



# PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

**AFTERNOON SESSION: 3.15 p.m. – 5.45 p.m.**

**Gibraltar, Wednesday, 6th July 2016**

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# The Gibraltar Parliament

*The Parliament resumed at 3.15 p.m.*

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

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

## Order of the Day

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

**Mr Speaker:** Perhaps Hon. Members might like to note that a quorum is six – 30% of 17 is 5.1, so we round it up to six. Keep that in mind because if ever there are less than six Members in the Chamber, we do not have a quorum.

The Hon. Albert Isola. (*Interjection*)

**Minister for Financial Services and Gaming (Hon. A J Isola):** Mr Speaker, I am delighted that we have a quorum, albeit marginally, and I am sure some of my colleagues from this side of the House and the one from the other will join us in the coming moments.

I have the honour to present my third Budget address in relation to the areas that form part of my ministerial responsibilities, in what is our Government's fifth Budget since the General Election of December 2011 and the first since last year's election.

Mr Speaker, the vote to leave the European Union on 23rd June has led to the greatest period of political uncertainty in my lifetime. The firms and businesses in Gibraltar have, in the main, responded to this uncertainty in the manner I would expect, with a calm and professional period of reflection of the challenges and opportunities that lie ahead.

The one overriding feature of this process is that there is time: time to consider the options, time to consider the challenges and time to consider the opportunities. And this is absolutely necessary as, until we understand the direction of travel, it will not be possible to plan with any degree of certainty. But of course I am not suggesting we do nothing – on the contrary; there are many things we need to be thinking about and working together to achieve, which I will detail later in my address.

Now more than ever, Mr Speaker, our private sector and of course Government need to work closely and quietly together in preparing ourselves to be best placed in the coming months and years. Now that a battered Europe strives to stabilise and cope with the many challenges ahead, I am quietly confident, as is my way, that 'Project Gibraltar' will continue to benefit from the very fine efforts and significant inroads made by this administration – on all fronts, I might add – since it took office in 2011. (**A Member:** Hear, hear.)

Moving on, Mr Speaker, my message is simple: Gibraltar is open for business as usual, but there is much work to be done!

That said, I start by congratulating the Gibraltar International Bank for making a complete success of its first year in operation. Since it opened last year the Bank, led by Lawrence Podesta

35 and Derek Sene, the staff and the Board of Directors have worked tirelessly and deserve the  
congratulations and thanks of this House and of the community for the fantastic start the bank  
has made in its first 12 months of operation.

Over 7,000 accounts have been opened; over £244 million in deposits; and an increasing loan  
book, with some 450 mortgages, is a testament to the work of the team at GIB. Many, at the  
40 time, spoke of the doom and gloom at the departure of Barclays in late 2013 and yet today it is a  
distant memory, with a seamless transition to this modern, innovative and digital bank. There is,  
of course, still work to be done but I believe that the target date for break even and profitability  
after three years trading will be met.

As we speak, they are working on new areas in terms of products and functions, including  
mobile banking which I much look forward to seeing in operation. My sincere thanks to  
45 Lawrence, Derek, the Board of Directors and of course the staff at the bank for their professional  
commitment in delivering the quality and service we asked of them.

Mr Speaker, the Hon. Member, Mr Clinton, mentioned in his intervention that we had told  
him to 'go and get it for himself' in referring to the accounts of the bank. I think the Hon.  
Member is being a little bit unkind – and I know that he likes to dress himself up in this  
50 'Rumpole-esque' caricature, with perhaps not sufficient of the humour that Rumpole enjoys.

But what we did say was that as indeed with every other member of our community, the  
accounts will be filed in the Companies House and will be available not just to the Hon. Member  
but of course to every single member of our community.

Mr Speaker, in the area of financial services we have introduced significant legislation this  
55 last year to further support the sector and we continue with our efforts to attract new business  
to Gibraltar. We believe, more than ever, that it is right to continue working on improving the  
legal and regulatory framework to enhance and develop the business environment across the  
whole of this sector. I am most grateful to the Finance Centre Council and the individual  
associations with whom we frequently meet for their continued support and co-operation on all  
60 matters. As a matter of practice we now share with the relevant association any legislative  
changes being contemplated in our legislation, including EU legislation, and work with them to  
ensure the provisions meet with their expectation. I must also thank the associations and, in  
particular, their technical committees for their support and valuable advice in these areas. It is  
critical that we are all on the same page in this process.

65 In the field of private client work Senior Executive Paul Astengo has all but completed a  
legislative review process bringing to Parliament a wide range of legislation arising from a  
request by STEP some eight years ago. The final piece of this particular jigsaw, Private  
Foundations, will come before Parliament during this session. Once again, I am very pleased to  
recognise the significant contribution to this process by the private sector members – and, in  
70 particular, by STEP who have been at the forefront of this initiative. We have already seen  
international firms providing Gibraltar with sourced solutions to their client's needs, using these  
new products. The promotion of new opportunities created by this legislation remains a priority  
and continues to feature in our chosen international jurisdictions.

In terms of our business development, we pursue our business plan in partnership with the  
75 sector and, interestingly, this year we have widened the traditional geographical spread to  
include Leeds, Birmingham, Manchester, Edinburgh and Bristol. Of course, Mr Speaker, London  
and Switzerland also feature heavily in this programme and last year spent some 24 weeks on  
the road promoting Gibraltar. It is interesting, as an aside, that all of these jurisdictions which we  
focused on at the beginning of this year, are focusing more on the regions of the UK and not just  
80 London itself – something that may become more important in the months and years ahead,  
depending on what transpires as a result of the vote of 23rd June.

We advised last year of our desire to increase the focus on Family Office businesses. I am  
pleased to say that we have seen some tangible results in this regard, which has impacted  
positively on a number of our key private sector areas. We continue to give this area our full

85 attention and we will work this year, in addition, with the Philanthropy Forum in further  
delivering possibilities in this area.

We have also driven, with private sector professionals, a review of virtual currencies. In fact,  
Mr Speaker, we have consulted twice on this process. The remit has been widened to include,  
*inter alia*, FinTech – an economic industry composed of companies that use technology to make  
90 financial services more efficient. We are happy to embrace this development as long as we are  
able to regulate effectively in this area and preserve and protect our reputation as a leading  
international financial services centre. This method of doing business has been gaining  
significant international acceptance and plays to the particular strengths of Gibraltar. There have  
been specific expressions of interest from external investors with a view to creating a hub in  
95 Gibraltar – and I hope to announce some exciting news in this area in the coming weeks.

I must also at this stage thank the CEO of the Financial Services Commission, Samantha  
Barrass, her board and team at the FSC for their work this year. It has been a busy one dealing  
with new legislation, directives, the Fee Funding Review and the continuous work to be more  
efficient and effective. I must also congratulate them on the creation of a Change and Innovation  
100 team at the FSC; an acceptance – and an important one, in my view – by the regulator, that  
businesses need to innovate to remain competitive and profitable. The industry has welcomed  
this move and so do I.

The sector will also be pleased to learn that the FSC has, immediately after the EU vote,  
added additional resources to the Authorisations team to ensure that we are faster than we ever  
105 have been in considering quality applications from new firms.

Mr Speaker, our Category 2 and HEPSS products continue to provide effective solutions and  
are attractive to the international client. The uncertainty created with the review of the UK's  
resident non-domiciled rules provides further opportunity in this space and specific marketing is  
taking place. As the Chief Minister has announced, I will shortly reconvene the working group to  
110 further consider their proposals and to also consider a new allowance-based system to support  
key people living and working in Gibraltar.

We also continue to grow our social media presence, Mr Speaker, as a method of increasing  
awareness to a wide, yet appropriate, audience. Our database stands in excess of 4,800  
individuals, where we interact with almost on a daily basis. Our 'electronic bookshelf' now has  
115 129 publications – up 39 on last year – covering the full range of topics that are of interest to our  
readers. It is interesting that, to date, these publications have been read in excess of 9,000  
times.

During the year our banking sector has welcomed the addition of Moneycorp – one of the  
UK's fastest-growing foreign exchange companies – to our list of licensed banks. We welcome  
120 them to Gibraltar in their successful establishment of this specialist firm.

Mr Speaker, in the area of insurance and pensions Mike Ashton is continuing his drive to  
improve our product range and develop new and interesting possibilities in this space.

The introduction of Solvency II in January of this year increases the capital requirements for  
insurance companies and, in turn, this makes it harder for smaller start-up insurers. As a result,  
125 we believe there is an opportunity to attract more Managing General Agents – or MGAs, as they  
are known – to Gibraltar. MGAs underwrite business using the underwriting authority of a  
separate insurer, e.g. they use an insurance company's paper. A number of new MGAs have  
been, or are being, established in Gibraltar and we have seen quite some interest in this area.  
The compelling reasons to establish an insurance company in Gibraltar apply equally well to  
130 MGAs and we are keen to increase the number of these operating from here.

In the field of Part VII Transfers, I mentioned last year that we hoped to have initiated our  
first Part VII Transfer from the UK to Gibraltar during 2015. I am pleased to report that an  
application for such a transfer was initiated in late 2015 and is currently being reviewed by both  
the PRA and the FCA in the United Kingdom. We have continued our dialogue with the insurance  
135 team at HM Treasury in London who have a particular interest in this 'test case' and remain both  
supportive and positive that a Part VII Transfer can take place under the UK's existing legislation.

We hope that the regulatory review will be completed shortly allowing the lawyers to apply for a hearing in the High Court in London.

140 We continue to maintain a regular dialogue with the legacy insurance sector so that they are aware of the progress being made.

Mr Speaker, as regards Insurance-Linked Securities, the ILS transaction that was completed in April 2015 is, as we understand, being renewed and should be announced shortly. The major effort during the second half of 2015 was the initiative begun by Gibraltar Finance and ably supported by a number of businesses from the ILS sector, local Gibraltar lawyers and the FSC to create a new class of protected cell company – the Special Purpose Vehicles Protected Cell Company. We announced this in November 2015 and it has been well received.

145 The EU Referendum has acted, in effect, as a brake on some of these new insurance company applications and, likewise, the ILS sector was also waiting for the outcome of the vote before taking any decisions on establishing new structures in Gibraltar. I can say, Mr Speaker, that we remain in close contact with these firms and are hopeful that more will follow shortly.

The new personal pensions regulations have been drafted and will be shared with the pensions sector within the next few weeks. The regulations should come into force in early September 2016. A positive dialogue has been ongoing with both HMRC and HM Treasury in London. We seek to ensure that the regulations will satisfy HMRC's requirements with respect to imported pensions and HM Treasury, as we look to introduce greater flexibility for capital withdrawals for imported pensions, in a similar manner to those introduced within the UK in April 2015. The new regulations will both widen and enhance the existing regulatory framework and will also permit greater use of contract-based pension schemes including, for the first time, the use of protected cell companies for pensions.

155 In Funds, Mr Speaker, we have continued to work closely with GFIA in all of our efforts to develop our product range and market the Gibraltar proposition. I am most grateful to them for their commitment and assistance in supporting our efforts.

We have worked on a number of significant initiatives in terms of our business development, including our Gibraltar day events in Zurich, Geneva, Singapore, Hong Kong and of course London. We will continue with these efforts and are in regular contact with GFIA to understand and agree their priorities.

160 I must also mention the Gibraltar Stock Exchange, which continues to go from strength to strength, and is a catalyst for the further development of this important sector. I understand significant new business will be undertaken by GSX in the coming months and I look forward to reporting further on these.

Our acceptance to Moneyval, which will be carrying out their evaluation of Gibraltar in 2018, is a further example of our commitment to meeting and complying with international standards. I am grateful to both the public and private sectors for their work in preparing for this evaluation, as well of course, as to David Parody for driving this project forward. We are finalising our arrangements for the Central Registry of beneficial ownership which has been delayed as a result of the changes proposed to its operation by the UK and the five EU countries that are driving the new pilot scheme. I would expect the registry to be operational by the end of the year, in advance of the June 2017 required date.

175 Mr Speaker, before turning to Gaming, I must thank Mr Jimmy Tipping, our Chief Executive, and his fantastic team at Gibraltar Finance for the superb work done this last year. It has been a busy year and I fully expect this coming year to be at least as busy as last. Jimmy is a consummate professional, always calm but always a step ahead of the issue in hand; and, of course, a pleasure to work with.

I must also thank the Finance Centre Council and participating associations for their continual support and interaction which, as they know, I greatly welcome and value. I look forward to working further with them in the coming year.

185 Mr Speaker, in Gaming, Gibraltar's continued success in the development and delivery of remote gambling is something we remain very proud of. It is an industry characterised by higher

190 levels of change and uncertainty than many others. The industry has faced strong headwinds in  
the last four or five years with numerous new national licensing regimes, new regulations and  
additional taxation by other states rapidly becoming the new norm. Nevertheless, the industry  
has continued to grow and deepen its roots here in Gibraltar. I can only pay tribute to the  
owners, managers and employees of our licensees who have shown such resilience and  
commitment to Gibraltar.

195 Likewise, Phill Brear, our hugely experienced and internationally respected Gambling  
Commissioner, and his staff, work incredibly hard to support our licensees and ensure operators  
of the right calibre are aware that we are keen to have them licensed and located here in  
Gibraltar. I cannot underestimate the importance of Mr Brear's work in these areas and I am  
delighted to acknowledge and thank him for his knowledge and expertise in everything he does  
200 for us. I fully understand and appreciate how fortunate we are to have him.

It remains the case that at any one time a series of discussions are taking place between my  
staff and a handful of parties interested in being licensed in Gibraltar. As an aside I would say,  
Mr Speaker, that only this morning I received an email from one such prospect. The list is not  
endless and it is getting shorter, but it was never the intention of the Government to open the  
205 floodgates and we do not intend to do so now. Quality will always prevail over quantity.

The year April 2015 to March 2016 has seen the addition of three new licensees. These have,  
in part, cancelled out the five licences lost or consolidated through the international trend of  
mergers and acquisitions in the industry. That said, a further three licensees have been added  
since just April 2016, so the total number of licensees continues to grow – 31 as at 31st March,  
210 and 34 as at 31st May.

Busy as they are, Mr Speaker, the Gambling Division also incorporated the licensing of  
Gibraltar's slot machines and bookmaker premises into their offices this year. Members will  
know that land-based gambling offers of this type are commonplace throughout Europe and the  
rest of the world in different forms and, with their increased sophistication and value, it is  
215 important more than ever that all our land-based services meet the standards applied  
internationally.

Members will recall that last year the Government commissioned what proved to be a far  
more substantial review of the remote elements of the Gambling Act 2005, by four of Gibraltar's  
most experienced lawyers in this sector. I was very pleased to be able to circulate their report to  
220 the industry at the end of April 2016. I have recently written to the industry inviting them to  
meet on a one-to-one basis so that the Government can properly identify the industry's own  
views and expectations in this area and help us to develop a comprehensive framework for a full  
revision of the 2005 Act into 2017.

I need not emphasise the importance of finding the right balance for the legislation as it  
225 underpins the licensing and regulation of this industry in an ever-changing global licensing and  
regulatory environment, with equally fast-moving technology, organisational and ownership  
changes. It remains our ambition that legislation that has served us so well for the last 10 years  
is replaced by legislation that is equally, if not more, effective in supporting this sector through  
future decades.

230 Mr Speaker, as I informed Members last year, it remains the case that the GBGA's judicial  
review challenge to the UK's point of consumption tax is yet to be concluded. The case has been  
referred to the European Court of Justice and the Court's own processes have been initiated and  
may soon come to fruition. It goes without saying that, until this key issue is determined, it is not  
practical for the Government to proceed with its own plans to review the current regime for  
235 gaming fees, charges, duties and taxes.

Whilst we remain totally committed to the highest standards of consumer protection, the  
industry cannot compete and thrive if every jurisdiction it touches treats it as some form of cash  
cow. The Government hopes to be able to constructively address this matter at least in parallel  
to the wider review of the legislation and complete it before the end of this financial year.

240 In terms of Government receipts from this industry, I am pleased to report to this House that the annual licensing charges paid by the gambling industry increased in the last financial year. Similarly, employment in the industry grew by 227 posts to 3,252. So, in licensing charges, in PAYE, in corporate tax and in numbers employed every single one of these have increased from the previous record year that we enjoyed and reported in last year's Budget session.

245 The Government's relationship and engagement with the industry remains very positive and I have taken steps this year to meet with many of the executives and leaders of the industry to gain their direct feedback on their arrangements in Gibraltar; and, while there is more of course to do, this is always positive.

250 To end on Gaming, Mr Speaker, although legislation and taxation in the sector are under review, it goes without saying that this Government remains committed to securing a strong and stable future for both the remote gambling and land-based gambling sectors in Gibraltar. The industry is strong and stable in Gibraltar and is supported by an excellent team of people and staff here.

255 My thanks to Mr Phill Brear and his team, and to Lorraine Britto and her team at the Gambling Division for the great work they do. At the KPMG e-gaming summit held in April of this year, over 60% of those attending cited the Government support and regulatory framework as one of the major reasons for being here in Gibraltar. I thank them for their superb work throughout the year in delivering that for us.

260 Mr Speaker, since the Liaison Department was set up it has been providing valuable service and assistance across the private sector. It operates like a problem-solving hub providing invaluable customer service to the Finance Centre and Gaming sector. Close interaction with other Government Departments is vital for the process to operate efficiently and effectively, and will become even more so as we press to make doing business in Gibraltar even more easy and even more attractive. My thanks to Lizanne and Tania for their support to the private sector, a service which I know they most appreciate.

265 Mr Speaker, turning to Gibraltar Maritime Administration: I am pleased to announce that in 2016 the Gibraltar Ship Registry, managed ably by the Gibraltar Maritime Administrator, Richard Montado and his team, achieved 'White List' status for the very first time and our registry is now considered one of the top 20 in the world. The results have been published in the annual International Chamber of Shipping's Flag State Performance Table for 2015-2016.

270 The registry rates highly in the ICS performance table, with positive performance indicators in every aspect. Gibraltar also ranks highly in its overall technical performance levels by the Paris MOU and the Tokyo MOU ports and is recognised as a quality register by the US Coastguard in their USCG Qualship 21 system, a target scheme used by the US Coastguard to identify poor-quality vessels.

275 In addition to the improvement in quality, Mr Speaker, the overall Gibraltar fleet has increased slightly this year. Increased competition from our traditional strong markets such as Germany and Norway has resulted in a number of ship owners returning to their home flags. The GMA is now diversifying its marketing base by looking at markets in southern Europe, such as Greece and Italy.

280 I am also pleased to announce that we are reviewing our 'product' at the registry by doing a jurisdictional comparison and identifying areas where we may adapt and improve the registry; as well as its service levels and availability in different and important time zones.

285 Mr Speaker, on completion of the magnificent small boats marina, many Gibraltarians have taken the opportunity to buy a pleasure boat. There are now 700 six to eight metre-long berths available here in Gibraltar. The Yacht Registry is in its final stages of consultation for a completely new registration type for local boat owners. The new Small Ship Registry should be ready for introduction by the end of this month and this service will allow Gibraltar residents to register and operate small boats and jet skis outside Gibraltar waters. Complementing the local 'Red Book' licence, this new 'Blue Book' has no restrictions for berthing allocations in Gibraltar. I

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must highlight that insurance cover and appropriate qualifications will be prerequisites for registration.

295 I mentioned last year that the GMA is the central authority for maritime training in Gibraltar and is co-ordinating with the Gibraltar Port Authority and Ministry for Economic Development to establish a maritime training programme for young persons, with the financial support of the local bunkering companies. It is absolutely critical to bring young Gibraltarians into this industry. By the end of this year, we will have a number of maritime courses available both in Gibraltar and abroad.

300 Mr Speaker, I now turn to the commercial aspects of the Port of Gibraltar. In spite of the direct and residual effects of the recent economic crisis and increasing competition in the region, the GPA reported growth in both the total number of ships calling at Gibraltar for bunkers and in the quantity of fuel delivered in 2015. This upward trend was reflected more widely with an increase in the number of cruise liners up by over 13%, and superyachts calling at Gibraltar up by over 60%.

305 Mr Speaker, the maritime industry is still fighting its way back from the global recession. There is a general downturn in maritime trade, with ship owners constantly trying to cut running costs. This, of course, has an impact on the number of vessels transiting the Strait. Despite these challenging conditions I am pleased to report that general activity in Gibraltar remains stable, with bunkering volumes pretty much in line with expectations for the year. Initiatives to increase activity will continue and I expect to report more favourably in the next session.

310 I am also pleased to report that, since my last Budget speech, the initiatives introduced to promote the Port of Gibraltar have started to bear fruit, with Gibraltar hosting the International Bunker Industry Association – or IBIA, as it is known – Annual Convention in Gibraltar for the first time ever, later this year.

315 The Port Authority is now also represented on the board of IBIA, with the recent election of Commodore Bob Sanguinetti as a board member. This gives Gibraltar an important and well-respected platform from which to raise our profile globally and allow us to promote the port at the top echelons of the bunkering world.

320 Mr Speaker, the GPA has continued with its targeted marketing campaign based on direct engagement. I recently visited Singapore to meet some of the biggest ship owners and managers in the world. This was followed with a visit to Hong Kong, in conjunction with our Hong Kong office, to build on the relationships established when my hon. colleague, the Hon. Neil Costa, last visited in late 2014. I am convinced that these efforts are crucial in keeping Gibraltar at the forefront of ship owners' and operators' minds, and I must thank those members of our shipping community who joined us in selling Gibraltar PLC in Asia earlier this year.

325 Mr Speaker, with the opening of the Government's spectacular small boats marina comes the opportunity to provide an additional 500 metres of berthing space for superyachts. Whilst early days, it is very encouraging to report that the GPA is receiving much interest from superyacht masters, who are not just considering Gibraltar as a bunkering port but, rather, as a longer stop where crew can enjoy the full range of facilities that we have here. Members will know that we currently have the enormous *Le Grand Bleu* berthed here this week.

330 The Government's plan for land-based storage is also underway with a number of very exciting expressions of interest being considered. These will offer Government the opportunity to carry out a wider review of the Port Estate including its facilities, which has not happened in many years. The GPA is working on its Port Vision 2025 as part of the Government's wider initiative to take a long term view of the port.

335 I must thank Bob Sanguinetti and his team for the superb work he and his team have done over the years. None of these very positive results could have been achieved without the excellent relationship between the GPA and the Gibraltar port operators and service providers. I look forward to continuing to work with them all in the coming year.

340 Before I move on to my closing part, I would like to thank the entire team in my office under the direction of Julian Baldachino and my secretary Lourdes, who are always there for me



providing a professional service, and always supporting the work we do quietly and without fuss. I must also mention and thank Sylvana who has recently retired; I wish her a long and happy retirement. They are all a credit to the Civil Service and I am most grateful to each and every one of them.

I must also thank Vi and her team at the Lotteries section who fight on with delivering a lottery in difficult circumstances, which we are looking to reform and improve for the benefit of them all.

Mr Speaker, I referred at the outset of my address to what measures we were looking to take, particularly in the areas of Financial Services and Gaming in light of the vote of 23rd June.

In conclusion, I would like to inform this House of the measures that we will adopt in the coming weeks and months in Financial Services and Gaming to best prepare to meet the challenges that lie ahead.

As I have already said in this House it is indeed very much 'business as usual' but that, of course, does not mean that we will stand still; on the contrary, we will work harder than ever before to preserve the business that we enjoy today and work to seek out the opportunities that the ever-changing landscape makes available to us. What is clear is that whatever changes may come, they will not arrive until 2019 at the earliest and therefore we need not panic, but focus and be best prepared and placed for whatever change comes our way.

We are already reviewing our processes to ensure that the path for new business is as smooth and efficient as is possible. We have made some progress in this regard but there is more to come.

In Gaming we have already, since the vote, communicated with all our operators in Gibraltar and, of course, with the GBGA. We have informed them that the review of the Gambling Act, announced earlier this year following the proposals of the four Peters, will be extended to analyse and assess the risk of Brexit to our operators and to identify the areas and issues that we, as a jurisdiction, are able to deal with that will maintain our position as the premier online gaming jurisdiction. This will cover and touch many areas, including arrangements with the UK and other markets with whom we may build direct relationships. We will work with the four Peters in these areas as well as, of course, with each of our operators.

The gaming community is fully aware of the absolute commitment of this Government to tackle the issues they have and to meet the challenges faced together in the months and years ahead. I am convinced that we have the knowledge, expertise and will to make this happen.

In Financial Services, Mr Speaker, we have been in contact with the Finance Centre Council and with a number of the major players in our Insurance community, as well as with most of the investment managers, at a face-to-face meeting last Friday morning. It is clear that the UK market is critical and that access to the single market is an important part of some of these businesses.

We will shortly be setting up small working groups with professionals in each of the areas of the sector to assist us in determining the risks arising from this uncertainty; and to prepare a route map for the opportunities that any change to our existing arrangements – if they occur – may present. We will also review our existing product lines and examine new possibilities, as well as review our business plans moving forward.

Uncertainty, Mr Speaker, is bad for business and we must therefore work to deal with these on a step-by-step basis. As I have already mentioned in this House, we have two new insurance licence applications since 23rd June before the Financial Services Commission, and I am reliably informed there are more to come across a number of different areas – which is, indeed, welcome news. These include new lines of business which are exciting and innovative.

At this time our regulator will pull out all the stops to ensure we are efficient and business-friendly in assisting new applicants through the authorisation process. We will work to get better at what we do across all areas of these sectors. I would like to thank, in advance, the professionals who will form part of these groups to assist us in ensuring we are best placed for the future.

395 In political terms, there is no doubt that the first priority must be to confirm unequivocally our relationship with the United Kingdom enabling our business community to continue to work in and out of the UK irrespective of the EU relationship. This is critical to our private sector and noted by this Government.

400 We must also insist and ensure that whatever arrangements the United Kingdom negotiates for itself must similarly apply to Gibraltar. As the Chief Minister has already said, we are considering and working on *all* of the options available to us including short, medium and long term. This is what responsible government is all about and, in that respect, we shall not be found wanting. The Chief Minister is working with Her Majesty's Government at the highest levels to secure these arrangements and progress is already being made.

405 Finally, Mr Speaker, last year saw the continued growth and importance to our community both in the Financial Services and in our Gaming sectors. They both again surpassed their expectations in every respect. We now face new and unknown challenges and, with the sense and determination that we all have, we will again rise to the challenge and the opportunities that will come before us.

410 It is not within our gift to predict what will happen, but it certainly is to prepare – and that is exactly what we intend to do.

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

**Mr Speaker:** The Hon. Neil Costa.

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**Minister for Business and Employment (Hon. N F Costa):** Mr Speaker, as always, it is with great pleasure that I deliver my Budget address in this House. This speech marks my ninth Budget contribution as a Member of Parliament, and my fifth as a Government Minister. It is, Mr Speaker, my second Budget address as Minister with responsibilities for Business, Employment, 420 Postal Services and the Department of Social Security.

During the course of my contribution, I will report on the projects undertaken over the past financial year and I will set out my Ministry's objectives for this financial year.

425 With your indulgence Mr Speaker, I will start with my Social Security responsibilities: Mr Speaker, as this House will know, prior to 31st December 1984, married women, whose husbands were paying social insurance contributions, and widows who were in employment or self-employment, had a choice of paying either the reduced married women rate of contribution, or, the full rate of social insurance contribution. This option is no longer available, but continues to apply to existing contributors on a personal-to-holder basis. Married women who opted to pay this reduced social insurance contribution were not entitled to claim old age 430 pension in their own right on attaining the age of 60. They could only claim an old age pension, at the dependant's allowance rate, based on their husband's insurance record, once the husband reached the age of 65. As the House will also know, the dependant's allowance is paid at half the rate payable to the husband.

435 With effect from April of this year, the Government introduced legislation to allow married women who paid, or are paying, the reduced social insurance contribution, or women who have not paid contributions as self-employed persons, to make retrospective payments of the difference between the reduced social insurance and the full social insurance contribution. If the minimum contribution conditions for pension purposes are met, they will be entitled to a pension in their own right when they reach the age of 60 or enhance their existing pension rate. 440 Mr Speaker, I would like to stress that this opportunity will be available until 31st March of next year.

Mr Speaker, as this House has been informed, the entire process of awarding Disability Allowance was reformed with effect from July of last year. The Department of Social Security, which administers this allowance, was finding it increasingly difficult to consider the applications 445 received in a just and equitable manner, based on the brief guidelines available, and in the absence of professional medical advice. With this in mind, the former Director of Social Security

and I took the initiative of overhauling the Disability Allowance Arrangements and introducing a new set of eligibility criteria together with an entirely new assessment process. In this respect, the Disability Allowance is no longer awarded on the basis of a particular health condition or impairment, but on the impact that such a condition has on the everyday life of the persons or his or her carer.

An assessment panel made up of health professionals from a range of different health disciplines, including a physician, a psychologist, a physiotherapist and an occupational therapist, bringing together diverse expertise and skills, was set up to assess Disability Allowance applications. As a consequence, entitlement to the allowance is now determined in a new, fairer and objective assessment of an individual's needs based on professional medical advice. Panel members may request further assessment from relevant professionals or further medical information to help them in their assessment.

The ultimate decision, however, rests with the Director, who will make a determination on the award based on the panel's professional recommendation and taking into account all relevant circumstances. If an applicant appeals a decision, the assessment panel composed of different members will convene and reassess the application. The procedure will ensure that the second assessment is considered afresh. As a result, those individuals whose health condition or impairment has the greatest impact on their day-to-day lives and require the most support, are fully caught by our reforms.

Mr Speaker, we have worked towards achieving a system that will assess individual needs, ensure consistency of decision-making and make the whole process fair and objective. It gives me great satisfaction to say that nearly a year after the inception of the new arrangement, all historical applications have been assessed and all current applications are being addressed in a timely manner. In this respect, I wish to place on the record my sincere thanks to the hard working professionals who volunteer of their time to fulfil this important endeavour.

Mr Speaker, the House is aware that Gibraltar Old Age Pensions and Survivors' Benefits were increased by 1.6% with effect from 1st August of last year. In previous years, pensions were increased in line with the annual increase in General Index of Retail Prices. Last year, however, the increase was only a mere 0.1%, and, for this reason, it was decided to apply the same increase as in the previous year. Furthermore, the Minimum Income Guarantee was also increased by 1.6%. Mr Speaker, as the Hon. the Chief Minister announced in his budget address, Old Age Pension will increase by the Retail Price Index, with effect from 1st August.

Further, Mr Speaker, last year it was announced that Maternity Grant would increase from £600 to £700 for births that occurred after 1st August 2015. I know that this increase has been very welcome indeed by all parents enjoying a new addition to the family.

Mr Speaker, I now turn to my responsibilities for The Royal Gibraltar Post Office (RGPO): On 1st January, the RGPO launched the UN Universal Postal Union Customs Declaration Kiosk System (CDS) on its webpage to meet the new security requirements for mail items entering the EU. Effective from 1st May, the EU makes the provision of Advance Electronic Information (AEI) mandatory for postal items entering the EU.

Customers sending international mail will no longer have to rely on their own hand-writing being correctly interpreted, or, on a single hardcopy of their customs declaration label safely reaching its destination. They can now use the Customs Declaration Kiosk System to provide their customs declaration data, in a quick and accurate manner, while maintaining full control of their declaration.

At destination, Mr Speaker, the availability of this declaration data allows customs to prepare risk assessments in advance, enabling nimble inbound customs process. Currently, the Customs Declaration Kiosk System makes use of the system's unique postal lookup engine, to suggest tariff-codes for the goods being sent abroad. In the short term, the Kiosk will include warnings on prohibitions and restrictions, as well as postal address validation.

Mr Speaker, it is therefore gratifying that I quote from the *PostEurop News* saying:

The Royal Gibraltar Post Office is one of the postal operators spearheading this revolution, having already integrated the CDS Kiosk on their website. At points of lodging, dedicated customer facing kiosks are being rolled out to enforce the declaration data capture of all international mail items.

500 Further Mr Speaker, the United Nations Conference on Trade and Development has signed a Memorandum of Understanding with the UN Universal Postal Union to facilitate in the area relating to the interface between Customs Declaration and HM Customs' ASYCUDA, where the RGPO is the pilot country.

505 Given the increasingly sensitive aviation safety and security issues facing the global postal network, and in recognition of the Royal Gibraltar Post Office leading in the area on dangerous goods awareness, the RGPO is the cover story in the UN Universal Postal Union Postale Publication, yet again giving Gibraltar very positive global exposure.

510 Further, Mr Speaker, I am also pleased to inform this House, that due to the success of the Post & Go Kiosks, the Gibraltar House Kiosk in London has been to the World Stamp Show in New York to launch its new Macaque stamp. The RGPO kiosk was also on the front cover of the special edition of the *Intelligent AR* magazine. It is important to note that since the installation of these kiosks at Gibraltar House in London and the premises of the RGPO, almost £40,000 of revenue has been raised.

515 Mr Speaker, another area where the RGPO has taken centre stage, is in improving quality measurement between two countries. The RGPO setup a trial of different Radio Frequency Identification (RFID) transponders to give 100% visibility of mail bags arriving in the UK. The trial was a great success and created a demand for the RGPO to share their best practice. The CEO of the RGPO has presented to three different UN Universal Postal Union committees, with other countries, like the Netherlands, that want to carry out a data exchange with Gibraltar. The RGPO has now introduced RFID readers in the cargo shed at the Gibraltar Airport and is now the only  
520 country to place passive RFID in all of its mailbags.

Mr Speaker, during this summer, the RGPO should introduce the latest postal track and trace system, called IPS.POST, to meet its mandatory obligations for data exchange. IPS.POST is an application for handling international mail. The IPS.POST application will allow postal organisations to store and exchange data related to the mail handling process.

525 IPS.POST records information about the mail events that happen to an item during each step of the international mail handling process. The RGPO can use the IPS.POST system to identify each mail event, that is to say, the specific steps of the mail handling process as defined in international postal regulations that happens to an item from the time it is received from the customer, until it is delivered.

530 Furthermore, Mr Speaker, it is with great satisfaction that I can confirm that additional cargo space was secured with Monarch Airlines from Monday 6th July of last year. This has meant that backlog of mail is reduced and is delivered to the recipient sooner. The collaboration was the direct result of a meeting held between the Chief Executive Officer of the Royal Gibraltar Post Office, the Monarch Airlines cargo services and myself.

535 I am sure that hon. Members opposite had no idea that postal work could be quite so exciting. *(Laughter)*

Mr Speaker, I now turn to my responsibilities for Commercial Affairs, and before I turn to the tremendous work that the Government has achieved in reducing the costs of doing business, let me ask the Hon. Mr Clinton to take good note of all of the matters that I will highlight. Mr  
540 Speaker, his contribution on small businesses, if measured by its length, could politely be described as superficial or perhaps perfunctory. In all Mr Speaker, seven paragraphs, the longest of which, was a cut and paste from the Gibraltar Federation of Small Businesses (GFSB) survey in respect of which there is no analysis beyond repeating the concerns of some of its members. On the other hand, if the hon. Member's comments on small businesses were analysed frankly, for  
545 the quality of his analysis, then I must describe it as shocking, for its complete lack of knowledge on all of the work that this Government has carried out, not just in reducing the administrative

burden on businesses, but in revolutionising the way businesses are now licensed and in slashing business costs. I will have much more to say to Mr Clinton at the conclusion of my section on small businesses on the hon. Member's inexplicable neglect of his duties as a spokesperson on SMEs, evidenced, not least, by the absence of a single question by him at Question Time.

I start with the excellent and newly established Office of Fair Trading. Mr Speaker, I am delighted to confirm that in October of last year, the Office of Fair Trading, or the OFT as it is commonly known, opened its doors pursuant to the enactment of the Fair Trading Act. A lot of work continues to be devoted to this project and I am happy to say that Gibraltar now boasts a statutory regulator that caters exclusively to the needs of businesses and consumers.

As the House is aware, three pre-existing Government Departments merged to create the OFT: the Department of Consumer Affairs, the Trade Licensing Section and the Business Support Unit. The OFT is, in addition, responsible for the implementation of the new business licensing system and the establishment of the Single Point of Contact, which I will address shortly. The Office is dedicated to maintaining the highest business standards in Gibraltar and is already serving to bolster the confidence of entrepreneurs and consumers in our local market, which, I am confident, is resulting in a positive knock-on effect in our economy.

The OFT, Mr Speaker, is staffed by seasoned public servants who are experienced in consumer protection, licensing matters and providing support to businesses. Furthermore, the operation and management of the new Office is carried out by a legally qualified Chief Executive Officer who brings to the administration of public services his own experience of working in the private sector. The staff at the OFT have, since before the Office was formally established in October, developed a very productive working relationship with other Government Departments, not least the Income Tax Office, the Department of Employment, HM Customs and non-Governmental bodies such as Companies House. In this respect, Mr Speaker, written protocols are already in place with the Income Tax Office, the Port Authority and the Department of Employment, to ensure the highest level of practical cooperation. In addition, the OFT has, in conjunction with HM Customs, created a new Approved Goods List that categorises all goods that are traded in Gibraltar into a simple, easy to use and informative list. Further, the OFT's staff's experience and contacts are proving invaluable to the one-stop-shop service that the Office offers to start-up businesses. The OFT continues to work towards even greater cooperation with other bodies for the continued improvement of its services.

Mr Speaker, the OFT and my Ministry are involved in a substantially progressed consultation with the Chamber of Commerce and the Gibraltar Federation of Small Businesses to deliver some changes to the Fair Trading Act, which we mutually agree are desirable. In this respect Mr Speaker, I will be in a position to publish an amending Bill in the last quarter of this year that I am certain will iron out the small creases that we have witnessed in the first eight months since the commencement of the Act.

Mr Speaker, under the Fair Trading Act, new guidance codes have been set for tourism service providers, real estate service providers and for businesses handling client monies in Gibraltar. The codes set out industry best practice guidelines and non-compliance will be investigated, and where necessary appropriate action taken, by the OFT. These codes of conduct are, among other matters, concerned with the protection of deposit monies that are paid by consumers, which in our view, require specific protection. Businesses handling client monies or holding financial deposits are required to provide evidence of a separate client account to the OFT. I hope that Mr Clinton has taken note.

Mr Speaker, one of the most exciting changes is the establishment of the OFT's Single Point of Contact, whose aim is to ease the administrative burden of establishing a business in Gibraltar. Mr Speaker, budding businesspersons are no longer obliged to navigate the labyrinthine administrative morass to start up a business, or to keep their business licence extant. It goes without saying, Mr Speaker, that speed to market is essential, and it is important that administrative procedures do not get in the way of entrepreneurialism and innovation.

The Office of Fair Trading assists in focussing new business applications to the right Government Departments by the Office itself, speedily and from one single venue. Entrepreneurs may visit the OFT's conveniently located office at Europort and receive guidance to complete their registration and licensing processes. The team will then distribute all these forms as necessary to the other Departments. In other words, Mr Speaker, whereas before, and certainly during the time that the GSD were in Government, which Mr Clinton now represents in this House, a person would have to attend every relevant Government office necessary to obtain a business licence, such as the Environmental Agency, the Town Planning Department, the Employment Service and the Department of Social Security, among others. Today, that same person only needs to attend one office, the OFT, is assisted by an experienced official in filling the forms and that same official distributes the forms to the Departments and completes the process with the client, so the businessperson who previously had to navigate his or her way through Gibraltar and all of those Government Departments, now only deals in one office with one person.

The call by the business community for a single counter service, ignored for over 16 years, has finally been answered and allows entrepreneurs to concentrate on what they do best, Mr Speaker: run a successful business.

And further, Mr Speaker, in the same way as businesses are called to innovate and provide wide-reaching methods of doing business remotely, we as an administration, are also committed to providing the ability to businesses to deal with Government Departments easily and efficiently online. Businesses are therefore now able to complete and submit the forms required for business licensing online via the eGovernment website. Furthermore, downloadable versions of all the relevant forms for each of the Government Departments are also available on the OFT's website.

Mr Speaker, as I noted some moments ago, the commencement of the OFT saw the absorption of the Department of Consumer Affairs, which has become the OFT's Consumer Protection section. While the team members themselves have not changed, the nature of the work carried out by the team has shifted from a mediatory role to a regulatory one. The ultimate aim of the Consumer Protection division is to prevent harm to consumers. The Act has given the OFT much needed teeth by the creation of Consumer Protection Enforcers to ensure that all businesses comply with this legislation. CP Enforcers can visit local traders to review their business practices, inspect weighing and measuring equipment used for trade and check business licences to ensure they are in place and up to date. Consumer Protection officers are also empowered to monitor and check advertisements for accuracy, inspect and test goods for safety, ensure that no person is selling goods to consumers without a licence and investigate business practices that the OFT may consider to be significantly harmful to consumers. The members of the team have undergone training from the Chartered Trading Standards Institute earlier this year which, with previous training from the Royal Gibraltar Police, ensures best practice methods and procedures when using their enforcement powers.

Mr Speaker, I now turn to Business Licensing, previously known as Trade Licensing. In accordance with the Fair Trading Act, the functions of the Trade Licensing Authority have been transferred and subsumed within the remit of the OFT and are undertaken by the Business Licensing Authority (BLA).

The new licencing system created by the Act now requires that all businesses in Gibraltar that are not regulated by another enactment are licenced. This, Mr Speaker, clears the irrational differentiation in law between the requirements of businesses to trade in goods and those that provide services.

The introduction of the BLA has also marked a significant increase in due diligence checks at the time of applying for a business licence to ensure that, among other things, all applicants carrying on business do so from adequate premises and are properly registered and up to date at Companies House.

650 Mr Speaker, it is well worth remembering that the Act contains a statutory presumption in  
favour of carrying on business in Gibraltar, subject to obtaining the licence. As a result, the new  
statutory system allows the BLA secretariat to consider and approve straight forward  
applications, allowing the BLA board to consider complex applications. All decisions taken by the  
secretariat are communicated to the BLA and are based on precedents previously established by  
the board. This has the effect of dramatically improving the speed in which applications are  
655 processed. Where all documents are received, and the applications do not need to be referred  
to the board, applications are processed within three working days, Mr Speaker, quite sharp, I  
would say.

Crucially, the BLA has the ability to deploy the OFT's CP Enforcers to investigate businesses  
that it suspects are not in possession of a valid business licence. Another significant change that  
660 improves the efficiency of the business licensing process is that the BLA is now required, by  
statute, to meet fortnightly rather than monthly.

Mr Speaker, I now turn to my responsibilities for small and medium sized businesses. As I  
never tire of saying, small businesses are the lifeblood of our economy, and the Government  
must enable the right conditions for businesses to flourish. It is significant to note, that  
665 collectively, small and medium sized businesses are Gibraltar's biggest employer. It therefore  
gives me great satisfaction, Mr Speaker, to set out the many budgetary measures that the  
Government introduced to buttress the right legal, regulatory, economic and fiscal conditions for  
success.

Mr Speaker, let me highlight some of the main measures: the Government has, in the first  
670 place, maintained energy prices at the same rates since 2011, with a promise not to increase the  
same for an additional four years. Mr Speaker, I should remind this House that the previous  
administration admitted, that had it proceeded with the Lathbury Barracks power plant, utility  
costs would have increased by 5% an annum. This therefore already represents a saving for  
small business of 20% over four years. Further still, in addition to this 20% saving, we need to  
675 add the 5.65% discount over the last four financial years representing inflation over that period.  
So, in total so far a saving of 25.65%. Even further still, Mr Speaker, this does not take into  
account the important amount by which the Government subsidises the costs of electricity. It is  
important therefore for the business community to reflect on the effect on their business costs if  
the Government were to remove such a subsidy.

680 Secondly, we have not increased social insurance contributions in four, nay, five financial  
years, Mr Speaker. Rather, Government has abolished employer's contributions in respect of an  
employee's secondary employment, subject to the full contribution having been paid once in  
Gibraltar. As the Hon. the Chief Minister has noted, we will need to consider developments in UK  
arising from the Brexit vote and we may have to review the position in later on in the year.

685 Thirdly, we have undertaken import duty reductions on the widest range of goods. This year  
has been no different, Mr Speaker, and there have been even further import duty reductions on  
12 items. Our anecdotal evidence, however, firmly suggests that, regrettably, some traders are  
not passing such savings to consumers.

690 Fourthly, we have provided discounts for early repayment of rates of 65% for businesses in  
the first year of trading for new set-up companies. For those new companies that had already  
received a 50% general rates discount in their first year of trading since the scheme was  
introduced, they were given a 25% discount in the second year of trading.

695 Fifth, Mr Speaker, we have increased the discount for early payment of rates from 10% to  
15% for offices, workshops, construction and manufacturing industries, transport and  
distribution industries. This discount will, of course, continue once again in this financial year.

We have allowed companies, partnerships and self-employed individuals to claim 100% of its  
eligible Capital Allowance in the first year of trade in order to further incentivise new businesses  
to set up in what the Economist has called 'our tiger-like economy' and generate further  
economic activity. (A Member: Hear, hear.)

700 Further still, following proposals from ATCOM, in order to incentivise training in the workplace, allowed training costs as an expense against profits of a business or company at the rate of 150%. Mr Speaker, that means that a company that invests £1,000 in training its employees with a view to them obtaining an accredited qualification, will now be able to claim £1,500 as a deduction against profit for the accounting period in the tax computation.

705 Even further still, we have raised the audit threshold, that is to say, the level of turnover beyond which audited accounts are required, from £1,000,000 to £1,250,000 – a measure that did not go down very well with my girlfriend, as a qualified accountant.

On the ninth point, Mr Speaker, in order to assist small scale start-ups, introduced a capped 200% credit in respect of the cost of any architect's fees incurred in respect of successful planning applications under the Town Planning Act, and any fees charged by Government in respect of any such planning application, made by such a company in respect of its property in the first 24 months of operation.

710 Further still, to further encourage and assist small businesses and start-up companies, we introduced a Social Insurance Credit of £100 per employee in respect of Employers' Contribution for companies who have 10 or less employees; and, as an 11th budget busting measure for small businesses, Mr Speaker, an additional start up incentive scheme was announced this year by the Hon. the Chief Minister. Any company that sets up in Gibraltar over the next 12 months and meets various conditions, amongst others, that it must be a new business, must employ five employees in the first year and that the business is not a transfer of a business previously existing, or one that is used as a transfer pricing mechanism to allocate profits from a business previously existing is eligible for the scheme. And the excellent incentive, Mr Speaker, is that over the first three financial years of trading, the business, which can be a company, or a limited partnership, 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 and is not eligible for repayment. Therefore, Mr Speaker, the incentive acts as a mechanism to shelter a liability to tax, up to the maximum of tax equivalent to £50,000 per annum, effectively sheltering half a million pounds of profits every year.

715 Mr Speaker, in the light of all the measures I have just mentioned, the Business Support Unit has carried out an internal exercise to determine how all these measures have affected businesses in Gibraltar. I am very grateful to the two businesses in Main Street and the one just outside Main Street, which helped us in this task. In essence, Mr Speaker, we factored into our financial comparison analysis, the costs in relation to social insurance, the minimum wage, electricity and water, salt water and rates, licence fees and import duty since this administration was elected and compared and contrasted the cost of doing business over the last five years over the average cost of doing business, when the hon. Members opposite were in Government. Mr Speaker, the forensic analysis determined that in five years, the Main Street businesses have made a saving of just over £17,000 and £18,000 respectively, and the business just outside Main Street made a saving of nearly £9,000. It is therefore estimated that with this administration, the businesses that participated in our exercise had saved, on average, approximately a staggering £3,500 every year and the business just outside Main Street made a saving of just over £1,700. Mr Speaker, by any objective measure and analysis, keeping the costs of businesses is well and truly down under this business friendly administration. (**A Member:** Hear, hear.) (*Banging on desks*)

745 Mr Speaker, yet another measure which continues to be of great benefit to businesses is the Gibraltar Business Nurturing Scheme, or GBNS, that was introduced last year. It may be useful, Mr Speaker, to quickly explain the logistics of the process for Mr Clinton and for those who may be interested in applying. The application process for these loans sees applicants complete a simple form. The applications are scored by a committee comprised of a Chamber representative, a GFSB representative and a Government official. The scores take into consideration the purpose of the loan and evaluates the application against set criteria, ranging from evidence of demand, innovation, sustainability, value for money, the safeguarding, and

750



creation of jobs, environmental and health impact, e-commerce, urban renewal and touristic value. Applications are given a preliminary score. Applicants who obtain a satisfactory score meet with the Committee. The meeting allows the applicant to meet with individuals operating  
755 in the business field and avail themselves of a steer, prior to launching or expanding their business. After the meetings, the scores are finalised and a majority recommendation is made for my final approval. As always Mr Speaker, I am happy to accept 100% of the Committee's recommendations.

As we all know, Mr Speaker, seed capital is an essential part of starting a business or  
760 accelerating an existing business. The GBNS has eased the financial burden on aspiring entrepreneurs who may have had an exciting business idea but lacked the funds to proceed. The GBNS has also assisted existing businesses that required an injection of capital in order to expand or diversify their business. The GBNS has proved to be a popular mechanism, with 19 applications received in the last financial year and seven successful applications approved. The  
765 GBNS has received a second batch of 17 applications, which the Committee is currently processing.

The availability, Mr Speaker, of sound and repayable finance is not just vital to grow our economy, but is equally important in creating employment opportunities, generating Government revenue, fostering technological innovation and expanding the range of goods and  
770 services enjoyed by consumers – what economists call a 'virtuous economic cycle'.

Mr Speaker, as I have just highlighted, over the past four years and indeed in this financial year, the Government has already introduced a series of budgetary measures to assist and encourage start-ups. In this financial year, we will start work with the GFSB and the Gibraltar Chamber of Commerce to consider the elements of an incubator scheme for start-ups, where  
775 start-ups can be nurtured for the first year of their existence. This will be particularly useful for start-ups in the software and technology industries which we will seek to further nurture, and I am personally thrilled to pursue this particular project.

Mr Speaker, I must also mention that the Business Support Unit (BSU) last year organised 16 seminars which became very popular and covered a whole range of topics aimed at providing  
780 the local business community with guidance and support. The BSU is currently in the process of preparing a new programme for this year, which I very much look forward to the launch.

Mr Speaker, therefore, there is no question that in the past four and a half years we have worked extremely closely with representatives of the local business community – who I am happy to consider as friends – and that we have heard and moved on their representations and  
785 helped, where possible, with individual concerns and cases. Government will of course continue to listen to the business community and move swiftly to tackle any issues that may arise. We will continue to engage in meaningful dialogue with the GFSB, the Gibraltar Chamber of Commerce, and individual traders.

Further, Mr Speaker, in the light of the UK referendum result, and in keeping with the Hon.  
790 the Chief Minister's pledge to set up various working groups, I will invite the Chamber of Commerce, the GFSB and other stakeholders to analyse the possible consequences of Gibraltar leaving the EU – of which I will say more a little later – and devise different models depending on the various outcomes.

It is in the light of this robust legal, regulatory, fiscal and economic architecture, that this  
795 Government has rolled out in its first mandate and which I have just set out in detail, that Mr Clinton's glib lip service to small businesses must be judged. Mr Speaker, such is the Hon. Mr Clinton's intimate knowledge of the concerns of businesses, that he referred to the Gibraltar Federation of Small Businesses throughout his 30 seconds on small businesses, as the 'GSFB'! In other words, the Gibraltar *Small* Federation of Businesses: not quite the same thing, Mr Speaker;  
800 not least given that the GFSB represents at least half of the business community that he pretends to care about.

Mr Speaker, I almost fell off my chair when he called the increase in business licences 'a stealth tax'! Mr Speaker, is he so disengaged with the public political process that he is unaware

805 that the FTA was the product of the fullest consultation with the Chamber and the GFSB over three entire years?

Does he care so little, Mr Speaker, about engaging with the representatives of small businesses that he was not aware that both the GFSB and the Chamber, in fact, agreed with the new licensing fees?

810 Mr Speaker, does he still think that increases of fees – which had not been increased since 1988 and agreed in a public consultation – is a rise by stealth?

Mr Speaker, I think it is fair to say that it has ranked in the course of this Budget debate as one of the most nonsensical statements uttered. (**A Member:** Hear, hear.) It was only fair, surely, to increase fees by inflation in the light of the enforcement powers contained in the FTA? Further, Mr Speaker, if he had bothered to ask at Question Time, I would have told him that  
815 moving forward all increases are in line with Retail Price increases.

Mr Speaker, I could say more; so, in fact, I will! (*Laughter*) The hon. Gentleman, in his contribution, does not even refer to any one of the excellent business measures that the Hon. the Chief Minister introduced – not one! Not even the very exciting start-up scheme.

820 Mr Speaker, in complete illogical defiance of the Law of Holes – which helpfully suggests to the hon. Gentleman to stop digging when already in a hole – he says that this Government is not transparent. Mr Speaker, I will urge the hon. Member to pick one – any one – of the Budget replies by the former Chief Minister ... Indeed, Mr Speaker, I will invite him to choose any one single question and answer session reflected in *Hansard* – any reply and any session will do – and, on considering any given one, he will come to the same conclusion as I: that there does not  
825 exist any currently accepted mathematical measurement that can fully measure the contrast between our huge level of transparency and theirs, when in office.

In the absence of such a qualitative measure, Mr Speaker, I have settled on the basic measure of 'bucket load', and I will tell him, without hesitation or reserve, that this Government is a bucket-load more transparent, a bucket-load more open, a bucket-load more accessible, a  
830 bucket-load more effective, a bucket-load more efficient and a bucket-load more considering and caring than the pernicious and poisonous style of politics that they discharged when in office. (*Banging on desks and interjection*)

Mr Speaker, I have to say that every time I come to this House prepared for what I think is quite a statesman-like Budget contribution, but they always have to say something that makes  
835 my blood boil and I feel that I must reply.

I have to say, Mr Speaker, it was that pernicious style of politics that motivated me to enter politics in the first place; to excise from the public political life and discourse for good and for better their style of politics, and, may I say, Mr Speaker, mission accomplished!

840 Mr Speaker, I now turn to my responsibilities for Employment, where, I am sure, all Hon. Members will agree, we have not stood still either.

Over the past year, the Department of Employment has been improving the quality of the services that it offers to its customers. The digitisation of forms – that support the Government's objective to ease the administrative burden on businesses – which offers round the clock on-line functionality with virtual access to the Department, has been live since October of last year. The  
845 portal allows members of the public with an electronic identity card to complete and submit all necessary forms on-line.

In addition, I am very pleased to report that ERASMUS 15, a purpose-built program specifically designed to cater for Gibraltar's particular labour market needs, is fully functional.

850 The program not only performs the basic tasks that are currently carried out by the present system, such as the registration of those in employment, the listing of the unemployed and other tasks. This uniquely tailored software also carries out operations that we were unable to perform with the previous program, such as matching unemployed persons to specific vacancies where certain qualifications or experience are required. The new software accomplishes this by cross-referencing and analysing key information such as qualifications, experience, skills and  
855 other requirements.

With the introduction of this program, Mr Speaker, along with the option to submit forms online, staff at the Employment Service will be able to operate more efficiently, allowing them to further assist the unemployed, or those in employment who are seeking different opportunities. In order to enhance the opportunity of those registered as unemployed, the Department will  
860 request all unemployed persons to submit their qualifications.

Mr Speaker, part and parcel of our strategy to keep unemployment down is the effective deployment of the Labour Inspectorate. The inspectors work hard in the field to ensure that all employers comply with employment legislation and that, among other things, vacancies are registered with the Employment Services in good time to allow us to choose suitable persons for  
865 companies to interview them. From April of last year to March 2016, the section carried out a total of 848 inspections and 38 fixed penalty notices and 37 breaches of the Act have been dealt with by regularising employees' positions.

In respect of the Health and Safety Inspectorate, I am pleased to report that the Principal Health and Safety Inspector position, which had been vacant since August 2006, has now been  
870 filled and the newly selected candidate is in post. A further two posts will now be advertised, bringing the complement of the Inspectorate to five. A new programme of inspections is being considered and meetings with contractors are taking place to ensure good working practices.

Mr Speaker, the House will also be aware that the Government is currently conducting a substantive review of the legal, regulatory and practical architecture relating to health and safety at the workplace. In this respect, it gives me great pleasure to say that the Government  
875 recently introduced a new health and safety policy specifically designed for Gibraltar as part of this ongoing, wholesale strategy to develop and strengthen health and safety procedures.

Here, too, Mr Speaker, the Government is breaking new ground by creating health and safety codes especially for Gibraltar, and the first policy establishes best industry practice guidelines that will be applicable, initially, to the public sector. Further, a new Health and Safety Advisory  
880 Council has been established, the composition of which has been decided under the newly introduced health and safety policy. The first meeting took place in May and the next meeting, Mr Speaker, is scheduled for September.

Further still, the Department of Employment is proud to offer the services of an employment counsellor who is working side by side with the employment officers. The employment  
885 counsellor is a qualified therapeutic counsellor whose function is two-fold. The first objective is to guide all persons who register as unemployed with regard to qualifications or training required to increase their employment prospects; and, secondly, for the counsellor to visit the secondary schools and the Gibraltar College and make students aware of the fields or  
890 professions in which they are more likely to find employment in our labour market.

The new structured programme is available to young persons between the ages of 14 to 19 in the form of workshops and one-to-one tuition on interview techniques, CV production and any other skills required by the unemployed that will assist them in gaining meaningful employment. The programme complements the services already offered by the Department of Education,  
895 which has a teacher in each of the secondary schools who offer career advice.

The Employment Development Service is yet another strand of the Government's multi-track employment strategies which aim to find employment opportunities for those seeking employment.

Mr Speaker, in respect of the Industrial Tribunal reform, given that we will debate the merits  
900 of the Employment Amendment Bill, under which the Employment Tribunal reform will be ushered in later on this month, I will only say here that the consultation in respect of this crucial reform is now complete, that the Government is ready to proceed and that I very much look forward to its implementation.

Mr Speaker, I now turn to the rate of employment in Gibraltar. Mr Speaker, before I am  
905 unfairly accused – as I was once by the Hon. Mr Phillips – that the Government is somehow playing with figures when citing our *magnificent* unemployment numbers, let me first take the House through the Employment Survey. In the first place, the Statistics' Office confirms – black

on white, Mr Speaker – the fact of growth in employee jobs in our economy. The total number of employee jobs in Gibraltar increased by 1,722 to 26,144. This, Mr Speaker, is the highest number ever recorded and is a testament to the success of our economy. Mr Speaker, we can also boast the highest number ever of Gibraltarians in employment at 11,010.

Further, Mr Speaker, it was the private sector, not the public sector, that saw a growth by 1,629 to 20,070 in October of last year. In this respect, the top three industries were, as you would expect: construction; real estate and business activities; and hotel and restaurant industries. The public sector saw an increase of 132.

As my colleague, the Hon. Minister Bossano, has explained in his contribution, the available Gibraltarian workforce at any one time is estimated by combining the numbers registered as seeking employment and those in employment. The exercise serves to indicate the reliability of the results of the Employment Survey, since we are comparing data from two sources.

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

The total number of Gibraltarians in employment, however, only increased by 19 because in the same period there was a reduction in the numbers of Gibraltarians in full-time employment in the MoD in excess of 19. There has been an increase in part-time private sector jobs and a decline in MoD full-time jobs in the year between the two surveys. That explains the net effect.

The correlation of these results is, as the Hon. Minister Bossano has said, a sound indicator of the absolute accuracy of the picture painted by the Employment Survey report and the unemployment figures.

Mr Speaker, it is in the light of these statistics and the explanatory note provided on the Employment Survey by the Hon. Minister Bossano – which I have had no shame in pilfering just now for the purposes of explaining the Survey – that I turn to consider the unemployment figures. As the House knows, the Employment Survey is, in effect, a snapshot of Gibraltar's labour market in October compared to the previous October, and it is for the purposes of making the Employment Survey intelligible, that I have revealed that the unemployment figure for the month of October 2014 was 306 and that it was 268 for October 2015. In other words, Mr Speaker, there is clearly a downward trend in the rate of unemployment. Indeed, Mr Speaker, as this House is aware, 2015 saw the lowest ever level of recorded unemployment over the entire calendar year. In this respect, the quarterly averages were 282, 204, 207 and 255. It has to be said, Mr Speaker, that these employment statistics and the rate of employment do put to shame the record of the Opposition when in Government, which in almost 16 years saw the employment of fewer full-time Gibraltarians than we saw in one year. Think about that, Mr Speaker! In 16 years, when they were in Government, fewer Gibraltarians were employed than we managed to ensure in just one year in office.

The GSLP/Liberals in four years, since coming into office, have succeeded in assisting our economy to ensure 730 full-time jobs for Gibraltarians, while the GSD, in a period of almost 16 years, had ensured 337 full-time Gibraltarian jobs. Under the GSD, therefore, there was an average of 21 Gibraltarians employed a month, whereas our enviable record is an average of 182 Gibraltarians every year of our first four years in office.

Mr Speaker, in what is certainly further excellent news, 168 of the total of 276 trainees who were employed by the five Government training companies are now employed in the private sector.

Mr Speaker, this House is also aware of the focused and concerted effort between my Ministry and the Department of Employment in identifying vacancies with Government's approved contractors. The conditions of the approved contractor scheme, administered by the Hon. Minister Bossano, stipulate that the companies involved must ensure all employees are registered with the Department of Employment prior to commencing work and throughout the term of the contract. Furthermore, contractors are required to employ workers specifically identified to them by the Employment Service from the list of registered unemployed persons.

960 My Ministry, with the employment officers, have attended to organise interviews for individuals currently unemployed with the respective service providers.

Furthermore, the Employment Careers Service continues to organise training programmes on interviews and other skills, to prepare the candidates for their forthcoming interviews. It is obviously intended that these interview skills' seminars increase an applicants' chance of  
965 succeeding at the interview stage.

Mr Speaker, I cannot stress enough the tremendous level of work that has been undertaken to organise the interviews with these companies and I publicly thank each and every member of the staff at my Ministry, and the employment officers, for their meaningful and tireless efforts. I also congratulate the Careers Development Service for helping to improve the interview and  
970 presentation skills of the candidates.

Mr Speaker, ultimately, the successful selection of these applicants means that there will be a good number of previously unemployed persons in gainful employment, and even though of course it is very rewarding for us to assist the unemployed where we can, of far greater importance is the stability, meaning and purpose that comes, in fact, from being in employment.  
975 Therefore, it is very disappointing when unemployed persons do not attend interviews we arrange for them and, sometimes, turn down a job or sometimes more than one job offer, Mr Speaker. Such a handful of persons may not realise that they make it just that little bit harder for other persons sent by my Ministry and the Employment Service for an interview. As a result, Mr Speaker, the Director of Employment has met with these individuals and advised them, in no  
980 uncertain terms, that failure to attend interviews or the refusal of job offers may prevent them from registering as unemployed for a period of time. In this respect, it is important to stress that my Ministry and the Employment Services only arrange an interview with an employer if the unemployed person has already expressed an interest, after being fully informed of the job description and the company.

In any case, Mr Speaker – to continue on a positive note – it is very gratifying, for me personally and as a Government Minister to report to this House, that since we implemented our focused strategy of working closer with the Government's approved contractors in June, we have identified 160 vacancies, we have arranged 202 interviews, and we have successfully ensured the employment of 88 previously unemployed persons over a four-week period.  
985 *(Banging on desk)* As a result, I think that there will be no doubt that we will be able to fill the vacancies that we have identified with approved contractors with those who register as unemployed.  
990

Mr Speaker, with your indulgence, I will now read from a quote in a local magazine of a young Gibraltarian, who said, and I quote:

I left Bayside with my GCSEs, but I'm not very academic and A-Levels and University weren't really for me, so I went down [or up] to Employment and a really great careers advisor helped me out. We worked on my CV and soon enough I had a job in a Gaming company. The company trained me and after my one-month trial, they offered me a permanent full-time job. I'm happy here and I'm told that if I do well there will be opportunities for me to move up through the company in the future. My parents are really proud of me and it goes to show that there are opportunities for everyone if you are willing to work for it. And I'm not the only one. I've made friends who also got jobs after getting help and advice from the Employment Service and I know that unemployment is down to an all-time low, which can only be a very good thing!

995 Further, Mr Speaker, if I may quote just one more person who recently said that:

Gibraltar leads a blessed life ... we lead a blessed life living in Gibraltar. We have got very low levels of unemployment, we invest hugely in our caring, in our social services, in our education system, which funds our young people all the way to post graduate level.

Mr Speaker, I have to say that I entirely agree with that statement and I wish to place on the record, formally, my thanks to the Hon. the Leader of the Opposition for being gracious in verifying the success of the Government's various employment strategies. It takes courage, Mr

1000 Speaker, for the Leader of the Opposition to admit that the Government's policies are bearing fruit and working effectively.

Mr Speaker, I, therefore, have no doubt that everybody – including, clearly, the hon. Gentlemen opposite – agree that the increased number of Gibraltarians in our labour market and the reduced levels of unemployment is sensational news. Success breeds success, and I strongly believe that our economy will continue to develop even in the face of the recent current political changes that may be caused as a result of Brexit – to which I now turn briefly.

1005 Mr Speaker, the times, they are a changing – or are they? On 24th June, we awoke to the unthinkable reality that a plurality of UK citizens had voted to leave the European Union, even though we here in Gibraltar voted by an overwhelming 96% to remain. Whereas the referendum is merely advisory, the UK has still to start the process of extracting herself from the EU under Article 50 of the Lisbon Treaty, whilst all EU laws and fundamental freedoms continue to apply until the conclusion of the Article 50 process, and whereas there is doubt as to when or even whether the next UK Prime Minister will commence the process under Article 50, the Government and this Parliament, I think, must proceed on the basis that Westminster will give effect to the will of the people as expressed in the referendum.

1010 Mr Speaker, the political storm that has been unleashed in Westminster following the vote to leave is certainly unprecedented since my time following British politics. We do not know who will succeed the Prime Minister on 9th September, but we do know that he has said – (**A Member:** Theresa May!) Sorry? Theresa May, yes: likely.

1015 But we do know that he has said that there may be a case for an early general election. The current frontrunner – Mrs May – however, seems to have dismissed an early election and has said that 'Brexit means Brexit.' Were that it be so simple, though, Mr. Speaker. A report by the top constitutional lawyers has set out that the Prime Minister will need parliamentary approval to trigger Article 50. There are various press reports that suggest – and I recall specifically one reporting on that Tory grandee, Michael Heseltine, who said that because there is a majority of approximately 350 MPs who are against the UK leaving the EU, there could be resistance to vote in favour of the UK Government starting the Article 50 process.

1020 On Monday, a UK newspaper carried the news that a prominent law firm had taken pre-action litigation against the UK Government to seek assurances that Article 50 will not be commenced without an Act of Parliament. The article added that the law firm has instructions to pursue the matter through the courts if they are not satisfied that the UK Government will follow the correct process to – and I quote:

... protect the constitution and sovereignty of Parliament in these unprecedented circumstances.

Of course, it took Government lawyers just a couple of days to come out to say that in their view the Prime Minister could in fact start the Article 50 process without reference to Parliament.

1030 Further, in the event that a snap election were called, we have to wait and see which party, if any, has a majority and how such a majority intend to deal with the referendum result. At this point, the Liberal Democrats have committed to keeping Britain in Europe and the Labour Party are undergoing what can be kindly characterised as an internal leadership tumult.

1035 What is clear, is that the resignation, en masse, of the Labour front bench and the vote of no confidence in Mr Corbyn, resulting in 172 votes against and 40 votes in favour, has arisen due to what is generally perceived to be Mr Corbyn's lacklustre advocacy for Britain to stay within the EU during the campaign.

Further, Mr Speaker, the Prime Minister has announced that there is no chance of a second referendum notwithstanding the Petition that has garnered over four million signatures, and he has set up a new cross-department advisory unit.

1040 Notwithstanding that statement from the UK Prime Minister, one cannot help but remember the time when the Irish voted on the Lisbon Treaty in a referendum and rejected the Lisbon Treaty and then of course held a second referendum and voted in favour, thereby achieving

what the establishment thought was the right result. Straightforward so far, is it not, Mr Speaker?

1050 Mr Speaker, one really is left wondering why the Prime Minister, in a representative  
democracy, where Parliament is the supreme decision-making forum, called for a referendum on  
the UK's membership of the EU in the first place, not least given that he subsequently  
1055 campaigned with so much ardour and enthusiasm for Britain to stay, and where surely it would  
have been enough for Mr Cameron to keep to his earlier promise to hold a referendum on any  
new EU treaty, rather than to hold a referendum on membership.

I cannot but express profound regret for the various wildly unsubstantiated claims made by  
the Leave campaign from which they have subsequent to the vote tried to walk back. It is  
nothing short of shameful, Mr Speaker, that statements were made that were clearly not  
accurate and which we can assume will have led millions to vote to leave the EU.

1060 It is even more incredible still – shocking really – that the architects of the Leave campaign  
have clearly been caught out without a plan for Britain outside of the EU. And, to boot, the  
leader of the Leave campaign has decided not to stand for the leadership of the Conservative  
Party after having led the Leave campaign and for which he must assume part of the political  
responsibility.

1065 The less said about Mr Farage and his resignation, I think, the better!

The House will no doubt condemn such reckless disregard for truth in political debate and for  
the very real consequences that could arise for our present stability, Mr Speaker.

1070 Whilst Westminster is consumed by the fallout of the referendum vote, we in Gibraltar have  
pulled together and are more determined than ever before to get this process exactly right. Our  
community will have seen the Government and the Opposition close ranks and will have  
witnessed the Hon. the Chief Minister and the Hon. the Deputy Chief Minister waste no time  
whatever in meeting with the UK Government to fully and robustly put forward Gibraltar's  
position.

1075 Gibraltar also knows that the Government is exploring every possible avenue to discuss all  
options further. We on this side of this House are meeting with all of our respective stakeholders  
to discuss the present situation and to analyse, in detail, the various models available depending  
on the different possible permutations that may emerge. We stand, Mr Speaker, of course ready  
in solidarity with our entire community, to work harder than ever before and leave no stone  
unturned in searching for opportunities in what is currently a sea of uncertainty.

1080 Mr Speaker, the fruits of the work of the Chief Minister and the Deputy Chief Minister are  
already evident, as the Prime Minister himself has said that the UK Government will involve  
Gibraltar when negotiating a new deal with the EU to protect and safeguard Gibraltar's interests.  
This, of course, is excellent news and will be welcome by the entire community and by the  
financial and business sectors.

1085 Mr Speaker, it is – to the extent that nothing has happened to sever the relationship with the  
EU after the referendum – business as usual. Given that no further steps towards separation  
from the EU will take place until September at the earliest, this gives the Government, the  
Parliament, and all sectors of our community the time and the space to carefully consider all of  
our options, firmly establish Gibraltar's position with the UK Government and stress the  
1090 importance of full access to the Single Market, and for us of course to continue the vital work of  
looking at all models.

It is time, Mr Speaker, for cool heads, sober analysis and a lot of hard work. It is time, Mr  
Speaker, for us in this House to lead. Our compatriots can rest assured that the Government will  
continue, as until now, to be fully accessible and to be fully engaged in the important work of  
1095 addressing their concerns and working to fulfil their aspirations.

Mr Speaker, as I conclude, I thank all of my staff at my Ministry: the Office of Fair Trading, the  
Department of Employment, the Department of Social Security and the Royal Gibraltar Post  
Office for the, at almost all times, unforgiving pace they have come to expect and love from me,  
and for their unstinting support in delivering our exciting program for Government. It is true to

1100 say, Mr Speaker, that it would simply not be possible for me to have been able to stand in this House to make as many announcements or to report on the completion of as many projects without them. I owe all of them, therefore, a very big thank you.

Of course, Mr Speaker, I take the opportunity to thank yourself and the kind, patient and excellent assistance of your staff, namely, the Clerk, Frances, Kevin and Dani.

1105 Thank you, Mr Speaker. *(Banging on desks)*

**Chief Minister (Hon. F R Picardo):** Mr Speaker, after that *tour de force* of business and politics generally, can I invite the House to recess for a few moments for tea.

1110 **Mr Speaker:** And then we will call upon Mr Elliott Phillips to make his contribution to this debate.

*The House recessed at 5.00 p.m. and resumed its sitting at 5.20 p.m.*

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

**Mr Speaker:** The Hon. Elliott Phillips.

1115

**Hon. E J Phillips:** Mr Speaker, being elected to Parliament in the early hours of 27th November 2015 was a great honour and privilege. I wish to thank all of those who entrusted me with their vote – all 4,784 of them – and who have given me the opportunity to serve this community as a front-line Opposition Member in this House.

1120

My election to this House has given me the opportunity to speak for those people who feel distant from the political process but who also have ideas on how we can do things better. I am grateful to the many people who attempted to make the steep learning curve easier and who have guided me through what has seemed, at times, as a minefield.

1125

I very much look forward to the challenges ahead and serving my community, together with my parliamentary colleagues, in any way I can. I have promised where I can I will help; if I cannot, I will say – but I will always listen.

1130

I became an MP because I am passionate about our young people and about the creation of better opportunities for the young and those who, for whatever reason, have been unable to access opportunity. I believe that our young people are Gibraltar's future ambassadors and each and every young person, irrespective of ability, represents a golden opportunity for our community. That is why, in our view, the building of skills through real training is so very important for the future success of our economy.

1135

It is no secret, Mr Speaker, that we fundamentally oppose the Future Job Strategy – it fails to deliver what it says on the tin. It is reactive, inflexible and inspires us with little confidence on this side of the House that the Government is committed to the delivery of skills for the modern workforce. **(A Member: Hear, hear.)** I know that those Members opposite disagree with me on the subject of skills and training, as is their right and I respect them for maintaining their view; but, despite our attempts at broadcasting our message on skills and training, they do not seem to appreciate the distinction we are making.

1140

It is all well and good building a nation but we need to focus on sowing the seeds of growth even though those green shoots may not be visible for some time. Politics must be about doing what is right and what is in the long-term interests of this community. This is why the focus of my Budget address will be on opportunity – creating better opportunities for our young people, the vulnerable and the unemployed.



1145 The Hon the Father of the House said yesterday that diversification of our economy is important so that we do not rely on one set of skills. I could not agree more with that assessment, it mirrors my own; however, as I will demonstrate, this is not what is being achieved by the Future Jobs Strategy.

1150 Politics has allowed me the opportunity to speak to many young people who can already see the opportunities, but cannot unlock them without support. We believe that by unlocking and harnessing the opportunities that young people present, we can make Gibraltar an even better proposition, just as Tel Aviv and Budapest have done, for example; but we cannot do this unless we have an honest and constructive debate about skills and learning.

1155 I respect the view of Mr Bossano but I cannot agree with his approach. During the election in 2007 he said that he had waited 15 years to implement what was described by some commentators as a Soviet-style job strategy.

1160 Mr Speaker, building a successful economy depends on the creation of better opportunities for our young people. It cannot happen overnight and it certainly cannot happen by operating a 'plugging the skills gap' policy that the Government is determined in pursuing.

1165 I do not say this in any way to score political points or to be controversial. My remark is solely designed to demonstrate through argument and debate that we need to proactively shape our own future by using the human capital available to us, rather than reactively plugging the skills gaps. We need to focus on supporting and encouraging start-ups in IT, software development, coding and maybe, perhaps, industries allied to and supportive of our gaming industry, to name a few.

I remain absolutely convinced that we need to do a lot more to truly harness the human capital we have in our community. After all, our principal asset is our people and you cannot be wrong to invest in your own people.

1170 Our recent outreach campaign to the unemployed demonstrates that we need to do much more to secure the long-term future of the unemployed and our young people. I believe that we are starving our young people of the vital oxygen they need, by not creating employment opportunities and by trying to force young people into random and often unsuitable work.

1175 How are we planning for the future? What skills, trades and degrees will be needed for the future? And, why are we not targeting our efforts in this way? These are just a few of the questions that are being put to me on a regular basis.

1180 Not everyone – thankfully – is an accountant, banker, lawyer or financial adviser – and I think Mr Clinton will absolutely agree with that analysis! Not everyone is destined for academia; but everyone, irrespective of ability, deserves the dignity of work and the opportunity to provide for themselves. We need to create an environment for people to flourish. The modern apprenticeships in Germany and the United Kingdom are an excellent workable example and we need to learn from that experience. We need to bring back apprenticeships in the modern context to meet the needs of new technology business.

1185 Many people we speak to, talk about the old apprenticeships with pride but they also feel that we are losing these old traditional skills. We can learn from the experiences of those who underwent the old apprenticeships – and we all know what they are – and apply the same rationale to building a modern, successful apprenticeship programme

Mr Speaker, I support the initiatives put forward by the Hon. Mr Costa, to get people back into work; but we must do more than simply skills match. I appreciate he is doing more, but I think we need to do it differently.

1190 We must look to where Gibraltar will be within the next 20 years and what industries will grow our economy and improve the lives of our people. We have a responsibility to future generations of Gibraltarians to develop and create better opportunities.

1195 We must continue to encourage a strong work ethic in both the private and the public sector. We must weed out the culture of entitlement and expectation that has become so endemic in our society. Many in our community were not surprised to hear the Minister for Employment so

publicly chastise those persons who failed to engage with the Government's employment initiative.

1200 No-one, in my view, who is out of work and is offered work, should be permitted to pick and choose if they are not in a position to do so. **(Two Members: Hear, hear.)** We need to engender a culture of responsibility, civic pride and respect; and rid this community of the culture of entitlement and expectation. Each and every one has an obligation to this community to leave it in a better position than they found it and make a contribution to its success.

1205 I have long advocated, in and outside of this place, for the need for a robust modern apprenticeship programme which meets the needs of future generations, despite the real reluctance of the Father of the House to accept any criticism and engage with me constructively. I appreciate that the Hon. Mr Bossano has a wealth of experience in this area, but we need to start looking at skills differently. The world has changed and continues to change, Mr Speaker, and we need to be flexible and dynamic to move with it.

1210 The Father of the House challenged me in this House by saying that no employers who had approached me before and after the election came forward. The Father of the House speaks of skills and training with the new tax-free rose-tinted spectacles. The reality of course, is very different. Those companies who have approached me have already approached the Government with impressive plans for creating opportunities for our young people, but there was no interest, I am told by these companies.

1215 These companies have no reason to complain, Mr Speaker; they care about providing opportunities for our young people and getting young Gibraltarians into the IT world.

1220 I am comforted by the fact that the Hon. Mr Costa is thinking along the same lines as I am and I extend to him in particular the hand of co-operation in a genuine attempt to work together, so that we can together build a modern apprenticeship programme that allows those young people who cannot access opportunities, the chance to thrive as others have thrived.

1225 Mr Speaker, we must all, in this House, acknowledge that technology is the future. This has been recognised by the Hon Mr Licudi in his Budget address of June 2015, where he outlined what was being done to encourage 'coding' at primary education level. He repeated that in his 2016 speech and I congratulate him in respect of the work he has done in relation to the primary level. I will talk a bit more about that in relation to education, slightly later.

On that basis, it must be right that we strive for consistency in our approach to the learning of skills at every level, and roll out programmes to the young. I am grateful to those employers who continue to reach out to us and assist us in developing our strategy in this particular area.

1230 We on this side of the House believe that there is a strong relationship with education and more can be done to develop an Information Technology or a School of Computing within the jurisdiction of the University of Gibraltar. I know that Mr Licudi has referred to that in 'Questions and Answers' and we have talked about that before in this House.

1235 When I speak about the modern day apprenticeships I am also talking directly to those young people in their rooms at home who dream about building online games, mobile apps and developing software. I am also talking to those people who do not feel supported by the system so that we can reach out to them to enable them to realise their ambitions. I genuinely believe that we are missing a trick.

1240 We could be, if we focus on skills, learning and identifying the jobs of the future, be the next Budapest or Tel Aviv. Our principal and most valuable resource is our people and we can be that country that harnesses the digital economy. Mr Speaker, all of us in this House know that in order to drive Gibraltar forward we must be the facilitators for growth. Our businesses go into the world to create opportunity and this is what, I understand, is being done in Hong Kong, as described by the Deputy Chief Minister yesterday and the Minister for Financial Services. As we all know, in order for Gibraltar to succeed and thrive it only takes a very small slice of the global economic cake.

1245 With the result of the EU referendum still fresh in our minds, all of us must continue to press our links with the City of London and other important British cities, as outlined by Mr Isola. We

must dominate that space, create new opportunities, dust off shelved business plans and make our voice heard amongst the new policy makers.

1250 I do not like to talk about survival; I like to talk about success. Therefore, when we succeed – as I am sure we will – we will need to demonstrate that we have the people to do the skilled work necessary to meet the needs of new business, and drive our economy forward. This is why I am so very passionate about skills and in the current climate it is absolutely essential that we get skills training right.

1255 We cannot continue to rely on the cyclical construction industry to plug the gap. It does little in the long term to encourage the development of entrepreneurship and the learning of new skills, which we should be attracting.

1260 Mr Speaker, it is my genuinely held belief that together we can build a highly-skilled and trained workforce who will go on to create better opportunities for future generations of Gibraltarians. Political and business leaders who led the development of the financial services industry must also turn their eye to the opportunities that exist in the digital world; and we have an obligation and responsibility to ensure that our people are the first choice for employers because they are the best qualified.

1265 Importantly, we must continue to focus on the unemployed and those persons who, for whatever reason, have turned to criminality – and to get them back into work. I have spoken to a number of people who have found it difficult to get back into work after they have been convicted. We need to do *much* more to improve the prospects of people that want to work after turning their lives around, through a well-developed education and training programme within the Prison service.

1270 Again, we have debated this in Questions and Answers and Mr Licudi, I know reference is made to that in relation to his speech, together with an effort – which I also applaud – which is the counselling that he is running through the Prison service.

1275 Mr Speaker, moving neatly to Justice: the last eight years has seen changes in the physical infrastructure of our justice system with improvements such as the recruitment of judges, the building of new courts, a new prison and the overhaul in the way in which justice is organised at an institutional level. New laws promulgated by successive Governments have improved our justice system.

1280 The criminal law has seen many changes alongside the laws relating to family and children. In the corporate commercial world, new companies, insolvencies and Limited Liability Partnership legislation have been upgraded and brought our laws up to date.

1285 We must not rest on our laurels. More can and must be done in law reform and in particular the individual's interaction with the justice system must be improved. We should now pause and rightly express our pride in the fact that a Gibraltarian is the head of the judiciary. Mr Justice Dudley, the Chief Justice in this regard, has the respect and admiration of everyone in our community.

We should also be proud of the very strong Court of Appeal which must be the envy of the Commonwealth. We should also be proud that we have a Gibraltarian Attorney General with the ability of Michael Llamas QC.

1290 However, we need to move forward in improving the service for the end user. The appointment of the Director of Public Prosecutions is an important step in our development. It is as yet unclear as to whether the establishment of a DPP will require an amendment to our constitution, or whether this can be achieved through the bringing of primary legislation.

1295 I know that Mr Licudi and I had a debate on television, I think on *Viewpoint*, relating to that specific matter and I note the absence of that particular point in his speech. But I think at some point, Mr Speaker, we will need to move forward quite quickly with that appointment.

Whatever route is decided upon we must press ahead with the recruitment. The Office of Criminal Prosecutions and Litigation needs, in my view, a strong dynamic head to actively progress the case load of the Department and motivate and manage a team of committed

1300 Crown Counsel. Recent criticism by the judiciary has brought into sharp focus the need for the appointment of a Director of Public Prosecutions.

In relation to legal assistance we need to move forward in reforming the system. There are, in our view, many in our community who are unable to access justice and it is right that those who are most in need should also be able to access the system.

1305 In last week's session of Parliament I expressed the view that we need encourage and support the legal profession in creating a Bar Pro Bono Unit, or Free Representation Unit, which will complement legal assistance.

I think it is right to pause there and say that the Minister for Justice had communicated to this House, that discussions were underway with the Bar Council in relation to that very point.

1310 It is obviously right, Mr Speaker, to recognise that members of the Bar, of course, do free legal work but it should in our view be on a formal footing and actively encouraged. I truly believe that we can lessen the burden on the legal aid and assistance funds if we take a positive step towards a vocational obligation on the profession.

1315 Many of our lawyers, if not all, have received the benefit of generous education funding by successive Governments and we are all, in this House, proud that we can still continue to fund post-graduate training in this way. But the commitment by our society to full funding of expensive professional and vocational training must also mean that those receiving the benefit must also give back.

1320 I know that members of the Bar, in this place and outside, have acted in a *pro bono* capacity and that should be applauded; but we must do more than simply encourage the profession to take a positive step towards giving something back to Gibraltar. We must all look at ways in which we can lessen the load of the funding system in order to best direct access to those who most need it. This is how we can improve the individual's interaction and experience with the justice system.

1325 The Opposition has actively tried to persuade the Government of the benefits of a combined Courts and Tribunal Service, which we believe will improve the individual's interaction with the tribunal system and allow for a central point of contact and the administration of Gibraltar tribunals. There is a difference of opinion between the Opposition and the Government on this point. I would, however, invite the Government to rethink.

1330 Insofar as the Criminal Evidence and Procedure Act, it may well now be the time to review the operation of this important piece of legislation in order to look at ways of further streamlining the process so that justice is delivered quickly and at cost.

1335 Mr Speaker, as for prison reform, I am a big believer in education in prisons and we must increase the focus of education in prison so that those who do want to change their lives can do so. I see a number of people trapped in the cycle of criminality and it seems to me that education is the key to unlocking this issue. I believe that we need to cast the net wider and bring education into the prison and look at ways in which the Education Department can actively engage with the Prison service, so that we can tailor-make opportunities for those who have expressed a desire to learn – and to change.

1340 I align myself with the comments that the Hon. the Minister for Justice had made in relation to the retirement of the Right Hon. Sir Paul Kennedy. I also welcome the changes that have been set out in the Minister for Justice's speech in relation to the Cycle of Change – I think that is an extremely welcome development insofar as increasing the counselling opportunities available to those who have addiction problems in prison. That should also be applauded.

1345 It would be remiss of me not to mention the work of the Hon. Mr Costa in relation to the reform of the Industrial Tribunal soon to be known as the Employment Tribunal. The reform is long overdue and is very much welcome. I have had the opportunity of considering the Employment Regulations which will improve the management of claims brought through the new Employment Tribunal.

1350 I know that both he and his legal counsel, Mr Fa, have travelled to England to look at the ways in which cases can be progressed there; therefore I think it is right to recognise the work that he and Mr Fa have done. (*Interjection*)

I have communicated to the Minister my desire to work with him on this important reform and I will be sending him specific proposals on the Bill to reform the workings of the Industrial Tribunal, which I am sure he will receive in a positive and constructive manner.

1355 My footnote on Justice is that much more needs to be done to improve the citizen's interaction with the justice system, and I would hope that those Members opposite would agree that there are clear opportunities for synergy and working together for the benefit of all in our community.

1360 Mr Speaker, in relation to drugs and rehabilitation, it is of great personal satisfaction to me that both sides of this House are unwavering in their support for the Stay Clean charity. I am sure that the Chief Minister, who has taken the portfolio after the General Election, will agree that stories of addiction, recovery and hope are moving – and they demonstrate that drugs and their abuse destroys lives and are the enemy of family life.

1365 I have had the opportunity of sitting down and talking to recovering addicts and their journey from hopelessness and loneliness to recovery and hope. This left an impression on me. Unusually for a politician, I have been left speechless by the stories, life events, human tragedy and loss; and it is right that we continue to support them in ridding our community of the toxic consequences of addiction in whichever form it takes grip on the lives of vulnerable people.

1370 Many addicts who have relapsed tell me about the triggers in our community from social groups to the physical environment. We need to look at ways in which we redouble our efforts by further offering specialised addiction counsellors, from either within the service or from outside. I am heartened by the promise made by the Chief Minister to bring drug awareness and rehabilitation into Number 6 and it is only right that this subject should feature high on the political agenda.

1375 I know that he is a busy man and recent events, naturally, mean that international and diplomatic affairs will dominate his schedule. However, it is my hope that he will keep his promise to those who work in the drugs service and in the various charities, by providing them with the help and resources they need to be as effective as possible in treating addiction and preventing relapse; and also providing the opportunity for those people afflicted by addiction to get back into our community – so that they, too, can make a positive contribution to our community.

1385 Mr Speaker, we really do need to give very serious thought to the use of Arrest Referral Workers at the point at which the individual comes into contact with the criminal justice system – namely at the Police Station and the Courts. The Scottish Pilot Study into this area would be of enormous benefit and I would invite the Minister for Justice to review it to see what lessons can be drawn from the conclusions to that study.

1390 In relation to education: for too long, politicians across the political divide have considered that the building of new schools is the answer. Of course, bricks and mortar and investment into the physical environment of our education are important; but it is just as important to listen to our teachers and the teachers' unions. Listen to them and understand their concerns.

1395 The GTA and NASUWT have called out for an effective and sustainable education road map for the next 20 years. Last year the Chief Minister, in his Budget speech, quoted the World Bank President who believed that countries that invested in people's education, as well as other upgrades in infrastructure, would emerge stronger in the years ahead. I could not agree more with that analysis. The time for investment is now – not just in education, but also in the co-ordination of training and skills.

1400 All of us in this House are the beneficiaries of successive Governments' commitment to education, but we really do need to evaluate where we are and where we are heading. The Government have committed – and recommitted last week in Parliament – to the major investment in the building of five new schools for our community. It is understood that the

Government are undertaking significant preparatory work and it is very much hoped that the Government will complete the building of the five new schools by the end of this parliamentary term.

1405 I have certainly received assurances from the Minister for Education that this will happen. There are concerns from parents and teachers about the practicalities of the building of five new schools and the level of disruption that will naturally bring with it. Let's watch this space.

1410 Having raised the modern apprenticeship at the general election, I firmly believe that we need to offer more than we currently provide. Those who do not wish to pursue an academic future need to be provided with the opportunity of a modern apprenticeship programme, which has the same standing as higher education. We need to create a gold standard for an apprenticeship programme so that employers have confidence in the system.

1415 Despite the general election result I am confident that the co-education debate is one we must have. I remain personally convinced that we should have some form of co-education at secondary level, but I do understand that there is a debate on how this can be achieved. Let us have an open and unrestrained debate on co-education.

1420 At this point, Mr Speaker, and without wishing to steal the thunder from the Hon. Mr Reyes, I would like to say a few words on the question of housing rents. It is another area that I feel quite passionate about given that before I joined the GSD we raised the question of means testing of Government housing.

1425 At the time, I was one of the lone wolves who pressed the debate on means testing of Government housing. The Government has ruled out means testing in their election report and policy paper of 11th Nov 2015, before the election, and the Chief Minister has again ruled out the implementation of a means-testing policy. This, in our view, is a mistake; those who can afford to pay more, should. We must grasp the nettle, stop the abuse and have the political courage and strength of conviction in dealing with the eligibility and the fair allocation of Government housing.

1430 To increase rents, to 49p and 60p respectively, fails to deal with the real issues of abuse and unfair allocation. Small increases in rents pay lip service to curbing abuse and unfairness. The measure does not go far enough and I urge the Government to look to the recommendations of the Ombudsman and seriously consider a policy of means testing.

In times of great uncertainty, the interests of this community must come first and the Government must be prepared to make tough decisions on housing.

1435 Mr Speaker, in summary, we live in interesting, challenging and uncertain times; and in order to weather the perfect storm we not only need an umbrella, we also need wellington boots. *(Interjection and laughter)* Those who can withstand bucket loads, Mr Speaker, no doubt!

We must ensure that we create the right opportunities for our young people, our unemployed and the vulnerable – so that we can thrive.

1440 This Budget should be about opportunity in adversity; let us not make it a Budget of missed opportunity. It is my genuine hope that we can all work together on areas which are crucial for Gibraltar; but also, subject to Mr Speaker's long cane, test the robustness of each other's policies in a constructive and dignified manner – after all, that is why people have put us in this place.

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

1445 **Mr Speaker:** The House will now adjourn to tomorrow morning at 9.30 a.m.

*The House adjourned at 5.45 p.m.*