



# PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 11.11 a.m. – 1.58 p.m.

Gibraltar, Tuesday, 5th July 2016

## Contents

Suspension of Standing Orders .....	2
Standing Order 7(1) suspended to proceed with Government Bills .....	2
<b>Order of the Day .....</b>	<b>2</b>
Government Bills .....	2
First and Second Reading .....	2
Appropriation Bill 2016 – First Reading approved.....	2
Appropriation Bill 2016 – For Second Reading – Debate commenced .....	3
<i>The House recessed at 2.15 p.m. and resumed its sitting at 4.00 p.m.</i> .....	41

# The Gibraltar Parliament

*The Parliament met at 11.00 a.m.*

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

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

## SUSPENSION OF STANDING ORDERS

### Standing Order 7(1) suspended to proceed with Government Bills

**Clerk:** Meeting of Parliament, Tuesday, 5th July.  
Suspension of Standing Orders, the Hon. the Chief Minister.

- 5 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I beg to move under Standing Order 7(3) to suspend Standing Order 7(1) in order to proceed with Government Bills.

**Mr Speaker:** Those in favour? (**Members:** Aye.) Those against? Carried.

## Order of the Day

### GOVERNMENT BILLS

#### FIRST AND SECOND READING

#### Appropriation Bill 2016 – First Reading approved

- 10 **Clerk:** A Bill for an Act to appropriate sums of money to the service of the year ending on 31st March 2017. The Hon. the Chief Minister.

- 15 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that the Bill for an Act to appropriate sums of money to the service of the year ending on 31st March 2017 be read a first time.

- 20 **Mr Speaker:** I now put the question which is that a Bill for an Act to appropriate sums of money to the service of the year ending on 31st March 2017 be read a first time. Those in favour? (**Members:** Aye.) Those against? Carried.

**Clerk:** The Appropriation Act 2016.

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

**Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that the Bill now be read a second time.

25 Mr Speaker, this is my fifth budget address as Chief Minister. It is in fact my first budget address after our re-election to Government in November with great popular support, and I now have the honour to present the Government's revenue and expenditure estimates for the financial year ending 31st March 2017.

30 During the course of this address, I will also report to the House on the Government's revenue and expenditure out-turn for the financial year ended 31st March 2016, which was the fourth full year of a Socialist Liberal administration since we took office in December 2011.

35 Mr Speaker, as has been traditional since the first GSLP administration in 1988, when Joe Bossano was the first Chief Minister to get up and deliver a Budget, this budget address will, of course, not just be my report to the House on the public finances of our nation and the state of the economy generally, but also a review of the myriad issues affecting our economic and political outlook as a nation. In fact, I have no doubt, Mr Speaker, that this is the most important budget session of this House for a generation.

40 Mr Speaker, as has been the case with all my Government's previous budgets, this budget is designed with prudence in mind, to support our working families above all else, to support our youth and our students and to provide support to our senior citizens and our disabled, as well as being a budget to stimulate new business and to continue to make Gibraltar the most attractive commercial environment in the Mediterranean. At this time, it is also, of course, a budget of caution, a budget infected by necessary pause and reflection.

45 And the fact is, Mr Speaker, that my Government has been hugely successful in the past four years in the management of our economy and in providing a continued level of prosperity to all sectors of our community. During our last term of office Gibraltar has experienced average economic growth of over 10% per annum. The Government has had record levels of annual recurrent budget surpluses. There has also been a significant increase in our employment levels and the Government has delivered an overall reduction in the cost of doing business in Gibraltar.

50 The Government has provided support for our working families with income tax levels already being abolished for those with income levels below £11,000. We have given back to the lowest paid in our community by not taxing them at all. There has been a significant reduction in income tax across the board for all taxpayers and many of our working families have benefitted from an increase in the national minimum wage of over 15% during our first term of office. A  
55 GSLP government introduced the minimum wage in 1988 for the first time. And now a GSLP/Liberal administration has continued the work of raising the minimum remuneration payable in our society in order to spread the wealth towards those most deserving.

60 Our public servants have also benefited, with public sector pay increasing annually by well over inflation in the whole of the first four years we have been in Government, although in the United Kingdom with whom our public sector enjoy 'parity', salaries have been frozen or subject to increases of just 1%. That means that public sector salaries have increased by 14.3% over the past four years, whilst at the same time inflation has risen by 5.65%. That is a record of investment in the human capital of the public sector which this GSLP/Liberal administration is proud, despite the criticisms we have received from inside and outside this House to have  
65 delivered.

70 Our senior citizens have shared in our nation's economic success with annual increases in old age pensions and in respect of the minimum income guarantee. Also, in order to provide our pensioners with the peace of mind that their dependents are well catered for, the Government took the decision to reintroduce the Widows and Orphans Pensions Scheme. The relevant Bill is pending reading in this House later in this session.

Pensioners have also been able to continue to enjoy above market interest rates on their savings with the continued availability of high interest monthly income Government guaranteed pensioner debentures, issued by the Gibraltar Savings Bank. Mr Speaker, it is no minor boast to say that Gibraltar's pensioners, even the worst off, are undoubtedly better off than pensioners in most of the rest of Europe, and this should be something that people here should not take for granted. Even in respect of the Household Cost Allowance, paid not by the Government, but by the independent charity Community Care, the Government's donation of the recurrent surpluses to them in the past four years has insulated them from any concern they might have had of their ability to pay the allowance in leaner years. We have backed our pensioners by insulating them from market forces also, and thereby eliminating the worry of diminishing returns on their savings. In this respect, the spread in relation of the interest rates offered by the Savings Bank has got wider as Bank of England interest rates have gone down further and further.

Mr Speaker, support for our youth has included increased levels of scholarship grants for all our university students, an increase in the number of teachers in our schools, and increased levels of investment in school infrastructure. We have also invested in our hugely successful Future Job Strategy which has taken so many out of unemployment and given them worthwhile, meaningful jobs. We have worked to give more to our youth today, for they will be the custodians of our tomorrow.

And we have invested in our community and nation as a whole in infrastructure and in the fabric of our tangible assets. Mr Speaker, we have developed new leisure areas which have been designed also to tangentially deliver huge potential business benefits. One such area is the Small Boats Marina which is also a fantastic superyacht berth, in the centre of our city, and which is already attracting new business to Gibraltar which produces berthing fees as well as increased bunkering and other spending from these luxury vessels. The fact is that this new National Infrastructure Asset also produces a magnificent leisure facility for 700 long abandoned small boat owners to the whole of the community's gain.

As is the investment we have made in the refurbishment and cladding of our ageing housing stock and which has made the value of those previously depreciating assets grow magnificently and for reasons I will explore later, to the benefit of the whole of our nation, not just the people living in those estates.

There have also been significant increases in income tax allowances for our disabled as well as reductions in import duties on goods used by our disabled community. Because we believe in helping the disabled, not just with handouts, but also with incentives and we have grown 'in work' allowances which had been frozen for years.

We have been criticised for spending money, Mr Speaker, but I am proud to have spent on our civil servants and public servants. It is right to tax the lowest paid less. I am proud to have spent to help our pensioners and our disabled. And it is right to have raised the minimum wage as we have. And I am proud to have invested in our youth. Those who criticise our spending must also conversely and perversely be saying that they would not have spent on our civil servants or reduced taxation for the less well paid, that they would not have raised the minimum wage or helped our pensioners and our disabled as we have and that they would not have invested in our youth as we have.

But as has been the case since we arrived in Government, Mr Speaker, this is a budget first and foremost for workers and for entrepreneurs, for those who put out their hands to work and not to take, for they are the engines on which our economy prospers and thrives and they are the ones we will most fuel now.

In corporate terms this will be a budget designed to encourage business, in particular those who might set up or establish themselves in Gibraltar after today. And it is a budget also, of course, to continue to improve our public services and to deliver sustainable growth in our economy.

Mr Speaker, in short, this budget reflects my Government's ongoing commitment and mission to improve the quality of life and standard of living of all our citizens whilst carefully calibrating our response to the seismic events of the last 10 days.

125 This year, in particular, I will have a chance today to update the House on the continuing developments arising in the aftermath of the decision of British people in the Referendum on continued membership of the European Union.

In fact, this year, perhaps more than ever, this will be very much more than just a speech on the Second Reading of the Appropriation Bill, but a wholesale review of this state of our nation.

130 Indeed, Mr Speaker, I sincerely believe this is probably the most challenging budget at least since the financial crisis of 2008.

As Mr Bossano said himself, at the recent Question Time in this House, the Brexit decision could unleash economic effects not seen since the 1930s. This is clearly a material and adverse change to the circumstances that we face as a nation and presents a situation that we will broach with caution, prudence and continued investment in the right areas.

135 With that in mind, I will also, of course, during the closing aspects of my address, outline the budget measures that the Government will introduce further to our manifesto commitments, in response to the recent turmoil we have witnessed in the financial markets, in preparation for the potential for a withdrawal of the United Kingdom from the European Union and in order to continue to address the social and business needs of our community.

140 Mr Speaker, before I launch into the substance of my address, I want to thank the Clerk of the House and his staff for the huge amount of work they have undertaken since the last budget debate.

In that time we have held a General Election, which of course meant that the House had to engage in finalising the new Register of Electors and the organisation of the Election. Shortly after that process was over, without time to pause for breath, we embarked on the work for Gibraltar's inclusion in the European Union Referendum, which has required a new register to be compiled by the House based on different eligibility rules. If I may say so, one silver lining of the past weeks has been to see how the Clerk has done Gibraltar proud in the organisation and delivery of the Referendum. We have flawlessly formed part of the vote in the United Kingdom. 150 By being the first to declare our resounding verdict of 96% in favour of remaining in the European Union, we were able to highlight the strength of feeling in Gibraltar to the whole of the United Kingdom, to Europe and to the world.

I extend my hearty congratulations, and no doubt those of all Members, to all the staff of the House, and to those who were seconded to it, to assist the Clerk in his capacity as the Counting or Returning Officer for Gibraltar. 155

Mr Speaker, my congratulations, however, do not extend to the rest of the British people, who I believe have made a historic error of judgement in voting to leave the European Union, although I sincerely hope that, if Brexit proceeds, they will prove me wrong.

160 Pathology, Mr Speaker, is not my strong suit, and I do not think that there is any great value in carrying out a post-mortem of the result. In fact, political commentators are doing that already round the clock in narrating to us the soap opera that the Westminster Village has descended into in the past two weeks. But it is important to make an assessment of the current situation and to try to make sense of what has come to pass and why.

165 Mr Speaker, the result of the vote in England and Wales seems to have been driven not by an understanding of the European Union and a desire to leave it. More likely, Mr Speaker, it was driven by ignorance of the truth about the European Union, by a desire to vote against the UK's establishment and government, for reasons unrelated to the European Union, and, perhaps more importantly, based on claims which were exaggerations of the truth coupled with absolute untruths.

170 As I told those gathered for the annual dinner of the Federation of Small Businesses, I believe that the United Kingdom was sold Brexit on a false prospectus. I believe that many of those who argued to leave lied to the British public. And I believe that their exaggerations and hyperbole

are now coming back to haunt them as they stare into the vacuum that are their plans for the future.

175 Mr Speaker, perhaps there was also exaggeration in some parts of the campaign in the United Kingdom on the side of Remain. I do not accept for one minute that this was the case in Gibraltar. But it is clear to me that the false Brexit prospectus, if it were the prospectus for a financial product regulated by the Financial Services Commission or the Financial Conduct Authority in the United Kingdom, would have led to prosecutions today.

180 It is not an exaggeration to say that the United Kingdom has never faced such an absence of leadership as it faces today and that, of course, can have repercussions for us in Gibraltar. The Dutch Prime Minister, Mark Rutte, said last week that Britain is in chaos after the Brexit vote. In words which will sting all of us who have long seen the United Kingdom as a bastion of stability in an unstable world, Mr Rutte said, and I quote:

185 England has collapsed politically, monetarily, constitutionally and economically.

Mr Speaker, who could have imagined those words uttered about our beloved United Kingdom, or at least England, two weeks ago.

190 The Governor of the Bank of England, Mark Carney, has warned that the United Kingdom is suffering 'economic post-traumatic stress' and has said that the Bank of England will:

... take whatever action is needed to support growth.

Headlines in the *Financial Times* include a piece by Philip Stephens titled, 'Britain is starting to imitate Greece'. This was unthinkable two weeks ago.

195 And this is a contagion which will not be limited to the United Kingdom. The European Central Bank Chief, Mario Draghi, told the leaders that the impact of Brexit could shave a cumulative 0.3 to 0.5 percentage points off growth in the Eurozone economies over the next three years.

200 Hon. Members, like all the public in Gibraltar, will be closely following developments in the United Kingdom. In both the main parties at Westminster, developments seem to be proceeding at a faster pace than even social media and the 24-hour news cycle can manage. Could it be, Mr Speaker, that human action has, for once, even overtaken the speed at which electronic communications can stay abreast of developments?

205 I will not be commenting at all on the party political activity at Westminster, riveting though it may be for those of us with an unhealthy interest in politics. But I will say this: I do wish for the United Kingdom, as soon as possible, strong and determined leadership in both principle parties. This is a time for leadership in a determined direction.

210 In Gibraltar, Mr Speaker, there *is* strong leadership and we are united as a community and as a political class. We have spoken as clearly as ever in the result of the Referendum. The people of Gibraltar have expressed their desire to remain part of the European Union and the Single Market with the same fervent desire as we have previously and repeatedly expressed our desire to remain British.

215 There are many permutations that may eventually provide the mechanism for us to enjoy the type of relationship which the people of Gibraltar wish to have with the EU. I have no doubt that the United Kingdom will seek to be a facilitator of any such arrangements as we may wish and which we may be able to negotiate in. I also believe that we have strong allies in the UK, in both the Remain and Leave camps, who will wish to help Gibraltar through this period.

220 The fact is that we also have a common purpose with those of other nations and regions in the United Kingdom who have voted to remain in the EU. Hon. Members are aware of the progress of those discussions. I expect to be in a position to confidentially brief them again shortly on developments and will, of course, make such timely public statements in this House and outside it as may be appropriate.

225 There are other developments in hand, of course. What I want to stress to the whole nation,  
Mr Speaker, is that the final shape of what will be our membership or association with the  
European Union is not yet clear. The future shape of government in Westminster, the  
spontaneous and huge demonstrations in favour of remaining in the EU and the demographic  
analysis of the vote suggest that each day the majority moves more and more in favour of  
Remain, and this means it would be foolish to think that the future is discernible in any  
analytically reliable way. It cannot be clear until many legal and political issues have been  
230 determined.

One issue which is becoming prominent is whether a notice under Article 50 of the Lisbon  
Treaty can be given by a Prime Minister in exercise of the royal prerogative or if a vote of the  
House of Commons is required to trigger such a notice, which would undo the European  
Communities Act 1972. A legal action appears to have commenced already in this respect.

235 Mr Speaker, we cannot therefore at this stage commit to any recast post Brexit political or  
economic model until there is greater clarity. The leadership election in the Conservative Party  
presents so many permutations on its own that there are many options and alternatives to play  
for. Already we can see the beginning of economic policy for post-Brexit Britain taking shape.  
The Chancellor, George Osborne says that the United Kingdom is open for business in his *FT*  
240 piece yesterday, targeting a low rate of 15% for UK corporation tax. One might be forgiven for  
seeing in that approach much of what we have already been positioning: that is to say, low tax,  
best practice, agility in the context of a very competitive business environment guaranteed by  
the rule of law and the flexibility of the common law. We are well placed on that road map and  
can adapt well to it if it progresses.

245 The *Sunday Times* is not far off in its proposed blue print for Britain. That analysis of the:

... profound implications for Britain's political and business establishment.

Suggests that the UK has:

... entered a different world, with new challenges, but also new opportunities

250 Where it is essential to respond robustly to the challenges and seize the opportunities. That  
proposal suggests a 10% corporate rate of tax should be fixed as part of an 'Enterprise Agenda'  
for Britain with a scheme to reward private firms for getting young people into work, which is  
not too dissimilar to the Future Job Strategy. These proposed models are interesting in being so  
close to our own current economic model and we must watch to ensure that we remain  
255 competitive as against the United Kingdom itself.

What is absolutely certain is that in order to emerge politically stronger and economically  
more competitive out of this process we need to keep both united and very alert to all possible  
permutations facing us. We need to consider, plan and act in a way that ensures that we are not  
mere travellers in the process that is under way. We must be able to influence and shape our  
260 future now as a proud nation that has come of age and not as a colony or overseas territory of a  
metropolis that is told what is good for it and has to lump it.

After meeting the Minister for Europe last week I have now received the British  
Government's assurances in writing that we will be 'fully involved' in the process that is getting  
underway in the UK, and I have no doubt that we will be working in partnership with colleagues  
265 in London, leveraging of the relationship we have already invested in and built, in finding the  
best possible way forward for Gibraltar.

I also have no doubt that the European Union will welcome the fact that the people of  
Gibraltar voted so overwhelmingly to remain in the EU and the Single Market. I have no doubt  
either that the most magnificent weapon in my arsenal today is that huge show of support for  
270 the pro-EU option on the ballot paper two weeks ago.

The fact is, Mr Speaker, that Gibraltar has spoken clearly and with one voice, that we are not ready to say goodbye to Europe. We are not ready to leave Europe behind and we are not ready to turn our backs on the Single Market. We remain a cosmopolitan, Mediterranean business hub that is happily multi-faceted, multicultural and multi-ethnic. We are a people who are not only open to immigration; we are positively open and reliant upon it given that almost half of the working population of our nation commutes in every single day. All of those EU workers amongst us who were welcome before 23rd June, remain welcome today, and they will remain welcome tomorrow. They are a huge and tremendously valued part of our success.

And, Mr Speaker, we are definitely not ready to see Gibraltar lose the benefits it can leverage as an efficient and commercially attractive gateway to Europe. And this is not just an issue for us, but also, of course, for those who surround us and who support us with their labour and are part of our success.

As the recent report by the Chamber of Commerce reflected, direct, registered cross frontier workers can amount to over 12,000 of which 7,000 are Spaniards. Gibraltar imports almost £350m, around €420m Euros, a year from the Campo, securing thousands of additional jobs in the region. And we contribute almost 25% of the Campo's GDP, amounting to almost £847 million, or over €1bn.

I have met already with the Mayor of La Linea, Juan Franco, and with the Spanish Unions *Comisiones Obreras* and *UGT* as they are concerned about the effect that the Brexit decision could potentially have on their members who are employed in Gibraltar or in industries in the region that are reliant on Gibraltar. I have been happy to confirm to them that the Government of Gibraltar will not create any obstacles to the free movement of workers coming across the frontier. We are entirely clear about that.

But what I have also told them, Mr Speaker, is that if the price of continued access to the EU or the Single Market or the price of free movement is joint sovereignty with Spain, or indeed any other Spanish sovereignty price, then the people of Gibraltar will not pay it. **(Two Members: Hear, hear.)** It must therefore be clear to the world that the threat to the cross frontier Spanish workforce is not being made by Gibraltar, by the United Kingdom or by the European Union. The only threat to cross frontier workers comes from the current Spanish administration. It must be clear to everyone it is in this way that the current Spanish administration are the only ones who are creating uncertainty for frontier workers.

As ever, with our Spanish counterparts, we must hope for the best and prepare for the worst. The Government's view is that EU nationals are entitled to expect from Spain and hold Spain to a practical, workable and 21st century approach. We cannot make it easy for Spain to act in an unconscionable manner on the basis that only EU treaties create rights or indeed demand a civilised and sensible arrangement between neighbours. It will not be lost on hon. Members that we enjoyed the free passage of people, including workers, and free trade for many years before a now long deceased, and not missed dictator, first imposed conditions and then closed the frontier in 1969. We must surely not be expected to accept as Spain's default position the regime suffered under Western Europe's last post-war dictator.

I therefore call on all in our community to meet this challenge with our usual resolve and also with a renewed commitment to promoting, serving and working for Gibraltar.

More than ever before, this is a time to believe in ourselves, a time to trust the political leadership of this community, which will reach out to work with the whole nation. A time not to fear the unknown, but to seize the opportunity to shape our future in our own fashion.

For many years Gibraltar plc has given and all have taken. It is now also a time for us to give back more than we take. It is time to build on the solid foundations we have laid by our prudent investment in our nation. It is time to further solidify our already strong foundations even more.

Unity in the months, and perhaps years, ahead does not only mean trying to align and agree our political priorities. It also means all of us working together to develop and grow our economy. We provide services to an international clientele. Every interaction with our clients, investors and visitors is an opportunity and a responsibility. We can and must make all the



325 difference. In that respect, the public service will be hugely important. Every civil servant, every public servant must be alive to the need to ensure that Gibraltar is now seen as more efficient than other places, an easy jurisdiction in which to do business. No one can say or think it is acceptable to simply take the 'computer says no' attitude to the public ever again. We have no easy ride from here on. We have to be ready to do more, to go further, to work harder, to be more efficient and to wield greater influence than ever in building our common future in order to ensure we stay relevant, competitive and growing.

330 The Civil Service has never let Gibraltar down before, I am sure it will not do so now and it will be ready to meet the challenge that will come as we send out the message that we are open for business as usual, we are open for business with Europe and we are open for business with the world.

335 Mr Speaker, in this respect, hon. Members will be pleased to hear that the state of private sector projects in Gibraltar remains healthy, despite the Brexit result. We are about to see the finalisation of negotiations for the commencement of major new reclamation projects in the area of Coaling Island. Land reclamation needs to continue now, perhaps more than ever, so that we can ensure that businesses can have their workers based here and not dependant on the ability to commute easily into Gibraltar. A number of projects to allow for gaming and financial services workers to be housed in Gibraltar on new 'key worker housing' terms have been proposed to the Government and are under active consideration. Our community needs to understand that we need to build more and build higher in order to house those that we need to have in Gibraltar if we are going to maintain our standard of living for future generations.

340 And in that context, Mr Speaker, we are continuing our negotiations in respect of the plot at Rooke, which we expect will be handed over very shortly to the Government by the MoD. I expect to hold meetings with the preferred bidder in respect of that exciting potential development in September. Negotiations in respect of the Eastside project are also continuing, unaffected by the Brexit result, but hampered by complex discussion and engineering concerns. And new projects are being considered and proposed on which I would expect to make announcements soon and which will bolster economic activity in coming financial years. World Trade Centre, Ocean Spa Plaza, Midtown One and Two are already under way. The new Kings Wharf development of £60m and Eurocity are about to get underway and are also confirmed, despite Brexit, amongst others soon to be announced.

350 Mr Speaker, the Government has already done considerable work to attract businesses to Gibraltar that are not dependent on our access to the EU. More details of these businesses will emerge as further progress is made on the relevant projects being undertaken. In this respect, the work we have done in the United States and in the Far East, in particular via Jason Cruz in Hong Kong, is now expected to become even more relevant. The Gibraltar-US AmCham and the Gibraltar-Israel Chamber of Commerce are clearly even more welcome than they ever were before.

360 In order to make Gibraltar even more attractive for private sector investment, I have asked the Minister for Financial Services to reconvene the working group that reported on the proposed new mechanisms for Category 2 status and to also urgently progress the work being undertaken on HEPPS 2. Mr Speaker, it is worth noting that Monaco, to which we are so often compared, and is such a success, is not in the EU.

365 The competitive tender process for onshore storage of bunkers will continue unaffected by the Brexit result, as the parties that have tendered have expressed their desire to continue in the process despite the Referendum. This will be hugely beneficial for the future of our bunkering industry and will be alongside the potential for expanding LNG bunkering in the Bay.

370 In the insurance industry, a leading practitioner in the sector has written that:

Brexit does not represent doom and gloom for the Gibraltar insurance industry. Far from it. It simply means that the sector needs to partially reposition itself.

375 In respect of online gaming, a number of companies have already confirmed continued support and commitment to the jurisdiction for the long term and are voting with their leases to demonstrate it. William Hill, Lottoland and others have already made clear statements of continued commitment to the jurisdiction. The Minister with responsibility for this sector will no doubt say more in the course of his address.

380 But one specific example was the statement from Ed Ware, the CEO of 32Red Plc who said this week, and this is a quote that, '32Red was born and bred in Gibraltar and it is very much business as usual. We have a strong relationship with Gibraltar on many fronts and we are heartened that the jurisdiction shows every sign of continuing to progress and develop despite the surprise result in the UK. Gibraltar is a centre of excellence for gaming and we remain committed to working towards another 14 years of great success here.' Mr Speaker, this is language that the whole House will be happy to hear and I thank Mr Ware for those heartfelt words.

385 Mr Speaker, our economic performance is an important part of what makes us attractive to international businesses. It is therefore important that we should now undertake a substantive analysis of our economy and public finances by carrying out a detailed understanding of Gibraltar's economic performance in the past financial year ending on 31st March 2016.

390 Indeed, without anyone being in any way triumphalist, I am sure that all hon. Members and the whole Community will be pleased, reassured and heartened by the excellent performance of the Gibraltar economy in the past 12 months of the financial year 2015-16, although this positive performance does not ameliorate the potential challenges that Europe and the world will no doubt face in the coming 24 months and for which we will have to prepare.

395 Mr Speaker, inflation in Gibraltar averaged at 0.3% in 2015 compared to 1.8% in 2014. Annual inflation stood at 0.4% in April 2016, up from 0.1% in January, an average of 0.3% for the first two quarters.

400 The largest contribution to the slowdown in the rate of inflation in April 2015 came from static or falling prices in respect of food, alcoholic drinks, tobacco, fuel prices and slower price rises in clothing and footwear. The Government's Statistics Office reports that these were partially offset by upward contributions from other travel and transport, services and housing.

405 Gibraltar's rate of inflation has averaged at 0.25% in 2016, lower than the same period in 2015, that averaged at 0.5%. Weak inflation has been caused by low fuel prices from downward inflationary pressures in the UK and Spain from which we import most of our non-fuel commercial goods.

410 The rate of inflation was predicted by our Statistics Office to rise during the second half of 2016, following the increase in global oil prices that have nearly doubled since hitting 13-year lows earlier in 2016. This may, however, now not materialise as a result of the impact of the result of the EU Referendum which may produce effects that stifle growth generally and in particular in the areas which I have outlined and have already slowed and may now not pick up as expected. The falling value of the pound may nonetheless compensate if wholesale imports sourced in euros or dollars, or other foreign currency, makes them more expensive to consumers at the point of retail.

415 Mr Speaker, I turn now to an analysis of the Gross Domestic Product and of average National Incomes. The final GDP estimate for 2013-14 is now confirmed at £1.48 billion. That represents a growth in nominal terms of 12.3% or £161.56 million and in real terms of 10.3% over the previous year's final GDP estimate of £1.32 billion. The GDP preliminary estimate for 2014-15 is confirmed at £1.64 billion. This provides an increase of 10.7% in nominal terms, or £158.93 million and by 10.6% in real terms over the previous financial year.

420 Hon. Members will recall that, happily, this exceeded our own initial estimates of where Gibraltar's GDP would be in 2014-15, as we had anticipated that the GDP of Gibraltar would have reached £1.65 billion only a year later in financial year 2015-16. Mr Speaker, that means that in the four financial years from 2011-12 to 2014-15 the gross domestic product of our nation rose by 49% from £1.1 billion to £1.64 billion. I think, Mr Speaker, that everyone in our

425 Community and our cross frontier workers should be congratulated for having achieved that remarkable growth.

Yet, it is important to now factor in also the growth that we have seen in the financial year since then as the preliminary GDP forecast for 2015-16 is now estimated to be £1.77 billion. This, Mr Speaker, is an increase of 8.0% in nominal terms, or £130.85 million, and 7.5% in real terms compared to the previous year. If I may say so, Mr Speaker, it is exactly in keeping with the estimates we made at the time of the General Election, as we once again predicted the growth we anticipated was possible.

In terms of the period since 2011-12, Mr Speaker, the cumulative growth achieved from a final GDP estimate then of £1.1 billion to the preliminary GDP forecast now in 2015-16, is of an absolutely remarkable 61% for those five financial years.

Mr Speaker, the nation deserves to congratulate itself for having achieved this really quite unprecedented growth in the period. The average increase in GDP in the period is 12.2% per year, which really demonstrates just how effectively we have been able to channel the energy, the enthusiasm and the work of this community in this five-year period. (**A Member:** Hear, hear.) (*Banging on desks*)

Mr Speaker, the Government is now working to a target that would see increases in GDP to at least £2.4 billion by the end of March 2020. This represents a continued average annual growth of around 7.5%, and is the basis of the program on which we have been elected.

Mr Speaker, despite the Brexit vote in the Referendum, we are confident that this rate of GDP growth continues to be, today, entirely achievable and we will work to deliver that level of growth in the coming months and years.

Whilst analysing GDP, Mr Speaker, the division of GDP on a per capita basis of an economy is often used as an indicator of the average standard of living of individuals in that country. As a result, the growth in the overall size of the economy is therefore often seen as indicating an increase in the average standard of living. As I have said before in earlier speeches, my own view is that these measures are not entirely scientific because of the differing methodologies and fluctuating exchange rates on which they are based. Nonetheless, they are the measures that the rest of the world relies on.

Nominal GDP per capita in 2014-15 was £50,941. The latest forecast for 2015-16 estimates a nominal GDP per capita growth of 7.9% to £54,979. On the IMF GDP per capita rankings, the UK features in 28th position with a GDP per capita of \$41,159 and Spain in 36th position with a GDP per capita of \$34,819.

Gibraltar's GDP per capita for 2015-16 is forecast at \$90,165, placing Gibraltar in 4th position, down one, in the table. Third place has been taken by a new entrant, the Macao Special Administrative Region of China, which is new to the list at the 3rd position with a GDP per capita of \$98,135. That places us, Mr Speaker, even in 4th position, ahead of Singapore on \$85,253, Switzerland, Hong Kong, the UK and Spain.

As if to demonstrate how fluctuating and thereby potentially meaningless a calculation this is, the figures would of course have varied wildly depending on what day, indeed what hour, of the last two weeks one might have carried out the calculation because of the steep fluctuations in the value of sterling against the dollar. The important aspect of this exercise is really only to appreciate that Gibraltar's economy is estimated to have grown in real terms by 7.5% in 2015-16, with average earnings going up by 7.9%. This growth places us ahead of other small countries including Malta, Luxembourg Singapore and Hong Kong.

Mr Speaker, the level of Aggregate Public Debt as at 31st March 2016 was marginally lower than last year at £446 million and the level of Cash Reserves ended the financial year at around £100 million. This reflects Net Public Debt at £345 million or 19% of GDP.

Mr Speaker, we had expected that the Net Public Debt would be down already to 19% of GDP at £314 million. The delay in finalising the negotiations in respect of the sales of land which would produce large premia have meant that the net debt has not been reduced by these sums. We are nonetheless confident, both that the negotiations for the relevant development projects

will be finalised – and I will be saying more in that respect later. We are also very confident indeed that we will be able to hit the debt targets set out in our manifesto so that Net Debt will be £300 million by the end of the financial year 2019-20, which will by then be 12.5% of GDP, at  
480 £2.4 billion.

Gross Public Debt remained unchanged and the reduced level of Aggregate Public Debt reflects the balance held by the General Sinking Fund. Mr Speaker, Liquid Reserves held by the Government ended the year marginally higher than the Cash Reserves. As is the established practice, a full breakdown of these Liquid Reserves and details of where these reserves are  
485 invested will be provided as part of the Annual Accounts of the Government, once these have been audited by the Principal Auditor.

Mr Speaker, given that at the same time as GDP has grown, the public debt has fallen, the Gibraltar Public Debt to GDP ratio has fallen in aggregate terms by 2.1% from 27.3% in 2014-15 to 25.2% in 2015-16, according to the GDP forecast.

In net terms, Public Debt represents 19.5% of GDP in 2015-16, a decrease of 3.4 percentage points compared to 2014-15, when it stood at 22.9%. These ratios continue at a considerably lower rate than those of the UK and most other European countries. According to figures provided by Eurostat, the United Kingdom has a debt to GDP ratio of 89.2%. The lowest figure for the UK, in recent memory, was 31% in the early 90s. Germany has a rate of 71.2%, with its  
495 lowest figure of 54% coming from the days when the process of German reunification was starting. For the Euro area as a whole the ratio is 90% and for our neighbour, Spain, the rate is 99.2%, well below the Greek 175% and the Japanese, hellish, 292%.

But, Mr Speaker, although we are doing remarkably well in respect of the ratio of GDP to debt, we are not complacent in this respect, and we are aiming to ensure that we hit our own target of £300m of net debt on a GDP of £2.4 billion, a ratio of 12.5%, by the end of the financial year 2019-20.  
500

As we are faced by the uncertainty of the Brexit decision in the EU Referendum we must be more cautious in spending, more prudent in saving and more astute in achieving this reduced ratio, something which we are as committed to doing today as we were when we fought the General Election in November.  
505

Our overall borrowing is relatively low, even if we were to include the borrowing by Government-owned companies, which, as hon. Members know, is not and has never been deemed to be part of the Public Debt. This is so because borrowing by Government-owned companies is serviced directly from the income accruing to these companies and is secured against income generating assets held by those companies, and not against the Consolidated Fund or the general revenues of the Government and has been the case under successive Administrations.  
510

Mr Speaker, the Government nonetheless remains committed to reducing its debt servicing costs and it is fully engaged in restructuring its borrowing in order to take advantage of the historically low levels of market interest rates. In this respect, and as part of ongoing management of the Public Debt, opportunities to extend the maturity profile of the Public Debt are also being actively looked into by the Ministry of Finance.  
515

Mr Speaker, hon. Members will see that the estimated surplus for this financial year, as set out in the estimates book, was £18 million. That estimate was, of course, as ever, a conservative assessment of what we believed was achievable.  
520

I am delighted to announce to the House and to the nation that during the last financial year 2015-16, we have once again exceeded our estimate for the fourth consecutive year and achieved a recurrent budget surplus which is among the highest ever on record, at £38.8 million. (A Member: Hear, hear.) (*Banging on desks*)  
525

I am surprised they are not pleased, Mr Speaker! This is more than double the originally estimated surplus for the year and produces the *third highest surplus* in our nation's history. In addition, Mr Speaker, it is worth noting that the surplus of £38.8 million is declared *after* the deduction of £25 million to fund the Government companies, something which was not done by

530 the previous administration which preferred to accumulate losses in the companies. We moved  
away from that way of doing things in our first financial year in office and have consistently  
deducted £25 million to fund company losses in each year since our first election *and* declared  
record surpluses. In this instance, for the sake of comparison of like with like, I should clarify that  
if we were declaring the surplus in the same manner as the former administration, which  
535 Members of the party opposite represent, we would have been declaring today, Mr Speaker, a  
surplus of £63.8 million, which would be the highest on record for our nation. But we continue  
to believe it is more prudent and appropriate, as we set out to do from the minute we were  
elected in 2011, to make the deduction in order to fund company losses, as I have stated.

Mr Speaker, this year's surplus arises from Government revenue during the last financial year  
exceeding the original budget by around £22 million.

540 As a reflection of the continuing growth in our economy, Income Tax receipts were up by  
around £5 million and Company Tax receipts were up by over £20 million.

The House will be pleased to note, that despite suggestions to the contrary in some quarters,  
departmental expenditure during the year, on the other hand, has been contained by the  
Government and ended this financial year broadly in line with the original budget.

545 Mr Speaker, I want to congratulate all controlling officers for their financial management in  
respect of these returns, although some departments where cost is demand led, have exceeded  
their budgets for that reason. Indeed, this result was no doubt greatly aided by the measures  
introduced by the Government to control unnecessary expenditure being incurred in the final  
quarter of the financial year.

550 Mr Speaker, moving on now to Community Care: as in previous budgets and in line with our  
manifesto commitment to help Gibraltar Community Care Trust build up its reserves so that it  
can become totally independent of Government grants, I am delighted to inform the House that  
a further sum of £20 million has been earmarked by the Government this year as a contribution  
to the charity. This contribution will be paid out from the Government's recurrent surplus for the  
555 year. Community Care no longer needs the whole of the Government surplus and for that reason  
we are fixing the amount to be donated to the charity to half of this year's record breaking  
amount.

By the donation of this amount, Community Care will be on track to have reserves of £230m  
by 2019-20, as we were committed it should have.

560 Mr Speaker, I now move on to the Revenue and Expenditure Budget for the current financial  
year: Estimated recurrent revenue for the year is budgeted at £590 million. This represents an  
increase in revenue of over £30 million, or 5.5% over the previous year's Estimate, but is  
nonetheless a conservative budget going forward. The overall recurrent expenditure budget for  
the year is £570 million, which reflects a modest increase of around 5% over the 2015-16  
565 Budget.

Mr Speaker, this would represent expenditure at 32% of GDP. The similar comparator for the  
United Kingdom, Spain and Germany would be in the region of 43% or 44%, France is at 57% and  
the Euro area as a whole at 48%.

570 Mr Speaker, the Government is therefore conservatively projecting a recurrent budget  
surplus for this financial year of around £20 million. This year we continue to think it is right to  
project conservatively for such a surplus, rather than over estimate and find we are unable to  
meet the target. In these times, prudence will prevail in making this estimate, as it has in every  
other year since our election.

575 Mr Speaker, during the last financial year 2015-16, the Government invested around £99  
million on capital projects funded from the Improvement and Development Fund. Around £18  
million was invested on Works and Equipment and a further £81 million was invested in specific  
capital projects. This includes an investment of £12.2 million to complete the new 700 Berth  
Small Boats Marina; the provision of equity funding of £15.9 million for the Gibraltar  
International Bank and £6.7 million of equity funding for the University of Gibraltar. All of these  
580 are excellent projects that have added greatly to our growth as a nation.

Mr Speaker, there were also further capital projects funded through the Government-owned companies. These include the construction of over 1,000 new affordable and rental homes and the construction of car parking facilities in numerous locations around Gibraltar.

585 Mr Speaker, the expenditure budget of the Improvement and Development Fund for the current financial year 2016-17 is reduced by a third to a more modest £61 million approximately in this year's Estimate book.

The capital investment in Works and Equipment is estimated at around £20 million and the provision for investments in other Government projects amounts to £41 million.

590 This sum includes further equity funding of £3.2 million for the University of Gibraltar; an investment of £4.9 million in our Roads and Parking Projects; over £11 million for the relocation of a larger number of MoD estates as agreed by the former administration, in order to enable the continued release by the MoD of further land and properties for use by our community; £3.1 million for completion of the conversion and refurbishment works of the Old Naval Hospital; 595 £1.3 million for infrastructure works required for the new Power Station; £1.9 million for infrastructure works for new Housing Projects; £1.2 million to complete the St Bernard's Catering Facility; £1.2 million for general improvements to housing estates; and further provision to complete other ongoing capital projects. Nominal amounts are provided in respect of some of the more exciting projects and developments we would like to see materialise but which are still undergoing the detailed planning stages.

600 All of these, Mr Speaker, are important investments in our future.

The Government will nonetheless be keeping a close watch on expenditure and on political developments and will, if necessary, have to make the decision to rein expenditure in further and not incur costs on new projects, if the circumstances so require.

605 Mr Speaker, I am delighted to report to the House that the reserves of the Gibraltar Savings Bank have continued to grow and that these reserves stood at £25.8 million at the close of the last financial year. The reserves of the bank are estimated to grow further to reach over £30 million by the end of the current financial year.

610 This is one of the 'kitties' available to the Government – and I do not mean cats, Mr Speaker – at any time and is a fund that has grown consistently since we were elected from zero just over four years ago. It remains on track to reach £70 million by 2019-20

Indeed, this is one of the rainy day funds that have accumulated and which the Government has access to and which we can pay ourselves as a dividend, should we require it.

615 Mr Speaker, as we set out extensively in our programme for Government at the time of the General Election, we are well on track to have rebuilt the rainy day funds which had been reduced to zero by 2011, when we were elected, to £300m by 2019-20. This is a process on which we did not start today. It is a process on which we embarked the minute after we were elected in 2011, and it was absolutely right that we should have done so. We are being proved right for having followed that course.

620 The current political circumstances entirely vindicate the view we have taken since we were elected, that we should build up these reserves. Already a total of almost £150 million have been put in rainy day funds in the past four years, Gibraltar now has, Mr Speaker, the largest rainy day fund in its history at its disposal.

625 Given the circumstances in which we find ourselves, I am sure, Mr Speaker, that the whole of the House and the whole of the community will be very happy indeed that our repeated prudence and our consistent caution in how we have calibrated our spending – despite criticisms to the contrary – has produced this magnificent rainy day fund, or sovereign wealth fund to put it in another way, in the sum of £150 million, well on target to reach the £300 million envisaged in our programme for Government in November.

630 Mr Speaker, the Savings Bank continues to provide an excellent range of savings products for our community, as indeed it has done since it was established over 130 years ago. The Deposit Base of the Savings Bank has now grown to over £1 billion and keeps growing by a considerable amount each month. In fact, despite what some might describe as some attempts to discredit

our administration of the affairs of the Bank, we have seen it grow consistently and in defiance of the attempt to tarnish it. The Savings Bank is now more robust than ever, stronger than ever and with greater reserves than ever. This is really to the credit of the work of Joe Bossano, who has demonstrated that he is by far the safest pair of hands for the growth of this institution, having built it up in the late 80's and having now done so again in, if I may say so, magnificent fashion. I know that Mr Bossano loves having praise heaped on him, Mr Speaker.

To have grown an institution like the Savings Bank as Joe has, and having laid such extraordinarily strong foundations for it, stands us in good stead in these times of uncertainty and vindicates the manner in which the Savings Bank has been managed in the time since our election five years ago. The strength of the Savings Bank today is a huge asset for Gibraltar, and I want to specifically single out the way in which Joe Bossano has doggedly and despite repeated criticism stuck to his plan to strengthen the Bank.

The Gibraltar Savings Bank will continue to provide savings products to serve our community and will continue to offer special rates of interest to our pensioners under the expert stewardship, not just of the Minister with responsibility of the Savings Bank, Joe Bossano, but also that of the Financial Secretary. In this respect, Mr Speaker, hon. Members will have heard the Governor of the Bank of England, Mr Mark Carney, say last week that he anticipates that interest rates will be cut again, probably in July and probably also again in August, which will be very bad news indeed for savers everywhere else. We have maintained the product for pensioners which will maintain their standard of living. The Savings Bank is also working on improving the other services it offers to savers by making use of the latest available developments in banking technologies.

The Savings Bank now, Mr Speaker, as we all know, complements the services that are being provided to the community by the Gibraltar International Bank, which includes a full range of retail banking services, in mortgage finance to prospective home-owners and commercial lending to our local businesses.

In its first advertorial slogan to the community the bank said it was going to be, 'Working to deliver your banking needs'. Hon. Members will agree with me that thanks to the hard work of the people who set up the bank in the most adverse of circumstances, the whole community can now see that this is in fact true and the community is availing itself of the services and products delivered by the Gibraltar International Bank.

The Bank opened for business, believe it or not, as recently as May last year, Mr Speaker, and in that short period of a year and two months since then the bank has successfully managed the transition left by the departure of Barclays Bank from the marketplace with little or no fuss. It has already been dealing daily with account openings, online banking services, loans and of course, mortgages. Indeed, I am informed that since the bank opened it has increased its deposit base on a month-by-month basis, also at the same time as the Savings Bank has done so. As at the 30th June the deposit base of the bank, in just over one year, stood at £244 million, that is to say, Mr Speaker, just shy of a quarter of a billion pounds sterling and way above the expected figure. This really is, Mr Speaker, a true reflection of how the community has embraced the Gibraltar International Bank and vested its confidence in it and is actively supporting it. The Bank's lending book has also been growing steadily over the months and now stands at £43 million. Overall, the bank has in excess of 7,000 accounts already opened in its books.

In summary, Mr Speaker, the Gibraltar International Bank today stands firmly as an established retail bank which is servicing the banking needs of our community and is becoming one of the important banks to go to in Gibraltar. And all of it run, as we insisted it would be, on an entirely independent and commercial basis (**A Member:** Hear, hear) (*Banging on desks*) by experienced and highly committed professionals at all levels and with an independent board of directors, also, exactly as we promised.

Mr Speaker, regardless of what side of the House hon. Members sit on, they will no doubt want to welcome the success that the Gibraltar International Bank has become. Can I ask that everyone here reflect now on the very hard work indeed that has been done by the independent

board, by the executive directors and by each and every member of the staff of the Bank in the  
680 process of setting it up and establishing it as they have, and making it the success that it is.

Mr Speaker, I will commence now on the process of dealing with the different departments  
that I have the honour of continuing to have responsibility for after the General Election: as hon.  
Members are aware, a Public Sector Human Resources business support unit has been formed to  
assist all government agencies, authorities and government owned companies, and it is based at  
685 Number 6 Convent Place. The new department has brought a commercial approach to non-Civil  
Service Human Resources, looking at efficiencies and new working practices to improve delivery  
of service.

It has also introduced a best practice approach to the disciplinary process focusing on  
restoring efficiency there also. The core of all industrial relations now emanates from this  
690 department which works directly to me in respect of my responsibility for industrial relations.  
We have been able to form an experienced team which is well respected by all our stakeholders  
and works well with all of them. The department is still in a developmental stage and once fully  
functional I expect it will bring a high end service to employees and our customers. I am also  
delighted to be able to inform the House that this new service has been welcomed by all three  
695 trade unions.

Mr Speaker, I now turn to my responsibilities for broadcasting. I am pleased to report that  
GBC's progress continues, with the feedback received suggesting that Radio Gibraltar remains a  
firm favourite with listeners. Viewers are increasingly enjoying programmes on television, and  
the national broadcaster's online and social media platforms are followed in their thousands.  
700 This is evidently due to the sheer hard work and commitment of the 80 or so broadcasting  
professionals now employed by GBC, who thanks to this Government's investment over the past  
four years, are able to deliver the programming and services that Gibraltar wants.

It is a necessary investment so that our small nation can pride itself in having its own  
independent radio and television services with the highest editorial integrity, and that is able to  
705 reflect our unique character, in the face of hundreds of radio stations and television channels  
that are available now locally.

The past four years have been all about improving the service that GBC provides.  
Programming is now a far cry from what GBC TV, in particular, offered viewers before then.  
GBC's CEO, Gerard Teuma, informs me that the road has been tough but this has now pretty  
710 much levelled out, with the efforts now dedicated to maintaining and wherever possible  
improving further, the quality of local productions and imported programmes.

Mr Speaker, television is an expensive business, nonetheless, but GBC's management is  
ensuring that all available resources are maximised to deliver the best value for money possible.

TV shows such as the recent 'Our Neanderthals' on the research being carried out at  
715 Gorham's Cave, and 'Inspired by Genoa' that is currently in production to air in the autumn, and  
which will trace Gibraltar's Italian ancestry, are just two of the many local programmes that  
would only be produced by a local channel.

And Mr Speaker, can I say that I am particularly looking forward to that programme, given  
that my ancestors come from Genoa.

720 This is GBC's remit, and they are delivering. The number of local series and specials produced  
this past year are simply too many to mention, but have been largely well received, not least to  
say the coverage of the election and the Referendum.

Mr Speaker, I am also glad to report that GBC has acquired 'affordable' rights to screen all of  
the FIFA World Cup Qualifier matches as an official host broadcaster. The live broadcast of these  
725 matches begins in early September. I am proud that our national broadcaster is able to cover the  
matches featuring our national football team. Evidence with these two elements, Mr Speaker,  
for anyone who may suggest otherwise, that the Rock is very much a nation in its own right.

I must also mention the GBC Open Day, which last Christmas raised a record-busting  
£146,000! I pay tribute to the trustees and the Corporation's employees who are involved in the



730 charity, not only for the special programming, but also for bringing the community together for such a worthy cause, which is The Rock's largest collective fundraising effort.

Mr Speaker, broadcasting is a sizeable area of employment locally, with 80 persons employed directly by GBC, that also provides opportunities to independent media companies. Careers in the media are exciting and rewarding and I am pleased that the Government's funding of GBC  
735 allows people to fulfil their ambitions in this sector, whilst providing valued services to our community. Increasingly, our own media professionals are also broadening their horizons by working closely with international broadcasters, such was the partnership between GBC and the BBC for coverage of the Referendum.

This resulted in both broadcasters benefiting from each other's locations and areas of  
740 expertise in what was a complicated results programme for all media involved – and in allowing Gibraltar's declaration to be carried not just by Sky and ITV who were here, but also by the BBC which is the main broadcaster in the United Kingdom. I was very proud to see that the *Newswatch Results Special* of Friday evening was subsequently shown on *BBC Parliament*, providing exposure nationwide in the United Kingdom for the Gibraltar point of view – although  
745 I can say, Mr Speaker, that I was a little surprised having BBC Parliament in the background at Gibraltar House in London whilst we were at meetings to see the GBC Newswatch logo come up and I did not have to do a double take. I have heard about reverse takeovers but I never expected that the GBC would be taking over the BBC.

Investment in technology needs to continue, and this year the Corporation has replaced its  
750 studio and field production cameras, which will allow the HD high picture quality to be maintained. Radio studios were also refurbished with some equipment upgraded. The focus in the new financial year is on the replacement of the current and ageing TV studio lighting grid with much more environmentally-friendly LED lights, as well as the upgrading of the station's satellite transmission facilities.

Mr Speaker, there is generally a good story to tell about GBC, but the truth is that our  
755 national broadcaster continues to operate from a location that is simply not fit for purpose. For this reason, and in keeping with our electoral pledge, GBC's relocation needs to happen soon and in a manner that will finally provide GBC with a decent working environment that includes the necessary infrastructure and allows our national broadcaster to deliver the best possible  
760 television and radio for our citizens.

This should also provide the vehicle for GBC to diversify and capitalise on commercial opportunities that should in turn reduce its reliance on a public subsidy. I am sure that with their proven determination GBC's professionals will make the most of any new opportunities that come their way, to the mutual benefit to its employees and Gibraltar as a whole.

765 I now turn, Mr Speaker, to my responsibilities for Customs.

The complement of HM Customs following the review is now complete with the final recruit training class concluding in December 2015. We have now employed sixty five additional officers over the last two years and, taking into consideration retirements during this period, a total of 79 new officers have joined the department since 2015. This has led to the creation of a new  
770 'Controls' section at the Commercial Gate, four self-contained operational shifts deployed subject to operational requirements, a 24/7 Marine Unit, a revamped Flexible Anti-Smuggling Team and increases in training, administration and IT officers.

Mr Speaker, it is interesting that in relation to Customs, in fact, there is now much to declare!

Honourable Members will be pleased to note that these increases in human resources have  
775 led to additional detections across all sections in both the traffic of illicit goods and evasion of duty. During the last year we have relocated or provided temporary office and working facilities for the Controls Section and Outfield and are working closely with the Collector on other relocations including that of the whole of Customs House, the Training, EPU and the Drug Detector Dog Section.

780 As Members of this House are aware, I am in the process of taking direct responsibility for drugs policy to ensure Gibraltar's 'drug problem' is dealt with directly from the heart of

Government. To this end, resources have been developed within Customs to have a dedicated team working primarily on tackling drug imports. During this year, marine and shift crews have detected and seized almost half a tonne of cannabis and a number of RHIBS have also been seized.

785

Mr Speaker, I expect to say more about my ministerial work in relation to this area of responsibility in the near future.

One of the other areas tackled by HM Customs is the illicit trade in tobacco products. In October 2015, HM Customs signed a Memorandum of Understanding with Philip Morris International, the world's leading international tobacco company which establishes a framework for co-operation to combat illicit trade in tobacco. A result of that collaboration with PMI is the testing of its 'Codentify' system, which is an electronic application to combine authentication, verification and track and trace cigarettes.

790

Customs is presently working closely with the United Nations Conference on Trade and Development to develop systems to test the effectiveness of 'Codentify' to identify counterfeits and the supply chain of cigarettes.

795

A portakabin has now been sited – as members of the community will have seen – at Eastern Beach Road as a staging point for officers on high visibility patrols in that area of the frontier fence and beach.

800

The Collector of Customs has also signed a Memorandum of Understanding to open a United Nations Conference of Trade and Development Gibraltar Centre of Excellence which will be housed within the University of Gibraltar and which will provide specialist training programmes for high-level international governmental and private sector officials on Customs-related matters.

805

Members of the House can imagine, Mr Speaker, that this was not without its attempts at thwarting.

The Centre is expected to be fully operational in August and a number of high level workshops have already been arranged for the autumn.

810

A stopover by UK Border Force cutters in September on their return from operations in the Mediterranean presented an opportunity for the UK Border Force Officers to undertake training exercises, share experiences and best practice, and to meet informally with their counterparts in HM Customs Gibraltar. This has resulted in further training and secondment opportunities with Border Force both in UK and in Gibraltar.

815

In May of this year the Collector of Customs, John Rodriguez, was elected into the European Association of Airport and Seaport Police's Executive Committee – something for Gibraltar to be truly proud of – a forum where international experts share their experiences and best practices with regards to the challenges of international collaboration in the changing world of border and port security.

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The event, attended by over 60 law enforcement and security professionals from across Europe, focused on aviation and maritime security, with sessions that discussed current threats and opportunities to disrupt criminal and terrorist activities.

During the course of the past year I have attended three passing out parades – the first in many years – and was impressed with the level of professionalism and knowledge of the new recruits and all ranks present, and it was an honour to share such an occasion with their friends, colleagues and families.

825

Our Customs Officers, Mr Speaker, like the officers of all our law enforcement agencies, are a credit to our community. They demonstrate that we invest and are committed to tackling the trade in drugs and other illicit goods in a real and meaningful manner. They are excellent ambassadors for Gibraltar and I am indeed proud to have ministerial responsibility for their sterling work.

830

Mr Speaker I now turn to my responsibilities as Chairman of the Borders and Coastguard Agency, where we have made major improvements since we came to office in 2011. More recently, as promised in our 2015 election manifesto, we have now fully integrated the Highway

835 Enforcement Officers into the Agency, providing additional manpower required to meet the challenges of the increased workload. We have also employed a large number of additional female officers to ensure the Agency is suitably balanced to carry out the gender-specific work it does, and to remain compliant with the Civil Aviation Authority and Department for Transport standards and requirements.

840 Mr Speaker, the officers at the Borders and Coastguard Agency go through extensive training in a range of disciplines and responsibilities. They are multifunctional and can react according to the risk and requirements that they face.

845 This last year has been a very successful year for the Agency whose efforts have been recognised internationally by BORDERPOL – the international border security, immigration and traveller management organisation – for its outstanding vision, dedication and commitment to progressive border security, traveller and migration management.

850 The Gibraltar Agency was presented with the Excellence in Border Management award at the BORDERPOL World Congress in The Hague in December 2015. This award not only recognises the Agency's efforts but, more importantly, provides us with international exposure placing us amongst countries such as Singapore, whose Immigration and Checkpoints Authority were the recipients, before us, in 2014.

In addition to this accolade, Mr Speaker, the Chief Executive has been elected to form part of BORDERPOL's Common Council, which is set up to oversee strategic operational programmes, and provide a platform to inspect global border security, migration and traveller management issues.

855 Mr Speaker with over 12 million people coming into Gibraltar every year, and the increase in flights and cruise liner visits, the Agency continues, particularly at the land frontier, to face the ever increasing challenge of maintaining a fluid but secure border. This Government is pleased to have invested not only in additional human resources, but also in the latest available technology in passport scanners, advanced passenger information systems, and CCTV and facial recognition cameras; all of which have enabled the Agency to work closely with the UK Borderforce, Her Majesty's Government's Home Office in the UK and INTERPOL in developing a very successful border targeting operation.

865 Together with the magnificent men and women of the Royal Gibraltar Police and the other emergency and essential services, the Agency is very much at the forefront of our fight against terrorism, working hard to ensure that those who we would rather not see in Gibraltar, because of the fear they could carry out criminal acts and do harm, are indeed kept out – and this as a result, unsurprisingly, refused entry over the last year to *over* 35,000 people ... more than the population of Gibraltar.

870 Mr Speaker, it is impossible to ignore the migration crisis in south east Europe and Greece in particular. We are lucky enough to enjoy relative safety here in Gibraltar, but as the EU tightens its borders in the eastern Mediterranean we cannot overlook the fact that migration routes may well shift along the North West African coast towards Morocco and thus closer to us; and indeed the challenges that may bring.

875 The increased security posture has placed considerable strain on all of our security services, and the Agency's men and women continue to work tirelessly to ensure Gibraltar can combat the increased numbers of organised criminals attempting to travel illegally, particularly to UK, via Gibraltar. The Agency works on the premise of 'an open but secure border', and works with colleagues at the RGP, UK Borderforce and Spain's *Policía Nacional* and indeed INTERPOL, to achieve this.

880 It also works particularly closely with Her Majesty's Government Home Office Risk and Liaison Overseas Network in the United Kingdom, which co-ordinates immigration intelligence work overseas and shares intelligence, to provide that 'outer cordon' which aims to stop illegal immigration and those we would rather not see in Gibraltar getting to our borders.

Working with this Home Office overseas network has led to the successful disruption of organised immigration crime and trafficking operations with the interception of a number of

885 organised criminal human trafficking rings trying to get Albanian, Chinese and Iraqi nationals illegally into the UK through Gibraltar.

Mr Speaker, the Agency strives to ensure Gibraltar is not seen as a soft underbelly for illegal access to UK, and in addition to its entry checks at the border, regularly carries out random exit checks at the airport. But it faces, as does the wider law enforcement community around the world, ever increasing challenges as criminals improve their resources in counterfeiting and  
890 adapting stolen original travel documents in their attempts to travel undetected.

Mr Speaker, the Agency has worked very hard to become the focal point for a more centralised immigration service in Gibraltar, and the Immigration, Asylum and Refugee Act, currently under review, will reflect this. It aspires and is working hard to ensure its operation is very much intelligence-led, and continues to set for itself increasingly demanding and  
895 challenging objectives. It remains focussed to working in partnership with other Government departments and Law Enforcement Agencies, both locally and abroad, and to exchanging information and intelligence of mutual interest, to provide solutions and improve the overall level of immigration service Gibraltar provides.

One of their objectives this year is to focus on working closely with the ship agents to facilitate and improve the migration process of the 20,000 or so ships' crews that transit through Gibraltar each year. The Agency is committed to professionalism and as such is always looking at ways in which to improve itself and the service it provides, whether it be seeking changes to policy or legislation; the professional development of individuals; collective training or indeed its  
900 social media presence.

The management team together with my office have worked hard to establish a solid administrative structure and continue working closely with the unions to explore ways in which we can best develop the Agency's future.

I am happy to say that we are in the final stages of ratifying the changes requested by the unions which will see further improvements to the Collective Agreement.  
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Finally, Mr Speaker I want to publicly thank the men and women of the Borders and Coastguard Agency for the invaluable work they do as, despite making gains for Gibraltar, their work is often difficult to measure and communicate and it all too often goes unnoticed.

As regards the Civil Status & Registration Office, I can report that it has been a challenging but productive year; a year which has seen the retirement of the Head of the Department and the resulting staffing adjustments which are still ongoing. On this note, I should like to thank officers from other departments, including the Human Resources Department, No 6 Convent Place and the Borders & Coastguards Agency, for their support and assistance to the CSRO.  
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In line with the practice established since the Gibraltar GSLP/Liberal Alliance came into office four and a half years ago, we are proud to have conducted the granting of British Overseas Territories Citizenship. At long last we have been able to do justice to past sacrifices made by long-term non-EEA nationals to the benefit of our community.  
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However, by far the greatest challenge this year has been the complete overhaul of our local Identity and Civilian Registration Cards. A decision was taken early in our first term of office to work towards the replacement of our former ID cards, as had already been done with our driving licences, in order to enhance security features while at the same time pave the way for greater e-government transactions.  
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A massive logistical exercise was embarked upon, not without its teething problems, but thanks to the efforts and contribution from our staff at the CSRO, as well as other officers and summer students, the inevitable technical difficulties encountered are being addressed with support from our internal ITLD Department and the specialist consultants engaged to design and produce the cards. Already, Mr Speaker, approximately 39,000 cards have been issued. In the year ahead, the exercise will be seen to completion.  
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During the last 12 months, the Government Income Tax Office has continued its programme aimed at improving the assessment and collection of taxes in Gibraltar, which is such an important part of our revenue. In this regard, the amendments to the Income Tax Act 2010  
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introduced in the last financial year have made the legislation clearer and more robust. In relation to all aspects of taxpayer assessments, the Income Tax Office is carrying on with the implementation of measures addressing delay issues in a positive manner.

940 The corporate tax yield in the financial year 2015-16 has reached a record high of £109,374,117. This represents a significant increase of approximately 23% over the Government's corporate tax yield in the 2014-15 financial year.

In respect of tax arrears, the Government's Income Tax Office continued its very effective strategy of close, dynamic and direct communication with employers to ensure compliance with our tax laws. A culture of compliance is being nurtured and encouraged amongst the general  
945 body of taxpayers by this strategy. The fruits of these efforts are evident from the improved yield in the arrears recovered by the Government. In particular, the Income Tax Office takes a very stringent approach on employers that do not comply with their tax paying obligations.

As part of the next stages in this strategy, the Commissioner's objective is to publish a 'Name and Shame' list in the Gibraltar Government Gazette setting out the names of those employers that have defaulted on their PAYE payments. Furthermore, new provisions have been introduced in the Income Tax Act 2010 in the last financial year empowering the Commissioner, by also extending his legal authority, to publish details of self-employed individuals and companies in the Gibraltar Gazette who fail to meet their obligations.

955 The programme of improvements continues steadily and is an evolutionary process without losing sight of the clear objective to achieve a streamlined, accessible and user-friendly service to all taxpayers in Gibraltar. The changes to Counter hours providing a continuous uninterrupted service from 8.30 am to 3.00 pm has been a resounding and unqualified success as much in the Income Tax Office as in the wider Civil Service. I want to congratulate all public servants for this.

960 In tandem, the implementation of the Income Tax Office's new webpage including user friendly portals forming part of the wider e-Government platform has seen very positive and favourable feedback from users. The ongoing modernisation of systems within the Income Tax Office has upgraded the administrative efficiency of the back office resulting in significant reduction in the time spent re-filing and accessing files. The ultimate objective for the Income Tax Office is to phase in the scanning and digitisation of all taxpayers' files and records. The improved systems on the payment of tax via debit cards has proved a popular choice with taxpayers and the banking facilities through which refunds are directly credited to taxpayers bank accounts avoids the hassle and inconvenience associated with cashing cheques.

The multi-faceted approach to make taxation easier to understand and the awareness of taxpayers' obligations has seen various successful initiatives. Presentations and attendance at seminars aimed at the business sector have contributed to the success of the outreach programme. In particular, the advertisement of important tax reminders in the local press has contributed to the success in achieving greater compliance across the entire spectrum of taxpayers.

975 The Income Tax Office has also maintained a dedicated approach in the discharge of its duties and functions for the purposes of exchange of information. In compliance with the obligations required by the EU, under EU directives and under the OECD obligations, they have ensured that these obligations are met competently and consistently and on time. The Income Tax Office has deployed its resources in relation to the ever-increasing demands placed on it by international tax compliance and major inroads are being made.

980 The amendments to the Income Tax Act 2010 introduced in the last financial year include the obligation for all companies registered in Gibraltar to file a full and complete return of their income. In order to facilitate the registration of such a significant number of companies, the Income Tax Office has introduced a 'fast-track' system which allows for the bulk registration of all Gibraltar-registered companies that were not previously registered with the Income Tax Office.

The Income Tax Office has in fact, embarked on this process and in doing so has maintained close liaison with the finance centre industry. Forming part of the Government's package of

990 information technology initiatives, the ITO is working closely with the Information, Technology & Logistics Department to enable companies to submit their returns online. It is intended to extend this facility to all taxpayers as soon as possible.

Mr Speaker, there has always been an amount of tax refunds due to be processed in the system, however a significant increase in tax refunds due on personal assessments first arose with the introduction of the Gross Income Based system of taxation in 2007/2008. Hon. Members may recall that this effectively created a dual system of personal taxation in Gibraltar.

1000 Under this dual taxation system, created by the former administration, the Income Tax Office calculates the amount payable by the taxpayer under both systems and then issues an assessment on the more favourable of the two taxation systems for the benefit of the taxpayer. The practical effect of this is that a significant number of taxpayers have in effect been migrated from the Allowance Based System to the Gross Income Based System after having been assessed. The initial years of this system resulted in a sharp increase in the numbers and amounts of tax refunds due and this backlog of refunds has been trailing since then.

1005 The problem has been further compounded with the introduction of the system of 'payments on accounts' in 2010 for both companies and self-employed individuals which has also resulted in a further increase in tax refunds due. Under this system, payments on account are made based on the previous year's results. Although the system allows for the timely collection of tax on account, where any such companies or self-employed individuals have subsequently reported a lower profit or income level, the tax overpaid is refunded accordingly. In the initial years following the introduction of this system the focus has been in ensuring that it worked correctly and resources were deployed accordingly.

1010 Mr Speaker, nonetheless, my Government has responded to the consequences of these tax system changes by increasing the annual provision for tax refunds so that they are now higher than they ever were before. Hon. Members will want to note and support that there is a provision of £10 million in this year's Estimates under Consolidated Fund Charges Head 07-1, for the payment of refunds during 2016-17 – the *highest* in history.

This compares with a provision of £7 million in 2015-16 and actual refunds of £6.6 million in 2014-15; £10.6 million in 2013-14; £6.6 million in 2012-13; £5.7 million in 2011-12; and only £4.7 million in 2010-11.

1020 Mr Speaker, with the provision of £10 million in this year's budget, which is the highest amount ever provided for refunds, the Income Tax Office will be able to continue with its ongoing Refunds Programme to catch up on the backlog of refunds resulting from the introduction of the Gross Income Based system in 2007-08. The Income Tax Office has now finalised all tax assessments for the years 2009-2010 and 2010-11; and the tax assessments for the years 2011-2012 and 2012-13 should be finalised this year. Their Refunds Programme is presently being worked on with a view to making significant inroads into the processing of the refunds due over the next few years.

The Government, Mr Speaker, does not wish to keep people's money.

1030 Finally, and more sadly in relation to this important department, Frank Carreras, the Commissioner of Income Tax, is retiring from his post this year. He will be sorely missed not just in this department but throughout the Government service. Frank has been a close adviser and a pillar of sound judgment in all the time I have been in office and I have no doubt that all those of my predecessors who have worked with him will feel the same way.

1035 I know he has also been an important servant of this House at election times and has been a great asset to Her Majesty's Government of Gibraltar, generally. In his time he has overseen a huge growth in income tax receipts and has been instrumental in guiding the work our legal teams have done on the EU State Aid matters. Indeed, I am sure that the only persons who will be happy to see him go are those that he has quite properly 'named and shamed' for their failure to comply with their obligations.

1040 Frank has agreed to continue to stay involved in helping to deal with general Government arrears and I have no doubt he will still be available to advise a friendly Chief Minister or two, once in a while.

Mr Speaker, last year the talk of the town was of power cuts and the greatest challenge facing our economy then was the provision of a reliable source of power and the installation of the necessary generating capacity for our community for a generation.

1045 One of the most important aspects of that process was the choice of location for the new power station and the choice of fuel for the future. Anyone who now cares to cast an eye towards the North Mole will not fail to see the significant progress that has been made by Bouygues on the construction of that facility. The engine bays that will house the new workhorses that will provide Gibraltar's power needs are now virtually complete. Delivery of the Caterpillar engines is expected by around November of this year as they have passed pre-delivery testing processes.

The whole House will, no doubt, be delighted to hear that.

1055 As the same time as this is ongoing, over the last six months senior Government officials have been engaged with Shell representatives to seek to finalise the arrangements for the LNG facility that will supply LNG to the new power station. These negotiations are highly technical as they need to cover eventualities over a contract spanning some 20 years.

Careful consideration has, of course, been given to ensure LNG is supplied to Gibraltar safely and reliably to keep the power station constantly working under this new fuel that will dramatically reduce emissions and produce cleaner and more efficient power. Gone will be the days of grimy, smelly, dirty diesel power and pollution. In addition, the cost formula agreed with Shell for LNG supply will make the use of gas cheaper than powering our engines with diesel.

1060 Mr Speaker, discussions on the safety case have been fully aired in this Parliament, the election campaign and in the press. I can assure this Parliament that no stone has been left unturned in this respect. As I have said repeatedly before, neither I, nor any other Minister on these benches, nor any other member of my professional staff, would tolerate an installation which introduced an intolerable risk to our Community.

1070 Shell has proved to be the right choice for this nation as we have experienced their attention to detail and vigilant eye on the safety case. The teams have repeatedly visited Gibraltar and have comprised specialists in all aspects of this process. For our part, teams from the Port have visited Shell's Rotterdam Gate facility which will supply LNG to the Gibraltar plant once this is operational.

In October teams from the Environmental Agency, the Gibraltar Fire and Rescue Service, the Port Authority and the Gibraltar Electricity Authority will visit Shell Gasnor's offices in Bergen, their LNG terminal and production site just outside Bergen, and to their LNG safety training facility in Rotterdam to see these at first hand and attend training sessions as appropriate.

1075 It is expected that negotiations will be finalised in the next month or so in respect of the final agreement with Shell. Interim arrangements have been entered into with Shell which have allowed them to progress with ordering the construction of the tanks being specifically designed for Gibraltar.

1080 In addition, Mr Speaker, the House will be pleased to hear that it is expected that Shell-commissioned works will also commence on the site shortly at the North Mole, after the agreements are signed and the final planning conditions are met.

1085 I cannot begin to explain to Hon. Members, Mr Speaker, how *complex* this process is and how proud I am of the team at the Gibraltar Electricity Authority responsible for supervising the wider power station project. On this, I have been working with the relevant Minister, Dr John Cortes, and particular mention has to be made of Michael Caetano the CEO of the GEA and Hector Montado, the Government's Chief Technical Officer.

1090 I also need to recognize the dedication of Manolo Alecio who has been instrumental in the design of the power station working on this up to his retirement and who continues to assist in an advisory capacity with this project. Manolo was part of the team who worked with me

together with Michael Gil as the then Chief Technical Officer to consider the options for Gibraltar from a blank canvas. I cannot thank Manolo enough for his friendship, support and advice in the period of analysis, consideration and procurement that led to the choices we have made and are now, happily, implementing.

1095 Mr Speaker, trying to co-ordinate both processes, power station and an LNG facility is not easy with everyone needing to be co-ordinated to ensure that the tanks are in place and the LNG plant is functional by the time the new power station engines are ready for testing. I am delighted to inform Parliament that we are well on track with both of these challenging and inextricably-linked projects.

1100 The LNG plant will be operated by Shell whose presence in Gibraltar will be through a 51% subsidiary aptly named Shell LNG Gibraltar Limited. In order to reduce the overall cost of this contract over its 20-year life to the Gibraltar taxpayer, the Government will own the remaining 49% of the shares ensuring Government shares in the economic benefit of this arrangement.

1105 The total cost of the facility is circa US\$ 44 million over a period of two years, and at the end of the 20-year contract period the plant will revert to full Government ownership for a nominal payment. The details of these LNG arrangements are not yet finalised but this outlines for the House the anticipated outcome of negotiations.

1110 Mr Speaker, my administration, just like the former administration, has also taken the view that infrastructure facilities such as the power station, which are for the long-term benefit of this community, should be funded on a long-term basis. With this in mind I can confirm that we have secured financing for the power station through a financing agreement that was entered into just before 31st March 2016 between Lombard plc, which is part of the Royal Bank of Scotland Group and ES Limited which is the company that will own the power station facility.

1115 This facility is an asset finance arrangement for £55 million, being the part of the construction contract represented by the assets in ES Limited. The facility is being drawn down against staged payments. The facility is repayable over 10 years, post construction, by making equal annual payments which can easily be met from the savings of fuel alone. The remaining balance of money due on this contract is at present anticipated to be financed directly from Government company sources.

1120 Mr Speaker, the new power station financing is more than affordable when one factors in the savings that will be made when Government also ends its contract with Energyst for the temporary rental facility and even more so when the Government is released from the fuel hedge arrangements put in place when diesel prices were in excess of US\$100 a barrel.

1125 The cost of this facility is at a margin of 2.98%. Yes, Mr Speaker, just under 3% of UK LIBOR, making this an *exceptionally* attractive facility that has not required the Government's balance sheet as security.

The facility also provides a drop lock option, allowing ES Limited to fix the interest rate. This choice will be allowed once during the lifetime of the facility with the decision available at each anniversary of the facility.

1130 Mr Speaker, it is right that I should take this opportunity to thank David Bruce from NatWest and Ian Victor, Robin Clayton and Lance Coppock from Lombards for working with us to make this innovative financing arrangement possible, which does *not* require us to raise electricity prices to consumers by 5% per year for 20 years, as was anticipated in the financing arrangements which were entered into by the former administration.

1135 Mr Speaker, the new power station project and the new LNG storage facility for it are amongst the most exciting, essential and critical projects for this community and it is a pleasure to have been able to see both of them well on the way to being delivered for the benefit of all.

1140 Mr Speaker, another of the exciting, essential and critical projects for the future of this community is the completion of the tunnel under the runway. In this respect, the Government was pleased to be able to announce that it had successfully negotiated a settlement with Obrascón Huarte Lain SA (OHL) to complete the runway tunnel. Not only will this settlement avoid further delays by requiring the contractor to complete the tunnel by 30th November 2018



1145 but it will do so at a price close to the original 2008 budget. The completion contract explicitly specifies that any delay to the contracted completion date would immediately incur financial penalties to be paid to the Government by OHL. This settlement therefore provides Government and the taxpayer with the certainty of a completion date and also with certainty of cost.

1150 Having originally contracted to pay OHL £30 million for the tunnel in 2008, OHL will now receive a total sum of no more than £24 million. This amount includes sums already paid. The reduction in price will contribute towards the costs and expenses incurred by Her Majesty's Government of Gibraltar since termination. These include the cost of certain works undertaken directly by the Government's wholly owned Gibraltar Joinery and Building Services Limited.

1155 The risk involved in completing the tunnel project will now be assumed by OHL rather than by the Government and our current position is further increased in our having obtained bank guarantees in the total sum of £37.1 million in favour of the Government to ensure OHL's performance of the works. Mr Speaker, that is bank guarantees of £37.1 million to ensure OHL's performance of the works. Government will also be able to pursue OHL for further sums if they fail to deliver.

1160 A completely fresh OHL team from their international division is being brought in to ensure the delivery of the project in accordance with the new completion obligations. OHL will be mobilising on site during the early part of July although formal commencement under the completion contract will be as at 1st August 2016.

Mr Speaker, as the Government has already stated publically, this settlement with OHL ensures that the final cost of the tunnel will be as close as we could hope for to achieve what was originally budgeted for. The result also de-risks the process for Gibraltar quite considerably.

1165 I want to place on the record of *Hansard* the Government's thanks to the team at TSN comprising Guy Stagnetto and Nick Culatto; the team at Corbett & Co led by Edward Corbett, and also to Mr Nigel Pardo and also Stephen Orciel and John Joe de la Paz who have been involved throughout. Additionally, I am also grateful to the team, in-house, within Her Majesty's Government of Gibraltar, in particular, Michael Gil, Hector Montado, Dilip Dayaram, Albert Mena, the now Financial Secretary, and the former Chief Minister, Sir Peter Caruana, who have been of great assistance in the litigation leading up to this result.

1170 I also want to thank GJBS who have, as usual, stepped into the breach when they were needed by the Gibraltar taxpayer and they could have done a great job of finishing the tunnel if we had asked them to. The work they have done and have completed is, as usual, of the very highest standard and I want to thank them also for that work.

1175 Mr Speaker, I think everyone will now look forward to seeing this important infrastructure project completed as soon as possible, by the date agreed and on the renewed budget.

1180 Mr Speaker, I now turn to the specific Budget measures for the financial year 2016. As Hon. Members are aware, the Government's policy is to enhance, protect and secure our housing estates. We have invested very considerable amounts of almost £100 million in upgrading many of our housing blocks and we remain committed to this ongoing programme of modernisation and improvement. At the same time, Mr Speaker, the Government has noted the remarks in the Ombudsman's report this year in relation to the need to review housing rents.

1185 First of all I want to congratulate the hon. and learned Lady, the Minister for Housing, for her fantastic work in collecting arrears of housing rents. She will be telling the House more in her intervention, no doubt, about how much she has already collected in arrears and what she plans to continue to do.

1190 Going forward, the position of all parties at the last general election was that housing rents should be reviewed given that they had not been increased since 1984. Average earnings in Gibraltar in 1984 – which was before the full opening of the Frontier – were £126 per week, whilst average earnings in 2015 were at £555 per week – a rise of 340%. Inflation in that time has risen by 153.5%.

As a first Budget measure this year, Mr Speaker, I announce that Government residential rents will therefore be increased this year for the first time in thirty two years by only 3%, which

1195 will amount to an average of 60p per week. The increase will amount to 39p for a two-bedroom  
property at Alameda Estate or 46p per week for a two-bedroom property at the Mid Harbour  
Estate – that is to say, less than half the price of one edition of the *Gibraltar Chronicle* a week,  
although I am not proposing that anybody should sacrifice buying their *Chronicle*, Mr Speaker.

1200 I trust that all Hon. Members will agree with me that means-testing these increases would  
cost more than the increases and makes no sense.

These are very modest increases that must now continue on an annual basis in a manner that  
will nonetheless remain considerably below where they would have been if they had increased  
consistently in line with inflation.

1205 Whilst the former administration put in place a scheme to sell off our housing stock assets by  
extending the Right to Buy Scheme to post-war accommodation, we instead have decided to  
retain the housing estates as long-term public housing and to maintain them to a higher  
standard than ever before. Although, the Right to Buy Scheme in respect of pre-war or free-  
standing property will continue, our priority will be to implement this in a way that keeps the  
bulk of post-war housing estates within the public sector.

1210 Indeed, Mr Speaker, instead of selling off these prized assets to raise money, as was  
previously proposed by the former administration, we are delighted to have secured £300  
million of new institutional investment in Gibraltar on the strength of our enhanced and  
refurbished public housing stock. This significant investment represents an important vote of  
confidence in Gibraltar's economy.

1215 The £300 million investment has varying maturities of between 15 to 30 years at fixed  
interest rates. Indeed, securing this investment at this time has been critical in order to benefit  
from current very low interest rates. Accordingly, the composite rate for the overall investment  
has come in at 3.85%. The securities have been placed with funds managed by M&G, MetLife  
and Babson, each of which are major institutional wealth managers. The Royal Bank of Canada  
1220 Capital Markets has acted out of London as the private placement agent.

The investment has been structured through Government's company structure, via Gibraltar  
Capital Assets Limited, a newly incorporated subsidiary of the Gibraltar Development  
Corporation. GCA has the benefit of long leasehold interests in six of Gibraltar's public housing  
estates. The freehold title to all housing estates remains with the Crown and the security of all  
1225 tenants is completely unaffected and secured.

GCA has a very strong local board of directors consisting of James Levy QC, the senior partner  
at Hassans, as Chairman; John Collado, the current and soon-to-be retiring managing director of  
LPS, and Charles Serruya, a senior and highly respected chartered accountant.

1230 The Government and the Housing Authority will remain fully responsible for the allocation,  
repair and maintenance of the housing estates.

Mr Speaker, this massive investment in Gibraltar has involved considerable planning and  
effort and I want to thank all the investors, financial institutions and advisers for having brought  
about this successful outcome. Indeed, this is all the more remarkable given the transaction was  
structured, completed in advance and notwithstanding the potential impact of a Brexit vote on  
1235 23rd June – not easily anticipated when the process was initiated. In fact, Mr Speaker, this  
transaction has served to highlight the very positive view of international investors in the  
strength and resilience of investment in Gibraltar.

I want to specifically thank the Financial Secretary, Albert Mena, who originated,  
recommended and has seen through the concept of structuring this investment in Gibraltar in  
1240 this innovative manner. My thanks also to Albert Mena's team for their work on this transaction  
and all of the work they do on these estimates, as well as Peter Montegriffo QC and his legal  
team for their invaluable work and advice in respect of this matter, as well as to the Minister for  
Housing, Samantha Sacramento, and Gerry Reading and her hardworking team at the Ministry of  
Housing.

1245 Mr Speaker, Albert Mena has been an important part of the delivery of this economic  
performance. He is an extraordinary talent, an extraordinarily committed individual and he has

1250 extraordinary skill. At this difficult time, it is clear that Gibraltar needs his abilities and skill set at its disposal and I am honoured that he accepted the challenge I put to him to become a part of my team at No. 6 Convent Place, in the heart of Government as Financial Secretary – although I must say I was dismayed indeed at some of the attacks to which he was subjected in November and which I have no doubt many will now regret.

It is appropriate I should also thank, Mr Speaker – before I launch into the rest of the Budget measures – all of my team at No. 6. – they know who they are – for their fantastic work and support this very difficult election and referendum year.

1255 Mr Speaker, the following changes in Import Duty will be introduced with immediate effect.

In order to assist the community with the purchase of vision correction aids and accessories, Import Duty on spectacles is reduced from 6% to 0%. Import Duty on spectacle lenses is reduced from 12% to 0%. Import Duty on contact lenses is reduced from 12% to 0%.

1260 Mr Speaker, can I just pause there and say that I wear glasses and have contact lenses, in case anybody should care to suggest, later, that it is inappropriate for me not to have done so.

1265 Mr Speaker, in order to contribute to a healthier diet among our children and at the same time promote physical education and sports in both our primary and secondary schools, Import Duty at 10% will be payable on fizzy and other soft drinks – other than fruit juices or milk-based drinks – with a sugar content of above five grams per 100 millilitres. The same level of Import Duty will be levied on sugar, sweeteners or other derivatives used for the sweetening of drinks produced in Gibraltar, which have the same sugar content.

As a further measure for the benefit of our school children – and I, Mr Speaker, will declare that I have two – Import Duty on school satchels is reduced from 6% to 0%.

1270 Mr Speaker, in order to assist our community with the purchase of everyday essential items, Import Duty on sanitary towels and tampons is reduced from 12% to 0% – Mr Speaker, this is the legendary tampon tax which suddenly was part of our general election debate. Nappies and nappy liners for babies have their Import Duties reduced from 12% to 0% – Mr Speaker, I confess one of my children still wears nappies. Pre-shave, shaving and after-shave preparations have their Import Duty reduced from 3% to 0%. Personal deodorants and antiperspirants are reduced, on Import Duty, from 3% to 0%. Perfumed bath salts and other bath preparations are reduced from 3% to 0%. #

1275 Mr Speaker, I do trust we will have a very sweet-smelling community indeed as a result of these measures.

1280 Mr Speaker, in order to assist local businesses in the marine sector, duty on electronic equipment and spare parts for use exclusively in boats, including fish finders, marine radios, radar and GPS plotters is reduced – probably to the chagrin of the Minister for the Environment – from 12% to 0%; Duty on sails is reduced from 3% to 0%; Duty on propellers and related spare parts is reduced from 12% to 0%.

1285 Mr Speaker, in support of this Government's continuing efforts to address the problems arising from tobacco and smoking generally, we will raise the Import Duty on water pipe tobacco from the current 12% *ad valorem* duty to £3 per kilo. This represents a three-fold increase in Import Duty on this commodity.

1290 Mr Speaker, in order to assist with the cost of doing business in Gibraltar, electricity and water charges will not be increased this year, despite the increasing costs of providing these public utilities. Given that inflation since January 2012 – the month after we were elected – has amounted to 5.65% in that period, that is the discount in real terms that businesses have had already, since our election, against the amounts at which water and electricity are charged. That is, of course, a huge discount already against the amount that it costs to generate electricity and water, both of which are costs which are now heavily subsidised by the Government and which we will continue to subsidise.

1295 General rates payable by businesses will also remain unchanged and discounts for the early payment of rates will continue to apply.

As I have mentioned, the Brexit vote has created uncertain times and my Government is determined to ensure that whilst in Gibraltar business continues as usual, Gibraltar remains competitive internationally and we continue to attract top quality businesses to Gibraltar.

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In order to encourage any business setting up in Gibraltar due consideration, the Government will implement a start-up incentive. An incentive of this sort, although not quite in the form has already been advocated by the Gibraltar Society of Accountants and the Gibraltar Federation of Small Businesses, nonetheless the impact they were suggesting, we believe, is achieved by what we are going to propose.

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In simple terms the incentive is as follows: any company that sets up in Gibraltar over the next 12 months and meets the following conditions will be eligible for this incentive. The conditions are: the company must be a new business setting up in the period from the date of this speech to 30th June 2017; the business must employ at least five employees in the first year; the business must not represent a transfer of a business previously existing in Gibraltar or one that is used as a transfer pricing mechanism to allocate profits from a business previously existing in Gibraltar. Anti-avoidance provisions will be applied to ensure this represents a new business setting up in Gibraltar. The incentive will be available for companies or limited partnerships but not for individuals trading in their own name.

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The incentive is this: over the first three financial years of trading of the start-up business, the company will be eligible for a tax credit equal to the tax due up to a maximum of £50,000 over each of the first three years. The tax credit does not carry forward from one year to the next. Therefore, if the company does not make a profit and is unable to make use of it, it is lost. It is not eligible for repayment by the tax office.

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The incentive simply acts as a mechanism to shelter a liability to tax up to a maximum of tax equivalent to £50,000 per annum, thereby effectively sheltering £500,000 or £½ million of profits per annum. My Government believes this mechanism will provide an incentive to those businesses presently considering Gibraltar as a place to set up their new business.

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Mr Speaker, as Members of the House may be aware, the former administration introduced rates of Social Insurance contributions of 20% for employers and 10% for employees on 1st April 2007 in a bid to make the fund self-funding. These increases were initially capped at £26.20 for the employer and £20.75 for the employee as from 1st April 2007. These rates were payable up to 30th June 2008. During their last term of office, on 1st July 2010, the party opposite increased the cap to £32.97 for employers and £25.16 for employees. There have been no increases since July 2010. The Government is nonetheless committed to a total reform of the entire structure of the Social Insurance Fund in order to place it on a viable footing.

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Mr Speaker, given the Brexit vote, announcing the reformed system now would not allow us to benefit from the potential flexibility which might be possible in the context of current EU rules perhaps no longer being applicable. An announcement will, therefore, be made in due course in respect of this new system, once the Government receives legal advice that the new system is fully compliant either with EU law as it is and will continue to apply or with whatever new regime is in place.

1330

For now, Mr Speaker, given the seismic effect that the Brexit decision has had on financial markets and on businesses, after very careful consideration and after detailed consultation with Unite, the union; with the Federation of Small Businesses and with the Chamber of Commerce, the Government will *not* increase Social Insurance contributions. We will observe the effects of the decision on businesses in Gibraltar and will, if necessary make the necessary increases at the beginning of the calendar year in January 2017.

1340

Mr Speaker, in pursuance of the Government's continued commitment to reduce the level of personal taxation, especially for the lower paid members of our community, with effect from 1st July 2016, taxpayers with an assessable income of £11,050 or less will be brought out of the taxation system altogether and will pay no income tax. This applies to taxpayers in both the allowance-based system and the gross income-based system.

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1350 In accordance with our manifesto commitment, taxpayers under the allowance-based system will benefit from an increase in their Personal Allowances, which is at least in line with inflation. This means that people most in need in our community and who benefit from these allowances will not see them frozen. With effect from 1st July 2016, the following allowance increases will be applied: the Personal Allowance is increased from £3,200 to £3,215; the Spouse and Civil Partners Allowance is increased from £3,200 to £3,215; the One-Parent Family Allowance is increased from £5,264 to £5,290; the Nursery Allowance is increased from £5,000 to £5,025 –  
 1355 Mr Speaker, I have a child at nursery school; the Child Allowance is increased from £1,100 to £1,105; the Child Studying Abroad Allowance is increased from £1,250 to £1,255; the Dependant Relatives Allowance is increased where the relative is resident in Gibraltar from £300 to £305 and where the relative is resident outside Gibraltar from £200 to £205; the Disabled Individual Allowance is increased from £9,000 to £9,040; the Blind Allowance is increased from £5,000 to £5,020; the Medical Insurance Allowance is increased from £5,000 to £5,020.

Mr Speaker, telecommunication companies are currently liable to pay Company Tax at the higher rate of 20% on all their taxable income. This applies not only to the taxable income on the business generated from the provision of telecommunication services, but also to the taxable  
 1365 income on the business generated from non-telecommunication services, such as data centres.

In order to ensure a level playing field, Company Tax at the higher rate tax of 20% shall apply only to the profits and gains arising from the telecommunication activities which are specifically mentioned in the Income Tax Act and the lower 10% rate of tax shall apply to the gains and profits arising from their non-telecommunication business activities.

1370 Mr Speaker, in my last Budget, I announced a tax amnesty for six months to allow people who have failed to declare their taxable income in past years to rationalise their tax affairs before being caught out, bearing in mind the transparency and information-sharing international initiatives that Gibraltar has signed up to with other states.

Individuals were given an option to repatriate monies held abroad which were the product of  
 1375 income accrued and derived in Gibraltar or which, on remittance to Gibraltar would have otherwise attracted taxation; to wipe the slate clean on payment of a 5% tax on the total amount remitted to Gibraltar and deposited here. Any individual who failed to avail themselves of this tax amnesty and in respect of whom the Commissioner of Income Tax subsequently finds any such undeclared monies, will be subject to a penalty charge of 100% of the tax that would  
 1380 have been due if the income accrued and derived in Gibraltar had been properly declared at the time.

The total taxable income declared and repatriated as a result of the amnesty was £27.78 million, Mr Speaker. In terms of benefit to Government coffers, the total tax collected was £1.39 million.

1385 Mr Speaker, the Government has now decided to extend the tax amnesty for a further period of six months, although on not such favourable terms. Effective from midnight tonight, the rates which will be applied will not be as advantageous. The tax amnesty will apply upon the payment to the Commissioner of Income Tax, on the same terms, but of 7.5% of the total amount remitted to Gibraltar and deposited here or 7.5% of the value of any assets purchased abroad  
 1390 from the proceeds of the income accrued and derived in Gibraltar on which tax should have been paid.

Mr Speaker, old age pensions will increase this year in line with the rate of inflation so that the single rate for old age pensions will increase from £438.78 to £440.54 and the couples' rate will increase from £658.22 to £660.85. At the same, the cash differential will be maintained with  
 1395 the minimum income guarantee.

Mr Speaker, in line with our manifesto commitment, the general level of public sector pay will rise by 2.75% with effect from 1st August 2016, with an additional 0.25% being payable to officers of the Royal Gibraltar Police, Customs, the Prison Service, the Gibraltar Fire Service, the Airport Fire Service, the Borders and Coastguard Agency and the Ambulance Service.

1400 In line with this Government's commitment to keep the national minimum wage under constant review and to increase this at least by the rate of inflation over our term in office whilst mindful of the need to keep Gibraltar competitive, the statutory minimum wage will increase from £6.25 to £6.28 per hour with effect from 1st August 2016. This represents an increase of around 0.5%, which is just above the rate of inflation.

1405 Mr Speaker, we have commenced the process of consultation with Unite, the union, and the Federation of Small Businesses and the Chamber of Commerce in respect of the potential introduction in Gibraltar of pensions in the private sector. Given the Brexit decision, we will not be progressing this process in this financial year whilst we observe the effects on the economy of the result of the vote of the British people.

1410 Mr Speaker, having finished the list of Budget measures for this year, on a point of simple housekeeping, Hon Members will know that it is customary, as a matter of courtesy, for the Chief Minister to stay in the Chamber throughout the Budget debate to hear all contributions. In parliamentary terms, we are, in effect, debating a Bill that I am moving in my capacity as Minister for Public Finance. For that reason, I hear all contributions as I am the one with the right to reply at the end for the Government. This year, unusually, I will not be able to remain throughout the debate as I may need to take pressing calls at times which are fixed.

1415 As a result, I would ask Members, all of whom tend to have written speeches, to please excuse me if I am unable to remain in the Chamber to hear their contributions. I will endeavour to do so in order to reply to their speeches as directly as possible, but it may just not be possible. If they could send me a copy of their written speeches, as they send them to the media, I would be grateful.

1420 Mr Speaker, as we go forward this year, it is clear that now is the time to make the most of Gibraltar's two greatest assets: its land and its people. It is also a time, of course, to pause and reflect, but it is not a time to stop all Government spending or stop all Government investment, as to do so would undoubtedly just halt all growth and plunge us into recession. We must continue investing in efficient and socially essential public services and we must continue to strive to make Gibraltar a more attractive place to live in and to do business in.

1425 We must also be alive to the need to cut spending further if the effects of the Brexit vote become markedly more negative in months to come. We will constantly review all of the indicators to ensure that our economy continues to perform in a manner that enables us to deliver the growth that we believe is achievable and the spending that is affordable.

1430 The fact is that Gibraltar, despite the jolt of the 23rd June, in the morning, remains a hugely attractive and affordable place to do business. The rule of law and the common law combined make us attractive, as does our fiscal competitiveness and, after today, our very attractive regime for start-ups.

1435 The reservoir of resilience and skills which is evident in Gibraltar today is also a huge asset in establishing the ecosystem for business success, but our near-term challenges cannot just be wished away, Mr Speaker. The fact is that we have as many reasons to be happy about last year as we have to be cautious about the coming 24 to 36 months.

1440 The absence of clear political direction in London is not insignificant for us, as it is not for the rest of Europe either. It is our medium-term challenges that we can influence with hard work and determination, and our long-term challenges are also the opportunities for us to shape and fashion the future into the form we wish, by the work we do now, by how persuasive our case is, and by how unified our approach remains

1445 We owe it to our grandparents and parents who fought so hard to achieve what they had secured in the European Union until the 23rd June and we will fight to retain in as great a measure as possible all that they have achieved for our children and grandchildren.

1450 Mr Speaker, I am not one to rely on the quotes of others in speeches, but these are times to think of and take inspiration from the things said before by those facing adversity. Kennedy's famous, 'Think not of what your country can do for you, but of what you can do for your country' is, I am sure, on the minds of many, especially those who have spontaneously got in

touch with me and other ministerial colleagues and with the Government generally to reach out to help at this time in our history.

1455 I would however wish to share with you the quote from Henry Ford which reminds us that 'When everything seems to be going against you, remember that the airplane takes off against the wind, not with it.'

1460 Mr Speaker, as the dawn of the 23rd June becomes a more and more distant memory, we can see that there is a lot that we can achieve going forward. What is clear, Mr Speaker, is that this is not a time for egos; it is not a time for grandstanding or for talking Gibraltar down; it is not a time for electioneering or for the spin of party politics. This is a time for substance; for hard work and hard thinking; for prudence and for preparation, and that is what this Government is about. That is what we have been preparing for; that is what this Budget does.

1465 Our prudence to date has paid off. Our public finances are strong and resilient. We have the liquidity necessary to deal with the issues that do confront us and we have the liquidity necessary to deal with the issues that could confront us. We have the sovereign wealth or the rainy day funds that we need in the funds that we have established and grown.

1470 This is a time, Mr Speaker, yes, to pause and reflect; but also a time to remain confident, to deliver on our public commitments and to be tempered by the prudence that the moment requires.

1475 The fundamentals of the Gibraltar economy are strong; in fact, Mr Speaker, the fundamentals of the Gibraltar economy are stronger than ever. And undermining confidence in Gibraltar, in our national financial institutions and in the fundamentals of our economy would be unhelpful and wrong – and I am sure that there will not be anyone in Gibraltar who would today seek to do that given the situation in which we find ourselves.

1480 Mr Speaker, this is the time in our history for extraordinary people in our community to do extraordinary things for our nation. Let us have the confidence to work together in this House and beyond to fulfil the ambitions of our nation and to use the community's talents to the full.

Mr Speaker, for all of those reasons, I commend the Bill to the House. (*Banging on desks*)

1485 **Mr Speaker:** It is already past the time when we normally recess for lunch. Shall we recess now and return at 3.15 p.m.?

1490 **Hon. Chief Minister:** No, Mr Speaker, as is the custom in all parliaments, the Leader of the Opposition should reply immediately.

1495 **Mr Speaker:** I do not have to invite Hon. Members to participate in the debate on the general principles of this Bill, since I already have the order in which Members are going to participate in this debate.

1500 I therefore call upon the Hon. Member the Leader of the Opposition.

**Hon. D A Feetham:** Mr Speaker, I am very grateful for the courtesy that the Hon. Speaker wanted to extend the entirety of the House but I am, for my part, prepared to reply to the Chief Minister now.

1505 Mr Speaker, it is an honour for me to deliver to this House my fourth Budget speech as Leader of the Opposition and my ninth Budget speech overall.

1510 Unhappily, this year we find ourselves debating these estimates of revenue and expenditure against the backdrop of a Brexit vote at the Referendum and, potentially, the single largest threat to our economic model since the closure of the frontier – and, in my view, in the history of democratic Government in Gibraltar.

1515 While on this side of the House we have every faith in the ability of our community to overcome adversity, it is important that this debate takes place within a framework of sober analysis, prudence and realism.

We are after all debating what the Government, for example, has spent and what it intends to spend; the way the Government intends to fund that spending; the size of our reserves; and public debt today and also into the future.

1505

That debate must above all take place in the context of a probable Brexit and the uncertainties that Gibraltar currently faces. No-one wants the United Kingdom to leave the EU but our economic contingency plans must proceed on the basis that Brexit is not only *possible*, but is indeed probable.

1510

Our economic model is one that is based largely on the ability of commercial entities to passport their goods and services into the European Union. It is a model that we have spent many decades developing and selling to customers. It is a model that we must do everything that we can to protect. And indeed, Mr Speaker, in this context I remind the House that both the Chief Minister and myself, during the course of the Referendum debate, were both of the view that a vote to Brexit the European Union was a vote that placed an existential threat over that model that we have relied upon for the last three decades.

1515

The Financial Services sector that is built on those foundations provides over 4,643 jobs, on the last figures that we have – and in this context I am very grateful to the Hon. the Minister for Employment to have provided me with an advance copy of the Employment Survey.

1520

The Tourist sector that also benefits from free movement of people provides many thousands of jobs. The Hotel and Restaurant sector alone accounts for 1,763 jobs. Nearly 2 million people visited Gibraltar last year through our EU border. Over many decades we have sold investment into Gibraltar by emphasising an attractive lifestyle – a job and home in Gibraltar, a second home or easy access to Spain. The Gambling and Betting activities sector, where those are real factors, employs 3,205 people.

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Behind those numbers, of course, there are real people with real families; and it is for the sake of those real people and those real families that we must ensure that no stone is left unturned in our attempts to protect them in this situation.

And of course, Mr. Speaker, each sector of the economy is not hermetically sealed from the next. The success of the Private Rental and Home Ownership sector is directly linked to the success of – amongst others – the Financial Services and the Gaming sector. The ability of the Government through tax revenue to continue to provide year-on-year increases in Health and in our caring services is also dependent on those jobs. Less jobs, less revenue, less expenditure; it is a simple formula, Mr Speaker.

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In March 2012, our expenditure on Health was £75 million. In this Budget, expenditure on Health has increased this year according to the forecast outturn to £107.2 million. That represents an increase of 43% over the last four years. *Everyone* wants the best possible health and caring services. But to do that we must continue to prosper as we have done over the last three decades.

1540

When I make that analysis of jobs, expenditure and revenue I am also mindful of the fact that, at a macro-economic level, half of our GDP is accounted for by jobs in our economy. At the end of March 2015, there were 26,144 jobs in the economy – a rise of 7.1% since March 2014. Much of that rise is in construction but it feeds directly and indirectly into economic growth, and therefore the Hon. the Father of the House is right to be cautious in terms of GDP projections in the uncertain world we live in post the Brexit Referendum.

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Gibraltar's size and agility makes us able to react to events quickly and that is a huge advantage at this time. But our dependence on certain sectors and a particular economic model, together with growth based on public spending, may make us significantly susceptible to a downturn. It is one of the reasons the hon. Gentleman and I were concerned about a possible Brexit vote.

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And that is why, Mr. Speaker, for all my criticisms of the Government about spending and public debt over the last four years, it is my duty to steer a careful line between honest assessment in the public interest with the need to maintain confidence and to work with the Government in order to attempt to steer Gibraltar into calmer waters.



1555 To do otherwise would constitute a dereliction of duty and it is not what I am in politics for. The *quid pro quo*, however, has to be that those dealings with the Government must be based on an open, transparent and non-partisan basis where initiatives on the future of Gibraltar are not made unilaterally by the Government. Future generations of Gibraltarians will not forgive the hon. Gentleman – as indeed they will not forgive me – if we were to place party before  
1560 country in this situation.

It is, therefore, a difficult Budget speech that I deliver today balancing, as I must, objective observation of the state of our public finances – which is my principle duty after all to this House – against a very difficult backdrop indeed. We cannot, however, divorce this debate from reality.

1565 In my view, Mr Speaker, our focus as a nation has to be the retention of confidence in the market here in Gibraltar and the retention of existing clients. Early public assurances from the United Kingdom government that it will be immovable in ensuring Gibraltar's access to the Single Market must be the priority goal. Even this, I accept, is easier said than done but it must still be a priority.

1570 The proponents of the 'Leave' campaign held different views about UK access to the Single Market. The announcement that there is to be significant internal reflection and discussion in the United Kingdom to decide some of these issues, before any notice is provided to the Council of Europe under Article 50, is to be welcomed. That will give us time to express our views and to lobby intensely – lobbying that, I would expect, would be undertaken on a joint basis between the Government and the Opposition.

1575 If an Article 50 notice can be avoided by the United Kingdom staying a member of the EU, and England and Wales opting out in a Denmark/Greenland-type situation, all the better. I can, of course, foresee constitutional and significant political problems with the latter, but we must accept that the Government is entitled to leave no stone unturned in this situation. There are other options that we have discussed, Mr Speaker, which will remain confidential between us  
1580 until the appropriate juncture.

In my view, however, we must plan on the basis that at some stage an Article 50 notice will be delivered by the UK government to the European Council. We, therefore, have to be prepared for that eventuality. That notice will trigger a two-year negotiating period where the UK will negotiate terms of exit with the EU, including any access to the Single Market. We need  
1585 to use all the time that we have mobilising our friends in the United Kingdom and obtaining assurances from the political protagonists of the future that any access the United Kingdom obtains to the Single Market will be extended to Gibraltar.

1590 Mr Speaker, in this regard of course the Foreign Minister of Spain, Senor Garcia-Margallo, has on a number of occasions reiterated that Spain will not agree access for the United Kingdom to the Single Market with the inclusion of Gibraltar. We are going to demonstrate to Senor Garcia-Margallo what it is to have resolve, what it is to have unity in this community and what it is to show determination as a people. (*Banging on desks*)

1595 But it is important to emphasise that timing is all-important. My understanding is that Spain has no right to veto any terms of access between the UK and other Member States. What Spain can veto is an extension of the two-year negotiating period. Provided that agreement is reached within a period of two years after the Article 50 notice is delivered, Spain will not be able to veto an agreement reached by the UK government with the rest of the EU – including an agreement in respect of Gibraltar. This is why, Mr Speaker, early intervention is absolutely critical on our  
1600 part.

The leaders of the 'Leave' campaign also spoke about the UK negotiating deals with third parties. At the moment the EU has 50 such trade deals with third parties. Those, and any other trade deals, should be extended to Gibraltar as and when they are negotiated by the United Kingdom.

1605 Our Gaming and Insurance sectors have also faced recent challenges arising from decisions taken by the UK government. Changes to the VAT regime and the point of consumption tax are some of those challenges. In the situation that we find ourselves today, caused entirely by the

UK government decision to hold a referendum, the UK government has to rethink these policies as they affect Gibraltar. And in this respect, Mr. Speaker, I therefore look forward to the speech that the hon. Gentleman, the Minister for Financial Services, Mr Isola, will be delivering in due course.

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And in my opinion, Mr Speaker, in tandem with all that we need to work very closely with stakeholders opening or expanding into areas that are less susceptible to EU challenges that we face. These are some of the areas we need to focus on in my opinion; but, undoubtedly, there are others.

1615

Mr Speaker, the Hon. the Chief Minister said last week that it was business as usual. The very fact that we are holding this Budget debate today shows that as far as Government and Opposition, and the respective roles that we have been elected by this community to perform, it is business as usual.

1620

The Chief Minister also said that it was business as usual in terms of the Government's adherence to its manifesto commitments. Mr Speaker, the hon. Gentleman cannot, in my respectful view, run with the hares and hunt with the hounds. Yesterday, in giving a taster of the Budget measures that he was hoping to introduce at this session, he said that the Government had to rein in on spending. I could not agree more with that statement. However, there is absolutely nothing that he has said today that indicates to me that the Government is serious about its intentions to rein in on spending.

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Indeed, Mr Speaker, he has said nothing at all about how much money the Government intends to raise through some of the measures that he has outlined today. And he has not indicated to this House, as would have been usual, particularly in the situation that we find ourselves today, how much some of the measures that he is proposing to introduce will cost the Government in the years that are going to follow.

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The hon. Gentleman has said during the course of his intervention, that he is proud of the Government's spending. Mr Speaker, of course a Government is going to be proud of its spending! But spending *per se* is neither here nor there, it is about *priorities* in spending and it is also long-term consequences of that spending.

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The hon. Gentleman and I are not going to be judged by future generations on the moment; we are not going to be judged on this Budget; we are not going to be judged for how loudly hon. Gentlemen opposite bang on the table every time the hon. Gentleman makes a good point – or indeed the Gentlemen on this side of the House bang on the table ... hopefully, Mr Speaker ... absolutely hopefully, hopefully ... (*Banging on desks*) when I finish my speech!

1640

The hon. Gentleman and I will be judged by future generations on consequence: consequence about spiralling and increases in recurrent expenditure – as I will develop in due course – and consequences about carrying the debt that we are currently carrying. There is nothing that the hon. Gentleman has said in his Budget address that allays my concerns and that indicates to me that the hon. Gentleman's mindset has changed, particularly in the light of that probable Brexit.

1645

In the United Kingdom, Mr Speaker, we have already seen how its credit rating has been downgraded and there has been huge market volatility and uncertainty. The Chancellor of the Exchequer, George Osborne, made a robust, optimistic and positive speech at the Treasury last Monday emphasising that Britain has one of the strongest major advanced economies in the world and that, as a result, the British economy was about as strong as it could be to confront the challenges Britain now faced.

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The very next day in an interview with the BBC he said that the UK government had to show it could live within its means and that tax rises and spending cuts were almost inevitable. Last week the Hon. the Father of the House said that Brexit was potentially the most serious crisis to hit the world since the 1930s. I certainly agree with him as far as the seriousness of the potential crisis to Gibraltar.

1655

In the context of a probable Brexit and the uncertainty that we will face over the next two years, the Government cannot expect to continue spending money at the rate that it has been

1660 spending; and it cannot be business as usual as far as their manifesto commitments are concerned. Their manifesto will cost the taxpayer hundreds of millions of pounds, in the context of the fact that they have already spent £750 million in capital projects over the last four years.

1665 Our discourse over those years has been that the Government was spending too much money, funded by too much debt – part of which was being kept away from proper parliamentary scrutiny in Government-owned companies. But we were also saying that that was not only imprudent at the best of times, but less so when there were potentially difficult times ahead for Gibraltar.

1670 In my 2014 speech that I delivered to the Chamber of Commerce on the Budget that the hon. Gentleman had just recently then delivered, I identified and listed a potential Brexit as one of those potential curves up ahead for this community. Quite frankly, Mr Speaker, it is something that the Government ought to have been factoring into the equation of its public spending, both in terms of recurrent expenditure and also expenditure on capital projects over the last four years. Because however improbable we all thought that a Brexit was likely to be, it was nonetheless *possible*; and to have spent money in the way that the Government has spent money over the last four years is not, in our view, prudent or reasonable.

1675 There is nothing – absolutely nothing – unpatriotic about my criticisms of the Government in this respect; I am no less of a Gibraltarian than the hon. Gentleman is, simply because I have – and on this side of the House we all hold – a different view about how Gibraltar can be kept safe and secure in the light of the challenges that this community faces.

1680 But I will say that I agree with the hon. Gentleman that if there was ever a time for a return to the rainy day fund policy of the early 1990s, it is today; and I would hope, Mr Speaker, over the next year and indeed in years to come that the hon. Gentleman opposite pays much more attention to the hon. the Father of the House and his voice of caution, than they have obviously done over the last four years.

1685 And I heard the hon. Gentleman saying ‘*no se ha enterado*’ – yes, I *do* get it, Mr Speaker, it is just that I do not agree with the hon. Gentleman that the money in Community Care is a rainy day fund for the entirety of this community. It is self-evident that it is not so, because the money in Community Care – which is money owned by a charity of Gibraltar for the benefit of a sector of our community – is not money that is going to be available for the Government and the general community if things were not to go as well as we all hope that it is going to be going over the next four years.

1690 Mr Speaker, I want to illustrate some of these issues by reference to increases in recurrent expenditure compared to recurrent revenue, together with decreases in cash reserves.

1695 On 31st March 2012 the overall recurrent departmental expenditure stood at £332.7 million whilst the forecast outturn this year stands at £453.1 million. In other words, just simply on the estimates of revenue and expenditure which we were debating, it has risen by 36.1% since March 2012. That is a very significant increase in four years and it still underestimates increases in recurrent expenditure, for reasons that I am going to be developing in a moment. Next year it is expected to rise by 40% from the position it was in March 2012 to £461.1 million.

1700 But, Mr Speaker, that in itself does not – as I alluded to a few moments ago – provide us with the full picture. As I have noted in previous years the comparison between March 2012 and March 2016 is not comparing like with like. Prior to the financial year ending March 2014, contributions to Community Care were treated as an expense through a contribution to the Social Security Fund.

1705 Since 2014, these amounts have not been treated as an expense and have been included in the surplus and then, from there, it has been paid to Community Care. In other words, Mr Speaker, prior to 2014 the contributions to Community Care were treated as an expense *above* the line and, subsequent to 2014, it has been treated as an expense *below* the line.

1710 The effect, in accounting terms, is to lower expenditure and to increase the surplus by a corresponding amount. This year that would have meant an increase in recurrent expenditure of £20 million and a decrease in the surplus by that amount. If you compare like with like, recurrent

departmental expenditure based on these estimates that we are debating today has increased by 42.2% since 2012.

1715 But, Mr Speaker, none of this of course takes into account the *huge* elephant in the room – that is Credit Finance Company Ltd and Gibraltar Investment Holdings Ltd. There is absolutely no point to talk and to pat ourselves on the back about a surplus of £38.8 million when the Government has caused the Gibraltar Savings Bank to invest £400 million in Credit Finance Company Ltd – and that company is then spending tens of millions of pounds on payment, for example, of the commuted pensions of civil servants! The commuted pensions of civil servants have traditionally been an expense of the Government and now it is an expense of Credit  
1720 Finance Company Ltd.

The effect – and it does not take a rocket scientist to work this out – is that of course the Government does not have to pay that money directly itself, to pay for the commuted pensions of civil servants ... which is a jolly good idea, Mr Speaker, I am not criticising it. (*Laughter*) But the Government does not pay for it itself, it is paid for by Credit Finance Company Ltd, meaning that  
1725 the Government has more money in these estimates of revenue and expenditure available to it.

But, Mr Speaker, more than £300 million from Credit Finance Company Ltd has also been paid to Gibraltar Investment Holdings Ltd, which is the company at the top of the pyramid of all Government-owned companies, and that money is seeping down through Government-owned companies and it is being used – to quote the hon. the Father of the House who, in fairness to  
1730 him, has always been straight with this House in relation to this particular issue – to fund the cash flow requirements of those Government-owned companies.

So, Mr Speaker, when the hon. Gentleman, for example, as he did today, speaks about the change in accounting practice and the fact that the Government is now funding Government-owned companies to the tune of £25 million, what he does not say to this House and what he does not accept is the fact that Gibraltar Investment Holdings Ltd is receiving hundreds of millions of pounds of savers' money which it is then using in order to fund those Government-owned companies.  
1735

If that happens through Credit Finance, Mr Speaker, then of course the Government itself does not have to put its money in its pocket and use the money that it has set out in its estimates of revenue and expenditure. Again, Mr Speaker, it distorts expenditure of the Government by creating a picture that is, of course, healthier than in reality it is, because every debt – and whether we call it 'investment' or we call it anything else – has, at some stage, to be repaid.  
1740

In my view, with or without the expenditure incurred by Credit Finance Company Ltd, these are very significant increases in recurrent expenditure, and I remain as concerned today as I have been over the last few years; more so, of course, in the climate that we find ourselves in.  
1745

When we compare this long-term trend in increases in recurrent expenditure with long-term trends in increases in recurrent revenue debt and decrease in Cash Reserves, we can see that the concern is entirely justified.  
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In March 2012, recurrent revenue stood at £454 million. Recurrent departmental expenditure, as we have seen, was £332.7 million. Recurrent departmental revenue, therefore, stood at 73.2% of recurrent expenditure.

Recurrent revenue today stands £581.5 million and recurrent departmental expenditure has a forecast outturn of £453.1 million. To that, we have to add the £20 million to Community Care, which now the Government is treating below the line when prior to 2014 it was treated above the line. Recurrent departmental expenditure today is, therefore, currently running, if we are to compare like with like: March 2012 to March 2016 at 81.3% of recurrent revenue. That does not take into account expenditure that is not being accounted for in these estimates of revenue and expenditure, but that is being channelled through Credit Finance Company Ltd with the money  
1755 from the Gibraltar Savings Bank.  
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Moreover, whilst recurrent departmental expenditure has increased by 42.2% since 2012 – if we use my figure – or 36.1% – if we use the hon. Gentleman's figure – recurrent revenue has

increased by 28%. For three years I have been warning about this convergence between recurrent revenue and recurrent departmental expenditure. Last year I called it a 'worrying trend'. It is a trend that we need to reverse; more so, post the referendum result.

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Mr Speaker, in my analysis at the beginning of my speech, I said segments of the economy cannot be hermetically sealed from other segments or sectors. Contraction in one sector would have a knock-on effect on others, and on the size of the economy generally and, of course, on revenue.

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In this regard, Import Duty is actually down this year from £160 million to £151.5 million. The convergence that I have spoken about between recurrent revenue and expenditure would have been much narrower had it not been for an increase in revenue of £20.4 million in Corporate Tax and £5.5 million in Personal Tax.

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Of course, we know from last week's answers to questions that the Government owes Personal taxpayers £19.5 million and Corporate taxpayers £10.1 million in tax rebates. If that had been paid, the trend towards convergence between recurrent revenue and expenditure would have been much closer and it would have, of course, virtually wiped out the surplus.

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Mr Speaker, in making that analysis, however, I do want to congratulate the Financial Secretary and indeed the Father of the House. Leaving aside, Credit Finance Company Limited – and as I have said, it is a massive elephant in the room because it distorts much of what the Government is spending in a downwards trend – in the year ending 2014, the Government had overspent by £40 million. Last year, it had overspent by nearly £28 million. This year it has not overspent and I am happy to recognise that fact and, as I have said, congratulate the Father of the House and also the Financial Secretary in this regard. I would also like to think – I know there is a look of shock on the face of the Hon. the Father of the House – that our job as an Opposition, in holding the Government to account in this area, has played a small but perhaps effective role in pushing the Government into achieving that particular target.

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Mr Speaker, recurrent expenditure is not the entirety of the Government's expenditure, of course; it does not take into account capital projects: that £750 million that we say they spent over the last four years. The Government would say this is money well spent – 'investments' as they would call it – but it is money spent nonetheless. We can see the effect of that spending and that rise in recurrent expenditure that I have outlined during the course of my speech on debt and also on Cash Reserves.

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On 31st March 2011, Cash Reserves stood at £273.8 million. On 31st March 2012, Cash Reserves – and that is the first Budget the hon. Gentleman delivered before this House – had dropped but still stood at a very healthy £213.9 million. From then on Cash Reserves have dropped significantly to £73.2 million last year in March 2015 and the forecast outturn for this year is £100.3 million. Mr Speaker, that represents a downturn in Cash Reserves available to this Government and this community, of 53% since March 2012.

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The increase in recurrent expenditure and capital expenditure over the last four-year term also explains why direct and indirect Public Debt has increased exponentially since the hon. Gentlemen opposite came into office. In March 2011 Net Debt stood at £206.36 million; by March 2012, it had increased to £303.72 million; and by the end of December last year it stood at £418 million. That is less than £30 million from the then legal borrowing limit of £447 million.

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Today, as per the forecast outturn, Net Debt stands at £345 million. That level is still higher than the Government's targets at the election of £314 million for this year. I expect that Net Debt is going to continue to increase substantially over the next year and over the next few years. Indeed, just as at the beginning of last year, before last year's Budget session, Net Debt stood at £400 million and above. It was reduced for the purposes of the Budget debate, but started to increase very rapidly thereafter. So, too, will we see the same pattern this year, and the reason is very simple: every year before the Budget debate, there is a tightening of the belt; less bills are paid during the period, producing a temporary increase in Cash Reserves. After the

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1815 budget, there is a loosening of the belt, Cash Reserves decrease and Net Debt suddenly starts increasing.

We do not have the figures for April and May because the Hon. the Father of the House, last week, told us that he was not providing those figures because it would feature in the speech that was going to be delivered by the Hon. the Chief Minister. Unfortunately, Mr Speaker, just as we predicted last week, that has not been the case but I know as well as the Hon. the Father of the House that Net Debt and the trend in Net Debt is only going in one direction, unfortunately, and that is upwards.

1820 Mr Speaker, the long-term trend is clear: very significant increases in recurrent expenditure over the last four years; recurrent revenue increasing at a slower rate than expenditure in percentage terms; very significant reductions in reserves; and very significant increases in Net Debt. Of course, that does not take into account the elephant in the room: Credit Finance Company Ltd.

1825 This, of course, Mr Speaker, posed an insoluble problem for the Government over the last four years. Not only had it promised £750 million of capital projects to the electorate in 2011, but it had also promised – which it is delivering – to donate all surpluses to Community Care. It had criticised the level of debt under the GSD Government as ‘an addiction to debt’. Of course, because of the legal borrowing limits at the time, it was also legally impossible for the Government to directly borrow sufficient money in order to pay for all those promises it had made in 2011.

1830 That is the reason why, in our view, £400 million of debentures from the Gibraltar Savings Bank was, to use their term, ‘invested’ in Credit Finance Company Ltd, which, in turn, as I have alluded to during the course of my speech, is being used in order to pay for Government expenditure.

1835 The Gross Debt of this community is not £446 million in the forecast outturn; it is £446 million if you simply take into account the monies invested in Credit Finance Company Ltd or £885 million if the Government had to make good all those so-called ‘investments’ made by the Gibraltar Savings Bank in Government-owned companies.

1840 Prudent management of our public finances needs to take account of this global picture. We cannot collectively bury our heads in the sand and pretend that Credit Finance Company Ltd does not exist and pretend that the Government is not using it in order to pay for Government expenditure.

1845 Mr Speaker, many countries in Europe calculate and compute Public Debt by taking into account PFI arrangements and, indeed, the debts of Government-owned companies. That is the position in the UK. That is the position that we are urging from this side of the House for the Government to adopt. Mr Speaker, it is not just about openness and transparency or the quality of our democracy. It is also about the ability of the Opposition to identify potential financial problems, if they arise. This is even more important this year than it was last year.

1850 None of this, of course, takes into account the way that the Government is going to be funding the power station or indeed the money that the Government is now going to be expending in relation to the tunnel under the runway, and we reserve our judgement until we look at the detail of that to see what effect it might have on the public finances.

1855 Mr Speaker, this year the Government changed the way the legal borrowing limits were calculated and there was a sense of déjà vu in the way the Government did so. During the 2011 election, the hon. Gentlemen opposite said nothing about their plans to use the Gibraltar Savings Bank in order to fund Government expenditure and therefore directly or indirectly their manifesto commitments.

1860 In March 2012, barely three months after the 2011 election, the Hon. the Chief Minister came to this House with a Bill amending the Gibraltar Savings Bank Act in order to do away with the requirement that all the investments of the Gibraltar Savings Bank be made in cash or cash equivalence from the preservation of their capital value perspective. In other words, very liquid and very safe forms of investment.

That change to the Gibraltar Savings Bank Act is what allowed the Government to invest Gibraltar Savings Bank deposits in Credit Finance Company Ltd which has allowed them, in turn, to pay for their expenditure. It could not have happened, Mr Speaker, under the GSD Government.

1870 During the 2015 General Election, the Government made promises running into hundreds of millions of pounds in their 2015 manifesto. It could not have paid for those promises by borrowing directly under the law as it stood then, which in simple terms had a Net Debt borrowing limit based on 80% of the recurrent revenue. As I have already noted, Net Debt was running very close to the legal borrowing limit; at one point, less than £30 million from that Net

1875 Debt calculation.

Rather than just simply say to the people of Gibraltar that the GSLP-Liberals were planning to change the way the legal borrowing limits were calculated and therefore borrow more – which they could not do because of those debt limits – they said nothing and changed the formula barely three months into their term in office.

1880 Now, Mr Speaker, the effect of it is that the Government can borrow 40% of GDP, i.e. the size of the economy. It can borrow much more than it did before and without being limited to 80% of recurrent revenue. The experiences in places like Bermuda show that the decoupling of debt from recurrent revenue in a small jurisdiction is not prudent. In a post-Brexit situation, I urge even more caution.

1885 I genuinely want the hon. Gentleman to succeed in these difficult circumstances and I genuinely believe that we can; the alternative does not bear thinking about. If it is to do so, it really must start a period of serious consolidation; it must rein in Public Debt and it must rein in future public spending. I also urge them to move towards greater transparency of public finances by bringing onto the books of the Government its off-balance sheet debt, which is the

1890 trend in the UK and in other democratic countries.

New spending over the next few years has to be very carefully prioritised. There are many other examples where we believe the Government has not prioritised its spending. This year I want my analysis to be just as serious and sober as other years, but without the point-scoring that has characterised these debates for many years.

1895 Mr Speaker, I now turn to economic growth. The forecast Gross Domestic Product for the financial year 2013-14 was £1.484 billion, and the GDP for 2014-15 was £1.64 billion. Today the Chief Minister has said that economic growth for the year ending 31st March 2016 is forecast to rise to £1.77 billion. These figures are, therefore, good figures and I congratulate the Government on them. But that economic growth has been driven, to a large extent, by

1900 Government projects, construction in particular, and we would say funded by Government direct and indirect borrowing. I hope that the hon. Gentleman is right that the economy will continue to grow. Everyone in Gibraltar hopes that he is right, not least all those on this side of the House.

Mr Speaker, last year I said this about the Eastside Development, and I quote:

It is also fair to say we have been here before on the Eastside Development. The first GSLP Government in the 1990s came very close to concluding a deal and in 2005 the then Chief Minister, Peter Caruana, and the then Trade and Industry Minister, Joe Holliday, signed an agreement with the Reuben brothers and Multiplex Construction Limited, Australia's largest construction Company and a leading property developer in the UK, for an investment in the Eastside worth well over £1 billion.

Unfortunately, the economic slump post 2007 prevented that project from prospering. The GSD hopes, in the national interest, that this latest project prospers and wishes the Government every success in this regard. Anything that creates real jobs and economic development in Gibraltar will be welcome by the GSD.

1905 Mr Speaker, this is not an easy project and we accept that, but the Government has made announcements in the past; it led people to believe that this was a done deal. When the Father of the House revealed it was far from a done deal in a debate with my hon. Friend, Mr Clinton, at the election, we understandably asked questions publicly about it.

1910 The response from Cameron Holdings the day before the election was to say that they were  
‘surprised and disappointed’ by the GSD attitude and that they were happy to confirm that they  
were finalising arrangements for the payment of the premium in respect of this development.  
We were, of course, merely reacting to the Father of the House and what he had said during the  
course of the debate.

1915 To date, we do not know whether this project is going to go ahead with this developer or  
with a different developer, and I believe in the light of past public statements by the Hon. the  
Chief Minister and the Government we are entitled to know. Again, I hope the Government  
succeeds in its endeavours in this regard.

1920 Mr Speaker, in the final analysis, I believe that what we need is for the Government to  
rethink its spending plans for the next few years in the light of the referendum vote. It is time for  
consolidation and long-term planning. Mr Speaker, that in itself is nothing new because we have  
been calling from this side of the House for consolidation and for the reining in of public  
spending for a number of years now, but it is incumbent on a Government that professes to be  
reasonable and a Government that professes to be prudent, in the light of the potential  
consequences that I have outlined for our economic model of a Brexit from the EU, to make that  
1925 prudence and make that reasonableness a reality.

In that context I want to say this: the hon. Gentleman said that he is ‘proud of Government  
spending’. I am proud, Mr Speaker, of the work that Her Majesty’s Opposition has done over the  
last three years in continually highlighting how the Government was spending too much money  
and how our debt was increasing to levels that we believed, Mr Speaker, was not prudent.

1930 Mr Speaker, it is always easier to defend huge spending which keeps an awful lot of people  
happy than to take the contrary view in the public interest which is that, for the sake of our  
future generations and our children and our children’s children, we ought to be taking a  
different view.

1935 Mr Speaker, at times over the last three years I have felt like the man who wanted to kill  
Father Christmas; such was the nature of the hon. Gentleman’s largess to the community at  
large, but it is a largess, Mr Speaker, that at some stage is going to have to be repaid and in the  
current climate I renew my cause. I know that the Hon. the Father of the House will never agree  
with me publicly but I hope he will be making much the same points privately in Cabinet: that we  
really do need to rethink our spending over the next four years.

1940 It is a time for us all to reflect. I have been talking about the culture of entitlement and  
expectation in Gibraltar, which I felt we all, collectively, needed to tackle. How many of us in this  
Chamber, Mr Speaker, who have been Government Ministers as I have been, have come across  
a situation where someone, in good faith – because it has to be said that people come to you in  
good faith – but they come to you and they say ‘I am asking you to please do x, y and z for me,  
1945 not because I am asking you to do a favour for me but because I am entitled to it’: *a mi me  
pertenece*.

1950 Mr Speaker, in the current climate, there is something more important than ourselves as  
individuals. There is the collective wellbeing of this community and the obligation to ensure that  
future generations enjoy the benefits that we have enjoyed. To do that, we must all be  
responsible in the demands that we impose on the state, particularly over the next couple of  
years. As I have said, a rethink of spending priorities is important. A rainy day fund is, in our  
view, desirable. I do not agree with the hon. Gentleman that that is what the hon. Gentlemen  
opposite have put into operation.

1955 Consolidation means of course completion; for example, of works at Glacis, Laguna and  
Moorish Castle and priority projects, but it also means a pause on substantial increases in  
spending; in particular recurrent expenditure and debt until we have a clear picture of what the  
future holds. It also means, Mr Speaker, as my hon. Friend, the Hon. Mr Clinton, will outline  
during the course of his speech, a realistic programme for repayment of that very significant  
direct and indirect debt that is owed by this community.



1960 The hon. Gentleman finds himself steering a ship in waters and weather that might seem calm for now, but which have the propensity to develop into the perfect storm. He can rely on me to help in any way I can, but we cannot proceed on the basis of manifesto promises that were made pre-referendum. The rules of the game have changed and now is the time for no further gambles, Mr Speaker.

1965 Before I sit down, I too, Mr Speaker, want to thank the job that the hon. the Clerk of the House has done – and his team – not only during the course of the referendum but during the course of the last year.

I want to thank Mr Speaker as well for the patience in listening to what, at times, are of course heated debates across the floor of this House.

1970 I also want to add my voice to the Hon. the Chief Minister's voice in thanking Mr Frank Carreras for the absolutely excellent work that he has done and for the service that he has rendered Gibraltar over the many, many years that he has served this community.

Mr Speaker, thank you very much. *(Banging on desks)*

1975 **Chief Minister (Hon F R Picardo):** Mr Speaker, in order to allow me to have a conversation as quickly as possible with Father Christmas' security detail, I propose that the House should now adjourn until 4 p.m.

**Mr Speaker:** The House will now adjourn until 4 p.m.

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*The House recessed at 2.15 p.m. and resumed its sitting at 4.00 p.m.*