Minister, and I discussed this matter last week in London with the Minister for Europe, David Lidington.

The Government has made the point already that access to the single market and freedom of movement of persons are two important issues for Gibraltar. This is important for the neighbouring region of Spain, also – a region that depends on Gibraltar for the creation of employment and economic growth. The Campo depends on a free-flowing frontier to allow access to employment in Gibraltar for thousands of cross-border workers. The irony is that it is the Spanish Foreign Minister himself who is putting thousands of Spanish jobs at risk through talk of shared-sovereignty. Shared-sovereignty is never going to happen.

Mr Speaker, Gibraltar has faced many challenges throughout our turbulent history and we have overcome them. Together, we will overcome this latest challenge as well. We should not forget that with every challenge there are also new opportunities. We welcome the cooperation of the Opposition in this task.

Mr Speaker, I now intend to report to the House on the Gibraltar Offices abroad and also on the wider lobbying activity in London, Brussels, New York and Washington. A total of £1.8 million of the £3.4 million allocated to my Office, or just over 50%, is in respect of the Gibraltar representations abroad. The bulk of this is spent in London.

I will therefore start with the Office in London. The London Office serves several purposes: there is a commercial dimension to the Office, a tourism dimension and a political one. Gibraltar House is also a focal point for Gibraltarians who are in London and its staff do very good work in this regard, particularly with sponsored patients. For 28 years the Office in London has been in the capable hands of Albert Poggio. He has served both as the Director of Gibraltar House and as the UK Representative of the Government of Gibraltar. The House knows that Albert retired last week. This means that he has ceased to be both the Director of Gibraltar House and the UK Representative of the Government. The strategy is that under the direction of a new UK Representative, Albert will continue to share his experience and skills as a political consultant on a contract basis.

On behalf of the Government, and I am sure of the whole House, I wish to place on record our thanks to Albert Poggio for his valuable contribution to the promotion and defence of the interests of Gibraltar over many years. **(A Member: Hear, hear.)** This was particularly important during the shared sovereignty crisis of 2002, when Albert built up the All Party Gibraltar Group to become the second-largest lobby group in the UK Parliament. Mr Speaker, Gibraltar owes him this debt of gratitude. The ease with which he has moved through the corridors of power in London is a testament to his many years of solid work on behalf of Gibraltar. I have witnessed this myself. I recall a couple of years ago how he harnessed support overnight for a successful debate on incursions and border issues in the House of Commons. The UK Minister had to drop everything he was doing and attend to the urgent parliamentary question on the spot. At his retirement function in London, I was approached by a former Conservative front-bencher who told me that she had been invited to 16 events that evening and had chosen to come to this one. Albert, she said to me, was 'a legend'. Mr Speaker, He has retired at his own request. I am sure that we all wish him a happy and well-deserved retirement. **(A Member: Hear, hear.)** *(Banging on desks)*

The House already knows that Albert's role in London will be taken on by the Chief Minister's Special Representative, Dominique Searle. He has become both the Director of Gibraltar House and the UK Representative of the Government. The retirement of Albert Poggio has broadly coincided with the running of the London Office coming under the Office of the Deputy Chief Minister. This has created the opportunity to review operations in London and also draw together Gibraltar's lobbying there, in Brussels and abroad more generally under a more centralised and coherent policy direction. It is important to have our representatives working together in sync with each other with clear reporting protocols back to No. 6, at all levels.

In London, this also means reviewing the use and functions of the Office on the Strand, and ensuring that each area liaises with its Gibraltar counterpart. This applies to tourism, to the GHA, and to political lobbying. The ultimate objective is to make everything more effective and more cost efficient and also to ensure that we avoid duplication. Part of that move will involve adapting working practices to modern communications, with a review of security and of the quality of those communications.

The Government believes that it is essential that new political contacts are made at the same time as existing contacts are renewed and strengthened. One way in which the Government intends to do this is by conducting ministerial lobbying visits to London so that part of the lobbying work is done at that level. The Government has been doing this for some time in Brussels, and more recently in Washington.

Mr Speaker, the Gibraltar Representative in the UK will therefore be the Head of Mission and will continue to work directly to my Hon. Friend, the Chief Minister, and to me on all political matters. This will include the responsibility to liaise with my Office on all other matters including the general management and functions of Gibraltar House.

Gibraltar will, of course, continue its presence at the UK party conferences in the autumn. The Government values the relationships that have been built over the many years that we have been attending these events. In the last financial year the Government was represented at the

party conferences of the Conservative Party, the Labour Party, the Liberal Democrats and the Scottish National Party. This year we will again have a presence at all four.

190 Mr Speaker, both sides of the House are agreed that Gibraltar Day in London has reached  
bursting point and, more significantly, has been so heavily subscribed that one has to question  
the cost effectiveness of such an event on an annual basis. The Leader of the Opposition himself  
observed last year that there were too many people attending the event at taxpayer's expense.  
He correctly noted that there was a general feeling in the Government too that the event had  
195 outgrown itself.

Mr Speaker, we believe that the time is now right to bite that bullet. In coming to our view,  
we have listened to stakeholders and evaluated what needs to continue and what should be or  
discontinued or changed. I can tell the House that the event at the Guildhall which took place in  
2015 will be the last. This year's focus shall be on encouraging productive sessions with high  
200 level contacts in Whitehall and in the City. A venue at the Lloyds centre has been booked and  
about 300 guests will be hosted. This dinner event will replace the mass Guildhall reception  
which about 1,000 people used to attend.

Of course, Mr Speaker, we will continue to value the support of and contact of UK based  
Gibraltarians and friends of Gibraltar. Many of them looked to October as a chance to renew  
205 that ongoing relationship – to that end a separate event is being planned for them to coincide  
with the annual mass in Fulham. In addition to this, a plan is that the finance centre event will  
now move towards becoming self-financing. The industry, as is common practice elsewhere, will  
be invited to purchase tables for their own guests. The Government very much hopes that these  
changes will make Gibraltar Day in London a more focused occasion which will achieve the  
210 political and commercial objectives that were originally set. The format of the event will be kept  
under review.

Mr Speaker, those who follow social media and the press generally will have been left in no  
doubt over recent years that the Spanish government spends enormous resources and time on  
making life difficult for Gibraltar. Last August Spain published its budget plans which included a  
215 section which stated that its claim over the sovereignty of Gibraltar is, 'a fundamental objective'  
of Spanish foreign policy. It anticipated that no less than 45 reports would be produced  
specifically on Gibraltar matters. The plans showed that there were €1.47 billion in the budget  
allocated to the Spanish Foreign Ministry. The House knows that Gibraltar matters cut across a  
number of different ministries in Spain. No doubt a few million of those €1.47 billion are  
220 allocated to the efforts of several of those ministries – from the Hacienda to their security  
services – in order to achieve their Gibraltar objectives.

Mr Speaker, clearly, we operate on a more modest budget. Nonetheless, the Government  
recognises the importance not only of putting our views across as widely as possible but also of  
monitoring and understanding what others are doing and saying in the areas that affect us. (A  
225 **Member:** Hear, hear.)

We will therefore continue with our lobbying activities in Spain. The objective of this is to  
generate a better understanding of Gibraltar's point of view and to counter the misinformation  
about a country that is often generated next door. I should tell the House that there has been  
contact with all the main political parties in Spain, except with the *Partido Popular*, over the  
230 years. The House will understand that much of this work has to be carried out under the radar,  
for obvious reasons. However, some of it is public. Spanish MPs and mayors have visited  
Gibraltar in full view of the cameras. In the same way, my Hon. Friend, the Chief Minister, has  
himself paid official visits to Spanish towns in the area.

Mr Speaker, our representatives abroad and our offices overseas therefore have an  
235 important role to play in ensuring that, together with the United Kingdom, we are alert to both  
opportunities for and threats to Gibraltar's interests. The House knows, for example, that our UK  
Representative has a researcher and an analyst in the team with duties to ensure that much of  
the relevant information is filtered and delivered to Ministers in briefs. This is a reflection of the  
world that we live in.

240 Mr Speaker, we want normal, civilised, relations with our neighbour to the north. What we  
will not do is surrender our right to self-determination or our British sovereignty as the price to  
be paid in exchange for that normality. The House knows that the general election in Spain has  
once again produced an uncertain outcome. No political party has achieved an overall majority.  
245 This means that, once again, there will have to be negotiations between the different parties in  
Madrid in an attempt to make the mathematics add up to 176.

Mr Speaker, I now move on to Gibraltar House in Brussels: I will provide an overview of their  
work over the last financial year. The Office in Brussels continues to play an important part in  
the Government's work, despite the overall vote to exit the EU in the Referendum of 23rd June.  
Indeed, this work has become even more important in the light of recent events. Our assets in  
250 Brussels are already deployed in accordance with the objective of the Government to explore all  
the options available to Gibraltar.

I have said in the past that it is not in the public interest to detail all the lobbying activity that  
is carried out from there. I can say, however, that apart from the political work, this also includes  
tracking European Union legislation which is in the pipeline in which Gibraltar continues to have  
255 an interest. A considerable proportion of what is done from Brussels includes meetings with  
Members of the European Parliament, with officials of the European Commission and with  
representatives of the member states. Sir Graham Watson continues to do an excellent job for  
Gibraltar, as our Political Director and Counsel in Brussels. He is ably assisted in this work by  
Daniel D'Amato, our Legal Officer.

260 Mr Speaker, the House knows that during 2015 the Brussels Office organised and participated  
in meetings with at least 79 Members of the European Parliament, 29 officials of the European  
Commission, nine officers of the Permanent Representations of the Member States and two  
members of the Economic and Social Committee. These meetings, which on many occasions  
took place more than once with the same person, were used to put across the Gibraltar point of  
265 view on a number of current dossiers that are of political importance to us. Those numbers have  
increased significantly following the Representation's sustained lobbying during 2016.

The Office's work was pivotal to the organisation of the two Ministerial visits that have taken  
place so far this year and in securing high-level meetings with influential EU policy makers or  
stakeholders. At these meetings, the individuals concerned were briefed on issues that are of  
270 political importance to Gibraltar. This includes the dispute created by Spain over the application  
of EU aviation legislation to Gibraltar Airport, the unfair perception of Gibraltar as a tax haven,  
the free movement of people at the border between Gibraltar and Spain or issues relating to the  
general lack of understanding in EU circles about Gibraltar's status.

The Gibraltar Government's position in relation to the UK Referendum was also made known  
275 before 23rd June. The mission now is to spread the word that Gibraltar voted overwhelmingly to  
remain. Meetings have been held with MEPs from practically every political group in the  
European Parliament. MEPs who sit in parliamentary committees that are relevant to Gibraltar  
have been identified and targeted for such meetings. This has included members of, the  
European Parliament Committees on Transport, Tax, Economic & Monetary Affairs, Civil  
280 Liberties, Environment and Home Affairs. Some of these MEPs were, and continue to be, chairs  
or vice chairs of the relevant committees or rapporteurs of reports that deal with Gibraltar-  
related matters. The contacts established and maintained by the Office throughout 2015  
continue to be developed this year.

The Representation has also worked closely with the UK Representation to the EU UKREP in  
285 order to ensure that efforts are always coordinated. Gibraltar House has lobbied on behalf of the  
Financial Services Commission and the Gibraltar Regulatory Authority in relation to particular  
areas of EU policy.

Other events or activities organised and conducted during the last year included: the setting  
up of the Gibraltar Exhibition in the European Parliament in February 2016 and events organised  
290 around that; establishing contacts with the Representations of the Channel Islands, the Isle of  
Man, Scotland, Wales and Northern Ireland; establishing contacts with the European Gambling

and Betting Association; three separate visits of MEP assistants to Gibraltar in July and December 2015 and again in March 2016; two separate visits to Strasbourg in November 2015 and April 2016 to lobby policy makers during plenary sessions; the visit of a group of Gibraltarian students to Brussels in September 2015; the Chief Minister's reception in May 2016 to celebrate the first anniversary of the inauguration of Gibraltar House in Brussels; the organisation of the first Gibraltar Film Night in Gibraltar House where the Representation welcomed over 40 guests for a screening of the 'La Roca' Documentary in November 2015; and the organisation of separate European Small Business Alliance board meetings in Gibraltar House.

It is important to repeat that not all of the work in Brussels relates to lobbying activity. Substantial work is also conducted to monitor developments on EU legislative and non-legislative dossiers from the time of their inception as proposals.

To this end, members of Gibraltar House have often represented Gibraltar's interests by attending conferences, discussions and meetings organised by the European Parliament and the Commission. This work has proved to be important in order for the Government to be able to anticipate and prepare for EU legislation coming our way, be it in the fields of taxation, transport, energy, environment or border management.

Mr Speaker, for the upcoming year, despite the outcome of the Referendum, our representation intends to continue to build on work carried out during the previous year. Lobbying activities and other events will be organised in order to publicise the Referendum outcome in Gibraltar of 96% in favour of Remain.

I mentioned earlier that the standard practice has become to hold an exhibition about Gibraltar in January or February in the main concourse of the European Parliament. This has proved to be a very useful exercise in spreading the Gibraltar point of view to interested parties. This exhibition space can only be booked by an MEP and it often needs to be reserved nearly a year in advance. The Government would like to thank Ashley Fox MEP, who was kind enough to book the space for us last year and Claire Moody MEP, who booked it this year.

The theme of the exhibition in 2016 was aviation issues. A booklet was produced and distributed which explained the position of the Government. This year's exhibition coincided with a major conference of the EU aviation industry in one of the large meeting rooms down the corridor. The result of this was that our message was put across directly to the right people when they approached the Gibraltar stand on their way in and out of meetings.

The Chief Minister and I held a further session with the European aviation associations during our visit to Brussels in May, in order to explain the position further and to answer their questions.

Mr Speaker, we have always argued that it does not make any sense that EU nationals travelling through Gibraltar Airport should have fewer rights than their counterparts travelling through other airports of the European Union. The Spanish position has aimed to create a regime which is discriminatory in nature, which would deprive Gibraltarians from their legitimate rights in Gibraltar and other EU nationals, which purports to disapply the law of the Union from a territory to which EU law on civil aviation should apply automatically.

Aviation and border fluidity continue to be issues that we have raised regularly in Brussels over the last financial year.

The House is aware that the European Commission has sent three inspection visits to the border since the summer of 2013. There have been two reports published. The border is better now than it was in 2013 but things are still far from perfect. Spain has not implemented some of the recommendations made by the inspectors. There is, for example, only one green channel for cars entering Spain when there are six lanes for cars exiting Gibraltar. The Government has taken this broad issue to the top in four meetings with the EU Commissioners responsible, first with Commissioner Malmström and then with Commissioner Avramopoulos.

Having said all that, the House will be aware that the Referendum result, and the potential exit of the United Kingdom, may well have a bearing on how these issues unfold over the coming months.



345 Mr Speaker, we are never going to surmount every obstacle that we face in the EU or elsewhere. Most of these obstacles have been deliberately thrust in our path by Spain. However, an active Gibraltar presence in Brussels is extremely helpful in putting our message across and in countering the misinformation that is disseminated about us. The view of the Government is that this role assumes even greater importance against the backdrop of the outcome of the Referendum and the potential negotiations to follow.

350 Mr Speaker, the House will have seen that the Hong Kong Office has been bundled together with London and Brussels and included within my area of responsibility in the Estimates book. This means that their budget will now be controlled by my Office. The Government, and our Director in Hong Kong, Jason Cruz, have agreed that he should continue to be based there, rather than take on a role in London. The Government considers that Mr Cruz is doing excellent work in Hong Kong and that this work should continue. I should make it clear that the work  
355 being carried out in Hong Kong is commercial. This means that the contact that the Office there enjoys is primarily with my colleagues, the Minister for Economic Development, and the Minister for Financial Services.

Mr Speaker, the Hong Kong Office currently has a total of 2,852 active contacts. The vast majority of these, 1,924 are in the financial services sector. The others include education, 52, maritime, 42, and real estate, 74. The financial services sector includes banking, wealth management and insurance. The Office has organised five trade missions in collaboration with the private sector. They have engaged with over 100 Gibraltar-based entities, 35 of which have then gone to the region for business development purposes. Over 200 one-to-one meetings  
365 have been organised with Gibraltar businessmen.

Mr Speaker, given that my colleagues have made more use of the services provided by the Gibraltar Office in Hong Kong than I have, I will leave any further comment on this up to them. I nonetheless take this opportunity to thank the Directors and the staff in London, Brussels and Hong Kong for their work in support of Gibraltar.

370 Mr Speaker, I would welcome the opportunity to say a few words about the lobbying activities conducted by the Government in Washington, where we do not have an office. The original target that we set ourselves was to increase awareness of Gibraltar issues among the political and commercial classes of the United States. This was an ambitious task. The manner in which such lobbying work is conducted in the US is very different to London or to Brussels. Moreover, political lobbying takes time and in its initial stages is more about disseminating  
375 information than about immediate results.

However, as the House knows, in Washington we have produced results in a relatively short period of time. A Resolution was tabled in the House of Representatives which supports the right of the people of Gibraltar to self-determination. The Resolution continues to attract more signatories and there are now about 30 Congressmen, both from the Democratic and the Republican parties, who have signed up to it. This work continues.

In February, a Congressional visit to Gibraltar took place under the United Kingdom's MEACA programme. The group was very impressed with everything that they saw here. Gibraltar has had a strategic value for the United States over the centuries. This connection dates back to  
385 1801 when the first military engagement of the US Navy outside their shores took place against the Barbary Pirates. Those US naval vessels set sail from Gibraltar. Our visitors were able to better understand Gibraltar's continuing strategic value by looking across the Straits at Europa Point from the University of Gibraltar.

That strategic point was repeated during the visit that I made to 20 congressional offices in Washington a few weeks later, and in a separate talk to Senate defence and intelligence staff. It is also a point that is well understood.

The Government, Mr Speaker, is not responsible for the defence of Gibraltar. That is a matter for the United Kingdom. However, we do have a view on the subject. This relationship between Gibraltar and the armed forces of the United States goes back over two hundred years and the  
395 Government continues to welcome visits to Gibraltar by the naval assets of the United States. It

was therefore singularly unhelpful and dangerous that the SVA and Guardia Civil decided to play games with an American nuclear submarine, the USS Florida, in the waters around Gibraltar on 16th April. The former came within 600 yards of the submarine. It has since emerged that the American captain threatened to ram the SVA and that the Royal Navy had to fire a flare to warn the Spanish state vessel to change course.

Mr Speaker, the Straits of Gibraltar is one of the most transited waterways in the world. It is a chokepoint for commercial and military shipping. The close proximity of North Africa adds another important dimension. The behaviour of Spanish state vessels is a distraction we could all do without. There are more serious matters to worry about in the wider region around us, than to have Spain playing cat and mouse with the Americans or with the Royal Navy.

Mr Speaker, on the commercial side, the House will know that an American Chamber of Commerce, AMCHAM, has already been established in Gibraltar. A number of trade missions in both directions have taken place. The Government is now considering cementing those links further by holding a small scale Gibraltar Day in New York. This project is at a very embryonic stage at present. Therefore in the current financial year the Government will continue its work to promote Gibraltar in the United States of America.

Mr Speaker, I move on now to aviation issues: earlier I referred to the ongoing challenges that Gibraltar faces in the field of civil aviation. It is not clear exactly where Gibraltar will be in this area in the event of a potential UK exit from the EU in years to come. The impact of Brexit is an eventuality that may have to be factored in going forward.

I will, nonetheless, proceed to look back at developments over the last few months in order to update the House on the latest position. This year, Mr Speaker, I welcomed the opportunity to discuss aviation and other matters in London with the United Kingdom's Aviation Minister, Robert Goodwill. It will be recalled that Mr Goodwill walked out, or absented himself, from a meeting of the EU Transport Council at the end of 2014 in protest at the way in which a Gibraltar-related matter had been dealt with. The Government welcomes the position taken by the United Kingdom Government to date in relation to the inclusion of Gibraltar Airport in EU civil aviation measures.

It is important to note, that in spite of Spain blocking the application of certain EU Aviation laws to Gibraltar, the number of flights has increased dramatically compared to the position last year. The schedule for this summer shows an increase from 35 flights a week to 50 flights a week. I want to congratulate my colleague, the Minister for Tourism, Samantha Sacramento, and her staff, as well as the former Minister, Neil Costa, for the part that they have played in this. The figures for May – the last ones I have seen – are certainly very encouraging. The total number of aircraft was 247, which is 36 more than the number handled in the same period last year. This represents a very positive growth of 17.1%. It is expected that this significant increase will be repeated throughout the summer schedule due to the confirmed increase in the programme of flights during the summer months.

Mr Speaker, the House will know that the Government intends to complete the tunnel under the runway. A statement was issued to that effect last month, and the Chief Minister referred to it earlier in his address. This has taken longer than forecast because of the lengthy court case and the subsequent appeal, both of which were won by the Government. The completion of the tunnel will mean that there will come a point when more flights will have practically zero impact on traffic management.

This increase in flights, coupled with an increased security threat posture, led the Government to reconsider the manning levels of the Borders and Coastguard Agency. The Government has, as a consequence, agreed that a further 20 officers be recruited during the course of the year, most of whom were transferred from other areas. The increase in numbers will allow for a second passenger screening lane to be operated during busy months throughout the summer.

In addition, the Government has approved the employment of an additional four employees for the terminal, who will help Borders and Coastguard officers by ensuring passengers are

correctly prepared to undergo the screening process. Once fully operational, this new personnel should result in a reduction in the number of alarms when passengers make use of the walk-through metal detector and when cabin baggage is x-rayed. The end result will be less passengers and cabin baggage having to be searched, which will lead to shorter queues.

In common with other European airports, and in response to European legislation that came into effect on 1st September 2015, the Airport has increased the use of explosive trace detection equipment in the screening process. The use of this equipment has helped improve the security level at the Airport, speed up the screening process and has made that process more passenger-friendly by reducing the frequency of full body hand searches being carried out.

On the 1st November 2015 the United Kingdom ratified the Cape Town Convention, which provides a new uniform international legal order for the creation, registration and enforcement of security and similar interests in high value internationally mobile equipment. It works alongside the Protocol on matters relating to aircraft equipment which creates an additional set of rules specifically for aircraft finance transactions. In line with a number of other UK overseas territories and Crown dependencies, the United Kingdom's ratification was extended to Gibraltar. This was done by means of local legislation which included revised Regulations on the Detention and Sale of Aircraft.

Mr Speaker, amendments have been made during the year to the Civil Aviation (Air Navigation) Regulations 2009, in order to bring into effect European Regulation No 376/2014 of the Parliament and the Council, which provides for reporting, analysis and follow-up of safety occurrences in civil aviation. The new Regulations replaced a European Union Directive dating back to 2003. It is important to point out that it is now an offence not to report a safety occurrence to the Director of Civil Aviation. The Government has introduced local Regulations which detail the activities that are not permitted within the air terminal and gives greater powers to airport officials. These rules are similar in nature to the byelaws active in UK airports and more easily enable the RGP to charge persons that commit offences within the air terminal.

During the past year the MoD Airfield Authorities and the Director of Civil Aviation have undertaken a review of the aviation safeguarding procedures in Gibraltar. Safeguarding procedures are designed to ensure that new developments in the vicinity of an aerodrome do not impinge on the safety of aircraft operating into and out of the airfield. For obvious reasons, the standard International Civil Aviation Organisation's guidelines do not fit here, due to the presence of the actual huge 'rock' itself. By using the services of the same consultant that designed and safeguarded areas for London City Airport, the MoD have designed new Safeguarded Areas in Gibraltar which will relax some of the constraints related to new developments outside of the immediate vicinity of the runway. The Members of the Development and Planning Commission have been briefed on the new Safeguarded Areas and this information will be advertised in the near future on the Government website.

Mr Speaker, unfortunately, prior to Christmas, there was a worrying increase in the number of times that aircraft were illuminated by lasers as they approached and departed the Airport. A short media campaign and RGP assistance appears to have had the desired effect of warning those undertaking this dangerous activity of the seriousness of their actions. While current legislation provides deterrence in the form of prison sentences and hefty fines, the UK, along with a number of other nations, is considering further measures with regard to the availability of these laser devices. I have asked the Director of Civil Aviation to monitor the changes that might take place in the United Kingdom. I take this opportunity, Mr Speaker, to thank the Director of Civil Aviation and the Air Terminal Director and his staff for their work over the last financial year.

Mr Speaker, the estimated expenditure for the Office of the Deputy Chief Minister also includes provision for the Gibraltar National Archives. The policy of this Government has slowly seen the Archives move forward into the age of digital technology. This process has been assisted in large measure by the enthusiasm and expertise of Anthony Pitaluga, the Archivist himself, and of his staff.

500 Mr Speaker, as we progress forward as a nation, it becomes all the more important to properly document and record our past. These records contain the collective memory of our experiences as a people and reflect our journey over the centuries. They cover such traumas as the wartime evacuation and the closure of the frontier, the euphoria of the 1967 referendum and other defining moments in our history.

505 The National Archives now enjoys its own website; this continues to be expanded with the addition of new documents and data. The lists and registers of population, including that of 1777, are now available online and searchable. This database contains over 174,000 records. There is also material to mark the 100th anniversary of the outbreak of the First World War and the 75th Anniversary of the evacuation of the civilian population during the Second World War.

510 Mr Speaker, events to mark the anniversary of the Evacuation during the last financial year proved to be extremely successful. The Memorial Service in Casemates Square and the concert at the Victoria Stadium were attended by many thousands of former evacuees. I had the pleasure to meet some of them who had come from as far afield as Australia. The younger generation received, through their schools, a copy of a commemorative Evacuation booklet. A privately organised play on the subject proved to be a sell-out night after night.

515 The Government was delighted to have been able to contribute to commemorating what was a landmark in the political and constitutional development of Gibraltar. This was an event which cemented together our identity as a people. There will be many who will not be around for the 100th anniversary, so it was a timely tribute to have commemorated last year the hardship that they endured. A number of audio tracks which detail the personal experiences of many evacuees can also be found on the archives website.

520 The records of a 1749 Court of Enquiry into property grants in Gibraltar are now available online. This has been described as one of the most important records held in the Archives, given that it marked the beginning of proper administration and administrative procedures for Gibraltar.

525 The details of Gibraltar's military births, deaths and marriages from 1869 to 1914 have been digitised as well, following a 100-year rule. This data was originally compiled in order to investigate health issues among military residents of Gibraltar and was part of a large database of information which allowed users to compare and contrast demographic and health matters.

530 Mr Speaker, I would like to take this opportunity to thank Professor Larry Sawchuk, of the University of Toronto, and the Archivist, Anthony Pitaluga, who carried out the work which led to the digitisation of these records. The Archives now boasts a state of the art specialised archival scanner which has enabled the staff to digitise newspapers, magazines, government files and books as well as images, maps and plans. The Government is delighted at the way in which the digitisation programme continues to progress. It is important to make the obvious point that the information therefore which goes online here is accessible from the entire planet, and not only from Gibraltar. I would like to take this opportunity to congratulate the archivist and his staff.

540 Mr Speaker, I will be closing my contribution with a few words on the progress of the Northern Defences project: I want to thank my colleagues in the ministerial team that I have chaired for their help and advice in taking this forward. These are the Minister for the Environment, Dr John Cortes, the Minister for Tourism, Samantha Sacramento, and the Minister for Heritage Steven Linares. This inter-departmental approach has worked well and it is set to continue.

545 The House knows that the network of defensive positions which was carved on and inside the northern face of the Rock hundreds of years ago is a world class site. There are layers of Moorish, Spanish and British fortifications in the same area. It comprises structures which are medieval in origin to more recent World War Two positions. The area is a jewel for military historians and for tourism in general. Indeed, from a political perspective as well, the point needs to be made that one reason why Gibraltar is still British is because those defences held firm and were never breached by Spain.

555 It was therefore regrettable that they were in the state that we found them in when work started. The House knows that 500 tonnes of rubbish were removed from the site. This included mattresses, fridges, motorcycles, television sets, rubble and anything else that could be thrown over a wall. Mr Speaker, the Estimates reflect the continuation of works at the Northern Defences during this financial year.

560 The successful completion of the two previous phases have allowed for this unique network of 18th century military tunnels, galleries and defensive positions, to now link Casemates Square to Road to the Lines and to the Upper Galleries. The seemingly impossible task of clearing up this area commonly referred to as 'the jungle', demonstrates the Government's commitment to protecting and exposing our cultural heritage. We have not shied away from the logistical challenges before us; instead we have embraced them, and can proudly say that we are on the verge of recovering what could become a national treasure.

565 Not only do we recognise the heritage value of the Northern Defences, as I have explained, but we also understand its economic potential and the social benefits that this work may yield.

570 This year will witness the last sequence of clearance works which will focus in the area of the King's and Queen's Lines overlooking Laguna estate. The works will consist largely of the removal of the vegetation which is damaging the historic fabric, and the clearing of accumulated debris. These tasks will continue to be monitored by the Ministry for the Environment, GONHS, the Heritage Trust and the Ministry for Heritage. These organisations have ensured the protection of our natural heritage as well as our urban heritage during the previous phases.

575 The Heritage Trust has conducted very successful, highly informative and well-attended tours of the Northern Defences. They have rightly pointed out that the area will not only be enjoyable to residents, but will also provide an additional quality tourist attraction. This product forms an intrinsic part of the Government's vision on sustainable tourism.

580 Mr Speaker, I would also like to take this opportunity to thank the Royal Engineers who have provided considerable manpower to clear the site at intervals throughout the year. I was delighted to have recently presented a cannon ball, found on the site, to Lieutenant Colonel, Roger Morton. A mortar fragment from there will be displayed in the Royal Engineer Corps Museum in Chatham, Kent. It is very fitting that the modern day forerunners of those who constructed these fortifications hundreds of years ago are today involved in their restoration.

585 Mr Speaker, perhaps the most exciting element of this project is its potential to act as a catalyst for the regeneration of the Old Town area, especially the area of Road to the Lines. It is true that for many years sectors of the Upper Town have been neglected, properties have been abandoned and in dire need of investment. We often hear a clarion call for these to be repaired.

590 The Government has taken the policy decision to put out to tender a number of vacant properties in the Upper Town in order to encourage prospective residents to move into the area. This is being done through our property agents, Land Property Services Ltd. I would, at this point, like to thank the directors and staff of LPS and the staff of the Lands Office for their efforts over the last financial year. This project is in its infancy, but it is working well, with a number of properties already refurbished and inhabited, others sold off-plan and a project for a boutique hotel nearly complete.

595 Mr Speaker, the Government has also refurbished many of its own properties in the Upper Town, and is leading by example in this regard. The schools at the old St Bernard's Hospital are a prime example of how an old building can be put to a modern use. St Mary's School in Town Range was also refurbished. A number of residential blocks at Moorish Castle and in the Calpe area have undergone the same treatment.

600 In order to understand such complex issues the Government has set up an Urban Renewal Task Force with the aim of recording and then reversing the urban decay which is present in some areas. The task force has identified key sites and is currently engaging with stakeholders in pursuing practical ways of delivering an urban renaissance.

We are, as I said earlier, already witnessing the results of this. An investment by the Government in the provision of better means of access, parking facilities and the creation of new

605 educational institutions have served to see a return of families to this charming part of Gibraltar. Such an initiative has, in turn, encouraged private investment. Several private properties are, and continue to be upgraded as a result. Shops have now appeared where empty stores were once located and facades are being improved.

Mr Speaker, there is still a very long way to go. This is a huge and ambitious project and it will take many years and span several four-year political cycles. It will not happen overnight – nonetheless the Government has made a good start.

610 Mr Speaker, in conclusion now, the Referendum on whether the United Kingdom should remain in the European Union or should leave has overshadowed the first half of this year. It has meant that the Government has had to devote a considerable amount of time, energy and resources to this matter. It is clear that in the coming few years the Government will have to devote even more time, even more energy, and even more resources to dealing with the consequences of the outcome. The United Kingdom itself has to map out the details of its future relationship with the European Union. We have already started. And we will continue to examine all the options in order to protect the position of Gibraltar. We did not want to find ourselves where we are today. This is not an outcome that we supported or an outcome that we voted for. However, we are where we are and now we have to deal with it. However, Mr Speaker, the House can rest assured that we will meet and we will overcome the challenges that we face. The Government will continue to build on the strong foundations that we have laid as we move forward with our second term in office.

620 To conclude Mr Speaker, I want to thank the staff in my personal Office in No. 6 Convent Place for their assistance and support over the last financial year. I also want to thank the Clerk and the staff of the House.

Thank you, Mr Speaker.

630 **A Member:** Hear, hear. (*Banging on desks*)

**Mr Speaker:** The Hon. Mr Bossano was first elected to this House on 23rd June 1972. The general election took place after the Budget of that year. I calculate that, unless he was unable to speak on one occasion when the debate collapsed because we could not agree on the order of speakers, unless he failed to speak on that occasion I calculate that this is his 44th Budget speech.

The Hon. Mr Bossano. (*Banging on desks*)

640 **Minister for Economic Development, Telecommunications & the GSB (Hon. J J Bossano):** Thank you, Mr Speaker. I think we can dispense with the services of a historian now that we have got you. (*Laughter*)

Mr Speaker, for the Department for Economic Development, the decision taken by the UK to leave the European Union is fundamental to the Economic Plan which our Government is committed to.

645 I will therefore explain for the benefit of Members what is *my* assessment of the possible consequences of this decision, and to what extent it is going to affect us in the life of this Parliament. Any assessment of the longer-term consequences can only be entirely speculative at this stage.

650 It has been said that our participation in the EU, or the EEC, which is what we originally joined with the UK, is the basis for the success of our economic model. However, we all know that our rights within the EU have not always been recognised, so participating in the single market has come at a price, including having had often to argue for the rights to be recognised.

We have had to comply with EU requirements, whether relevant or not, including of course the free movement of labour. Members may not be aware that, initially, we were told it would be possible to get a temporary suspension of free movement, if there was a disruption of our labour market. Many years later when Spain was a member and we were facing rising

unemployment from MOD cuts we tried to access this and were then told – what we had not been told previously – that it required unanimity and was therefore subject to a Spanish veto!

660 This is the key to understanding the limitation to which the negotiating process will be subjected, when the Article 50 notification is triggered. The precursor to the decision on the Referendum was the concerns in the United Kingdom during the last general election about high levels of immigration. The purpose of the renegotiation of the terms of membership of the UK was therefore seen by much of the electorate as a renegotiation of the free movement of labour requirement.

665 It is clear that the European Union Member states were not willing to accept any dilution of this requirement, to discourage the United Kingdom from going to an exit referendum in the prior negotiation, and it is unlikely that this position will change in the course of the post-Article 50 negotiation.

670 This is subject to a maximum period of two years; the UK should not be – and at present is not – in any hurry to end the negotiating process. There is a logic to this. The uncertainty of a lengthy negotiation will hurt both sides; but a short negotiation with the UK coming out virtually empty-handed is likely to hurt the UK more than the other side.

675 The position therefore is that the projection we make assumes that in this financial year and the next, we shall still be full members of the European Union and have, in the process, an increasingly clear notion of what our relationship with the single market is likely to be in 2018. The direct impact of any changes is likely to be relevant for the 2019-20 Budget and we are sticking with the results predicted for the growth of our economy and the public finances for up to that date, as it is spelt out in the Economic Plan for Gibraltar, published in the manifesto.

680 In terms of our targets for the Rainy Day Fund, if the results of the public finances turn out better than projected then any extra money should be put into these funds, given that we are entering a period of change and uncertainty in the global economy with no near end in sight.

Understanding what has been happening with globalisation and the stagnation that has followed the crisis, sparked off in December 2007, is the key to forming a view as to what the future may hold.

685 I have been quoted as saying that the effect of Brexit on the global economy ‘could be the worst thing we have experienced since the 1930s’. This I have said in a number of interviews prior to the Referendum taking place, and at Question Time last week when asked by the Leader of the Opposition to express a view. It is a view increasingly expressed by a number of economists in other countries.

I will explain why, Mr Speaker.

690 The Great Depression started with an ordinary recession in the summer of 1929 in the United States, followed by the collapse of share prices in October on Wall Street. The effect was felt throughout the Western industrialised world and was the longest-lasting downturn in economic activity until that time.

695 The Great Recession, which the Western world is still experiencing, also started in the US with the sub-prime financial crisis at the end of 2007.

700 Why should Brexit then be considered the most serious threat to the global economy since the 1930s? The economic theory developed after the Great Depression was the role of government in pump-priming, by creating economic activity which would result in a revival of the economy which would then be self-feeding on the way up – just as the Depression had been on the way down.

705 Keynesian economic theory has dominated the management of Western economies since then, except for a short period when the Chicago School of Economics produced an alternative approach based on the control of the money supply, the so-called Monetarist School. These economic theories plus the creation of OECD, the World Bank and the World Trade Organisation developed an approach that consisted in promoting international trade and removing barriers to trade as the way to maximise economic growth based on the concept of comparative advantage.

710 Until the onset of the present recession after 2007, the mechanisms for bringing about a revival had worked. What we have at the moment is a situation where the instruments available to Governments by printing money and manipulating interest rates no longer seem to be working in producing the stimulus that was expected.

715 This has left the Western industrialised countries and in particular the EU – and, within that, the Eurozone – in a particularly vulnerable and fragile state compared to any other point in the last 43 years. The impact therefore of removing one of the fastest-growing economies in the EU from the single market, and what is probably the second largest economy, is likely to be if anything more negative on the remaining 27 states, than on the UK's own economy, who is the one that is leaving.

720 Even more alarming from the perspective of globalisation, is that it seems to signal a shift away from the straight line progression of the post-war period of removing barriers to trade, returning to a position where the fourth largest economy in the world is withdrawing from a free trade area and apparently moving in the opposite direction. It is the implications and interpretations that would be put on the UK's exit that poses the risks rather than the direct effects themselves.

725 The GDP of the UK in real terms has barely recovered the level it had in 2007, by 2015, having in the interim suffered a double dip recession; and notwithstanding the efforts to stimulate consumption by quantitative easing – which is printing money – and by keeping interest rates below 1%. The results of the last quarter in 2015 showed the economy of the United Kingdom already slowing down.

730 The whole of the EU has struggled to come out of the recession, which has been the longest period with below average levels. In that same period, our economy has *doubled* in size. The lesson to learn from this is that it does not follow that because the economy of the rest of the world has been stagnating, *ours* has to stop growing. However, it is self-evident that when market conditions are negative, when there is uncertainty and investors are unsure when, where and indeed whether to invest their money, then it is more difficult to attract new business to Gibraltar.

735 What makes Brexit so serious is not just the effect on the UK economy, or for that matter on the rest of the EU, it is that it could represent a shift away from the globalisation process which has been brought about by the removal of barriers to trade. It could mean introducing tariffs on exports from the UK to the EU, and *vice versa*, 43 years after they were removed. It would mean going back on the creation of a single market for the provision of services to which Gibraltar, with the UK, has been a party.

740 If the UK insists, as it seems to be doing at present, that access to the EU-27 market must not carry with it an obligation to accept the free movement of labour and the EU insists on the opposite view – namely, that there can be no free movement of capital, goods or services without free movement of labour – then there seems little room for compromise.

745 Our position must be to press ahead with market access to the UK and ensure that whatever agreements are done with third parties, we have the choice of joining or not joining as we had in 1972 in respect of the EEC.

750 In the meantime, what has been demonstrated is that it is possible for us to achieve a high rate of economic growth over an eight-year period when neither the UK nor the EU as a whole were growing at their traditional average rate of growth; and they were, therefore, performing below average. That should be sufficient for us to be confident of our ability to make a success of any new situation.

755 Mr Speaker, I have no wish to change the tone of this debate by making it more adversarial or polemical. (*Interjection*) However, I have to draw the attention of Parliament to the statistical data we now have which provides *incontrovertible* evidence of how the economy has performed between 2011 and 2015, and how that compares with the performance between 2007 and 2011 in respect of the source of the economic growth as evidenced by the changes in the labour market.



760 The Members opposite have argued that the economic performance of recent years was the result of a construction boom paid for from public funds – an argument repeated today by the Leader of the Opposition. I have argued that the performance of the GSD administration between 2007 and 2011, in which two Members of the Opposition were Ministers, meets that description – and not what has happened since.

765 The evidence as to what generates growth in the economy is partly obtainable from an analysis of the industrial sector distribution of the labour market, given that one of the most important determinants of the size of the GDP is earnings from employment. In turn, the most relevant source of information to calculate the value of this element is the information contained in the Employment Survey Report, the 2015 copy of which has now been tabled by my colleague, the Minister for Employment.

770 The other evidence, of course, which has been there all the time, is the fact that public borrowing went up from £100 million to £500 million in that period – that is 2007 to 2011 – and that a £1 billion plus capital investment programme was launched, part of which was completed and part of which was started by them and continued by us since 2012. To complete the picture and provide the evidence, we now have the snapshot of the labour market position on three relevant dates: October 2007, October 2011 and October 2015.

775 The source of the information we have to use is table 10 in 2007, which shows all employee jobs by industry, sex and nationality and the comparable tables in 2011 and 2015. It is of course a snapshot of the picture in one month extrapolated for the year but we are comparing three snapshots of the same month in three different years – 2007, 2011 and 2015.

780 The number of private sector jobs at the start of the period, excluding the construction industry, amounted to 13,340. In the four years to October 2011, the figure grew to 14,038, an increase of 698 extra jobs representing a 5.2% expansion of the private sector jobs market outside the construction industry. The growth in GDP in the period was 49%. So it is self-evident that the private sector non-construction employment expansion can only have accounted for a small share of that growth.

785 The construction sector, however, increased by 701 jobs, more than the whole of the rest of the private sector. The construction alone grew by more than the rest of the private sector, with an increase of 31.5% – evidently the main engine of the increase of the GDP, the 49% of those four years.

790 In the last four years, 2011 to 2015, the figures show the opposite. The GDP has grown by 49.1% based on today's estimates. The private sector, excluding construction, has increased in size to provide an extra 2,926 jobs – outside construction. Employees in the non-construction private sector went up from 14,038 that they left it at, to 16,964 – which is 20.8% higher.

795 The contrast with what was happening in the construction industry could not be greater. The extra jobs in the construction industry in the last four years have been 180, amounting to a 6% increase in the workforce.

800 The evidence is clear, Mr Speaker, the growth between 2007 and 2011 was much, much more dependent on a public sector capital programme construction boom because that is where the workforce grew, than it has been in the case of 2011 to 2015 where the workforce was minimally increasing in construction and massively increasing in other areas.

805 Whilst on the subject of the Employment Survey results, I would draw the attention of Members to the number of Gibraltarians now in employment, a new record at 11,010. The available Gibraltar workforce at any one point in time is estimated by combining the numbers registered as seeking employment and those *in* employment. This exercise also serves to indicate the reliability of the results of the Employment Survey, since we are comparing data from two independent sources.

Those registered unemployed in October 2014 were 306 and the comparable figure for that month in 2015 was 268, a drop of 38. The number of Gibraltarians in part-time employment in October 2015 is 38 more than the number in October of the previous year, as shown in the

810 Employment Survey Report. So we have 38 less people registered unemployed and 38 more people working in the private sector in part-time employment.

The total number of Gibraltarians in employment, however, only increased by 19 because in the same period there was a reduction in the numbers in full-time employment in the MOD, well in excess of 19. The close correlation of these figures is, as I have said, a good indicator of the accuracy of the picture painted by the Employment Survey Report. There has been an increase in private sector part-time jobs and a decline in MOD full-time jobs in the year between the two surveys, and that alone is more than sufficient to explain the net effect.

This was of course the trend up to October 2015 and we are now living in a different world, which although it has not yet actually changed we know there are changes on the horizon; some of which may or may not happen but, of those that do, some are bound to have some impact on us and this requires us to develop strategies to position ourselves to take advantages of whatever new opportunities arise, once the dust settles.

To put this year's result in context, we need to consider the impact on local employment in the four-year term 2011 to 2015. There were 10,220 Gibraltarians in employment in October 2011, and a figure of 11,010 in the October survey of 2015, just tabled – an increase in the four-year period of 790, representing a 7.7% increase of Gibraltarians in employment.

In the preceding four years, from 2007 to 2011, the numbers went down by 321 from 10,541 to 10,220 – that is 321 less Gibraltarians in employment in the last term of the GSD. This drop took place notwithstanding the fact that the number of jobs grew over the period by 2,551. Even in this area of job growth, to which a great deal of importance was attached then by the GSD Government, the record for 2011 to 2015 shows a greater expansion of the labour market which went up by 3,897 in this period – 50% higher than in the preceding three years.

In fact, the growth was even higher than this because it happened in a three-year period, since the first year saw a drop of 728 jobs from 22,247 in 2011 to 21,590 in 2012, made up of a reduction in the construction industry of 1,426 jobs and an increase in other sectors of the economy of 698 jobs.

It is likely that we shall see something similar this year when the October 2016 Employment Survey takes place. The reduction will have nothing to do with the Brexit vote, it would quite simply be due to the cyclical nature of our construction industry, which provides between 2,000 and 3,500 jobs, depending on the volume of work – particularly if there are large construction projects.

Last Thursday, Mr Speaker, the former Member of Parliament, Mr Bossino, put forward a very pessimistic view of the consequences of the decision to leave the EU and quoted me in support of his views, saying that I had said we would be doing well if we met my economic growth predictions included in the 2015 Manifesto, but that the future predicted growth that I had in mind was now out of the picture.

Well, Mr Speaker, I actually thought that what I have said on a number of occasions before the vote took place or the result known, and what I repeated in answer to a supplementary from the Leader of the Opposition last week, was actually quite positive for Gibraltar's prospects.

Mr Bossino also demanded that the politicians look him straight in the eye and tell him what the future holds for him. I do not know how many people he used to look straight in the eye and tell them what the future held for them when he was a politician. Nor do I understand why he believes that politicians have the power to see the future but that they lose it when they leave politics, as he has done. *(Laughter)* However I am, I suppose, one of the few politicians that has regularly predicted our country's potential economic future on a four-year timescale. *(Banging on desks)* I thank you! *(Laughter)*

So I am quite happy to look Members opposite in the eye – since Mr Bossino is not here – and repeat my prediction; or maybe, since one is supposed to speak through the Chair, Mr Speaker, I need to look *you* in the eye when I say it. The projected growth of our economy, calculated and published in 2015, is an increase in our GDP of £600 million by the year 2019-20, being 33.3% of the estimated value for 2015-16.

865 This projected growth was made without reference to whether we stayed in or left the EU after the Referendum took place. The forecast economic growth *still* stands and has not been revised as a result of the decision by the UK to withdraw its membership of the European Union, taking us out with it.

As I have said previously, we would have expected the level of growth to increase by a further £100 million if some of the potential FDI projects materialised and started generating economic activity in this term of office. This second prediction of an additional £100 million of economic growth is now less likely –not impossible.

870 What I cannot do, Mr Speaker, and have never been able to do – however hard I look you in the eye – is predict and chart the course of the Gibraltar economy *after* 2019-20, when the life of this Parliament ends and after we have had the next general election; but I will be able to do it when the time comes, assuming I am adopted as a candidate by the GSLP for the 2019 General Election, as I will only be 80 years old then and expect to be around much longer. **(Two Members: Hear, hear.) (Banging on desks)**

I would have thought that my message would be quite reassuring to worried parents like Mr Bossino who knows me well enough to know that I do not say these things *(Interjections)* unless I mean them.

880 He also quoted at the same time a much more pessimistic assessment made ahead of the vote by the former Chief Minister, the greatest ever Gibraltarian. **(A Member: Ooh!)** He was quoted as saying:

... if we leave the EU, the whole basis of our economic model is destroyed and there will be significant job losses and a fall in government revenue.

885 Well, I think we can make some allowance, Mr Speaker, for the fact that the opinion was written as part of the ‘Remain’ campaign and there was probably some poetic licence in the drafting; and, in addition, as Members who were here before may remember, economic statistics were never the forte of the former Chief Minister. *(Laughter and interjections)*

The economic model we have today is the economic model designed by myself for the first GSLP Government in 1988, which formed the basis of the first four-year economic plan. The model has been adapted since then, on many occasions, to accommodate changing market conditions and EU requirements. But the model will survive our exit from the single market, whenever that happens, and by then we shall have adapted it to meet the new conditions.

890 What will these new conditions be? Well, formal notice of exit under Article 50 has not yet been given and the negotiations on the conditions for limited access to the Single Market have not even started, let alone been completed, so one cannot speculate as to what those conditions will be. Not because we want to repress debate but because in the field of economy, on economic predictions, negative speculation without hard evidence often become self-fulfilling prophecies – and that is what we must avoid

900 In the meantime we cannot – and *are* not – standing still and sitting on our hands, or feeling paranoid about the future. The conduct of our public finances going forward, for which I am not directly responsible but in respect of which the general public can expect me to be an advocate for prudential control of expenditure, is not determined by whether we are in or out of the EU.

This is a question of good government, of caring for the welfare of future generations of Gibraltarians, and of ensuring that we have a solvent and prosperous growing economy as the best safeguard for the future of our nation. This is the philosophy that the GSLP has subscribed to throughout its history.

905 Mr Speaker, it is not a question of belt-tightening, it is a question of looking after the people's money as if it were your own.

The Budget before the Parliament was prepared before the Referendum took place when most of us here and in the UK thought the result would be a narrow one, but it would be to remain in the EU. The forecast outturn for last year is within the approved recurrent

910 departmental budget; and the Hon. Member Leader of the Opposition has, in fact, welcomed that result. The proposed revenue and expenditure estimates are the spending plans that would have been brought to Parliament if the vote had been to stay – and no one is suggesting that they need to be cut because of the vote to leave the EU.

915 Mr Speaker, the Leader of the Opposition has spoken on many occasions on the need to contain public spending. During the general election he talked of the need to do away with ‘the culture of entitlement’. This, as I understand it, occurs where citizens behave as if the public purse was something that belonged to somebody else – called the Government – who has to pay for everything, irrespective of the individual’s ability to pay for it for themselves.

920 I have told him that I welcome his concern for sound fiscal policies and the concept of living within our means. I believe it is good for our nation not to have a situation where the electorate is converted into individuals entering an auction for their votes irrespective of whether what is being promised is financially or economically sound or affordable in the long term.

925 Believe me, Mr Speaker, I want to believe that this philosophy is true of the new GSD, because it certainly was not true of the GSD of the 15 years in Government who had vision things like ‘the hole in the ground of the Theatre Royal’ that at first was supposed to finish up looking like La Scala di Milano, but finished up looking like the Colosseum of Rome – the hole in the ground.

930 But of course he needs to understand that grandiose capital projects were not the only relic weighing on the public purse that we inherited from his period in Government. The recurrent cost of public services was hugely increased by a policy of fragmenting the service into separate small units. This removed the limited advantage of economies of scale of the unified services – limited because the scope for economies of scale is not that many in a small economy such as ours.

935 The rationale for this policy was never explained in this Parliament; but the cost was huge. The separate units continued to have the same conditions of work as they had before – in most cases the change was cosmetic. The people involved were in the same location, providing the same service with staff with the same job descriptions – but a uniform with a different label.

940 In order to persuade the employees to accept a change in the employment relationship from being employees of the Crown to being employees of an agency or authority, substantial pay increases above the parity analogue rate were offered to the Union as an inducement – which the Union, naturally, recommended to their members.

945 We have given effect since 2011 to some of these commitments entered into by the previous Government, which we have honoured. Breaking up the unified service into small units has created the need for extra work to be undertaken for the internal management of the unit, which has had to be done at an extra cost. There has been no noticeable change in organising the work in a different way which would indicate that there were potential efficiencies not previously available.

950 The only point that the GSD ever made in relation to the creation of these units was that the structure was no longer – as was the historical case in Government departments – fixed in any way, and therefore the Government was free to reduce manning levels by not filling vacancies. However, this did not happen in the GSD's time other than in the Housing Works Agency where part of the agreement was a voluntary early exit package.

955 I need to remind Members opposite, and in particular the Leader of the Opposition, that the commitment they claim to have, to sound policies in relation to recurrent public spending – which, as I say, I *want* to believe is true, because it is good for Gibraltar that it should be so – was seriously undermined by their policy in the general election in this area. If they had won and formed Government, they would have restored the Housing Works Agency to the manning levels it had when it was originally set up – that is what they said.

960 It was set up by offering a huge increase in pay rates and an early voluntary retirement package costing *millions*. And, after all that public expenditure, they want to put it back as it was. The justification for this increase in public expenditure was the reduction in the numbers

965 resulting from the exit package – the element that, in theory, would recover the extra cost of what had been done, and eventually result in lower public spending in the fullness of time for whoever happened to be in Government at that time. This is still a long way off, as Members can tell from the fact that the numbers in this year’s estimate are down by five from 138 to 133, and the cost is over £8 million a year.

970 In the last Question Time the Leader of the Opposition put it to me that he had for some time now spelled out criteria on public finances which were consistent with the approach of the GSLP in the Government of 1988 to 1996; and I acknowledge that it is true that he has been doing that, but he needs to be consistent if he is to convince me that he means it.

975 If they really meant what they said in the election and they were in Government now, this year's Budget in this area would have had to be given a substantial increase to have to be approved by this Parliament to bring back the level of employment to what it was before the exit package was instituted – making the entire exercise even more incomprehensible than it was in the first place.

980 I believe that in the field of the provision of public services to the community, and in particular to potential investors for whom I have the responsibility in the Government as Minister for Inward Investments, we have to move in the direction of delivering a cost-effective and efficient service. The key to adapting to whatever changing market conditions we have to face in the future is the same as it was in the past.

985 I have never subscribed to the idea of pillars that sustain the Gibraltar economic structure. It is simpler than that. Our country has one asset, which is its geographical location. This is what made it valuable as a British military base protecting the trade routes of the Empire and what made it a trading post in its long history. It still has that advantage for some industries – the bunkering and the ship repairing – but, in addition, the equivalent in today's global economy where much of the commerce is no longer geographically determined is our fiscal independence as a jurisdiction.

990 Gibraltar must compete to survive, Brexit or no Brexit. Already George Osborne believes that the Referendum result is likely to put the UK into recession and is now said to be planning to reduce company tax from 20% to less than 15%, as well as abandoning the target of a budget surplus by 2020. We need to take note of what others are doing.

As well as being competitive in terms of the fiscal environment, we must be competitive in terms of customer service and speed of response. International investors do not have to come here there are plenty of alternative locations.

995 We have only two resources: our people and our land; and the efficient use of both resources is the only way we can provide the necessary competitive environment. We cannot grow our economy indefinitely by increasing the size of the workforce with ever-greater numbers in employment. Using the existing pool of labour ever more efficiently, which means working *better* not necessarily working harder, is an important aspect of what we have to consider for the future development of our country's economic stability.

1000 In the area of Public Debt, the Leader of the Opposition is not following the historical and indeed current GSLP view, which is the one we have defended in Government and in Opposition and it is not going to change, because it makes sense.

1005 The main reason for borrowing, whether you are a Government or an individual, is in order to pay for a long-term asset so that the cost of the asset does not come out of one year’s income. The entire western economic system is based on this premise; on the basis that if every citizen had to pay cash upfront for all the consumer durables they now buy, then the volume of consumer spending would be a fraction of what it is in the western world, and the global economy, without doubt, would go down from the stagnation that it now faces to a recession and probably a depression.

1010 No one questions that this would be so, even if there are concerns about a consumer-led basis for economic growth in that it may not be sustainable indefinitely. Everything that is being

done, on printing money, on quantitative easing, on reducing rates, is to make people buy more on credit.

1015 If Government engages in acquiring assets, then the formula is no different. This is either done by borrowing money, or by supplier finance, or by private finance initiatives that do not form part of the national debt. These latter mechanisms were introduced by the GSD Government and, as I have quoted in previous budgets, it was explained in Parliament at the time by the then Chief Minister that such finance was slightly more expensive precisely because  
1020 it was not Public Debt but secured by the assets being purchased.

The logic of acquiring assets in this way rather than with cash up front, has always been that you would pay over the life of the asset, and therefore enjoy the benefits of its use earlier.

As regards the size of the element of financing that constitutes Public Debt, this in our case has a legal limit: 40% of GDP. This is below what the EU used to require of member states when  
1025 economic and monetary union came into existence, which was – and theoretically still is – 60% of GDP.

Neither the UK nor anyone else in the EU links the debt levels to revenue, and we approved recently the legislation to amend this. As I explained then – obviously without any effect, because it has been questioned again today – the technical reasons why it will not work,  
1030 particularly in an economy where there is not a fixed or stable relationship between the increase in GDP and the increase in Government revenue – as is the case with ours – is that very soon it becomes unsustainable, and that is because the GDP is moving at a rhythm and the revenue will not necessarily move at the rhythm, particularly as the Hon. Member knows what are the elements of the revenue. So, if you link it to revenue, you could actually finish up with 1% of the  
1035 GDP and still be below the ceiling.

Mr Speaker, a former candidate of the GSD who was not elected, Mr Robert Vazquez, wrote a piece in the *Gibraltar Chronicle*, about the debt, saying:

... inconsistently, Joe Bossano argued that the Government should not have its borrowings constrained, if those borrowings are used productively. Briefly he is saying that Government will increase borrowings, not reduce them.

Well, there is no inconsistency in what I said then in Parliament, because it was simply what I have always said in Parliament, in Government, and in Opposition.

1040 Irrespective of the maximum level of debt that may be established – and I remind Members that on the basis of the estimated GDP of £1.768 billion for 2015-16, it would be permissible, as we stand here today, to have a Net Debt of £707 million, which in any event can be exceeded without limit, by resolution of the Parliament: the law introduced by the GSD administration, which made the limit disappear at the will of the majority in the House.

1045 As I said, irrespective of this level, my view has always been – and still is – that borrowing money should be driven by the economic logic as to what you intend to use the money for.

The GSLP in 1988 introduced what became later known as the 'Golden Rule', when it was introduced much later in the UK and then subsequently abandoned: namely, that borrowing should not be for meeting recurrent expenditure.

1050 Indeed in the UK the current budget deficit, running into billions of pounds every year, is covered by borrowing, and even the policy objective of the UK government to move into surplus by 2020 has now been abandoned as a result of Brexit. So, if we have to meet infrastructure costs that are going to improve the performance of the economy, it is legitimate to meet that cost by borrowing or by supplier finance in order to spread the cost and bring in the economic  
1055 benefit before the investments have been fully paid.

The second Golden Rule on borrowing is quite simple. If it results in revenue and therefore the servicing of the debt is financed from the returns on the investment, why should the public sector not do what the private sector does all the time, which is to leverage its equity and increase its returns? We do not believe that there is one rule for the private sector – which  
1060 makes it sound economic commercial logic – and another rule if it is state owned. So, we cannot

do for the shareholders: the taxpayers, the citizens, what people in the private sector would be praised for doing if they increase the return to the equity holders by borrowing and gearing up the activity profitably? It is a distinction that nobody who believes in the alternative to the capitalist system can possibly support, but I am not sure whether they do or they do not.

1065 Mr Speaker, I provide Members opposite, regularly, with details of the deposits and investments of the Savings Bank Fund. This year we introduced amendments, which they supported and for which I expressed my gratitude and which clearly set out the priorities in reinvesting money from savers in supporting investment in our economy. There is a balance here that has to be weighed in the choice we make.

1070 Reinvesting the money in the UK, as we have done on a small scale, may be attractive because it deploys some of our assets so that we are not solely dependent on the performance of our economy. However, we have no control over the performance of such assets and have to rely on the advice of our agent in the UK. At present, no one in the UK markets seem to see the way ahead very clearly and it seems likely that there will be large movements in both directions  
1075 in quoted stocks, which may create opportunity for those able to take advantage of such short-term movements – but that is not the sort of business we are in.

Only today, for example, the media reported that Standard Life had stopped withdrawals from a £2.9 billion property fund which invests in commercial properties including shopping centres, warehouses and offices, to stop a rush of withdrawals, following Brexit: the first time  
1080 this has happened since the 2007 financial crisis.

At some point we may, however, want to invest in the UK in sectors that may provide some indirect benefit to our economy over and above the returns that we get from the investments that we make.

At present, the most valuable part of the role of the fund is in providing direct investment  
1085 into our own economy: what the Hon. Mr Clinton calls the ‘development bank role’. This is where, in line with the new provisions in the law, our priority lies as and when opportunities arise.

Although the fund itself may only benefit from the return it gets on the money it provides, from the point of view of the Ministry for Economic Development, there is an additional benefit  
1090 in that, by making possible the economic activity that might otherwise not happen, the Savings Bank is contributing to the growth of the economy and the creation of employment. This is why, as I have previously explained, the role of the Savings Bank in the National Economic Plan is there today, just as it was in 1988 to 1996: the last time the fund grew.

Members opposite are entitled to hold a different view and it is a matter for them, should  
1095 they be in Government, that they would want to run down the role of the Savings Bank as they did in the 15 years between 1996 and 2011 – that is their prerogative. However, what they have to accept is that I am doing, as the Minister responsible for the Savings Bank, what we promised to do in our two manifestos. The electorate has endorsed this policy with their votes and continues to endorse it with their money.

1100 The figures I provided in Parliament showed that, in the last financial year, deposits from the public produced a net increase of £102 million – March to March – in line with expectation of growth of £100 million a year. This is the net figure; that is, the excess of deposits over withdrawals. The figure I gave for April shows that the inflow was still at the average level of £8 million a month. It remains to be seen if the Brexit vote has any effect on these numbers  
1105 from this month, July, onward but there is no indication that this is happening so far.

Mr Speaker, the Hon. Member, Mr Clinton, put a question about the proposed joint venture with our Chinese partners, last week. As I indicated in my answer, although the timetable for all the necessary preparatory work had been made within the deadlines we set ourselves – I have said that publicly already – the start of the projects was put on hold ahead of the Brexit vote and  
1110 the viability is now being reassessed following the negative result that we have had.

The concept we had in the agreement was the use of Gibraltar, where the potential is very limited, as a showcase, to be followed by making the model that was working for us here

exportable to other member states due to our access to the single market. Clearly, if we do not have that access, then the question of doing it for the limited time that may be left of that membership of the market, or doing it only for Gibraltar, produces different numbers.

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Some of the projects were very long-term and are therefore no longer possible, since results would not have come through until after the 2019-20 election. No one knows exactly what the relationship will be at that point in the future. However, our partners are still engaged with us and are still exploring what it may be possible to do; clearly, we are committing to encouraging them to staying here.

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Our China Inward Investment Programme Strategy mirrored the initiatives taken by Mr Cameron and George Osborne in setting out the advantages of making London the preferred location in the European Union.

Commentators in the UK have noted that China's reaction to the decision has been to describe it as a 'lose-lose situation that is already emerging.' A spokesperson from China's Foreign Ministry, however, has said that China continues to be willing to work in tandem with the UK to preserve and develop the bilateral relationship.

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Other international observers consider that the expectation raised by the UK initiatives in this area may no longer be fulfilled. At this point, a lot will depend on the composition and policy of the new leadership of the Conservative Party and the individuals holding key roles in the new Conservative Government.

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As I have made clear on a number of occasions, Mr Speaker, given my cautious nature when it comes to predicting the future, I never count my chickens before they are hatched. That is why my Ministry does not include any of these potential projects in the level of economic activity reflected in the National Economic Plan that we are currently working to.

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I have also pointed out previously that much of the activity in the area of inward investment is something that is not visible, because it is not my practice to make announcements each time we receive an approach from a potential investor or make contact with someone with a proposal that we believe can be attracted to Gibraltar. There is good reason for this: I do not believe it is a good idea to raise false expectations. In my experience, bearing in mind that many of the possible investment projects do not reach maturity, however much time and effort one devotes to them. I have explained this in simple terms previously by saying that if one out of 1,000 turns out to be feasible and delivers the results we want, then we would be doing well, and if it is one out of 100, we would be doing *very* well, but one needs to see and hear all the 1,000 prospective investors, otherwise, the one that you do not see and you do not follow through might be the one that would have worked for us.

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What is also true is that some investment projects were not possible simply because we did not have the ability to accommodate the client in terms of space; that is the size of space that they were looking for. Therefore, we need to look at additional land reclamation. That is why we created the land bank that we did in 1996, which lasted until 2011. We need, also, to look at the investment in the creation of industrial units to provide the facilities that will enable us to bring in fresh areas of activity.

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The diversification of the economy, such as it is, is also an important policy objective so that we do not become overly dependent on one type of activity or set of skills, having learned the lessons of the disadvantages of being a one-crop economy from the days of the MoD dependence and the effects of its rundown.

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As I mentioned in answer to a supplementary question last week, my recent participation in the Commonwealth Telecommunication Ministers' Forum in London provided very valuable contacts and increased the opportunities for co-operation with others. As a result of my participation, we shall be taking up associate membership of the Commonwealth Telecommunications Organisation, which will give us access to their technical expertise in the development of our industry.

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1165 Mr Speaker, in the area of training, currently the number of trainees is lower than when we started the policy in February 2012, for the obvious reason that the level of unemployment has been considerably reduced since then.

I gave, last year, a summary of the areas in which we have been providing training and the number of persons that have benefited from them. The training programme has continued in the areas identified last year, but in respect of one area – that of bus drivers – the program has been expanded because of the demand for supply drivers for the Bus Company and for coach drivers for the tourist industry in the private sector, to cater for an increase in the number of cruise liner calls this year.

1170 A total of 120 individuals have been provided with the training opportunity as bus drivers. Eighty two have been successful in obtaining the necessary qualifications and PSV licence and nine continue, currently, in training.

1175 We have also been providing training for lorry drivers where there was difficulty in supplying the market. At the end of their training they will gain a Heavy Goods Vehicle licence. Of the 27 taken on, nine are still in training and 14 have successfully completed the training and obtained their licence.

1180 In both areas, the result of the higher number put through the training programme has been the demand known to exist as a result of our difficulty in finding qualified candidates for vacancies following an approach from employers asking for our assistance.

The Hon. Mr Phillips told us after the General Election that he was informing those employers who had been in contact with him that they should approach the Department to discuss their requirements for apprentices, for which I am grateful. Regrettably, no one has done so, so far.

1185 The Department has been in contact with the Chamber of Commerce and held meetings with the Gibraltar Federation of Small Businesses to get them to contact their members to find out those who were keen to take on trainees and apprentices but, again, without any success so far.

1190 As I pointed out in answer to the question last week to the Hon. Mr Phillips who told us at the General Election that he was informing the employers that the apprentices would be happy to meet and discuss their requirements, but I take this opportunity to, in effect, appeal to anybody that is in fact interested in taking on local apprentices and providing training opportunities, to take the step to approach us.

1195 We have recently taken up, jointly with the employment service, a review of the approved contractor lists, of which I gave a copy recently to the Leader of the Opposition, last week. The purpose of the exercise is to ensure that those on the list are aware that their conditions for being on the list – introduced by the GSD in 2010 and continued by us since then – is to give priority to local workers from the unemployment list who are seeking employment.

1200 The Ministry for Economic Development is responsible for monitoring the approved contractor list and for assisting in providing training if there is a need to upgrade skills to meet the requirements of a contract, so that contractors can comply with their obligations. Although this was initiated prior to the result of the Brexit referendum, the fact that we expect to be outside the European Union in two years' time makes this exercise now more important so that we can ensure that employment in the private sector for Gibraltarian and other resident workers is prioritised.

1205 As regards the problem of identifying areas of training which are employer-based, employers can make the step of making direct contact with my Department. We also arrive at identifying such opportunities by virtue of the fact that, when vacancies are open with the ETB, some of them are passed to us to send or offer trainees to prospective employers and that, in itself, has been successful for openings in the private sector which previously did not have Gibraltarian employees.

1210 Clearly, we want to do more in that area and I think it is important that anybody that is in a position to help us achieve more in terms of penetration in areas where there is very little representation, they should contribute to this.

1215 The Department is also responsible for managing the EU funding from ESF and ERDF. These programmes continue, and we are ensuring that the funds that have been allocated to us are made available to promote employment and economic activity, for as long as we can continue to access them. This will not be the case in the future, once we have ceased to be members of the European Union.

1220 Mr Speaker, with regard to my Department's budget, the last Parliament, a year ago, approved a sum of £70,442,000, which was £409,021 less than the actual expenditure for the year 2014-15.

1225 The forecast for the year just ended has come in at £16,840,000, though there may be some minor changes as there are always adjustments inputted after the close of the year. For this year, my Department expects that it will need to spend £17,018,000 which, although it is £178,000 more than we spent in in 2015-16, it is nonetheless below the amount requested and that Parliament approved in last year's budget by £602,000.

1230 The numbers employed in the Department have increased by two. One is a security guard already in the service who was previously deployed in another Department. The other is an additional AO in the European Union Programme section, where the head of the unit felt that the cost of the EO post which had become vacant could be better utilised to fund two AO posts, thereby gaining an extra body. The section is responsible for the allocation of EU financial support from the European Social Fund and the European Regional Development Fund.

1235 The funding for training will not be affected if and when the EU sources are used up, because the Department will ensure that the budget provided by Parliament from the Consolidated Fund will be deployed to provide whatever training for employment requires funding under the existing structure and going forward to meet future needs.

1240 Although it is a pity that we are losing those funds, which were obtained by the GSLP after a long battle – we did not get it until the late 1980s, having been in the European Union since 1973. For Gibraltar, the millions of Euros that we have received has been put to good use and has helped to produce training, both in the time of the GSD and before that in the GSLP and in the time that we have been in. We have to accept that the money is going to come to an end and we must ensure that the message to our people is that they will have no impact whatsoever in the provision of the service that we give; that, therefore, the money that is needed will be there and it will be from our own resources because it is important to maintain training and to ensure that the skills in the economy meet the requirements of employers.

1245 Mr Speaker, I would just like to close by addressing some of the arguments of the Leader of the Opposition in the remarks he made on the Savings Bank, on Credit Finance and on Community Care. These arguments which he and his colleagues have used before are the ones that he has repeated today. Their analysis is wrong. They have been given an explanation as to why, but clearly they will persist in repeating the same argument, so I have to come to the conclusion that it is something that they think carries political merit and not something that they need to be persuaded or can be shifted from the use of logical argument. But, since I am a perennial optimist, I am going to try to use a logical argument anyway.

1255 The position on the Savings Bank is that they argue for keeping deposits from the public in cash. The comparison that was made today was: well, look, in their time, they kept it in cash and we are making use of that money and reinvesting it. But, of course, the policy of the GSD, in keeping it in cash, was a policy of running down the Savings Bank. If the new GSD still wants to run the Savings Bank down, then, of course, all they need to do is go back to what was being done before: keep the money in cash, because certainly it would not be feasible to have 1260 £1 billion in cash today. So they would have to stop taking money from the public and keep some money there in cash. It is difficult to see what the point is of having an opportunity for savings that in many of the instances of the increase that we are seeing in the deposits in our Savings Bank, which is local money ... A very small proportion of the accounts have addresses outside of the UK. Money that is coming in – £102 million in one year – much of this money is 1265 money that is returning to Gibraltar from people who had savings outside Gibraltar and who are

bringing it back because they feel that the uncertainty outside Gibraltar and the low rates outside Gibraltar no longer makes sense to have that money out. Well, what is the sense of our people bringing their money back to Gibraltar just simply to give it to the bank to keep it in cash in a safe or to lend it to another bank so that the profit, instead of it being made by the Savings Bank, is made by the other bank?

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It is true that they had it in cash, but if they are being critical of the fact that we do not, does it mean that is what they think we should be doing: keeping it in cash? Is that what they would do?

Mr Speaker, criticising something and saying we have a different policy is fine, but the Hon. Member has got to be consistent and understand where the policy takes him. The Savings Bank helps the economic growth. The retention of the balance of the money in the Savings Bank is an additional reserve that the Government has. That additional reserve is generated because we are reinvesting the money. The money that is reinvested in Gibraltar is a good thing. This is not to pay for their wages or their civil servants; this is invested in creating economic activity.

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The Hon. Member also questioned Credit Finance's role as a subsidiary of the Savings Bank and using that money – investing that money – in financing the commutation of pensions. He was quick to say he was not against the commutation; he wants the commutation to carry on, but he does not want it to be paid by using the funds from the Credit Finance.

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Well, how would he pay for the commutation, if he did not use that? When he was in Government and I suggested to the then Chief Minister that the commutation of 100% available in the private sector should be available in the Civil Service, the answer I got from the Government: 'It is impossible to do as part of Government spending. The cost would be prohibitive.' So, I invented a mechanism to meet the requirements and what is being done now is good for the individual. People are not required to commute; they can take 100% of their pension or they can take 0% of their pension.

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The commutation is a good thing; it is a thing that the GSD supported in principle, but did not implement because they had not been able to devise a mechanism to do it. The Hon. Member says he is against the mechanism we have got. He wants the thing to carry on, but he admits that, when they were in Government, they did not do it because it was not possible to do it through the financing from the Appropriation Bill, because it is something that will keep on growing over the years. But he is wrong in thinking that this is shifting away expenditure from the estimates that he has before him, because if he looks at the cost of the pensions, he will see that they keep on growing all the time. So the cost of the servicing of the commutation is reflected in the estimates of expenditure every year.

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Then, Mr Speaker, he also questioned the legitimacy of saying that part of our rainy day fund today, as it was before the principle components in 1996 of what we call 'the rainy day fund', were Community Care and the reserves of the Savings Bank – the same as they are today. We have restored what the GSD took away. But he says it is not legitimate to say that it is. Well, I will tell him why it is legitimate and I will tell him that the proof that it is legitimate is the action taken by the GSD Government, not anything we did.

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We left Community Care with £60 million. The, GSD, came in and said, 'Well, look, we are not going to give an annual grant anymore to Community Care because they have got so much money left over from the money that the GSLP gave them that the income from their £60 million cash is enough to pay the cheques every three months, so they do not need money from us. But, of course, if they use up the revenue from their investments, we do not want them to eat their capital, but we will give them the money then.' That was a promise; it was an electoral promise in a manifesto and it was a promise made in this Parliament, and it was broken.

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Then what happened? What happened with the rainy day fund was very simple: we lost the election and the greatest Gibraltarian ever came in and, even though it was the middle of the summer, he said, 'The rainy day is today' and he started using the rainy day fund and left it at cinch. So the rainy day fund was depleted for the very simple reason that, if in every year you put £7 million or £8 million or £10 million to pay the cheques every three months to our

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1320 pensioners, you have the benefit of saying, ‘Well, look, I am not going to put any money in. I am going to use the reserves, the savings, to pay that cheque. Then I can go down and see all the pensioners in the House of Lords, downstairs, and say to them “You see Bassano was lying to you. You are still getting your cheque every three months” – but he did not tell them who was paying the cheque; the cheque that was being paid every three months, because the rainy day fund was being depleted to pay it.

1325 So, is it true that it was a rainy day fund? Yes. Is it true that it was used when it did not need to be used, because it would have been perfectly legitimate if we had a situation where the reserves of Community Care are now £100 million, and we said, this year, ‘Well, look, although we put in the estimates in February that we will give £20 million – which is half the surplus – to Community Care, because of Brexit we are not going to give them £20 million.’ We are going to say to Community Care, ‘Look, the rainy day fund is for when the Government has problems. We want to guarantee the security of the quarterly cheque to our senior citizens. We, therefore, 1330 when we have got a lot of money, we let you build up reserves to be able to do that, and when we have a problem of receiving less money than we expect, we will stop giving you money.’

The GSD stopped giving them money simply because they thought they had too much money and then they justified it at the end of the 14 years by saying they had planned to do so all along, 1335 because they were going to scrap Community Care and they were going to replace it by direct payments from the Social Security which would have been insane, unless we are out of the EU.

1340 Fortunately, for everybody’s sake, the Leader of the Opposition has now discovered that and is committed to continue with Community Care, which I think is a great thing and I think that it is good that there are things that we can both agree, and where people do not feel that the decision on who they want to vote for should be determined by some people saying they are going to do one thing and the other people saying they are going to do something different simply because they had not thought of it themselves. Because I really believe that some of the things that we have done in the eight years that the GSLP was in Government were simply eliminated by the GSD as if they wanted to remove from the memory of mankind that there had 1345 ever been a socialist Government in Gibraltar. They did not want any trace of anything. So, whether it was good or was bad, ‘Take it out of the history books if it was done by the GSLP.’

1350 Well, look that is the wrong approach. We have carried on doing things that the GSD started. If they started something and it works, why should we want to change it? Therefore, I think that the point that I made earlier, Mr Speaker, is that, if the Hon. Member wants to gain greater credibility, then I think he has got to make a bigger effort and not contradict himself all the time.

Thank you, Mr Speaker. *(Banging on desks)*

**Chief Minister (Hon. F R Picardo):** Mr Speaker, can I, after that *tour de force*, invite the House to recess for 15 minutes.

#### **Birthday wishes to the Clerk**

1355 **Mr Speaker:** I think we can enjoy some of the largesse provided by the Clerk on his birthday. May we all wish him very many happy returns.

**Several Members:** Hear, hear. *(Banging on desks)*

*The House recessed at 6.20 p.m. and resumed its sitting at 6.30 p.m.*

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**Appropriation Bill 2016 –  
For Second Reading –  
Debate continued**

**Mr Speaker:** Having refreshed the Exchequer, I think I will call upon the Hon Roy Clinton.

1365 **Hon. R M Clinton:** Mr Speaker, in the aftermath of the Brexit referendum we live in 'interesting times' as the Chinese curse goes and so, as this House debates Gibraltar's economic and financial future, we must be honest with ourselves and face reality.

The Budget debate in this Parliament has historically turned into something of a collective state of the nation address by both Ministers and Opposition Members. I would like the focus of the debate to ideally return to the financial numbers, pure and simple.

1370 Mr Speaker, the ideal budgetary position is that enshrined in what has come to be known as the 'Micawber Principle' named, of course, after the character in Dickens' *David Copperfield* who wisely observed:

Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.

In other words, we should not spend more than we can expect to receive in any year, or afford.

1375 We have been fortunate in Gibraltar to have reported budget surpluses year after year in recent times but, as my learned colleague the Leader of the Opposition has correctly pointed out, the size of these reported surpluses are decreasing and we must take care that expenditure does not overtake revenue if we are to avoid Micawber's misery.

1380 The United Kingdom has, for many years, run a recurrent primary budget deficit funded by increased borrowing and, as the Father of the House correctly pointed out, the Chancellor George Osborne has only last week had to abandon plans to reach a balanced budget and a surplus by 2020, due to significant negative economic shock to the UK economy caused by Brexit.

1385 Our cousins in Bermuda have, in the past, allowed recurrent budget deficits funded by debt to get out of control and, as a result, are struggling not just to reach a balanced budget but also to reduce debt and the debt burden.

And so, Mr Speaker, how can we be sure we are truly living within our means in Micawber happiness? Can we really trust the surpluses reported are not in reality disguised deficits? Are our finances as transparent as they could be?

1390 Let us be clear how our budget surplus has been calculated, and using the words of the Accountant General:

The Government's accounting system is 'cash-based', which means that the books reflect receipts and expenditure actually paid in and paid out during the year and no account is taken of amounts owed by or due to the Government at the year-end.

Put simply it is the total money received, less the money paid out, including any debt repayments as at 31st March every year. In banking terms, simply the money your bank balance has moved from one year to the next, ignoring any unpaid bills.

1395 In March 2014 the reported surplus was £61.1 million; in 2015, £51.3 million; in 2016, £38.8 million; and projected for 2017 is a surplus of £ 20.3 million.

So, are these surpluses real?

The two questions we must ask are simply as follows: does it reflect all Government expenditure? And, has spending been curtailed before 31st March to improve the cash position?

1400 The first question is of course a huge point of contention between the Government and Opposition. Historically, Members of this House will be aware that Government only ran two

main cash accounting systems under the Public Finance (Audit and Control) Act, namely the Consolidated Fund and the Improvement and Development Fund – the first being for recurrent income and departmental expenditure and the second being for capital projects ‘to benefit the social and economic development of Gibraltar’.

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All funding for projects and Government-owned companies was channelled through the Improvement and Development Fund. As my learned colleague the Leader of the Opposition has repeatedly warned, the creation of Credit Finance Company Limited and the use of money in the Gibraltar Savings Bank to the tune of over £400 million has enabled this Government to fund capital project expenditure without the need to seek money from the Improvement and Development Fund. This would have inevitably caused the Government to use up its reserves and ultimately borrow more money. **(A Member: Hear, hear.)**

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Perversely – and this is what I find hard to believe – it has also given loans to repay Government arrears to debtors.

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Normally all capital expenditure is reflected in the Improvement and Development Fund and yet the low-cost housing at Eastern Beach that cost £76 million, and the Old Coach Park housing estate that cost a further £39.8 million, being a total of £115.8 million, never appeared in the estimates. In addition the purchase of Gibtelecom shares in December 2014 which would normally have been through the Improvement and Development Fund in the amount of £37 million was paid by the Savings Bank.

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The Father of the House, the Hon Mr Bossano, finally settled the question in February this year by adding to the objects of the Gibraltar Savings Bank the words: ‘preference shall be given to investments that will maximise the social and economic development of the community’. Thus, the Government now has the ability to fund capital projects which do not appear in the annual Estimates book and thus are not reflected in the reported and projected surplus. This greatly diminishes the ability of this Parliament to get a true picture of our financial health, and brings any reported surplus into question; and, to be honest, makes a bit of a mockery of the Budget process.

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As regards the second question, namely, has spending been curtailed before 31st March to improve the cash position? The Chief Minister himself has admitted calling in all heads of department on 5th December 2015 to control spending in the last quarter of the financial year. In answers to questions this month the Chief Minister has also admitted that the Government owed over £30 million of tax refunds to individuals and companies which, of course, if paid before 31st March, would have reduced the reported cash surplus to only £8.8 million. There is further anecdotal evidence that payments to Government suppliers had also been delayed.

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This, Mr Speaker, is what is known in accounting terms as ‘window dressing’ to make the year-end cash position look good by delaying expenditure and payment to creditors. And so I really cannot draw much comfort from the cash surpluses that have been reported and projected – but perhaps I should at least be thankful that they are not deficits.

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Mr Speaker, I would now like to turn to Government expenditure and priorities. My learned colleague, the Leader of the Opposition, has already described how recurrent expenditure is creeping up at a faster rate than income. We need to keep an eye on that; but I would first like to add my congratulations to the Financial Secretary for keeping overall departmental expenditure within Budget. I do not know what the Chief Minister told the heads of department on 5th December but evidently it worked!

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The devil, however, is in the detail and whereas overall departmental expenditure was within Budget there were some spectacular failures. The bulk of Government expenditure is in Health and Education which correctly reflects the needs and aspirations of our community.

It was, to me, disturbing that despite a budget of £800,000 for the Dementia Day Care Centre and Residential Centre in 2015-16 none had been spent on the first, and only £10,000 on the second. Whereas I can understand the Health Minister’s argument that he wanted the best deal for the taxpayer, the fact that virtually nothing was spent in the entire year beggars belief. The budget for 2016-17 has now been set at £2.5 million, three times last year’s estimate. The

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1455 Alzheimer's & Dementia Society will get some comfort at least from this and will no doubt continue to press the Minister to deliver this much-needed project.

The specific underspend in 2015-16 by the Minister for Health has to be contrasted with the eye-watering overspend by the Minister for Culture in the 2015 Gibraltar Music Festival; the Budget for which was £870,000 and the net amount actually spent was £2¼ million, representing an overspend of £1.4 million. Whereas I am sure Gibraltar enjoyed the event, I wonder if all taxpayers would have been happy with such a use of their money – or would they perhaps have preferred it going to pay for a third of the £6 million cost of Calpe House?

1460 On a personal aside – and at the risk of being labelled a killjoy by my parliamentary colleagues – it has come to my attention that Members of Parliament have in the past received complimentary VVIP tickets by the Music Festival Organisers. In my view, this is totally inappropriate as we are here to work for the taxpayer and not party at their expense.

1465 In addition we cannot, as a Parliament, scrutinise expenditure while benefiting from it. The Leader of the Opposition and myself will *not* accept any complimentary tickets – VVIP or otherwise – from the organisers; we will be discussing this with our Parliamentary colleagues this side of the House and I would encourage Members on the Government benches to do likewise and decline any complimentary tickets. **(A Member: Hear, hear.)** *(Interjections)*

1470 Coming back to expenditure, Mr Speaker, the point I am trying to make is that we need to ensure we keep sight of our priorities and target our spending accordingly. It will be small comfort to those struggling to pay off housing arrears to see that same money squandered on frivolities and merriment. **(A Member: Hear, hear.)** We need to spend Gibraltar's money wisely and appropriately. *(Interjections)* As you wish.

The Father of the House is fond of talking about rainy day funds and in this I can truly describe myself as his soul mate. A country such as ours with an open and small economy is vulnerable to economic shocks such as we may face in the unfolding post-Brexit scenario.

1480 We need to keep aside a financial buffer to soften any potential blows that may come our way. The Hon. Mr Bossano is proud of the £100 million set aside in Community Care to look after our pensioners, but I ask myself what has been set aside for the young and the sick? Should we not also have rainy day funds for Education and Healthcare which are the largest expenditure areas in our Budget? How is the Government going to ask Community Care for its £100 million rainy day fund back if it finds itself short to fund Health and Education?

1485 The Government needs to look after the entire community and not just one section of it. It needs to stop funding luxuries and start setting aside money in a general rainy day fund for us all. **(A Member: Hear, hear.)** The Cayman Islands was set a requirement by the UK government to maintain a cash reserve or surplus that represents 90 days of expenditure. As at 31st March 2016 the Consolidated Fund had a cash balance of £80.9 million which would represent 54 days of expenditure. We would need to set aside another £54.8 million over the coming years to reach the target of 90 days expenditure.

1490 The Government needs to be honest, as it has done, and is no longer donating every last penny of surplus to Community Care – but halving it. It may have been affordable in the past but I am sure even pensioners will agree that the young and sick also have needs – and our new power station still needs to be built and paid for.

1495 Mr Speaker, a lot has been said in the past about Government debt – whether, of itself, it is good or bad, and whether it is affordable. The Father of the House famously said last year that only the Neanderthals didn't borrow and it was not the borrowing that was important but the use it was put to and if it could be serviced.

1500 In this, I again agree with the Hon. Mr Bossano, debt is not of itself evil so long as it is affordable and put to good use. However, ultimately, debt needs to be repaid and we must be firm in our resolve to pay our own way in this world.

When I questioned the ability of the Government to meet its debt reduction target earlier this year, the Chief Minister immediately responded by stating – and I quote:

I am confident we will meet the targets set out in our estimates'

1505 Well, Mr Speaker, the forecast gross debt at 31st March 2016 was targeted to be £400 million and it is now forecast to be £447.7 million i.e. no change to 31st March 2015. He has missed his target by £47.7 million in what was a confident statement that was made barely two months before the end of the financial year.

1510 The Chief Minister was also confident that he would halve the gross debt from £520 million in December 2011 to £260 million by November 2015 – and again, in that, he failed.

We need a comprehensive debt management plan for Government debt. This should see the setting up of a specific formula to put aside money into the sinking fund to provide for repayment and also ensuring the best possible financing rate for current and future borrowing. It should not be a matter of good luck or chance cash flows that we can repay our debts.

1515 Mr Speaker, I was surprised to hear, in the Chief Minister's Budget speech this morning, his announcement of the raising of £300 million of finance by what looks like the mortgaging of six housing estates. The Government, it would appear, incorporated this company – which is called Gibraltar Capital Assets Limited – only one day before the general election, on 25th November 2015. On 26th April 2016 seven charges were registered against this company.

1520 We have been told that this was an opportunity to benefit from current very low interest rates which come in, it would appear, at an average of 3.85% – which is to be contrasted with the Bank of England base rate of 0.5% which may yet fall to 0.25%. So it cannot be said to be the best rate going.

1525 What we have not heard from the Chief Minister – and no doubt he will enlighten us in his response at the end of the Budget session – is what use he wants to put this £300 million to?

1530 Is this £300 million to be considered part of our national debt? In which case it would explain why the public debt limits went up in February this year. Or is he going to use this money to repay Government borrowing? But then again in the projection for 2017 I see no reduction in Government debt. So I think certainly Members this side of the House would benefit from him enlightening us as to exactly what it is he is going to use this £300 million for – bearing in mind he denied emphatically in January and February this year that he had any need to borrow any money at all!

The public will like to know the answer to that question.

1535 And also of course the granting, or the assignment – I do not know how these leases got into Gibraltar Capital Assets Limited – but I would like to know also what consideration was given for these. Was it for a notional pound? Did they give good value? How much money did the Government get for these leases?

1540 And also, perhaps for those who live in these six, as yet unnamed, housing estates. They perhaps would like to know where is their rent going to go now? Is it going to go to Gibraltar Capital Assets Limited or is it still going to the Government? Or is the Government now acting as an agent for Gibraltar Capital Assets Limited?

And of course is the money from the rent going to even be enough to pay the servicing cost of this £300 million that Gibraltar Capital Assets Limited has raised? And all it is, really, is an asset-backed bond probably with multiple maturities, hence the average rate.

1545 Obviously on this side of the House we have only just heard about this today and we would love to hear a lot more about it in the future from the Chief Minister or indeed the Father of the House. What is this money for? Where is it going to go? What are you going to do with it? How are you going to repay it in future?

1550 And in fact to put it into perspective, this £300 million considering that our net debt at the moment is £345 million, I find it surprising that it is possible for a Government to more or less borrow almost 100% of its national debt without any reference to this House at all. There has to be something wrong with that.



1555 How is it that the Public Finance Borrowing Act requires that a simple bank loan agreement has to be tabled in the House? And yet the Members opposite seem to think its fine to go out and borrow £300 million without telling anyone!

This cannot be another Credit Finance! You need to be open and explain what you are going to do this money. At the end of the day, as you know, it is not your money – it is the taxpayers' money. And at the end of the day it will be the taxpayer who will have to repay this money and not the Members opposite who will be long gone and retired.

1560 And so I move on ...

Mr Speaker, too often in this House when I have asked for financial statements or information the answer is, 'No' or 'Get it yourself'.

The Accountant General avows in the introduction to the report on the annual accounts for 31st March 2014, and I quote:

It is the Government's policy to promote transparency and accountability in public finances.

1565 I ask you ...

Well, Mr Speaker, I regret to say that I have found little evidence of that policy in the short time since I have taken my seat in this House. I have asked the Father of this House for detailed movements on the Sinking Fund and the answer has been an emphatic, 'No!'

1570 I have written to the Chief Minister asking for information that has been omitted from the 2016 Estimates book, namely some information about the Sinking Fund and the forecast split of bank debt and debentures. I asked for a meeting with him in this respect prior to the Budget – and I am still waiting!

1575 I have asked the Minister for Financial Services for the audited accounts of the Gibraltar International Bank to be given to Parliament when they are ready and his answer is, 'Go and get them yourself!'

The Financial Services Commission would have had these accounts by the end of April this year, and yet this House and the public are still kept in ignorance.

1580 I have asked for audited accounts of Gibraltar Investment Holdings Limited, the Government's ultimate controlling company, in February; and the written answer I have been given was:

Unfortunately, given that the former GSD administration failed to comply with the legal obligation to file accounts for these companies for a number of years, we are still in the process of catching up with the GSD's failure to provide transparent access to this information.

Mr Speaker, it really does not take four years to produce a set of audited consolidated accounts and it shows a complete and utter lack of commitment to the ideal of transparency whatever past failures may or may not have occurred. **(A Member: Hear, hear.)**

1585 This really has to stop. This is not a cat and mouse game between two political parties but the Government refusing to be held to account by an elected Opposition whose job it is to do so.

All Government-owned companies need to have their accounts up to date, audited and filed at Companies House. If the Government truly had a policy of transparency and accountability in Public Finance it would table all such financial statements in Parliament. It should also advise the House when it incorporates new companies – that would of course be far too helpful.

1590 What on earth does the Government have to lose?

The Government needs to do more than just pay lip service to a stated policy of 'transparency and accountability'; it needs to be seen to be actively doing so. To this end, I have tabled a motion to not only debate the findings of the Principal Auditor's report but also to create a Public Accounts Committee.

1595 Without wanting to pre-empt the forthcoming debate it is sad that the Government immediately sought to – as the *New People* colourfully put it – 'hijack' my motion by proposing a counter-motion *opposing* the creation of a Public Accounts Committee. *(Interjection)* Indeed.

1600 Mr Speaker, it is said that you are judged by your actions, and unless the Government changes its attitude, sadly it is evident that it has no interest whatsoever in either transparency or accountability; and it should thus stop pretending it does. (**A Member:** Hear, hear.) The electorate will have to judge for themselves if this is the sort of behaviour they want from their elected Government. (*Interjections*)

1605 It seems to me that the only number the Government likes to forecast over more than one year is GDP. The Estimates book only covers income and expenditure and our projected cash and debt position for the next year. It may be that this is a hangover from colonial days, but our economy is much more complex and sophisticated than that in the 1950s.

1610 We need to consider where our future needs are going to arise and how we are going to meet them. We need to prepare financially to meet those needs. I would like to see the Estimates book expand to cover a period of at least three years so that we can see if we are setting aside enough today, for example, to meet capital projects or other needs in future. I, personally, would welcome any Government initiative or ideas from the Financial Secretary – or the Father of the House, or the Chief Minister – in that respect.

1615 I understand that the Chief Minister has created a Gibraltar 2020 Committee; but I also understand that it has yet to meet. The Chief Minister needs to follow through on this, especially given the recent Brexit scenario.

1620 Mr Speaker, it has been my long-held belief that the Chief Minister should not also be the Minister for Public Finance. I have managed to convince my colleagues on this side of the House but it would appear not on the Government benches. It is a truth universally acknowledged – or a self-evident truth – that a Chief Executive Officer should not also be the Finance Director. It would certainly not be accepted in the private sector and generally it is not so in the public sector. So why is it that in Gibraltar it should be any different? There is always a tension between the Finance Director and the CEO; between the realist and the dreamer. (*Laughter and interjections*)

1625 We are entering uncharted waters post-Brexit and I would encourage the Chief Minister to divest himself of the Public Finance portfolio and concentrate on the political negotiations ahead. The obvious candidate to take on the potentially thankless task is, without doubt, the Father of the House upon whom the Chief Minister has already bestowed the title of ‘Titan of Finance’; and, only today, a ‘safe pair of hands’.

1630 Having been personally described by the Chief Minister as the Shadow Chancellor I would welcome such an appointment and I would hope to be able to work constructively with the Hon Mr Bossano in trying to navigate a safe passage through the gathering financial storm. (*Interjection and laughter*) At least I have made you laugh!

1635 Mr Speaker, both the Chief Minister and the Minister for Inwards Investment have spoken of the impact that Brexit may have on our economic model; with the most immediate casualty – or perhaps not – being the Chinese LED project which hopefully is just a pause in the project.

At the risk of stating the obvious I trust that the Government has started a confidential consultation with all sectors of our economy to establish what is truly at risk and what can be done to mitigate that risk. We need to preserve what we have and adjust where needed.

1640 It is disappointing to hear today that the Blue Water project is still delayed due to complex technical engineering problems. But the public needs to hear about the 1,000 low-cost housing units that were promised in the Bob Peliza Mews and Hassan Tercentenary Terraces – and what is it that the Government proposes to do in that respect? Are they going to be built at the Government’s expense or is the developer still going to build those affordable housing units?

1645 And, of course, I welcome the announcement of the Coaling Island reclamation project and, in due course, I look forward to hearing what the position is for any new inwards foreign direct investment and land projects.

Mr Speaker, the Savings Bank is a very important part of our economy since it holds most of our savings, and is also now a declared source for providing finance for social and economic activities that benefit Gibraltar. I would encourage the Government to publish the results of the

1650 Savings Bank in a more timely fashion and also include a statement of investments if any glossy type publications are produced for public consumption. It should also identify what elements of deposits are Government-related.

We may differ as to the impact using the Savings Bank money has had on Public Finances, but the Father of the House needs to stop accusing the Opposition of trying to undermine the Savings Bank as if it was an act of treason. It is our duty to point out what is being done with the public's money – and we will continue to do so.

It is the Government's sole cabinet collective responsibility to keep that money safe and, as the Leader of the House said today, they need to look after that money as if was their own.

1660 Mr Speaker, the small business community deserves as much support as it can get. The Government can help by providing start-up support in the form of subsidised accommodation; and increases in business licence fees are a form of stealth tax. We have today heard some measures in order to encourage start-ups and I welcome that. However, the Gibraltar Federation of Small Businesses conducted a survey in February this year and the result of that survey was 42% of respondents were concerned with the burden of regulation and enforcement following the introduction of the Office of Fair Trading.

1665 The GFSB had this to say, on the implementation of the Office of Fair Trading:

A welcome initiative, however the GFSB's concerns regarding the implementation were not taken into account by Government meaning a substantial increase in licensing fees and companies who previously only needed one license now having to apply for multiple licences.

A further 95% of GFSB members said that they were concerned about the impact of a potential Brexit on the local economy and their business.

1670 The Government needs to do all it can to ensure it is business-friendly and keep red tape to the minimum. It needs to take into account concerns expressed by the GFSB and the Chamber and not ignore them as they are, of course, key drivers of the economy.

Mr Speaker, I am pleased that the Government will not allow the Europa Tanks to be demolished and look forward to a similar statement in respect of Hargraves Parade and perhaps Rosia Bay. We should not allow our heritage to be sacrificed on the altar of profit and progress. 1675 **(A Member: Hear, hear.)** It is far too important. *(Interjection)* No, that has gone already! *(Laughter and interjections)* **(A Member: Hear, hear.)**

The new Heritage and Antiquities Act is still to be launched as a Bill and I invite the Government to add it to the parliamentary agenda this year.

1680 Mr Speaker, in conclusion, as I have expressed I have serious reservations as to how this Government has been able to report surpluses in recent years by the use of money in the Savings Bank. We need to manage the money that we have in a more transparent fashion, reducing waste and ensuring that we are targeting those areas of real need.

1685 We need to build up a general rainy day fund to meet any future eventualities and I would welcome the creation of a dedicated Minister for Public Finance that is someone other than the Chief Minister.

We need to aim for Micawber's happiness and maintain a balanced budget; and we need economic success to guarantee that happiness.

The *New People* – my favourite publication – summed up their expectations of this first Brexit Budget as follows:

We should not expect many give-aways and we should also expect a more rigid control in public expenditure. We have to find our feet before we carry on spending; this is a budget of consolidation and reflection for what the future might hold.

1690 I can identify myself fully with all those sentiments and trust the Government does so too. Thank you, Mr Speaker. *(Banging on desks)*

1695 **Chief Minister (Hon. F R Picardo):** Well, Mr Speaker, given the hour and that I have duties to fulfil in reading to Sebastian this evening *The Three Billy Goats Gruff*, which appears to be much more interesting than anything I have just heard, I move that the House should now adjourn until tomorrow at 9.30 in the morning.

**Mr Speaker:** The House will now adjourn until tomorrow at 9.30 in the morning.

*The House adjourned at 7.04 p.m.*