



# PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

**MORNING SESSION: 11.01 a.m. – 2.34 p.m.**

**Gibraltar, Monday, 26th June 2017**

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# The Gibraltar Parliament

*The Parliament met at 11.00 a.m.*

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

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

## Order of the Day

### GOVERNMENT BILLS

#### FIRST AND SECOND READING

#### **Appropriation Bill 2017 – First Reading approved**

**Clerk:** Meeting of Parliament, Monday, 26th June 2017.

Bills, First and Second Readings. A Bill for an Act to appropriate sums of money to the service of the year ending on the 31st day of March 2018. The Hon. the Chief Minister.

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**Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that a Bill for an Act to appropriate sums of money for the service of the year ending on 31st March 2018 be read a first time.

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**Mr Speaker:** I now put the question, which is that a Bill for an Act to appropriate sums of money to the service of the year ending on the 31st day of March 2018 be read a first time. Those in favour? (**Members:** Aye.) Those against? Carried.

**Clerk:** The Appropriation Act 2017.

#### **Appropriation Bill 2017 – For Second Reading – Debate commenced**

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

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This is my sixth Budget address as Chief Minister. It is in fact my second Budget address since our re-election to Government in November 2015 with a huge vote of confidence from our people, and I now have the honour to present the Government's revenue and expenditure estimates for the financial year ended 31st March 2018. During the course of this address I will also report to the House on the Government's revenue and expenditure outturn for the financial

year ended 31st March 2017, which was the fifth full year of a Socialist Liberal administration since we took office on a warm autumn day in December 2011.

25 Mr Speaker, as has been traditional now for almost 30 years since the first GSLP Chief Minister delivered the first GSLP Budget in 1988, my address will of course not just be my report to the House on the public finances of our nation and the state of the economy generally, but also a parliamentary State of the Nation review of the economic and political future facing Gibraltar.

30 There could be no better way for the GSLP to celebrate its 40th anniversary than with the honour of a second GSLP Chief Minister delivering a socialist Budget for Gibraltar. It is indeed noteworthy, Mr Speaker, in partisan terms, that the AACR and the GSLP are the only parties in Gibraltar's political history to date that are able to boast two different Chief Ministers in their ranks. Moreover, the GSLP, if I may say so, is the only party to date to have two different leaders become Chief Ministers after leading the party to win general elections.

35 Today I will, of course, also outline the budget measures that the Government will introduce this year in pursuance of our manifesto commitments and in order to continue to address the social and business needs of our community in the developing context of the decision of the United Kingdom to leave the European Union.

40 Mr Speaker, before I start the substance of my economic analysis today I want to extend the thanks of my party on this side of the House and of the Liberal Party to the Clerk of the House and his staff. They do a huge amount of work unseen during the year in order to ensure that our democracy works. Since the last Appropriation Debate in this House there has been no election or referendum – thank goodness, I hear the Clerk say – but there has been a Gibraltar meeting of the Commonwealth Parliamentary Association. Members of the CPA who visited Gibraltar were, as ever, impressed by the magnificent locations they visited and of course by the organisation of the events they were engaged in. I know that took a lot of hard work from the Clerk and all members of the staff of the House. I am sure there was a helpful guiding hand from you, Mr Speaker. I therefore want to extend the sincere gratitude of the Government, and I am sure all Members of the House, for the work you do and have done throughout the year to assist us all, from the eldest Member to the newest Member, as we all rely on you in equal measure for this, for cribs, for questions and answers to be provided and when we have to get up to ask or answer questions. As Leader of the House, Mr Speaker, my sincere thanks – no doubt on behalf of the whole House – to Daniel, to Frances, to Kevin, to Paul and of course also to you, Mr Speaker. *(Banging on desks)*

55 Mr Speaker, as has been the case with all my Government's previous budgets, this Budget is designed with prudence in mind to support our working families, young people, the elderly and the disabled. We will aim today to continue to put in place measures to make Gibraltar the most attractive place in Europe and in the Mediterranean to do business and we will do so whilst continuing to invest in our youth because they are the future and we must never stop investing in the future. And we will do so whilst continuing to support senior citizens in our community, because they built this nation and we must never forget their contribution to the prosperity that we enjoy today. And we will do so without forgetting those worse off in our community who cannot help themselves.

65 But this is not a Budget, Mr Speaker, for those who will not help themselves though they could, this will not be a Budget for those who will not work when they could, because above all else today this Chamber will receive a Budget designed to encourage business, to continue to improve our public services and to deliver sustainable growth in our economy. This Budget reflects my Government's ongoing commitment to improve the quality of life and standard of living of all our citizens. That has been the hallmark to date of all the budgets that I have delivered and we will not change that direction of travel.

70 Mr Speaker, last year I rose to address this House less than 10 days after the result of the Brexit referendum. It is true to say that the United Kingdom had shocked us all as much as I think it had shocked itself with the result of that poll. Prime Minister Cameron had just resigned and

75 we awaited the outcome of a leadership contest in the Conservative Party before the direction of travel for the United Kingdom might become clear.

Well, one year on, Mr Speaker, can we say that things have changed or developed much? The recent inconclusive result of the unexpected general election in the United Kingdom has left even the most seasoned political commentators scratching their heads as to what form of Brexit Britain is likely to achieve. In recent days there is even comment that questions the result of the referendum and whether leaving the European Union is an objective that the United Kingdom can fulfil without considerable economic loss such that it may not be a deliverable goal that the public will accept. Will the UK end up with an EFTA deal, like Norway? Will Gibraltar's stalwart friend, Philip Hammond, be Prime Minister? Will the United Kingdom stare into the Brexit abyss in 2019 and decide that it is not viable after all? All of that is in the informed broadsheet comment just in the past 48 hours from the best commentators and the most respected news sources.

But Her Majesty's Government of Gibraltar cannot deal in either speculation or in hope. We must deal in facts and plan for eventualities beyond those appearing at first blush. The facts as they are before us are clear. Article 50 of the Treaty of Lisbon has been triggered by the United Kingdom. The UK will not be a member of the European Union by midnight on 29th March 2019.

If, as appears to be the case, the United Kingdom is leaving the European Union, then we are leaving the European Union with the United Kingdom. No one in Gibraltar has any interest in accepting an offer of joint Spanish sovereignty or otherwise diluted British sovereignty in exchange for continued membership of the EU. It is now finally accepted by all parties that Gibraltar is a part of the exit negotiations. There is an attempt by Spain to exclude the application to Gibraltar of any new relevant trade arrangements between the UK and the EU. The United Kingdom's Secretary of State for Exiting the European Union, David Davis, has been clear and unequivocal in his conversations with me in saying that the United Kingdom will not do a future trade deal with the EU that excludes Gibraltar. In addition, the United Kingdom, through its Secretary of State for International Trade, Liam Fox, and its Minister for Exiting the European Union, Robin Walker, have been clear in stating that when it comes to financial services there are strong mechanisms already underpinning Gibraltar's access to the UK market which are enshrined in UK law and that the UK government will maintain that access. We have also agreed that together we will examine ways to broaden our economic co-operation and increase market access and will take into account the priorities of Gibraltar as the UK looks to establish new trade and investment agreements with the wider world.

Access to the United Kingdom market is essential in respect of financial services. Maintaining that position, as it is agreed today with the United Kingdom, is just now a question of finessing mechanisms. That is something tied in with the Great Repeal Bill to an extent, as the measures which today allow access to the UK market are single EU market passporting rules. We are already engaged in detail in this respect with the UK. The Attorney General, Michael Llamas, is ably leading a team on these issues with Paul Peralta of the Government's Legal Office drafting team. Similarly, access to the new trade deals the United Kingdom will do and its double taxation network is an important part of the future for Gibraltar. We are working closely with the Department of International Trade on these matters.

We genuinely believe that Gibraltar will be able to carve out an important niche as a gateway to the UK for business already in the EU. Those who might have been rubbing their hands with glee to take our EU-facing business may in fact now find all their UK-facing business come to us. We shall see, Mr Speaker.

The decision of the European Council to accept a proposal by Spain, however, to seek to exclude Gibraltar from any future UK-EU trade agreement – which was advanced, we understand, by the Spanish Prime Minister at the partisan European People's Party congress held in Malta – disappointed many Gibraltarians. Make no mistake about it, Mr Speaker, we expected nothing better from Spain, but the attitude of the EU Council disappointed every Gibraltarian who had voted to remain in the European Union. The inclusion of that clause felt

like a slap in the face to the smallest jurisdiction in the EU by the most powerful of its institutions. Indeed, I doubt the European Union will ever enjoy emotional support in Gibraltar again, even if we all would still see the benefits of remaining in the Union and even if in the end the United Kingdom were to decide to remain in the EU.

130 The effect of clause 24, however, will have to be seen. All that clause is at the moment is just one of many guidelines given to the EU negotiators. The position of the Gibraltar and the United Kingdom governments in respect of that clause is well known. In this respect I would counsel our people to allow the Spanish media their time to gloat and to await the outcome of the negotiations. I would put it this way: I have never seen a Spanish media outlet forecast a loss by  
135 one of their teams or competitors in any sporting event, regardless of how disastrous the final result may end up looking. The Government of Gibraltar will work to defeat any attempt to exclude Gibraltar from any measures which might be advantageous for Gibraltar, and of that everyone in this community can of course be sure.

In that respect, Mr Speaker, I am able to announce today that the Gibraltar Consultative  
140 Council, which was created by this Parliament by statute, is expected to meet for the first time on Monday, 24th July. I will welcome the opportunity to share candidly with the members of the Council the Government's ideas and concerns. Those who are not officeholder members of the Council will shortly be notified of the invitation to be a part of it.

Mr Speaker, the Governor of the Bank of England, Mark Carney, has warned last week that  
145 Brexit is unlikely to be 'a gentle stroll along a smooth path to a land of cake and consumption'. Mark Carney warned that Brexit is likely to lead to 'weaker real income growth' as new trading arrangements with the EU come into force. In a keynote speech last week at the Mansion House he said that 'since the prospect of Brexit emerged, financial markets, notably sterling, have marked down the UK's economic prospects'.

Mr Speaker, I think it is important to reflect that the two UK Cabinets we have seen in place  
150 since this speech last year contain past and new friends of Gibraltar who are responsible for those prospects that the Governor of the Bank of England was referring to. Apart from Philip Hammond, we have seen a champion of Gibraltar's cause like David Lidington now elevated to the prestigious post of Lord Chancellor. We have seen long-time friend of Gibraltar Liam Fox  
155 appointed to the crucially important post of Secretary of State with responsibility for International Trade. And we have seen Sir Alan Duncan, a former resident of Gibraltar as a boy, appointed once again as Minister of State for Europe. And a former Governors ADC, the valiant Tobias Ellwood, who displayed heroic qualities on the day of the attack on Westminster Bridge, is now a Minister in the Ministry of Defence.

But undoubtedly the most revealing appointment has been the appointment of Robin Walker  
160 as Minister of State in DeExEU. Minister Walker has been able to assimilate and understand the issues which affect Gibraltar. He has been able both to empathise and analyse in equal measure the concerns we have put to the United Kingdom. Last year in this debate I told the House that after meeting the Minister for Europe, then David Lidington, I had received the British  
165 Government's assurances in writing that we would be 'fully involved' in the process that was then getting underway in the UK to give shape to Brexit. Since then, after the two UK Cabinet reshuffles, both Robin Walker and Mr Lidington's successor, Sir Alan Duncan, have been extraordinarily helpful advocates for Gibraltar into the wider UK administration as a consequence of the detailed exchanges we have had pursuant to the operation of the Joint  
170 Ministerial Council specifically created for Gibraltar in the context of that full involvement in the UK's exit from the EU.

In the year since then I have given evidence to the Brexit Select Committees of the House of  
175 Lords and of the House of Commons. Both have issued reports referring to Gibraltar. The Deputy Chief Minister and I, as well as the Minister for Financial Services, have featured on innumerable international television and radio interviews as well as hundreds of thousands of references in print and online media reports on Gibraltar.

180 The exposure for Gibraltar has been remarkable, Mr Speaker, and indeed has helped to garner publicity that has turned to new business as opportunities start to become palpable, even in the context of an as yet undefined final post-Brexit solution. But the certainty we have played over and over again has been access to the UK market, and that has been the centrepiece of all our interventions.

185 I will say little more now about the detail of Brexit. Much has already been ventilated in our press statements, much cannot really be aired publicly and much will be said during the course of the intervention to come from the Hon. the Deputy Chief Minister and Minister for Europe and for Exiting the European Union. What I want to stress to the whole nation, Mr Speaker, is that, just like last year, the final shape of what will be our membership or association with the European Union after 2019 is not yet clear; the future relationship between the UK and the EU is, one year on, not yet discernible in any analytically reliable way; and just like last year, we need to keep both united and very alert to all possible permutations facing us. That is the key to being more than just taken along in the process. That is the way the post-colonial people of Gibraltar must be ready to plan and act, to be fully involved in shaping the post-Brexit arrangements that will apply to us and not just accepting that we might simply be told by others what they think is good for us.

195 Mr Speaker, in relation to this, the Hon. the Deputy Chief Minister has been, as throughout the past 27 years, a rock for me, as usual, in the work I have had to do in respect of this community in relation to Brexit. The team made up of him, the Attorney General Michael Llamas, the Financial Secretary Albert Mena, and our representative in London Dominique Searle, are the core of the Gibraltar Brexit team.

200 Mr Speaker, what we have been at pains to say also at every stage is that we are not part of the anti-immigration chorus that has appeared in the United Kingdom. I have emphasised over and over again, as I told the House last year, that Gibraltar remains a cosmopolitan Mediterranean business hub. We remain proudly and happily multi-faceted, multi-cultural and multi-ethnic, and that will not change. Neither will our attitude change to the many people who cross the Frontier every day to work in Gibraltar, of whatever nationality they may be.

205 At this point, Mr Speaker, I want to set out the position of Her Majesty's Government of Gibraltar in respect of EU nationals in Gibraltar after the date that the United Kingdom leaves the EU.

210 From the first moment after the result of the referendum was known, I made clear that all those EU workers amongst us who were welcome before 23rd June last year would remain welcome in Gibraltar. We recognise their huge contribution to our success, which is tremendously valued by all in our community. Mr Speaker, 12,000 people cross the Frontier every day to work in Gibraltar – 7,000 are Spanish, so Brexit affects British Gibraltarians, other British citizens, Spanish citizens and other EEA citizens as much as it does third country citizens.

215 The House is aware of the details of the independent report of the Chamber of Commerce about the effect of Gibraltar's economic activity on the neighbouring region. A quarter of all jobs in the Campo and a quarter of the GDP of the Campo are linked to Gibraltar. Brexit does not change that. In fact, it accentuates that, Mr Speaker. That is why I have continued my contacts since last year with the Mayor of La Línea, Juan Franco, and with Spanish unions, Comisiones Obreras and UGT, directly. I have continued to make clear to them that the Government of Gibraltar will not create any obstacles to the free movement of workers coming across the Frontier. I have continued contact and support for the excellent Cross-Frontier Group established by unions and employers' representative organisations from both sides of the Frontier.

225 Today I can confirm that we will join the United Kingdom in respecting the acquired rights of all EU nationals established or working in Gibraltar before the final cut-off date that might be agreed between the UK and the EU. Neither will we have an issue with any dispute in respect of this class of EU citizens being determined by the European Court of Justice. Mr Speaker, our position in this respect has been clear from the moment that the referendum result was

announced. We have not wanted any EU national to have any uncertainty in their lives in respect  
 230 of this matter. The Government of Gibraltar has full constitutional competence in respect of  
 matters of immigration. The position of EU nationals in Gibraltar after Brexit is therefore one for  
 this Parliament to determine in immigration legislation, whether in respect of those already  
 established here and working here or those who come in the future. And in respect of those who  
 might come in the future, it is of course right that as a matter of legal logic and international  
 235 comity the potential effect of clause 24 of the EU negotiating guidelines should be clear. If the  
 UK and the EU enter into new post-Brexit trade arrangements in future which extend to EU  
 nationals rights like British citizens when they arrive in the UK to establish themselves or to work  
 there *after* the UK has left the EU, those arrangements will *not* apply in Gibraltar if the effect of  
 the application of clause 24 has been to exclude Gibraltar from any such new trade  
 240 arrangements. In effect, therefore, any new Spanish or EEA nationals entering the job market in  
 Gibraltar after 29th March 2019, or such other date as may be agreed, will, as things currently  
 appear to stand, enjoy only the generous rights already enjoyed here by those who are today  
 third country nationals, not those more extensive rights enjoyed today by British and EU  
 nationals. That position is, Mr Speaker, the position that Spain apparently seeks for its nationals  
 245 and other EEA nationals arriving in Gibraltar in the future after March 2019.

We will see how all that plays out, but one thing is for sure: that the Government of Gibraltar  
 – and I am sure I speak for the whole House in this respect, Mr Speaker – will not allow Gibraltar  
 to be discriminated against and yet extend generous rights to the nationals of those who are  
 discriminating against us, for it should be clear that the people of Gibraltar are not going to be  
 250 pressured to surrender sovereignty in exchange for EU rights or access to the single market, or  
 anything at all. The mind boggles, Mr Speaker, that there are still some in Spain who think that  
 we might. If there is one thing that has marked our past five years in Government it is our  
 resolute commitment *never* to compromise on the sovereignty of our nation. Indeed,  
 Mr Speaker, that is the only ring of steel which I would recognise: the one around the  
 255 sovereignty of Gibraltar. In that respect we are alive to the reality that the right to self-  
 determination is the preserve of those who are self-sufficient economically.

In the past five years the administration that I lead has delivered continued prosperity to all  
 sectors of our community. During our first term in office the GSLP Liberal administration  
 delivered economic growth of over 10% per annum against a backdrop of record levels of annual  
 260 recurrent budget surpluses peaking at £61.1 million in financial year 2013-14.

Revenue has increased from £350 million in the GSD's last full financial year in office to  
 £615 million now. That represents a growth in government revenue in the time that we have  
 been in office of 75%, Mr Speaker – pounds, shillings and pence in the till. Expenditure in the  
 same period has risen by 60% - 15% less – from £372 million to £597 million, which is what we  
 265 are debating in this House today. Our income has increased more and faster than our  
 expenditure. That is exactly what the prudent and cautious way to grow is.

There has also been significant increase in our employment levels. In our first term  
 employment levels went from 22,247 in the October Employment Survey for 2011, to 26,144 in  
 October 2015. Mr Speaker, that is a growth of 17.5% in the numbers of people employed in our  
 270 economy in our first term in office alone. And the Government has delivered an overall  
 reduction in the cost of doing business in Gibraltar at the same time.

The Government has also provided support for our working families with income tax levels  
 already being abolished for those with incomes below £11,050.

Mr Speaker, the first GSLP Government, led by Joe Bossano, introduced the minimum wage.  
 275 The second GSLP Government, in partnership with the Liberal Party, went even further,  
 increasing the minimum wage by 16.3% since our first budget in June 2012, despite criticism  
 from some that we had increased it too much. Inflation in the same period has been 5.65%. So,  
 Mr Speaker, the minimum wage has increased in our time in office by just under three times  
 inflation since we were first elected. In addition, we have exempted the lowest paid in our  
 280 economy from the tax net altogether. That is our record so far. At every stage, therefore, we

have the lowest paid in our community in mind when setting policy and when determining how to budget the finances of this nation.

285 There have also been significant reductions in income taxes for all taxpayers and working families in Gibraltar; so much so, Mr Speaker, that I am proud to be able to stand here and say that the Government that I lead is giving back more money to taxpayers each year by way of rebates than any other Government in the history of Gibraltar. (*Banging on desks*) I will say a little more about that later on in my speech, Mr Speaker, but it is a proud boast indeed for a socialist Chief Minister to be able to say that our Government is calculating assessments more quickly than ever before and is rebating moneys more quickly than ever before.

290 We are also, ironically, Mr Speaker, the Government that is owed the highest amount in taxes by increasing allowances. Additionally, we are also owed more in respect of taxes by taxpayers. So if anyone were foolish enough to have come to this debate thinking that they might run an argument about the surplus being significantly reduced or extinguished by the amounts owed by the Government in tax rebates, they had better think again and quickly  
295 scribble out that bit of their speech and scrap it, Mr Speaker. But we will come to that and all the mathematics behind it.

Mr Speaker, despite repeated criticisms in this House, the Government has also ensured that our partners in the delivery of this administration's policies, aims and goals, our magnificent public servants, have also generously benefited from the economic success they have worked to assist in delivering. Public sector pay in Gibraltar has therefore increased since the GSLP-Liberal  
300 Government was elected by 14.3%, well over inflation at 5.65% for the same period but nonetheless a lower percentage than the increase in the minimum wage of 16.3% to which I referred to earlier. And that is despite public sector salaries in the United Kingdom, with whom our public sector used to enjoy parity, being frozen or subject to increases of just 1%. Indeed,  
305 our public servants have also benefited with public sector pay increasing annually by an average of over 2.8% over the five years when inflation in the same period has averaged 1.13% over the period. Mr Speaker, I am proud indeed of that investment in the greatest asset that we have in Gibraltar aside from our precious land – our people, and in particular the people in our public sector.

310 Mr Speaker, the elderly in our community have also been net winners in the past five years as we have also continually invested in their well-being, their care and their income levels. The Gibraltar that we have today we owe to the generations that came before us. I spoke two years ago, on the 75th anniversary of the evacuation, of that evacuation generation. This year, as we celebrate half a century since the referendum when our people first made a free choice to  
315 remain British, our community needs to reflect on the generation that made that choice. In those distant days of the Cold War and a different world, the threat they faced from across the Frontier was as clear and unequivocal as it was belligerent. Facing restrictions at the Frontier and other obvious coming discomforts, those of voting age on 10th September 1967 went to the polling stations and deposited ballots which were not designed to appease – they were designed  
320 to express a free choice uninhibited by the fear of bullying. That, Mr Speaker, is the referendum generation that we must honour and celebrate this year. Announcements will be made by the Deputy Chief Minister of special events being organised in September to commemorate the referendum of 1967.

All of those who voted in the referendum are now senior citizens, although, as I am  
325 repeatedly told these days, 60 is the new 40, 70 is the new 50, and apparently 78 is the new 30, Mr Speaker – at least so it would appear from seeing the work rate and sharp brain of Joe Bossano! Anyway, that is why our senior citizens have shared in our nation's economic success with annual increases in old age pensions amounting to 10.5% since 2011. It is worth remembering inflation for the same period has been just over 5.65%. That illustrates that the  
330 GSLP-Liberal Government has delivered pensions increases at almost double the rate of inflation for the period.



For public sector pensioners, Mr Speaker, we have reintroduced WOPS. I will be opening the WOPS window again for a short period this year on the terms I will set out later in my speech. Additionally, I will be making a change to the qualification criteria for WOPS towards the end of my address.

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Perhaps most significantly, Mr Speaker, we have maintained a Savings Bank 10-year product offering 5% interest per annum for our pensioners so that they have also been able to continue to enjoy above market interest rates on their savings with the continued availability of high-interest monthly income guaranteed debentures – and this despite the spread with the Bank of England rate having got larger as the interest rates have gone down.

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Community Care, Mr Speaker, has received a considerable part of the surpluses of each year, ensuring that the trustees of that charity have considerable assets available to them to ensure their ability to continue paying the Household Cost Allowance for years to come.

Yet all is not money, Mr Speaker, and our elderly citizens have also seen us benefit them by the establishment of better services which they are likely to need. The two most relevant are, of course, the Dementia Residential Facility at Hillside and the Dementia Day Centre at Bella Vista. These are two absolutely state-of-the-art facilities in which we have invested capital and in which we will now incur recurrent expenditure, but we do so to provide an important and first-class public service from which senior citizens and their relatives will benefit.

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In past years I have also been able to point to the significant increases we have delivered in reducing the burden of taxation for our disabled on the allowance-based system. We have also introduced import duty reductions on goods used by disabled members of our community. Led by Samantha Sacramento and Joe Bossano, that policy initiative has been particularly positive in ensuring that our assistance to those in our community who are disabled has not been passed on as gifts, grants or charity, but on the basis of dignity, respect and encouragement. That is why we have grown previously frozen in-work benefit allowances for the disabled and those they depend on.

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Mr Speaker, on this side of the House we do not believe in discrimination. In particular, we do not believe in age discrimination, one way or the other.

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**Hon. J J Bossano:** I should think not! *(Laughter)*

**Hon. Chief Minister:** I should think not! I don't think I'd get away, if I tried, with any age discrimination!

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For that reason, in the same way as we have supported the elderly in our community and those of working age, in these past five years we have also acted to support young people. We have funded the creation of new opportunities and we have increased the funding available for studies abroad. I am particularly pleased by the internships at the Washington Centre in the United States, which exposes our young people to US entrepreneurship as well as to the political system of that great nation.

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I am also very pleased to see that in the past five years student maintenance grants have risen by 16.1% or by three times inflation. Mr Speaker, it was the GSLP Government that introduced the compulsory student grant in 1988 to cover tuition fees as well as maintenance. We were against the requirement of the GSD when in office that Gibraltar students should have to take loans from the Student Loans Company to fund their tuition fees. If that had not stopped before the election, we would have stopped it. Now again in Government, Mr Speaker, we have not just increased the maintenance grants, we have also increased the scope of scholarships: we have extended the right to a scholarship to cover postgraduate studies also. As result, investment in our students has increased from £5.2 million in the financial year 2011-12, the last budget for which Hon. Members were responsible, to £16.6 million this year. We have increased the investment in tertiary education of our students therefore by £10 million a year over the past five years. Mr Speaker, there are those who argue for less spending who would not

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make these investments. We are proud to do so. We have increased spending on scholarships for our students by 214%. Of that we are extraordinarily proud.

385 But the investment has not just been in scholarships for our university students travelling abroad. We have also built and developed our own university, and not content with that we have also already, in five short years, built two new schools for our infant and middle school pupils at St Bernard's school and we have increased the number of teachers in our schools.

390 We will go further, Mr Speaker. As previously explained to this House, a working party composed of teachers, parents and the Teachers' Association was set up by the Government to study the desirability or otherwise of converting our two comprehensive schools into mixed-gender schools. The Working Group on Co-Education has now reported back and presented its recommendations, which have been accepted by the Government.

395 The Minister for Education will be providing more extensive details in his Budget speech, but I am pleased to announce that the process to introduce full co-education in Gibraltar in the two comprehensive schools will now commence.

To coincide with this, there will also be a realignment of the key stages in the education curriculum, to follow the practice in England and Wales, with children entering the comprehensive schools one year earlier at the beginning of year 7, and schooling will be provided for all children at pre-school level.

400 These changes will coincide with a programme to provide new schools to St Martin's – our first priority – Notre Dame, St Anne's, Governor's Meadow, Bishop Fitzgerald, Westside and Bayside School. Exciting plans are also being developed for both St Mary's Middle School, St Paul's School and St Joseph's School. That is the delivery of our manifesto-plus, Mr Speaker, with the intention of these new educational facilities opening in September 2019.

405 At this time, the first stages of transition to mixed-gender comprehensives will be made and the manifesto promise of providing hot schools meals will be fully realised. (*Banging on desks*) I see the parents who make up the lunch boxes (*Laughter*) banging the table harder than others, Mr Speaker! The community will want to listen carefully to the statement from the Hon. John Cortes, who will provide greater details in his contribution to this debate.

410 We will also carefully consider the introduction in Gibraltar of a new 'T-level' A-level system, as has been announced in the United Kingdom, which overhauls how technical education is taught and administered and aims to put the courses on an equal footing with academic work. The UK's plans were announced in the budget by Chancellor Philip Hammond and will increase the number of hours students train by 50% and will replace the current 13,000 qualifications available with 15. The Chancellor alluded to the fact that there is still a lingering doubt about the parity of esteem attaching to technical education. We agree, Mr Speaker, because as the Budget document discloses, while the academic route through education from GCSEs to A-levels and on is well regarded, more needs to be done for technical education. We will seek to bring about implementation of these new courses by 2019, as is the expectation in the United Kingdom.

420 This new approach to technical education in schools and new-style apprenticeships will be in addition to the excellent work done already as a result of the Future Job Strategy – that highly successful mechanism that has taken so many out of unemployment and given them worthwhile, meaningful jobs. The reality of that can best be seen by looking at the reality of employment in our economy.

425 The number of jobs in our economy reached a record high of 27,073 in October 2016, representing an increase of 3.6% compared to the previous year. Mr Speaker, I am proud to say that this represents an increase of 21.7% since October 2011 and it is this increase which gives the ring of truth to all of the data that we are presenting. That is to say the GSLP-Liberal Government has presided over an increase of one fifth of the job market in Gibraltar – one fifth, Mr Speaker. That is huge growth by any measure and it leads to the increases in the tax take and the other economically beneficial data that we are seeing take hold.

430 The number of Gibraltarians in employment also reached a record high this year, Mr Speaker, of 11,065 in October 2016. That is a huge increase in five years of 8.2% from October 2011,

435 barely a month before we were elected into office. That is a particularly positive figure for this  
 GSLP-Liberal administration to be proud of, given that in 16 years in office – in *16 years* – the  
 party of Members opposite increased Gibraltarians in employment by the same figure, 8%: 8% in  
 16 years; 8% in five years, Mr Speaker. In fact, their exact figure was an average of 0.5% a year.  
 Our figure, as an average annually, is three times that: 1.65% a year. Our dedication to getting  
 440 Gibraltarians into employment is therefore demonstrated and is paying off.

The strongest job gains came from the private sector, Mr Speaker, where jobs grew from  
 20,070 to 20,977 – that is up by 907 jobs in the private sector, or 4.5% over the period. The  
 greatest increase in the private sector was registered in the services, hotels and restaurants and  
 real estate and business activities industries, where jobs grew by 430, 199 and 164 respectively  
 445 over the period. The largest industry job gain within the services industry was recorded in the  
 gambling and betting activities sub-industries, where jobs grew to 3,494 – that is to say 9% or  
 289 jobs to October 2016 from October 2015. That is spectacular job growth in the gaming  
 industry after the referendum result, Mr Speaker. And in all this time, record low unemployment  
 like never seen before. The numbers have been below 200 consistently on a month-by-month  
 450 basis and I expect therefore that the quarterly average will be below 200 too.

That is the work of a dedicated Minister like Gilbert Licudi and a dedicated staff at the  
 Employment and Training Board. I congratulate all of them. Employment up, unemployment  
 down – that is the result not of chance or coincidence but of hard work by the Minister and the  
 ETB and they deserve the fulsome recognition of this whole House, Mr Speaker.

455 Interestingly, for the past year public sector jobs have increased by 23, or only 0.4% over the  
 period. Mr Speaker, in the period from October 2010 to October 2011, that is to say the last year  
 that the Hon. the Leader of the Opposition was a Minister, increases of jobs in the public sector,  
 that which he appears to occasionally consider so anathema, went up by 2.6% from 4,460 to  
 4,574 – that is to say 114 in one year. Shocking, Mr Speaker!

460 Anyway, on to more pleasant things. Mr Speaker, the larger the job market, the greater the  
 opportunity for abuse. For that reason, the Government will now start work with Unite the  
 Union and the Chamber of Commerce and the Federation of Small Businesses to establish  
 principles for trade union recognition in the private sector. A working group will be established  
 in the coming weeks.

465 Mr Speaker, it is also true that apart from ensuring the well-being of our elderly and our  
 young, we have also transformed much of the physical aspect of Gibraltar in the time that we  
 have been in Government. Whether it is Commonwealth Park or the new bathing pavilion by  
 Harbour Views, we have invested in the living environment of our people. We have built over a  
 thousand new affordable homes and homes for the elderly, and more to come. We have  
 470 invested in the estates our people live in and the areas that suffered many years of neglect. We  
 are in the process of completing magnificent refurbishments of Glacis and Moorish Castle  
 Estates as well as Laguna Estate. These have taken a little longer than expected because we have  
 encountered technical difficulties that were not anticipated, but we are on track to complete  
 refurbishments in the next 18 months.

475 But, Mr Speaker, for this Government, as for everyone else of course, Grenfell changes  
 everything, and if we have to undertake further works as a result of the inquiry into that fire, on  
 the refurbished or any other estates, we will of course do so; and if we have to change the law in  
 relation to building standards applicable also to the private sector, we will do so, because I have  
 no doubt I speak for all Members of the House when I say I am sure we were all equally shocked  
 480 when we saw the images of the burning Grenfell Tower. No sooner were reports emerging of  
 the potential relevance of the cladding used in that refurbishment, the relevant Government  
 agencies, from Housing Works Agency to the Gibraltar Fire and Rescue Services alongside GJBS,  
 were working to identify if similar issues might affect the cladding used in our refurbishments,  
 and I want to recognise the work led by Minister Sacramento in this respect in the Ministry of  
 485 Housing. Having carried out all the necessary checks, we are satisfied that the cladding used in  
 our refurbishments is completely different to that used in Grenfell Tower. The Grenfell Tower

cladding system consisted of aluminium composite panels, whereas the system used in the Government of Gibraltar estates is an insulated render system. The system of installation was different, Mr Speaker. The producer of the insulation was different, Mr Speaker. The technical advice to HM Government of Gibraltar as regards the behaviour of the materials used when a fire breaks out is that the external surface of the system we have is classified as class zero or low risk as defined in the documents supporting the national building regulations, and at the time of installation all of these matters were considered, discussed and certified by the Gibraltar Fire and Rescue Services. But the most telling thing is that since the estates were refurbished we have had three fires on the estates and the cladding has not caught or propagated the fire. Additionally, we have no gas pipes in our buildings and our tower blocks have two fire escapes and staircases, not one. But that is not a reason for complacency. As a result, additional checks are being carried out and we will await the detailed inquiry into the Grenfell Tower events.

But, Mr Speaker, the Government does not discard, and is considering already the possibility of installing sprinkler systems in our high-rise buildings, if necessary. We will also consider making it a requirement that such systems should be installed in all high-rise buildings throughout Gibraltar. Should additional work be required, we will make the money available to carry it out and ensure our people are kept safe at all times, even if this requires supplementary provision to be made available this year.

That may be a useful moment to thank the directors and staff of GJBS for the magnificent work that they do throughout the year as a company in public ownership with a commercial ethos. When we have to check the works done by them as a contractor for Government, they are never found wanting.

In addition to the ongoing works, Mr Speaker, we will complete the refurbishments also of Alameda Estate during the lifetime of this Parliament. Additionally, we will commence the refurbishment of other areas of Government housing in a well-designed programme that will address the need to invest in all our estates in a timely and affordable manner for the community. The Minister for Housing will say more about these important developments for Government tenants, but I will say that I am already talking in detail with Unite about how we will work together on how the Housing Works Agency will play an important part in the future in the management of the housing stock. And I will soon be meeting the residents of a number of Government co-ownership estates who are talking to us about remedial works which need to be completed. That also includes purchases of ex-MoD properties. I have been unable to see them earlier due to the additional burden of work that Brexit has produced. I very much look forward to seeing them in order to continue our work in partnership in respect of the works outstanding.

And all of this, Mr Speaker, in the context of a Government that is looking out for those who pay their dues, their rents and their taxes by chasing those who do not or who just do not bother. We have been delighted to announce last week that the excellent work led by Samantha Sacramento at Housing has reached the next milestone in its strategy in the recovery of arrears of housing rent. The balance of arrears now owing is just below £5 million. That means over £1 million have been recovered since the arrears collection strategy commenced just under a year ago. The balance of arrears as at today's date is £4,995,427. It must be recalled that at its highest, before the implementation of the arrears collection strategy, the balance of arrears was well over £6 million. Not only is it significant that over £1 million has been recovered in just 18 months, but perhaps more importantly it demonstrates that the problem is now clearly under control.

Mr Speaker, the investment in our community that we have made in the past five years and which has been hugely criticised by some who argue for austerity instead of investment, is paying off. Not only is Gibraltar a more attractive place to do business due to the measures we are implementing, it is also a more attractive place to live.

And the investment produces income also. I told the House last year that the superyacht berth along the outside of the Small Boats Marina in the centre of our city was already attracting

new business to Gibraltar. Additionally, I will be telling the House of a new project alongside this facility which will commence in the coming months.

540 I am happy to report that bunker supplies are up 1.7% from last year and they appear to continue to grow.

Activity at the Port increased by 2.4% in 2016 compared to 2015. The gross tonnage increased by 0.2% over the year. The number of ships calling at Gibraltar for bunkers increased by 2.7% in 2016 compared to 2015.

545 Also commencing and already at the DPC approval stage are the projects that are going to revolutionise sports in Gibraltar. Steven Linares is leading on those incredible and transformational projects which are made possible by the GFA's commitment to pay £10 million into the Improvement and Development Fund this year and £6.5 million the next. That will really make for an Island Games in 2019 which will be memorable and which will create a legacy for  
550 Gibraltar's sports men and women. Details have already been provided of that in press statements and in this House, and Steven Linares will say more, Mr Speaker.

What is not yet public is the fact that the Government is working very hard indeed to ensure that accommodation requirements are also dealt with in a way that also creates a legacy rather than an irrecoverable loss. In particular, we are accelerating delivery of the relocations agreed  
555 by the former administration with the MoD so we can both house athletes in the housing to be released by the MoD *and* then be in a position to hand over possession of those MoD properties to their new owners. The Government is already working closely with the MoD in this respect and we expect to be able to show properties and plans for sale of *very* attractive MoD properties before the end of this calendar year for completion and handing over in the period immediately  
560 after the end of the Island Games.

Mr Speaker, we must therefore see the Island Games 2019 not just as an opportunity to grow our sporting facilities, but also to see the transfer to Gibraltarian families of some very desirable family homes. The Deputy Chief Minister, who ably leads the Government's work on land allocations, and the Minister for Housing, who is ably working on all aspects of housing,  
565 including aspects relating to ownership and co-ownership, not just Government tenancies, will be developing this exciting aspect of Government policy in coming months.

Mr Speaker, the Island Games will undoubtedly bring many people to Gibraltar in 2019. Many are already coming, however, as the tourism, hotel and air passenger surveys tabled last week show. Visitor arrivals by air increased by 22% last year, the highest on record. Visitors staying in  
570 Gibraltar grew to a record high in 2016, up by 17%. Arrivals by sea increased overall by 17.5% and this was largely as a result of a 17.8% growth in the number of cruise liners compared to 2015. The number of arrivals on yachts also increased by almost 13% over the year, with the number of yachts growing by almost 10%. Tourist expenditure for 2016 has been estimated at £211.91 million, an increase from the almost £200 million in 2015, or 6%. Air arrivals in the first  
575 quarter of 2017 continued to increase by 14% with arrivals staying in Gibraltar increasing by 20% and arrivals in transit from Spain also growing by 9% compared with the same period in 2016. The number of arrivals into our hotels reached a record high in 2016, an increase in fact of 18.9%. The largest gains came from tourist arrivals that grew by 25.6%. Other arrivals also increased by 13.5%, and that includes visitors on business, sporting or cultural events. Room  
580 nights sold grew by 9.0%. Guest nights sold grew by 13.3%.

Mr Speaker, we were very clearly right when we took the decision to bring the *Sunborn* Yacht Hotel to Gibraltar. It has upped the game of all other operators. It has added conference and banqueting facilities such as we did not have available before. From the moment we announced it was coming the project was, however, subject to unwarranted criticisms from Members  
585 opposite and even to major scaremongering. We were right though, Mr Speaker, to have seen the potential, and today it is almost impossible to get a room in that hotel or indeed any other hotel in Gibraltar. Indeed, the *Sunborn*, like all our hotels but in its own unique way also, has been an important part of our success, in particular in relation to the gaming industry and the financial services industry.

590 As I told the Society of Accountants Annual Dinner last week, Mr Speaker, the FSC has issued  
26 new licences since 24th June last year, since the result of the Brexit Referendum was  
announced. I gave the House a breakdown at Question Time of the areas of business involved,  
which is already on the record of *Hansard* and which I will therefore not repeat, but in addition I  
told the House that there have been two licence extensions in the insurance sector also.  
595 Remarkably, that area of business is now growing faster than it has for some time and that  
despite the result of the Brexit referendum.

In the online gaming sector what we have seen in the past year has been a truly remarkable  
vote of confidence in Gibraltar. We already have two new firms licensed and we have four, not  
three as I told the Chamber, in the pipeline – one has been added since my address to them two  
600 months ago. Of course we will hear of firms restructuring, but this is normal and to be expected  
as firms upgrade and grapple with the typical cyclical nature of their businesses and the looming  
Brexit changes, but what we are seeing is a real growth in the industry, not a retrocession,  
Mr Speaker. The jobs in the industry show that numbers employed grew to 3,494 by October  
2016. As I told the House earlier, that is an increase of 289 jobs or 9% in the year from October  
605 2015. But we are seeing that greater growth is to come. In the period since October 2016, that is  
to say in the seven or eight months since then, an additional further 59 jobs have been added in  
that industry. That brings the total of people employed in our gaming industry to date to 3,353.  
Mr Speaker, reality is showing remarkable growth and confidence in Gibraltar online gaming  
services because we remain the premier jurisdiction in the world for the best regulated online  
610 gaming services available to customers.

Our success in financial services and online gaming services is in no small measure down to  
the work of Albert Isola and his team led by Jimmy Tipping in Financial Services. It is also down  
to the reputation of our regulator, Phil Brear, who has done a sterling job in online gaming and is  
widely respected around the world as the best in the business. I extend to all of them my sincere  
615 gratitude on behalf of the Government.

Mr Speaker, despite the result of the referendum last year, Gibraltar continues to be an  
attractive prospect for private developers. We continue working with a number of international  
developers and contractors on new projects. Additionally, established developers are delivering  
projects and looking for new opportunities.

620 As I told the House last year, a new reclamation project in the area of Coaling Island is shortly  
to be launched. Government companies will have a fully secured financial interest in that  
project. More details will be made public on the launch of the project, but this is a project that  
will see an investment from and produce a return on the £300 million institutional investment  
secured for Gibraltar last year.

625 Negotiations continue on the Bluewater development, although Brexit has made some of the  
matters in issue between the Government and the developers harder to resolve as quickly as we  
would have wished. We are also advancing our discussions in respect of Rooke and the potential  
development of that area and Victory Place. But most importantly, Mr Speaker, projects like the  
World Trade Centre have now become a reality. The World Trade Centre is already full and we  
630 are in discussions for more office developments. The MidTown Project is already well underway.  
The new Kings Wharf has already broken ground. Eurocity has already gone for full planning  
permission. All of that after the referendum, Mr Speaker. Gardens of Beauty, Waterside Villas  
and two more of the Ocean Village towers are about to get underway, demonstrating a huge  
amount of confidence in Gibraltar and its future.

635 Mr Speaker, this represents hundreds of millions of pounds of investment in Gibraltar by the  
private sector. Not a few million, not tens of millions – *hundreds* of millions of pounds of  
investment by the private sector. It is because there is great confidence in the Gibraltar market  
that there is therefore great investment into Gibraltar. That is why Members opposite would be  
foolish to talk down the economy or public finances of Gibraltar, which are demonstrably strong.  
640 They would be wrong to raise the spectre of our public finances being anything other than  
entirely robust, because this debate should be a little bit more sophisticated than them coming

here to say that things are not going well, when they demonstrably are. Our economic data shows robust growth and there is nothing for Gibraltar to gain by them pretending otherwise.

645 Mr Speaker, the Governor of the Bank of England, Mark Carney, has also warned about weaker real income growth in the United Kingdom and how the UK has emerged from the referendum, as I said before. We must be alive to the words of the Governor of the Bank of England but the data that I will now disclose for the economic performance of Gibraltar in the last year will not reflect a similar downturn for the Gibraltar economy nor that of our public finances.

650 Mr Speaker, Gibraltar's economic performance has been outstanding in this first financial year since the Brexit referendum. There is no uncertainty reflected in the brilliant numbers for the past year that I report to the House today. A strong economic performance is, of course, a part of what makes us attractive for the continued established here of international businesses, but what is interesting is that revenues are not just up in one category, they are up across the board. Income tax is up from £148 million to £154 million, illustrating the value of growing employment. Company tax is up from £109 million to £135 million, signifying good results from those performing here. Import duties are up across all heads of duty from £160 million to £189 million, signifying that the falling value of the pound sterling makes our exports more attractive. Stamp duties are up to almost £20 million. Gaming fees and charges are also up to 660 over £15 million, demonstrating this sector is vibrant and performing. Rates and rents are up, showing more effective collection, an aspect of revenue growth for which all credit must go to Minister Sacramento. Airport taxes are up, recognising the increase in air traffic to Gibraltar. Tourist site receipts are up on our projections. Savings Bank deposits are up, as well as reserves. Port Authority fees are up because bunker dues and cruise passenger numbers are up. We are 665 well on target to achieve the commitment, therefore, set out in our manifesto of achieving GDP growth of at least 7.5% a year, Mr Speaker. So, to paraphrase the Leader of the Opposition in a way that I am sure he never intended, our decisions are coming home to roost but in a very positive way indeed.

I am therefore delighted to now undertake a substantive analysis for the past year of the performance of our economy and the state of our public finances for the financial year ending 670 on 31st March 2017. In this respect, Mr Speaker, we must equally be conscious of the fact that the process of Brexit has just begun, as we must be alive to the fact that the economic data available for Gibraltar's performance last year is worth celebrating.

Prudence and caution in our planning for the future cannot and should not ameliorate our ability or indeed our obligation to celebrate the excellent performance that our workers and 675 entrepreneurs have delivered in the 12 months of the past year financial year. In particular, we must reflect that nine of the months on which I am reporting occurred after the result of the referendum was known and Brexit became a reality. Let us therefore see how we performed when our detractors were writing us off. Let us see how we reacted to the gloating of our 680 neighbours and our competitors.

Mr Speaker, near zero inflation in the UK and euro area during 2016 was the result of the continuing low price of fuel, food and other imported goods. These had a knock-on effect on Gibraltar's rate of inflation that also averaged near zero until July 2016. Thereafter, what are clearly Brexit-linked increases in import costs and the rising global price of fuel started to feed 685 through to consumer prices, where inflation picked up to 1.5% in October 2016. Inflation has continued to rise in 2017, where the IRP stood at 2.7% in April 2017, up from 2.5% in January. The largest contribution to the rate of inflation in April 2017 came from transportation and vehicles. These were partially offset by downward contributions from food, other goods and services.

690 Gibraltar's rate of inflation has averaged 2.6% to date in 2017, higher than the same period in 2016 that averaged at 0.25%. The growth in inflation is largely the result of rising import prices from the fall in sterling since the EU referendum together with the higher global price of fuel

that will continue to filter through to consumer prices with inflation projected to remain above the 2% target in 2016.

695 So now, Mr Speaker, I will turn to an analysis of the gross domestic product and of average national incomes. The final GDP estimate for 2014-15 is estimated at £1.61 billion, representing a growth of 9.1% by £134.64 million. The GDP preliminary estimate for 2015-16 is £1.75 billion, increasing by 8.5% or £137.53 million. Mr Speaker, for this year, the GDP forecast for 2016-17 is £1.91 billion, increasing by 8.9%, or almost 9%, or by £156.25 million compared to 2015-16: an excellent result for the whole community to be proud of.

700 Government continues to work towards a target that would see increases in GDP reach at least 2.4% by the end of March 2020, exactly as predicted in our manifesto. We are on track to deliver that growth. This represents a continued average annual growth over the period of at least 7.5% and is exactly the basis of the manifesto presented to the people in November 2015 and on which were returned to office.

705 GDP per capita of an economy is often used as an indicator of the average standard of living of individuals in that country, and economic growth is therefore often seen as indicating an increase in the average standard of living. It is not a strictly scientific measure, but it has been referred to every year since before we took over as the Government. As I have told the House, the latest forecast for 2016-17 estimates a nominal GDP per capita growth of 8.9% from the previous year.

On the IMF GDP per capita rankings the UK continues to feature in 28th position with a GDP per capita of \$42,481 and Spain in 37th position with GDP per capita of \$36,416. Gibraltar's GDP per capita for 2016-17 is forecast at \$92,843, placing Gibraltar in fourth position, closely behind Macao Special Administrative Region and with a GDP per capita which they have of \$95,150. We are ahead of Singapore, Switzerland, Hong Kong, the UK and Spain, Mr Speaker. As I have said before, my own view is that these measures are not entirely scientific because of the differing methodologies and fluctuating exchange rates on which they are based. Nonetheless, they are the measures that the rest of the world relies on.

720 As if to demonstrate how fluctuating and thereby potentially meaningless a calculation this is, the figures would of course have varied wildly depending on what day of the last two weeks one might have carried out the calculation, because of the continuing steep fluctuations in the value of sterling against the dollar and the euro. The important aspect of this exercise, however, is really only one to appreciate that the Gibraltar economy is estimated to have grown in real terms by 7.5% in 2015-16 with average earnings going up by almost 8%. This growth places us ahead of other small countries including Malta, Luxembourg, Singapore and Hong Kong.

725 Mr Speaker, the level of aggregate public debt as at 31st March 2017 was marginally lower than last year at £443 million. The level of cash reserves ended the financial year at around £123 million. This reflects net public debt in cash terms of £320 million. Mr Speaker, that is a net debt that has been reduced, in effect, to 16.75% of GDP.

730 Mr Speaker, as is normal, liquid reserves held by the Government ended the year marginally higher than the cash reserves. As is the established practice, a full breakdown of these liquid reserves and details of where these reserves are invested will be provided as part of the Annual Accounts of the Government, once these have audited by the Principal Auditor.

735 Mr Speaker, our public debt continues to fall and to be low in relation to the size of our economy. As a percentage of GDP, our net public debt is currently among the lowest of the countries in the European Union.

740 Our overall borrowing is relatively low, even if we were to include the borrowing of Government-owned companies, which, as Hon. Members know, is not and never has been deemed to be part of the public debt when their party was in office and when they therefore thought it was perfectly proper for the calculation to do be done in that way. This is so because borrowing by Government-owned companies is serviced directly from the income accruing to those companies and is secured against income-generating assets held by these companies and not against the Consolidated Fund or the general revenues of the Government.



745 Mr Speaker, the Government is nevertheless committed to continually reducing its debt-servicing costs and is fully engaged in restructuring its borrowing in order to take advantage of the historically low levels of market interest rates. In this respect and as part of the ongoing management of the public debt, opportunities to extend the maturity profile of the public debt are still being actively looked at by the Financial Secretary and we will continue to pursue those.

750 The Gibraltar public debt/GDP ratio has fallen in aggregate terms, Mr Speaker, from a high of 44.4% in 2010 to a 10-year low of 23.2% in 2016-17 in keeping with the GDP forecast of £1.9 billion. In net terms, public debt now represents 16.75% of GDP in 2016-17, a decrease of 2.7 percentage points compared to 2015-16 when it stood at 19.5%. The highest point of net debt to GDP was actually reached, Mr Speaker – surprise, surprise – under the former  
755 administration, when net debt to GDP rose to 25.3%. We have reduced net debt since then by 8.5%. These ratios continue at a lower rate than that of the UK and most other European countries. As we committed ourselves to do at election time, Mr Speaker, we will achieve the debt targets set out in our manifesto so that net debt will be £300 million by 2019-20, which will then be in the region of 12.5% of our GDP, which we expect to be in excess of £2.4 billion.

760 Mr Speaker, I am delighted to announce to the House that during the last financial year 2016 we have once again achieved a recurrent budget surplus. Just achieving a surplus is something which not all governments manage.

In 2003-04, the year of the General Election, the then GSD administration delivered a deficit of £7.8 million. That is to say the GSD fell short by almost £8 million pounds. They spent more  
765 than they collected. Indeed, Mr Speaker, I seem to recall that that was the financial year in which the Hon. the current the Leader of the Opposition joined the GSD. I guess it was their budgetary prudence, leading us into a deficit, which convinced him to join them.

Most nations work on the basis of projecting for a not too big deficit. Well, Mr Speaker, in post-Brexit Gibraltar we are going to declare a surplus which will rank as the highest on record to date. (*Banging on desks*) The surplus of revenue over expenditure for the financial year 2016-  
770 17 was estimated at £75.8 million at the time that the Estimates Book went to press. That is more than three and a half times the originally estimated surplus for the year. This marks the hard work of everybody in our economy and the prudent stewardship of this economy for which we are responsible. Additionally, this shows that we continue to build on the strong foundations  
775 of our first term in office. In the past financial year we have not just paid our way; we have paid our way and done so with £75.8 million left over. But, in fact, Mr Speaker, I am advised by the Financial Secretary that as the forecast outturn crystallises it is actually likely that the surplus is going to be closer to £78 million. (*Banging on desks*)

Government revenue during the last financial year exceeded the original budget by around  
780 £63 million. As a reflection of the continuing growth in our economy, income tax receipts were up by around £5 million and company receipts were up by around £31 million. Departmental expenditure during the year, on the other hand, has been contained by the Government and this year ended slightly over budget at £6.6 million or 1.4% over budget.

Mr Speaker, hon. Members will see that the estimated surplus for this financial year is once  
785 again set just at £18 million, as it was last year. That estimate is, of course, a very conservative estimate of what we believe is achievable. In addition, it is worth noting that the surplus of £75.8 million, or £78 million as it now looks to be, is declared *after* the deduction of £25 million to fund the Government companies, something which was not done by the previous administration, which preferred to accumulate losses in the companies. As I remind the House  
790 every year, we moved away from that approach in our first financial year in office and have consistently deducted £25 million to fund company losses in each year since our first election *and* declared record surpluses nonetheless. In this instance, for the sake of comparison, I should clarify that if we were declaring the surplus in the same manner as the former administration which Members of the party opposite represent, we would be declaring a surplus of  
795 £103 million. We continue, however, to believe it is more prudent and appropriate to make the deduction in order to fund company losses, as I have stated.

Mr Speaker, I want to once again congratulate controlling officers for their financial management in respect of these returns, although some Departments where cost is demand led have exceeded their budgets for that reason.

800 Mr Speaker, as in previous budgets and in line with our manifesto commitment to help Gibraltar Community Care Trust build up its reserves so that it can become totally independent of Government grants, I am delighted to inform the House that a further sum of £20 million has been earmarked by the Government this year as a contribution to the charity. This contribution will be paid out from the Government's recurrent surplus for the year and goes towards a rainy  
805 day fund most in our community are very fond of. By the donation of this amount, Community Care will remain on track to have reserves of £230 million by 2019-20, as we are committed to do. That is the largest rainy day fund our community has ever have had in its history, Mr Speaker.

I now move on to the Revenue and Expenditure Budget for the current financial year.  
810 Estimated recurrent revenue for the year is budgeted at £615 million. For the first time, we expect to break the £600 million barrier in respect of revenue in the estimates. This represents an increase in revenue of over £24 million or 4.1% over the previous year's estimate. This is nonetheless a conservative budget going forward, particularly when compared with the forecast outturn. The overall recurrent expenditure budget for the year is £597 million, which reflects a  
815 modest increase of around 4.5% over the 2016-17 estimate. Mr Speaker, the Government is therefore once again conservatively projecting a recurrent budget surplus, as I have told the House, of £18 million. That is to say all of the spending in the book is achievable with £18 million left over, even on the basis of conservatively estimated revenue.

Mr Speaker, during the last financial year 2016-17, the Government invested around  
820 £48 million on capital projects funded from the Improvement and Development Fund. Around £16 million was invested on works and equipment and a further £32 million was invested in specific capital projects. That includes £1.8 million of funding for the University of Gibraltar and £7.3 million on the access road to the Frontier, including the resumption of works on the tunnel. That project, Mr Speaker, was remobilised last year in August and the progress is already quite  
825 incredible. I very much look forward to the completion of that tunnel, given the positive effect it will have on traffic on our roads and access to the Airport.

Mr Speaker, there were also further capital projects funded through the Government-owned companies. These include a number of projects that have now been enjoyed by the community as part of their daily life as if they had been there for years, such as the Midtown car park, Charles Bruzon House and Sea Master Lodge, which has recently been handed to tenants.  
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The expenditure budget of the Improvement and Development Fund for the current financial year 2017-18 is around £65 million. The capital investment in works and equipment is estimated at around £20 million and the provision for investments in other Government projects amounts to £45 million. This includes further funding of £1.4 million for the University of Gibraltar, an  
835 investment of £11.8 million in our roads and parking projects, with the ongoing cost of the tunnel across the runway being a key feature; nearly £15 million for the relocation of part of the MoD estate in order to enable the continued release by the MoD of further land and properties for our use by the community – and the demolition of Rooke, as we see, will be useful, Mr Speaker, as usual for the annual fair; almost £1 million for infrastructure works required for the  
840 new power station, another huge essential infrastructure development; £1.7 million for infrastructure works for new development and housing projects; £5 million for our ambitious programme of facilities to be ready for the Island Games, but one that will leave a legacy for many years to come; and further provision to complete other ongoing capital projects.

All of these are important projects, Mr Speaker, that are an important part of our delivering  
845 our growth as a nation. Nonetheless, as I told the House last year, the Government will keep a close watch on expenditure and on continuing political developments should it become necessary to make the decision to rein in expenditure and not incur costs on new projects, if the circumstances so require.

850 Mr Speaker, I am delighted to report to the House that the reserves of the Gibraltar Savings Bank have continued to grow and that these reserves stood at £32 million at the close of the last financial year. The reserves of the bank are therefore estimated to grow further to reach over £40 million by the end of the current financial year. It is important that I should remind the House that we inherited the reserves of the Savings Bank at zero from the GSD, which Hon. Members opposite represent. There was literally £1,000 in the kitty.

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**Minister for Economic Development, Telecommunications and the G (Hon. J J Bossano):**  
One thousand, four hundred and forty two, actually.

860 **Hon. Chief Minister:** One thousand, four hundred and forty two pounds were left in the kitty. I think the figure was so painful it is indelibly etched on Mr Bossano's heart!

865 To have seen that grow to £32 million in just five years is a testament to the hard work and dedication of Joe Bossano and the Financial Secretary, and it will be a fund that grows to £40 million by the end of this financial year. The community must take its hat off to Joe and to Albert for these magnificent results. Well done indeed, Mr Speaker. And what a great rainy day fund they have accumulated for us – and this in addition to a cash reserve in the books this year of £123 million. The Savings Bank Fund remains very much on track, therefore, to reach approximately £70 million by 2019-20.

870 Together with Community Care, the community will have a total of £300 million saved up in these rainy day funds by 2019-20. And let's be clear, all the funds were at zero when we were elected in 2011 and we started the process of rebuilding the rainy day funds the minute after we were re-elected. It was absolutely right that we should have done so. We are being proved right in having done so. Anyone who was in Government in the administration we took over from would really have a very hard face to pretend that they could preach to anyone about rainy day funds. They were the ones who left Community Care at zero and the Savings Bank Fund at zero –  
875 or £1,442 – so we will not take any lessons on rainy day funds from anyone sitting in this House under the GSD banner, Mr Speaker.

880 The current political circumstances entirely vindicate the view we have taken since we were elected that we should build up these reserves. Already with a total of almost £177 million in four years, Gibraltar now has the largest rainy day fund in its history. Add to that the £123 million in cash and we are already at £300 million, which is the amount of the investment in Gibraltar we have seen via Gibraltar Capital Assets in anticipation of the possible Brexit decision.

885 Given the circumstances in which we find ourselves and given the baseless criticisms we often hear of the Government from Members opposite, I am sure, Mr Speaker, that the House and all the community will be very happy indeed that our repeated prudence and our consistent caution in how we have calibrated our spending has produced this magnificent rainy day or sovereign wealth fund in the sum of over £175 million and well on target to reach the £300 million envisaged in our Programme for Government, as well as an additional £123 million in cash reserve this year. Mr Speaker, for the GDP I congratulate the community. For the rainy day funds I congratulate Joe Bossano, Albert Mena and the Government as a whole.  
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895 The Savings Bank will continue to provide an excellent range of products for our community, as indeed it has done since it was established over 130 years ago. The deposit base of the bank has now grown to over £1.3 billion and it will continue to provide savings products to serve our community and continue to offer special rates of interest to our pensioners. The bank is also continuing its work on improving the services offered to savers by making use of the latest available developments in banking technology. This complements the services that are now being provided to the community by the now well-established Gibraltar International Bank, which include a full range of retail banking services, including mortgage finance to prospective homeowners and commercial lending to our local businesses. The Minister for Financial Services  
900 will report on the development of that bank.

Mr Speaker, I will commence now with the process of dealing with the different Departments I have the honour of continuing to have responsibility for.

As announced in last year's address, the Public Sector HR Business Support Unit continues to assist all Government agencies, authorities and Government-owned companies. The unit has introduced a commercial approach to non-Civil Service Human Resources by aligning business objectives with employees and management in designated areas. The unit is championing change and is assessing and anticipates HR-related needs by using industry best practice. It is working in tandem with Minister Bossano as we explore efficiencies and new working methods to improve delivery of service.

Standardising documentation and procedures and streamlining working practices has been at the forefront of the unit. It has delivered tangible results in the approach to the disciplinary process, focusing on preventative measures, mediation and informal resolutions. The core of all industrial relations continues to be channelled through this department, which works directly to me in respect of my responsibility for industrial relations. Our experienced team are now coaching and mentoring junior staff to ensure the long-term sustainability of the service.

The unit currently offers these now centralised services to 14 separate organisations which previously all had their own HR departments or did not have any HR facility. These include the Borders and Coastguard Agency, the Gibraltar Development Corporation, the Port Authority and the London Office to name a few.

Work is currently ongoing on the integration of three additional organisations – the Gibraltar Health Authority, Elderly Residential Services and the Care Agency – which will see the unit's customer base increase to 2,300 employees. This work is scheduled to be completed by the autumn and will coincide with the move into new office accommodation, releasing considerable other office space and allowing us to bring all of these HR practitioners together. This will mean that the HR practitioner to employee ratio will be at an industry standard of 1:100 and all of this will all be achieved within existing resources.

Mr Speaker, in 2015 we introduced a new departmental structure to bring the Customs Department, to which I now turn, in line with modern operational needs. This was always going to be work in progress and in the last 12 months the Collector, in consultation with Government, identified a need to upgrade and restructure using the existing complement, parts of the investigation branch following the introduction of the Proceeds of Crime Act and in advance of an evaluation against the Financial Action Task Force's 40 Recommendations on Anti-Money Laundering and Combating of the Financing of Terrorism. This restructure was fully supported by the GGCA and the staff.

In close consultation with the Collector of Customs, we have relocated the Entry Processing Unit in British Lines Road to a part of the Airport building overlooking the Commercial Gate and the vehicle holding area. In parallel, we have upgraded the ASYCUDA system and the Customs IT equipment so that at present over 76% of all commercial customs declarations are inputted electronically. In parallel, the Collector is working with officials at the Gibraltar Law Offices to streamline all Customs-related legislation to make them easier to follow and consolidated into fewer regulations. Payment of import duties will be via electronic means or in Customs outstations, where they will be credited to traders' prepayment accounts. Mr Speaker, the Collector has involved both the Chamber of Commerce and the Federation of Small Businesses, who welcome this initiative. By 1st August this work will be completed and customs import/export documentation will be 100% paperless.

The Controls section at British Lines responsible for the physical checking of commercial bonds and transit sheds will be relocated to enclosed purpose-built facilities in this financial year. Likewise, Customs House, the Training Wing and Clubhouse in Waterport, the Marine section and the Detector Unit will be relocated and the Collector is working on these exciting projects with the Chief Technical Officer to ensure the best possible location and equipment for all.

The Government continues to be proactive in the fight against drugs and tobacco. The Collector has introduced further conditions to the licences of tobacco wholesalers and retailers. A number of revocations have also taken place for those who have breached conditions of  
955 licences. Drugs detections, particularly for class-A drugs, are up and are a credit to the departmental staff in all sections and testament to their close collaboration with the RGP and GDP.

Over the last 12 months, officers from HM Customs and other agencies both on land and at sea have faced many challenges when dealing with drugs and tobacco smugglers. Both His  
960 Excellency the Governor and I have personally visited them at their places of work to thank them and recognise the dangerous work they undertake to keep drugs and illicit activity off our land and out of our seas. I once again commit the Government to provide all officers with the necessary equipment which they may require given the increased threatening behaviour of smugglers. We have already worked hard to resource the Department with adequate equipment  
965 and vessels. The Collector has already procured some defensive equipment, which has already been issued, especially to officers of the Marine Unit, and others are in the pipeline for the immediate future and for the next 12 months. And the Collector has already been briefed on the areas which the Government wishes to address for the future.

I also wish to thank the families of all officers for the continued support they give those  
970 officers, and I add my thanks also to all officers of the Royal Gibraltar Police and their families for the work that they do in their areas of responsibility, which include not just the work against traffickers and criminals but also in relation to security matters.

In that respect, Mr Speaker, not only have we spent large amounts on resources like new marine assets and new weapons for our law enforcement agencies, as well as additional  
975 training, we have added complement also. As a comparison of our investment in security and in our investment in Police and Customs, the two heads combined attracted £15 million of resources in the last financial year Members of the GSD were in Government; this year the budget is at £26 million.

I now report on my responsibilities as Chairman of the Board of the Borders and Coastguard  
980 Agency, yet another of this Government's agencies that continues to strive to ensure it provides the best service possible to the public.

Our border may well be small but it is very busy with over 12 million people crossing it last year via the land Frontier, the Airport, our Port and marinas. Mr Speaker, our borders are open  
985 for business, open for tourism, open for legitimate travellers and we welcome them, but we are closed to terrorists, closed to drug smugglers and closed to anyone else who seeks to break our laws. It is the BCA, together with its law enforcement partners, that ensure that we keep out those who we would rather not see in Gibraltar. It may be of interest to this House to learn – and given events elsewhere, somewhat reassuring – that over the past year the Agency has refused entry to some 40,000 people, many because they arrive at our borders improperly  
990 documented and some because we would rather not see them in Gibraltar.

Mr Speaker, it is unfortunate but indeed a fact that we live in a world where the threat of terrorism is all too real. The very recent attacks in London and Manchester have highlighted that it is indeed a great concern, and as such there is a real need for a robust security posture. The Agency's approach to security is measured and flexible; and, taking its direction from the  
995 Gibraltar Contingency Council and working closely with the RGP, it is kept under close and constant review.

The Agency's work at our borders has over the last year led to a number of successful RGP and Customs arrests and prosecutions. Mr Speaker, you may well remember that only recently  
1000 the Agency was involved with the foiling of a child abduction case when a foreign national tried to transit through Gibraltar to Morocco with a child.

In the current climate of heightened security on the one hand and of politics in general but of Brexit in particular on the other, the spotlight on our borders, and by default on the BCA, is intense and the work they do is challenging, having to balance the very real need for security

1005 against the equally important need for a smooth-flowing border. They perform their duties professionally and diligently and pride themselves in trying very hard to have a measured and balanced approach to their operation.

1010 Mr Speaker, the redrafting of the Immigration, Asylum and Refugee Act 1962 is progressing well and the Government will be in a position to bring the final version to the House very soon. The new Act recognises the professional development and maturity of the Agency and places additional responsibility on the BCA, making it the focal point and leading Gibraltar authority for a more centralised immigration service in Gibraltar.

1015 Only recently, the responsibility for authorising and issuing visas and visa waivers has been transferred from the Civil Status and Registration Office to the BCA, as we believe that by the nature of their deployment at our entry points it affords them the capability to deal with issues swiftly and thus facilitate a faster and more efficient process and service to our public.

The Tourist Visa Waiver initiative continues to be a great success and I repeat, as I have said every year since we introduced it, that the Government continues to be very proud of how very successful this initiative has been, which has seen over 14,100 visitors who would otherwise not have been able to visit Gibraltar to do so last year alone.

1020 Mr Speaker, this Government continues to recognise that it is only by investing in our employees and working closely with the unions that we can guarantee the service we seek to deliver to our public. Together with the Agency's management, the Government has continued to work very closely with both Unite the Union and the GGCA to ensure the maintenance of good working practices and conditions. We have recently revised and improved the existing  
1025 Collective Agreement, addressing outstanding issues raised by both unions and management alike, and I am very confident we will be in a position to sign these changes very soon. In addition, and having listened to proposals from the staff, the Agency is in the process of introducing a new uniform which will prove more practical and versatile.

1030 Mr Speaker, this Government has a track record of recognising the benefits of investing in all of our employees and indeed in training and we will continue to do so in the Borders and Coastguard Agency because the Agency continues to be subjected to thorough and exhaustive inspections by the Civil Aviation Authority at the Airport and by the UK Department of Transport at the Port. These inspections ensure compliance with Her Majesty's Government and EU  
1035 legislation and the successful outcome of these inspections provides Gibraltar with the necessary credentials to successfully market our Airport and Port internationally.

Finally, Mr Speaker, this Government has been pleased to announce the increase in the number of flights this year, which has exceeded all records. This corresponding increase in passenger numbers requiring processing will provide additional challenges for the men and women of the BCA who continue to work tirelessly to keep Gibraltar open for business.

1040 From this House to the men and women of the Borders and Coastguard Agency: thank you for your work and well done.

1045 Mr Speaker, in relation to the Civil Service and in line with our manifesto commitments, a dedicated Training and Development Unit was established in February 2016 under the direct supervision of the Human Resources Manager and from the existing complement of the Human Resources Department. The Training and Development Unit ensures that all officers have the necessary skill, knowledge and experience to enable and empower them to contribute to the best of their abilities to the public service and its customers throughout their service and career from recruitment to retirement.

1050 Since the unit's launch, over a thousand training opportunities in fields such as policies and procedures have been designed and delivered internally by civil servants who have qualified in trainer training, and in a wide range of management skills by external recognised professional providers. It is envisaged that a further 1,100 training opportunities will be offered during this financial year.

1055 Over the last couple of years the Human Resources Department has also moved towards professionalising their officers, with most of the Department's team having qualified up to

Level 3 in Human Resources Practitioner training with the Chartered Institute of Personnel and Development.

1060 In addition to its customary participation in the biennial Careers Fair, the Department held its first Retirement Fair during this last financial year. The successful outcome has led to it now becoming an annual event aimed at informing civil servants of all aspects of the retirement process. Officers attending are offered concrete guidance on all the administrative steps in the process together with specialist advice not only on the all-important financial implications of retirement but also on matters relating to personal well-being. This process is also designed to ensure that there is better succession planning in the service and less need in future to re-engage retired civil servants, a practice that we have considerably reduced since taking office.

1065 Additionally, huge progress has been made in relation to the new Civil Service Code in order to replace General Orders, which the Government expects will be in place by the end of the financial year.

1070 In respect of the Civil Status and Registration Office, Mr Speaker, I am happy to report that they continue to provide all services relating to citizenship, registration of births, deaths and marriages, and to deal with related civil status issues. I am happy to report that a new Head of the CSRO has now been appointed and he has been charged with reviewing and evaluating current practices and procedures with the aim of identifying and addressing potential bottlenecks and delays in the system. The new Head of the Department and his staff are also in the process of drafting a series of informative booklets, providing appropriate guidance and information covering all the services currently provided by the Department.

1075 Mr Speaker, I am proud to be able to report that the granting of British Overseas Territories citizenship, or British citizenship, to long-term non-EEA nationals continues, as established when the GLSP-Liberal Alliance came into office in November 2011. As I said in my last budget address to this House, this policy aims to do justice to people who have been part of and have been actively contributing to our community for the better part of their lives. The Citizenship Ceremonies held virtually every month now will attest to my government's commitment to this.

1080 In December 2016, Mr Speaker, this House saw the passing of landmark legislation legalising civil marriage between same-sex partners. The amendment to the Marriage Act means that same-sex couples are afforded exactly the same rights as any other couple already married at the Registry Office. Mr Speaker, as a matter of interest, there have already been a total of 32 same-sex marriages since that law was passed.

1090 Mr Speaker, during the financial year 2016-17 the Income Tax Office has continued its programme aimed at improving the assessment and collection of taxes in Gibraltar. Streamlined efficiencies have led the ITO to remain on track. They proactively manage its refunds programme, implementing measures aimed at reducing delays and the level of refunds due. This is being achieved through the payment of £11.1 million in refunds during the last financial year, which is in excess of the £10 million provided and future budget provision.

1095 The corporate tax yield in the financial year 2016-17 was £135.7 million, representing an increase of 24% over the Government's corporate tax yield in the previous year, an increase of almost a quarter.

1100 Modernisation of systems this year sees the implementation of two major developments which will contribute significantly to the improved administrative efficiency of the Department. The first development, already in progress, is the scanning and digitising of all taxpayers' files and records. All relevant documents and returns are being packaged in appropriate bundles for the scanning phase of this project, leading to a paperless environment and quick electronic access to all the required information.

1105 The second development sees the implementation of a number of filing options that will shortly be made available to corporate taxpayers, including the introduction of machine-readable tax returns using optical character recognition technology, online submission through the use of a dedicated platform, as well as a bulk filing facility for tax practitioners wishing to streamline their filing obligations.

1110 These are the initial stages of a wider and more ambitious plan which envisages the transition of the Income Tax Office to a totally digitised Department through which these facilities can be extended to all taxpayers. In a digital age it is right that we develop a digital tax system, as the Chancellor said in the United Kingdom in the course of their budget recently.

Given the increased focus internationally in tax transparency initiatives and exchange of information, the Income Tax Office is expanding its approach in discharging its duties and functions in compliance with its ever-increasing obligations internationally.

1115 The good news, Mr Speaker, is that as at 31st March 2017 tax and social insurance arrears were 20% lower than on 31st March 2016. This has been as a result of the effective strategy and co-ordination between the Central Arrears Unit and the Income Tax Office. Twenty per cent down – one fifth down, Mr Speaker. Both these departments have been working together and continue to work closely with the aim of ensuring that all taxpayers comply with their obligations and pay their taxes on time. I congratulate them on their diligence in this respect. 1120 Payment of taxes and social insurance contributions is not a choice and it is right that everyone should pay, or else those who do are in effect being unfairly treated if the system does not chase and enforce against those who do not.

1125 As part of the recovery strategy the Commissioner has published a name and shame list in the *Gibraltar Gazette* setting out the names of defaulting employers. The name and shame published details of self-employed individuals and companies is a consequence of the provisions introduced into the Income Tax Act 2010 empowering the Commissioner to do so. Mr Speaker, new and additional provisions are also being introduced to extend these legislative measures to social insurance and also to allow the Commissioner to publish the list in any newspaper 1130 circulating Gibraltar. Advertising of important tax reminders in the local press has also assisted in ensuring greater compliance across the entire spectrum of taxpayers.

1135 Mr Speaker, the issue of mounting tax rebates dates back many years to 2007 when two events took place, caused by a change of policy by the GSD that started to see an accumulation of the amounts due to tax payers. The first was a change in the charging to tax of pensions. What happened is that this income was exempted but pensioners took some time to change their arrangements, meaning that the amount due to them increased. Around the same time, the GIBs tax system was introduced with its policy of always favouring the taxpayer, irrespective of the system they chose. The additional work understandably delayed computations and the inadequacy of the provisions started stacking up an arrears issue under the GSD, which we 1140 inherited. Indeed, the rebate arrears issue, far from leading to any undermining of our declared surpluses, could actually turn into questions about the surpluses declared by the GSD.

1145 But faced with the accumulation of rebates, Sir Peter Caruana, the man that the Leader of the Opposition has repeatedly said he considers to be the greatest Gibraltarian of all time, took the opportunity to increase his administration's estimate for tax refunds from £20,000 a year to £5 million in 2011. Some might think that was a debateable decision in an election year. A 250-fold increase by the GSD in moneys to be paid to taxpayers in an election year might actually be something that the Commonwealth Parliamentary Association might want to say something about. Indeed, the increase was not initially disclosed during Sir Peter's budget address that year. In fact, it was only revealed as a result of Joe Bossano's right of reply and as a direct 1150 request for clarification by him. The increase was not because the tax refunds in the previous year were down to only £20,000. No. It was because previous income tax receipts had been shown net of these refunds. That is an important point for the Leader of the Opposition to listen to, Mr Speaker: previous income tax receipts had been show net of refunds. That is to say Sir Peter did not show these figures for many years, allowing the GSD to hide the amount of rebates 1155 due – the very lack of transparency I am now being accused of by the GSD itself. You could not make this up. The previous receipts had included the estimated tax revenue less the estimated amount of tax refunds to be made from the revenue. This mechanism allowed Sir Peter to stop making repayments if the figures became too large and affected his revenue instead.



Really, that the Opposition has the audacity to now raise this shows how little homework and research they have done when coming to these debates in preparation. They accuse us of lack of transparency when over 15 of his 16 years Sir Peter masked the amounts due in the rebates. Go figure. And let's be clear: he only grossed things up not out of some Damascene conversion to transparency or because someone pointed out that it made sense, no, he did so because he did not want to come to Parliament yet again to have to change his brilliant debt ceiling formula, which as Hon. Members will know, he had already had to change twice because he was hitting the ceiling of debt. He was looking for anything that would provide some extra headroom for additional borrowing. This change in approach did exactly that, Mr Speaker. In other words, tax receipts that would otherwise have been netted were grossed, this meaning that income was recorded as higher and Gibraltar could borrow more. That is what they were up to, Mr Speaker. So before April 2011 the books would show a total estimated tax revenue that would have been reduced by anticipated tax refunds. After the GSD reforms of April 2011, the total estimated tax revenue, without any deductions for tax refunds, and the total estimated tax refunds for that revenue would be stated separately. It is clear that it was this transition to the Gross Income Based System that catapulted tax rebates from an average of £3 million a year to between £6 million and £7 million per annum, most of which of course walks across the Frontier, Mr Speaker.

So, knowing this in 2007, how come the greatest Gibraltarian of all time only provided £5m for refunds in 2011? Perish the thought, Mr Speaker, that the GSD was keeping taxpayers' money, as they now liberally accuse us of doing. I suppose, like everything, it is okay when the GSD do it but a crime punishable with flogging when anybody else does it.

So I will let taxpayers be the judge who is prudent and who plays fast and loose with their money. If you know you are storing up a problem at the rate of between £6 million and £7 million per annum, who is more prudent: the administration that provides £5 million to repay or the one that provides £10 million to repay? In fact, we paid £11.1 million this year, Mr Speaker.

Given that Mr Clinton is allegedly quick with numbers, perhaps he can tell us what he thinks during the course of his speech, given that he is the one who shadows me on public finances, a responsibility that the Hon. Mr Feetham has been the first Leader of the Opposition in the history of the Parliament to forsake.

In essence, my administration inherited a tax refund policy of the GSD's making that, for the first time ever, set a yearly tax rebate budget of £5 million. Let's be clear, Mr Speaker: they capped it themselves for the first time. They introduced the cap.

Since taking office, we have progressively increased the cap to £10 million that it is today, although last year we budgeted £10 million and we paid £11.1 million. We are in effect providing double for refunds than they did: double the amount provided by the Government of which Mr Feetham was a member – and he still tries to criticise us. It was the Government of which he was a member that introduced the cap on rebates to taxpayers. I hope he is understanding the point before he gets up and makes a fool of himself. I think you referred to a similar attitude in another context during question time as *caradura*, Mr Speaker: *caradura* indeed.

Since taking office we have reported solid, steady and reliable economic growth producing more jobs. More jobs means more taxpayers. The taxpayer base is now 37,000 people from 31,335. Higher wages have become the norm across the board. So, whilst benefiting from greater tax revenue, we have cautiously planned for a proportionate increase in tax rebates, and what's more, we have kept to the same ratio against income which the GSD had.

You see, Mr Speaker, what we have been able to work out in respect of the gross tax yield in 2011, at £122.5 million, when the new tax rebate policy was introduced, is that if we compare this against the cumulative refunds that would have been due as at 2011, a figure of £22.7 million – we appreciate that this is a calculation that could not have been done at the time because of the delay of making assessments, but it is one that we have been able to do now – we get a figure of rebates to gross tax yield of 19%.

Mr Speaker, they did not do that exercise and the problem is that the GSD started to operate what is clearly an ostrich policy. They reckoned that just because they did not work something out it was not owed. Hence they did not alight on the extent of the problems of their own making with arrears, which they were quick to chastise us for.

1215 Today, our gross tax yield stands at £154.8 million and our cumulative refunds due at £29.1 million, taking into account the amounts we calculate are due now, including up to the most recent tax year, by bringing assessments up to date and doing a little extra work to estimate the most recent years also. We, Mr Speaker are not ostriches. It is not prudent or cautious to be an ostrich.

1220 So, Mr Speaker, I can report to the House today that the proportion of tax rebates that are outstanding today, as measured against our tax revenue, is exactly the same ratio, 19%, that had been established by the GSD Government of which Mr Feetham was, as he likes to say sometimes, de facto Deputy Chief Minister, based at No. 6 Convent Place, working directly to Sir Peter Caruana.

1225 That is not to say, Mr Speaker, that that is right – I want to ensure that we catch up both with what people owe the Government and with what we owe people – but it should put paid to the incessant criticism that things were somehow better in their day. Things were exactly the same in their day.

1230 Also, at £10 million a year we should start making inroads into the problem quicker than at £5 million a year, which is what they provided for when they introduced the cap into rebates.

But our policy on tax refunds will go further than that, Mr Speaker. We accept that tax refunds are dynamic in their nature. Our policy, as I announce it here today, is to eliminate tax refunds cautiously and fairly. We are committed to increasing the £10 million budget next year, and if there need to be any further increases beyond next year to close the gap, then we will do so – we might even require supplementary appropriation for the purpose, Mr Speaker – because we have stuck to our economic plan and we can therefore deliver.

1235 Mr Speaker, Members opposite have had the audacity to accuse me of playing fast and loose with transparency and accountability by withholding tax refunds. The reality could not be further from the truth. They have been fast and foolish to criticise a policy that was actually established by them and is a direct result of one of the flagship legislative amendments introduced by their former, recently beloved, party leader. Any attempt, therefore, to discredit our surplus is therefore simple nonsense as by comparison such an approach would undermine their own historic position. It also fails to account for the £28 million that is owed to the Income Tax Office by taxpayers in unpaid income tax and social insurance which would net off against the amount owed to the Government, leaving only £1 million to account for.

1240 So, Mr Speaker, on the tax rebate argument any attempt to discredit Government policy produces a slam-dunk own goal against the GSD. Judged not against their words but against their actions and their record, Members opposite have not one leg to stand on. But I do appreciate, Mr Speaker, that the hon. Gentleman opposite has come with a written speech and he has been working on this fatally flawed rebate argument for months now, so I do not expect that he will abandon it, although as he reads it he will, no doubt, feel the legitimacy of it flowing away from it as a result of the information I have provided in the House today. I do feel for him, but I will encourage him and Mr Clinton to read their no doubt carefully crafted tax rebate versus surplus section, despite the fact that it is now logically discredited.

1255 Mr Speaker, I now turn to the specific Budget measures for 2017.

For the differing purposes I will refer to as I explain each one, the following changes in import duty will be introduced with immediate effect.

In order to standardise with other high street products, import duty on handbags is reduced from 6% to 3%.

1260 Import duty on jewellery and imitation jewellery is reduced from 4.5% to 3%.

Mr Speaker, for reasons entirely unrelated to the good news in my own family, but to keep our own traders competitive, import duty on children's prams is reduced to zero.

1265 In line with the Government's commitment to the promotion of healthier lifestyles and making involvement in sport more accessible ahead of the 2019 Island Games, wearable battery operated devices, commonly known as sports trackers or watches, have their duty reduced from 12% to 3%, which brings the duty into line with that paid for wristwatches.

Duty is reduced to zero on sports or dance apparel imported by or for a sporting or dance association, including, for example, rhythmic gymnastics or Members opposite when they try and do the shuffle during the course of this debate!

1270 Indoor sporting equipment such as that used for billiards, pool, darts and chess is also reduced to zero.

In support of this Government's continuing efforts to address the health problems arising from tobacco and smoking generally, a number of tobacco-related import duty increases will take effect from midnight last night.

1275 First, the import duty on waterpipe tobacco increases from the current £3 per kilo by £12 per kilo to £15 per kilo. This represents a fivefold increase in import duty on this line commodity and reflects a huge increase observed by the Collector of Customs in respect of the importation of this particular commodity. Last year I imposed a threefold increase in the duty payable on this commodity from 12% ad-valorem duty to £3 per kilo. In effect, therefore, in the space of  
1280 12 months we have raised the duty 15-fold on this type of tobacco. Given the scale of the duty increase imposed today, if the Collector of Customs is satisfied that merchandise can be demonstrated to have been ordered before this announcement and the delivery stage is engaged, it will be accepted on payment of a duty of £3 per kilo for that particular consignment only.

1285 Mr Speaker, many tobacco manufacturers are working on alternatives to burning tobacco. Some products I have been presented with recently by our tobacco importers and the representatives of the tobacco majors involve heating tobacco instead of burning it. The new smokeless heated tobacco products in the market will use electrical heat to create a vapour but without reaching the temperature required to cause combustion. The producers of these  
1290 products claim that they are less harmful than cigarettes because they generate no combustion and no smoke. According to the producers' laboratory tests, their aerosols allegedly contain significantly lower levels of harmful and potentially harmful constituents and is much less toxic than cigarette smoke. Indeed, according to the producers' air-quality tests, the aerosol emitted does not negatively impact indoor air quality. These are new products and therefore none of this  
1295 is yet tested or clear. It is true, however, that some data published so far suggests that these products are likely to offer reduced toxic exposures of at least 90% relative to smoking. The World Health Organisation estimates that there will be over a billion smokers by 2025. With so many choosing to smoke it makes sense that we should promote less harmful alternatives to smoking. Mr Speaker, import duty on refills for tobacco products designed to be heated and not  
1300 burnt is therefore set at £45 per kilo of tobacco content. I emphasise, however, that these are new products and that we will assess how duty should develop in respect of taxing them as their take-up develops.

Mr Speaker, recent data shows diesel fuel, even in modern vehicles, can emit more toxic pollution than was previously thought. The reporting of the manner in which well-known motor  
1305 vehicle marques have published misleading information about the efficiency of diesel engines has once again brought this issue into sharp focus. In line, therefore, with our policies on the promotion of the protection of the environment and the promotion of better air quality, the Government must act to promote less use of diesel automotive fuels by increasing the duty on such fuels. Accordingly, in respect of importations occurring as from midnight last night, the duty  
1310 on ordinary diesel automotive fuel will be increased by 3p litre and the duty on premium diesel automotive fuel will be increased by 1p per litre. Mr Speaker, I drive a diesel vehicle and I confess I have not filled the tank for a month.

Mr Speaker, the purchase of electric forklift trucks already attracts zero duty but it attracts no additional benefits. As from today, any electric forklift will attract the same cashback as for any

1315 electric road vehicle, and the cashback for full electric vehicles that have no element of propulsion by a combustion engine is increased by a further £750. This will not apply to hybrids, in respect of which the position remains unchanged.

Additionally, Mr Speaker, all amounts spent on the Governments Redibikes scheme will be tax deductible.

1320 The duty on plastic bags is doubled, from 5p to 10p.

As a further environmental protection measure, the deductions which apply to residential premises in respect of the installation of solar power will also apply to commercial premises.

1325 Mr Speaker, Gibraltar needs to be flexible over the coming years and look at new forms of investment. We are seen by many as a place to hold assets securely with the benefit of dispute resolution subject to the common law and no capital gains tax.

1330 We are already seeing interest with storing valuables here, with the wine storage project being developed and the number of data centres that exist in Gibraltar. It is for that reason that the Government reduced the duty on works of art to zero two years ago and introduced a ceiling for vehicle duty of £50,000. In order to further promote the use of Gibraltar as a jurisdiction for the ownership and secure storage of high-value items, as from midnight tonight the duty on classic vehicles is reduced to zero. For the purposes of this measure a classic car will be interpreted as defined by EU Directive 2014/45/EU as a vehicle of historical interest that is no longer in production and is over 30 years old.

1335 Additionally, gold bullion is presently a restricted item which requires an import licence from the Collector of Customs. It is presently taxed at 6%. As currencies and stock markets have fluctuated, there has been a move to gold in many jurisdictions. With an import duty of 6%, Gibraltar has priced itself out of that market. Again, as we seek to develop a business in our tunnels for storage of high-value goods that are as safe as the Rock of Gibraltar, we must ensure that the importation of such items into Gibraltar is not made unattractive. Consequently, the import duty on gold bullion will now be decreased by 5% to 1%.

1340 Additionally, the Government has been approached by traders to create a mechanism to allow for the importation into bond of very high value retail items sent to retailers on consignment – that is to say, items which the trader will only pay for if he sells the product in question. Many of these items are of a very high value and are unique. Traders would find it difficult to import such items to show if they had to pay duty on them before they are sold. As a result, in consultation with the Collector of Customs, the Government will design a scheme for importations of very high value items – that is to say, items to retail over £25,000 – where import duty will not be payable on importation but upon the sale of the item. In effect, traders will be able to hold a select number of items on show in retail premises on bond terms. This trade will be limited to Main Street, to premises approved by the Collector of Customs and each item so imported will require a specific permission from the Collector. The trader will have to demonstrate that the item is displayed for sale and will be required to communicate the actual sale to the Collector of Customs within two hours of the sale and the relevant duty paid within 48 hours. Items imported by a trader, or any trading entity in the same or a related group, in this way will have to be re-exported or the duty paid within six months of their first importation, and an item exported if it is not sold will not be able to benefit from the application of this scheme again for another 24 months.

1350 Mr Speaker, the Government has reduced import duty on motor vessels to assist the many in our community who were purchasing small boats for the magnificent new Small Boats Marina in the Mid Harbour basin. Recent news has highlighted the risk jet-skis pose in the hands of inexperienced users. During Question Time last week the Minister for the Port, the Hon. Gilbert Licudi, explained to the hon. Lady opposite that we had already introduced competency and insurance requirements for jet-skis and that following a recommendation from the Small Vessels Advisory Board he would be introducing an insurance requirement for all motorised vessels.

1365 Additionally, from the Ministry of Finance measures will also now be taken by the introduction of an import duty on jet-skis, which will increase from zero to 20%.

1370 Mr Speaker, in order to assist with the cost of doing business in Gibraltar, electricity and  
water charges will again not be increased this year, despite the cost to the Government of  
providing these public utilities. It is important that business, and in particular business  
representative organisations, value this important concession. Given that inflation since January  
1375 2012, the month after we were elected at the beginning of this financial year, to 1st April has  
amounted to 6.3%, that is the discount in real terms that businesses have already had since our  
election against the amounts at which water and electricity are charged. The taxpayer is in effect  
subsidising the cost of doing business in Gibraltar to a great extent, but we do so in order to  
keep Gibraltar an attractive place to do business. This does not lessen the burden on the  
taxpayer though, and it is important that it be fully understood by those who are taking the  
benefit of the subsidy. The subsidy applies as much to residential users as to business users, and  
it is important that everyone understands that they are already paying only about one third of  
the cost of generation of water and electricity.

1380 General rates payable by businesses will also remain unchanged and discounts for the early  
payment of rates will continue to apply, unchanged by the Government. As from the next  
quarter, rates will not be charged on offices from the date of certificate of fitness but from date  
of first occupation when they have just been completed.

1385 Mr Speaker, in pursuance of the Government's continued commitment to reduce the level of  
personal taxation, especially for the lower paid members of our community, with effect from  
1st July 2017 the exemption from the tax system will increase. Accordingly, taxpayers with  
assessable income of £11,150 or less will be brought out of the taxation system altogether and  
will pay no income tax at all. That is an increase in that exemption of £100, Mr Speaker. This  
applies to taxpayers in both the Allowance Based System and the Gross Income Based System.

1390 In accordance with our manifesto commitment, taxpayers under the Allowance Based System  
will benefit from an increase in their personal allowances in line with inflation. With effect from  
1st July 2017, therefore, the following allowances will increase as follows: the Personal  
Allowance will go from £3,215 to £3,300; the Spouse or Civil Partners Allowance will go from  
£3,215 to £3,300; the One Parent Family Allowance from £5,290 to £5,435; the Nursery  
1395 Allowance from £5,025 to £5,160; the Child Allowance from £1,105 to £1,135; the Child Studying  
Abroad Allowance from £1,255 to £1,290; the Dependant Relatives Allowance where the relative  
is resident in Gibraltar from £305 to £315, and where the relative is not resident in Gibraltar  
from £205 to £210; the Disabled Individual Allowance from £9,040 to £9,285; the Blind Person's  
Allowance from £5,020 to £5,155; the Medical Insurance Allowance from £5,020 to £5,155.

1400 Mr Speaker, as stated by the Government in March, when social insurance was increased for  
the first time in seven years, the Government is committed to reform of the social insurance  
system. The Government continues to tread a cautious path on this reform, bearing in mind that  
the options available to Government will also be greater once the UK and Gibraltar have left the  
EU, although I caveat that with the things I said earlier in my speech, Mr Speaker.

1405 Government continues to engage with the Chamber of Commerce and Federation of Small  
Businesses to appraise them of these matters and welcomes their understanding of the need for  
the increase in social insurance and support for the introduction of e-services across  
Government and has also informed the unions of the steps being taken. There will not be a  
further increase in social insurance in the current calendar or financial year.

1410 Mr Speaker, nonetheless, under Gibraltar law the provisions provide that young employees  
under the age of 20, whilst still paying social insurance contributions do not have these counted  
towards their pensions. These start accruing only once they have reached the age of 20. This  
provision will be eliminated, given it is explicitly based on age discrimination, Mr Speaker. In line  
with the position in the United Kingdom, social insurance contributions will accrue for the  
1415 benefit of the contributor starting at the age of 15. I thank Unite the Union for bringing that  
discrimination to my attention.

Additionally, working with Unite the Union, we will implement sick leave discount principles for all public sector workers with cancer-related illnesses and in respect of bereavements as well as the annual leave aspects of some employees.

1420 Also after consultation with Unite, the rule in the Pensions Act that saw non-industrial workers able to retire at the age of 55, whereas industrial workers would have to retire at the age of 60, will be removed to allow those who could only retire at 60 to retire at 55 if they agree to take a commutation of the pension entitlement.

1425 Mr Speaker, old age pensions will increase this year in line with the rate of inflation of 2.7%, so that the single rate for old age pension would increase from £440.54 by £11.90 to £452.44 and the couple rate would increase from £660.85 by £17.85 to £678.70. The dependant rate will grow from £220.31 by £5.95 to £226.26 and the same cash differentials will be maintained with the Minimum Income Guarantee, as in previous years.

1430 In line with our manifesto commitment and the three-year pay deal agreed, the general level of public sector pay will rise by 2.75% with effect from 1st August this year.

And, Mr Speaker, in line with this Government's commitment to keep the national minimum wage under constant review and to increase this by at least the rate of inflation over our term in office, the statutory minimum wage will increase from £6.28 to £6.45 per hour with effect from 1st August 2017. This represents an increase of 17 pence an hour or around 2.7%, which is the rate of inflation. Additionally, the Government will provide the resources necessary to investigate any breaches of the minimum wage and the registration requirements for workers in our laws. With the benefit of that increase on the minimum wage those who are lowest paid in our community will have seen the GSLP-Liberal Government increase their salaries just shy of 20% in the five and a half years we have been in office, or up by £1.05 an hour. We are justly proud of our record in the increase in the minimum wage.

1440 Mr Speaker, we have commenced the process of consultation with Unite the Union, the Federation of Small Businesses and the Chamber of Commerce in respect of the potential introduction in Gibraltar of pensions in the private sector. Last year I announced that, given the result of the Brexit referendum, we would not be progressing that process in the immediate past financial year whilst we observed the effects on the economy of the result of the vote of the British people. This year, Mr Speaker, as we can see that Gibraltar continues to grow, it is right we should unpause that process and continue the consultation with a view to implementing the introduction of pensions for private sector employees. The consultation will continue to include the unions, the Chamber and the Federation.

1450 Mr Speaker, additionally, I have agreed with the Chairman of the Trustees of Community Care to meet with the directors in coming weeks to hear from them what they propose to do and announce in respect of the provision of additional minimum income guarantees for some private sector pensioners and divorced women pensioners. I look forward to meeting with him to understand what the independent trustees of Community Care propose.

1455 Pensioners from the joint venture utility companies are in discussions with Government on ensuring that they have not lost out on pension entitlement as a result of having left the Civil Service in the late 1980s and early 1990s. The Financial Secretary is doing a very detailed analytical exercise to share with them to ensure we see the reality of their situation and compensate any quantifiable actual loss. I expect we will be in a position to finalise that work in this financial year, Mr Speaker.

1460 Also in relation to pensioners, the Government has been approached by a number of those entitled to re-enter the Widows and Orphans Pension Scheme who were not married to their current partners at the time that they retired. The law states that any marriage of the pensioner whose rights would be assigned to a widow or orphan who was not married by the time he retired would not be eligible to entitlement. This is grossly unfair and is based on an old law which has not kept pace with modern life. It is, in any event, an issue that affects only a handful of those who would re-enter the old WOPS scheme. The law will therefore be changed to allow

for marriages after the retirement of the contributor if he opts back into the scheme to count also.

1470 The widow to re-enter WOPS ... Sorry, the window to re-enter the WOPS scheme (*Laughter*) – yes, I hope people understood that slip, Mr Speaker – will be open again, from midnight tonight until 30th September 2017, to allow those who have previously been denied membership on the basis of the application of this aspect of the law to apply.

1475 Mr Speaker, in the context of everything I have said already about pensioners and students, it is important that we should reflect as a community that Gibraltar pensioners are amongst the best well off in Europe and probably the world. It is important that we recognise how well off we are in the context of the uncertainties that Brexit may bring.

1480 Mr Speaker it is my responsibility, as Minister of Finance and Chief Minister, to deliver a full address that deals in detail with all areas of revenue and expenditure. It is for that reason that this speech is a long one and the Estimates Book is a full set of information in respect of every area of Government revenue and expenditure. I nonetheless want to ensure that our Budget is more accessible and that more of our fellow citizens understand what we receive in revenue and what we spend on. This is a point that the hon. Lady has sometimes made also. For that reason, Mr Speaker, and in line with my Government's commitment to transparency, we have prepared a shorter presentation of the Budget to assist viewers to follow these debates and discussions.

1485 The presentation will be available online at:

[https://www.gibraltar.gov.gi/new/sites/default/files/HMGoG\\_Documents/Budget%202017-18%20WEB.PDF](https://www.gibraltar.gov.gi/new/sites/default/files/HMGoG_Documents/Budget%202017-18%20WEB.PDF) .

1490 It will be tweeted and it will be made available on social media. The presentation is not a substitute for reviewing the Estimates Book but rather an attempt to connect the viewer with where the money this Government raises is coming from and where it is being spent.

Preparing for this debate, Mr Speaker, is challenging for all Members of the House. We all want to do our best in this important Second Reading, which allows us to set out our policies and views in respect of our respective areas of political responsibility.

1495 I want to thank all the staff of No. 6 Convent Place for their assistance in the preparation for this debate and throughout the year. They are the ones who keep a smile on my face at work every day of the year, whatever the headlines in the international press may say. The Hon. the Leader of the Opposition does a good job of keeping a smile on my face with the national headlines, Mr Speaker.

1500 All of the public servants of Gibraltar have worked hard in their respective areas of responsibility to deliver these results. I thank all of them: the civil servants, the employees of the Development Corporation, the Government agencies and authorities and the employees of the Government companies. A sincere thank you on behalf of the Government.

1505 And I want to thank all the Ministers in the Government for their endeavour in the challenging past 12 months. This Government is a team that only works because we work together. Thank you to all of you. We started this process as a group of excited friends with a common set of objectives and we continue in that way.

1510 This weekend I have broken my preparation for this debate to celebrate the end of Ramadan with our magnificent Muslim community. I wish a great Eid al-Fitr to all our Muslims today, the last day of Ramadan. I enjoyed greatly the events at the Ibrahim-al-Ibrahim Mosque with our Imams and with Ali Douissi of the Moroccan Community Association. We were joined by the Hon. Mr Reyes on the opposite benches and I think we all enjoyed a magnificent meal on Saturday night, Mr Speaker. What I enjoyed most was the presence at the mosque of Hindus, Jews and Christians alongside the Muslim members of our community for the breaking of the fast. That moment will be indelibly etched in my mind as an image of the Gibraltar that we all love; the Gibraltar that Momy Levy used to rave and evangelize about; the Gibraltar that we know and love and for which we work so hard on this side of the House.

1515

It is true that we have a jewel of a nation on our hands, a rare jewel that we must treasure and nurture, and so today's debate is not about values or about religion. Former Vice-President

1520 Joe Biden is reputed to have said, 'Don't tell me what you value, show me your budget, and I'll  
tell you what you value,' because a budget is not just a collection of numbers, but an expression  
of our underlying values and our current and long-term aspirations as a people. This Budget is  
therefore calibrated not to discriminate. It is calibrated to help the aged and the disabled and  
1525 the young as well as the capitalist businessman and the worker he employs, for we must nurture  
our businesses in order to nurture our workers and in that way enjoy the social peace that we  
are basking in today.

This weekend we have also seen Team Gibraltar prosper and succeed in the Island Games in  
Gotland. The Minister for Sport has been with the team this weekend and is back in the House  
today for the debate. He will return to Gotland at the end of the proceedings of the House this  
1530 week. The next Games will be in Gibraltar and we will be ready for them, Mr Speaker. From the  
whole Parliament the very best of luck to all of Team Gibraltar in Gotland this week and  
congratulations to all those of our athletes who are already medal winners: Harry and Tom, who  
took gold in clay pigeon shooting; Wayne, Stephanie and Mairead, the latter of whom is just 14,  
who took bronze in the team air rifle; and our triathlon team, who also took bronze in their  
1535 event.

Mr Speaker, the Gibraltarians are a strong, resilient and robust people. Look at the  
magnificent efforts some of our people make for worthy causes that they hold dear. What  
makes a man swim across a busy strait like the Strait of Gibraltar; and then, when he reaches  
Tangier on the other side, on the distant shore, what makes him swim straight back? What  
1540 makes a man walk to Jerusalem, like Mark Randall did? What makes a man and a woman swim  
in the sea every single day, come rain or shine, warm or cold, like Stuart Felice and Debbie Ruiz  
are doing every day? What makes a team of men get on their bikes in London and not get off  
until they have cycled 2,400 kilometres to Gibraltar? It is what makes us Gibraltarians, Mr  
Speaker. The pursuit of a just cause. Courage. Grit. Determination. Rock Scorpions every single  
1545 one of them. Heroes raising funds for those worse off than themselves. Champions, Mr Speaker.  
The Government will match the amounts each of the ones I have mentioned have raised at the  
end of their challenges for the causes they have sponsored.

Mr Speaker, prudence, caution, optimism and investment – those are the watchwords with  
which this Budget has been laced. We must be prudent, but the results of the year just past to  
1550 date give us good reason for optimism. That is why with caution we must continue to invest in  
our community. If we have the income, as we do, we cannot fail to build much needed new  
schools because Britain is leaving the European Union – because what is the meaning of  
prudence and caution in relation to budgetary discipline?

Prudence is not an entreaty to stop all spending. That is suicide in economic terms that would  
1555 lead to a slowdown and a recession.

Prudence is not austerity, as we hear others in this House advocate – that is cutting spending  
and cutting public services.

Prudence is also not a balanced budget, where you spend exactly what your income is.  
Prudence is paying for existing public services and seeking to improve them in quantity, in  
1560 quality and in efficiency, but doing so within our means – and that is what we are doing.

Prudence is paying for new capital projects in a way that ensures that they are not a drag on  
the exchequer but that they provide those new or improved services we want to offer in a way  
that does not create new additional costs – and that is what we are doing.

Prudence means putting cash away in rainy day funds for a rainy day – and that is what we  
1565 are doing, although we had to start from zero.

Prudence means funding the cost of the companies that the former administration created  
and not allowing them to build up deficits, Mr Speaker. That is what we are doing and will not be  
deterred from doing, despite having to reconstruct the accounts of the companies because the  
government of Members opposite did not maintain them.

1570 That is how this Budget is designed and why spending under each head has been carefully  
calculated in keeping with Government policy, so that it is reduced to the level it can be and so



1575 that reducing it any further would logically simply lead to a necessary increase elsewhere. Because prudence means doing all of that *and* having money left over. That is to say, Mr Speaker, prudence is a surplus after pay increases, after new schools, after new sporting facilities and after great musical and cultural events. And that is what we have done and achieved for the past six years and what we will do and achieve for the next three – and that is what this Budget ensures.

1580 You see, Mr Speaker, a Minister for Finance has to see through the prism not just of austerity and saving, not just of protecting our heritage. A Minister for Finance has to balance the wealth of the nation with the health of the nation; the promotion and growth of the nation with saving for the future; the surplus and the reserves and the cost of things versus the value of things. And once that balance is done in the context of these numbers, Mr Speaker, Gibraltar does not need austerity – it needs caution and prudence alongside investment and optimism.

1585 The old St Bernard’s School did not need more austerity applied to it. The pupils of that school needed investment to create the new schools they are being taught in today.

The old KGV did not need more austerity applied to it. The patients of that facility required the investment to create Ocean Views.

1590 Laguna and Glacis did not need more austerity. They had had plenty of that, Mr Speaker, under the GSD. What they needed was investment in the environment people are living in – investment in our public services and in our economy which is cautious and carefully calibrated. That is what this Budget delivers.

1595 And so, Mr Speaker, I say to those outside this House: if you own a business, this is a Budget for you; if you employ people, this is a Budget for you; if you work in the public or private sectors, this is a Budget for you; and if you are elderly, a student or a school child, this is a Budget for you. But if you want to cut services to the public, if you want to slash Government investment in Gibraltar and if you want to sow panic for another year, this is not a Budget for you and we are not a Government for you. And if you do not want to work but you can, or if you do not want to pay your fair share though you can, then this is also not a Budget for you either and neither are we a Government for you. For we are a Government for workers and not for skivers. We are a Government for those who invest, not for those who want to suck up without contributing. We are there for those who need our help, not for those who will not get up and help themselves. And we are ready to do our bit and lead this nation.

1600 Mr Speaker, whatever they think about me, Her Majesty’s Treasury does not lie and the numbers do not lie. Like everything this Government does, we reflect reality; and as such, the only ring that our people will associate with this Budget is the ring of truth, and Members opposite know that. They know that this is the economy they would like to be reporting on. They should be pleased for Gibraltar and they should be honest and say so. They know that these are the public finances that they would be proud to be presiding over, and they should be honest and say so. They should not talk Gibraltar down when the numbers show that our performance is up. A decade after the financial crisis, one year after the Brexit referendum, we are financially stronger than ever.

1615 That is why this is a Budget that reflects economic performance to celebrate unprecedented investment in sport, unprecedented investment in our schools and education, unprecedented investment in our healthcare and elderly services – the unprecedented investment in public services our nation deserves, all funded from the rising revenue that arises from unprecedented levels of investment in Gibraltar: the prudent management of public finances our nation deserves, Mr Speaker.

1620 This is a historic time in our affairs. It is not a time for political novices, for political apprenticeships or political ambition. It is a time for political leadership. Mr Speaker, the economy is performing well, the public finances are stronger than ever, the nation is on a sound course to continued success. Steady as she goes, Mr Speaker. I commend the Bill to the House. *(Banging on desks)*

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

1625

**Hon. D A Feetham:** Mr Speaker, I am not sure that I am going to bring a smile to the hon. Gentleman's face with my first contribution during the course of this debate, because it is both unfortunate but very necessary that I bring to the attention of this House that the hon. Gentleman and the Government have turned these annual debates into a farce, and it is a dangerous farce at that.

This book and the annual debate on the numbers it contains can no longer be taken as an authoritative indication of the economic health of this community, and for that reason, for the very first time in six years, the Opposition will be voting against it. (**Hon. Chief Minister:** Excellent.)

1630

Over the last six years we have seen a systematic destruction of parliamentary governance in Gibraltar and in particular the deliberate disablement of the ability of this Parliament, through this debate and elsewhere, to properly scrutinise our public finances in any meaningful way. The Chief Minister has the dubious distinction of leading a Government that, through the opacity in the way it has chosen to structure the public finances of this community, has made a mockery of these annual debates.

1635

It is not only about the quality of our democracy and about basic accountability and transparency, it is not just about the questions that the hon. Gentleman refuses to answer about the *Sunborn* loan or the information that we are provided in this House, which turns out to be half-truths or inaccurate. It is much more than that. It is about the ability of this Parliament, and therefore this community, to identify potential financial problems before they arise. And it is self-evident that never has there been a need for that scrutiny like there is today, where we are heading out of Europe and that, whether we like it or not, will involve considerable readjustment to businesses and also social attitude.

1640

This book, Mr Speaker – these estimates of revenue and expenditure – is only half of the picture of what the Government has directly or indirectly spent, at what cost, and how much it has directly or indirectly borrowed to pay for it all. The very simple reason for that is that the Government has borrowed some £772 million – let me repeat that: £772 million – that we know of, through Government-owned or controlled companies which it has used and continues to use to fund its expenditure, and none of that is reflected in this book that we are debating here today.

1645

How can anyone – the Chamber of Commerce, the Gibraltar Small Business Federation, the media, the press or anyone else who in a democracy would be expected to comment on the state of our public finances – be able to share that very optimistic picture that the Hon. The Chief Minister paints, when other than the gross debt figure for those Government-owned companies ... We do not know, for example, how much has been spent by those companies, on what that money has been spent, what cash those companies have left at their disposal and therefore what the net debt position of those companies is. How can anyone say they are happy with these figures when the Government is operating a separate set of accounts it is not disclosing and there is no clarity – indeed there is opacity, Mr Speaker – in the way the Government is spending or has spent £772 million, a pot of money in Government-owned companies?

1650

This is an issue of huge concern for the Opposition, which has become even more concerning post the Brexit referendum, a referendum that we all described in this House as posing an existential threat to our economic model, and today we are asked to believe the statements made by the Hon. the Chief Minister that things could not be better, when we do not know what he is doing or what he has done with £772 million in those Government-owned companies.

1665

I repeat: this is not just about transparency and accountability. It is about being able to spot emerging or existing economic problems so that they can be dealt with, and that becomes more necessary now there are some very significant curves up ahead for the jurisdiction.

1670 Let me say, Mr Speaker, that I am *proud* of the job that the Opposition has done in being a beacon of democracy in holding the Government to account on these issues, and history will judge. (*Interjections*) History will judge, and our speeches are there as a matter of public record. Whether the same can be said of others, which in a democracy have their own duties to the people of Gibraltar...

1675 Everything that I say today, Mr Speaker, is subject to this overriding and overarching point that I have just made, because they have really turned this debate into a dangerous farce.

I start with an analysis of the public debt position and the role of the Gibraltar Savings Bank. In December 2011 when they won the election there were £27.6 million of debentures and bonds in the Gibraltar Savings Bank. In other words, money borrowed by the Gibraltar Savings Bank from members of the public owed to members of the public was £27.6 million. The total of debentures and bonds issued by the Gibraltar Savings Bank as at 31st March 2017 was  
1680 £834.5 million. That represents an increase, Mr Speaker, of 3,023% in six years. How on earth the hon. Gentleman can stand there today pokerfaced and say that this is a rainy day fund, a sovereign fund, when ... Anyone who knows about these things can tell the hon. Gentleman that  
1685 a sovereign fund is a pot of money belonging to the state, when debentures in the sum of £834.5 million is money that the Gibraltar Savings Bank owes members of the public. It is not a rainy day fund; it is a debt owed by the Gibraltar Savings Bank to members of the public.

The reason for that huge increase is that the Government embarked on a process, when they got elected, of shifting debentures issued by the Government directly, which legally counts as public debt, to the GSB, where it does not count as debt of the Government because it is a debt of the Gibraltar Savings Bank.  
1690

The Gibraltar Savings Bank, Mr Speaker, is a creature of statute. In simple terms, it is a state-owned savings bank, much like the National Savings and Investments is in the United Kingdom. It is under the management and control of a director, who traditionally has been the Accountant General or the Financial Secretary, the top civil servant heading the Treasury.  
1695

This explosion of Gibraltar Savings Bank debentures was, of course, a premeditated plan to allow the Government to use savers' money for Government expenses without the need to increase public debt, particularly as they fought the 2011 election saying that the GSD had been addicted to debt. It was also a way in which the Government, as we will see, could circumvent the legal borrowing limits that were there to prevent a Government from borrowing in a manner that became unaffordable to this community.  
1700

The device used by the Government to do that was Credit Finance Company Limited, a company incorporated in 2012, run by public servants and which over a period of time since 2013 has had £400 million of savers' money transferred into it. Credit Finance then proceeded to use the money in order to pay the commuted pensions of civil servants, provide loans to third parties under the direction of the Government, including the *Sunborn* Floating Hotel, and the remainder, some £330 million, was loaned to a Government-owned company called Gibraltar Investment Holdings Limited.  
1705

Gibraltar Investment Holdings is, of course, the company that has historically been used by successive governments to fund the capital and cash needs of nearly all Government-owned companies from the Consolidated Fund – in other words, from this book, Mr Speaker. The Government has traditionally injected capital into Gibraltar Holdings Limited and from there it then trickles down into other Government-owned companies – and Minister Bossano has rightly accepted, even when this was denied by the Chief Minister in his New Year's Message in 2014, that the money loaned to Gibraltar Investment Holdings by Credit Finance Company Limited, some £330 million, was being used in order to fund the cashflow requirements of other Government-owned companies and any projects they may have been undertaking on behalf of the Government. That was disputed on countless occasions by the Chief Minister, but in his inimitable style, which I pay tribute to today, the Father of the House came clean and opted to defend the policy instead.  
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I also have to admire the Hon. Gentleman the Chief Minister, the way he stands up and pokerfaced says to this House that the Government has made a surplus of £75.8 million this year. But of course if the debt in Government-owned companies to the tune of £772 million – that pot of money – is being used to pay for expenditure that is properly the Government’s expenditure, and that expenditure is not reflected in these accounts, it is not possible to say that the Government is running the public finances of Gibraltar at a surplus of revenue over expenditure. That is why he does not want a Public Accounts Committee, because he knows that that would give us the ability to ask questions of those public servants running those companies which have within them – or had within them, because we do not know how much has been spent – £772 million.

And it is not an answer, Mr Speaker, to say that the debts of Government-owned companies are not debts of the Government. That may or may not be so from a purely technical legal standpoint, but it is still a debt owed by Gibraltar plc. Are we seriously suggesting that if Gibraltar Investment Holdings Limited, a Government-owned company, ever defaulted, for example, on its debt of £330 million to Credit Finance Company Limited, that the Government would refuse to step in? If those listening to this debate think that I am right and that it is inconceivable that a Government would not step in, should we not be scrutinising how the Government is spending that money, which ultimately is an exposure to the taxpayer of Gibraltar?

The absurdity of the Government’s position can be easily tested. The money in the Gibraltar Savings Bank is guaranteed under the Gibraltar Savings Bank Act by the Government, and therefore the taxpayer. So, even if the Government refused to step in to repay any debt that Gibraltar Investment Holdings owes Credit Finance Company Limited because it relied on the principle that Gibraltar Investment Holdings Limited is a separate entity to the Government of Gibraltar, it would have to do so at source because Credit Finance Company Limited would default in its own obligations to the Gibraltar Savings Bank and the Government are guarantors in law of all the moneys in the Gibraltar Savings Bank.

The additional absurdity and artificiality of this convoluted structure, which the Government has set up solely to massage the figures on public debt and expenditure, is that the money loaned by Credit Finance Company Limited to Gibraltar Investment Holdings Ltd is held centrally by the Treasury, i.e. by the Government, with no attempt to segregate it from money owned by the Government directly. Government-owned money and the money held for Government-owned or controlled companies is pooled centrally and, as Minister Bossano explained only last week, is being used whenever it is needed within what he described as ‘the empire’, by which of course he means the Government and Government-owned companies. So all the money that the Government has and is pooled centrally at Treasury is being used wherever it is needed within the structure of Government, including Government-owned companies.

While the Hon. the Chief Minister latches on to technicalities to support his statement that public debt stands at £442.7 million gross and £319.8 million net, the Opposition continues to remind this Parliament that, post Greece and post the collapse of the financial markets in 2008, countries in Europe are moving towards greater transparency and accountability on the issues of public debt.

In the UK, debentures from the UK National Savings and Investments, the equivalent of the Gibraltar Savings Bank, and the debts of Government-owned companies form part of the UK national debt and it is plainly wrong that we should not do so here in Gibraltar.

The gross debt of this community is an eye-watering £1.2 billion – that we know of, Mr Speaker, and I repeat: that we know of. It is over twice, in gross terms, what the hon. Gentleman has told the House that gross public debt stands at today.

I just ask people to judge me not on my arguments, not on the arguments that I am developing during the course of this debate; I ask them to judge me by the Chief Minister’s own statements as Leader of the Opposition in 2011 when, straight after the 2011 budget debate, he went to GSLP headquarters and in a podcast he said this, and I quote:

Hello.

He does the 'hello' well, I have to say. I have to give him credit for that! (*Interjection by Hon. Chief Minister*) (*Laughter*)

Hello, I have just come out of Parliament, where we have been debating the estimates of expenditure; the Budget, in other words. Mr Caruana is pretending that the economy of Gibraltar has never been better, but in fact if you look underneath the surface, if you look beyond the 1% or 2% tax cuts, there is an issue with the economy that I want you to understand.

1775 Pausing there, Mr Speaker, in 2011 he was telling people there was an issue with the economy, and there I was thinking that I was the only treacherous individual in the jurisdiction worthy of capital punishment for my statements on the Budget each year.

But carrying on:

Gross debt – in other words, the amount owed by the Government of Gibraltar – is now up to £480 million. The ceiling is £500 million ... Despite that, Mr Caruana tells us that everything is okay. Well, with a gross debt of £480 million we are talking about every man, woman and child in Gibraltar owing £16,000 to the banks.

1780 Pausing there again, Mr Speaker, I thought that I was the only one as well who would engage in scaremongering the community on the question of the figures, but of course I appear to be in very good company, i.e. the Chief Minister.

Carrying on:

That's an incredibly high level of debt per capita ... Well, the gross debt borrowing limit is £500 million. If you add to the £480 million that we have already borrowed in respect of gross debt the £20 million that Mr Caruana has borrowed from banks using Government buildings which he has put in a company, then you have reached a total of £500 million. That second £20 million, for technical reasons, doesn't count as Government borrowing, but the Government now owes more than the law allows it to owe. The Government now owes £500.2 million.

1785 Mr Speaker, I have to say I have always admired him for it, but only he – nobody else can do it, only he – can stand up in this Parliament and maintain a poker face when he says what he says and what he has said today about public debt.

1790 When he was the Leader of the Opposition and claimed we had just £20 million – not £772 million, £20 million – of debt in Government-owned companies ... And I do not agree that was the true position but I am prepared, for the purposes of this debate, to take his word at its highest, but when he was saying there was £20 million of debt in Government-owned companies he was claiming that the total amount of debt owed by the Government should include the debts of Government-owned companies, and if you took that amount into account it exceeded the legal borrowing limits.

Well let's test the position even further, shall we, in accordance with the numbers that he has given today and the numbers that we know about.

1795 If you take, as he advocated in December 2011, the combined debts of Government and Government-owned companies, each man, woman and child, as he put it then, would not owe £16,000 to the banks, as he claimed then; they would owe £40,000 to the banks, Mr Speaker. It follows that if £16,000 per person was 'an incredibly high level of debt per capita' in 2011, I suppose £40,000 could be described as a staggering amount today.

1800 It must also follow that if he felt – let me get the quote correctly – 'there is an issue with the economy' on those numbers in 2011, there must be a very serious issue with the economy on the numbers today, which are far worse.

1805 He also said that if you took the £20 million debt in Government-owned companies at the time, the GSD Government had breached the legal borrowing limit by £0.2 million. Well, Mr Speaker, the Hon. the Father of the House will know, if the Chief Minister does not already, that at the time our legal borrowing limits were measured within net debt parameters and indeed he is taking the £20 million figure, which is a gross figure. Well, Mr Speaker, I am going to

1810 return to the net debt limits in a moment, but the debt limits were changed last year to 40% of  
GDP. That is net debt 40% of GDP. On the GDP numbers that he has given to this House today,  
our combined gross debt is running at 62.5% of GDP. In real numbers – because that is what he  
was talking about in 2011 – it is not £0.2 million above the legal debt limit; on a gross basis it is  
£436 million above the figures that he has given in relation to the economy and public debt. We  
have calculated the net debt limit: it is £436 million.

1815 Mr Speaker, I cannot tell the hon. Gentleman, because he is not transparent enough with this  
House, what the net debt position of Gibraltar plc is, taking into account the cash position in  
Government-owned companies, but if I take into account and I give him credit for the  
£300 million that he has borrowed – and that, let's assume, he has not spent, mortgaged, on the  
estates – and the £129 million in terms of the cash reserves that the Government has at its  
1820 disposal, we are still talking about a legal debt limit that has been breached taking those  
numbers. But as I say, I am speculating because of course I do not know; there is no ability for  
me to look through into what is the cash position of those companies in order to tell this House  
whether in net debt terms we are running over the 40% of GDP ratio that the legal borrowing  
limits allow us.

1825 Of course, this year we have the £300 million that the Government, through Gibraltar Capital  
Assets Limited, has borrowed, mortgaged, on the housing estates of Government tenants – a  
loan that is going to cost us, over 31 years, some £314 million in interest alone. In the first  
15 years Gibraltar Capital Assets Limited will have to find £23.3 million per annum to meet  
capital and interest repayments, assuming a straight-line accrual of sinking fund, and I am still  
not clear whether that is coming out of this book – in other words, that £23.3 million of  
1830 repayments from this book – or from the money hidden away in Government-owned  
companies, because they refused to tell us in our meeting at No. 6 Convent Place when we met  
in order to talk about the £300 million loan.

1835 If a GSD Government had done that, Members opposite led by the Father of this House it has  
to be said would be calling for our collective heads. They would be incandescent. I can just see  
the headlines and I can just see the statements emanating from that side, or this side if they had  
been on this side: 'Poor working-class tenants having their homes mortgaged, or hocked, by a  
wicked right-wing Government'. Instead, we have a socialist Government – a socialist  
Government, Mr Speaker – borrowing yet more money on the security of people's homes and to  
boot saying to the people of Gibraltar, 'We, as a Government, do not owe that money because  
1840 it's owed by a Government-owned company.' Of course, none of this was put to the people of  
Gibraltar during the election because they never mentioned it. They did it behind the backs of  
people and announced it seven months after the 2015 general election.

1845 Before I move on to a different point, it is worth pointing out and it is relevant to the rainy  
day arguments advanced by the Chief Minister during the course of the debate today, that as at  
31st March 2017, 68% – nearly 70% – of all assets in the Gibraltar Savings Bank is being invested  
directly or indirectly in Government debt composed of a loan directly to the Government of  
£251.4 million and to Government-owned or controlled companies of £556.1 million. There is  
not a bank in the world that has so many of its eggs in one basket, and if the answer is that the  
Government is solvent and guarantees the money anyway, what on earth are we doing,  
1850 Mr Speaker, excluding the sums the Gibraltar Savings Bank has invested in Government-owned  
companies from any calculation of public debt or expenditure?

1855 I now turn to the cash reserves, debt limits and the surplus. We do not know what the real  
cash position of Gibraltar plc is because we do not know how much of that £772 million in  
Government-owned companies has been spent or remains available to spend. The hon.  
Gentleman says that the proceeds from the £300 million mortgage loan will be spent on  
investments that will generate further economic activity. All we have is his word for it, because  
there is no way of scrutinising whether that is so.

The cash Government has in the bank has been consistently dropping since 2011. It stood at  
£273.8 million in March 2011. By March 2015 it had dropped to £73.2 million. This year the

1860 forecast outturn is £122.9 million. Mr Speaker, I apologise to the House because earlier on in my  
discourse I said that the cash reserve was £129 million – it is £122.9 million. Every year cash  
reserves drops from year to year and then increases nearer to the date of this debate as  
Government tightens its belt prior to 31st March. Even if we take £122.9 million, it represents a  
1865 downturn, without knowing what the Government is spending in Government-owned  
companies, of 55% since March 2011.

Mr Speaker, for most of this time, indeed until the Government changed the legal borrowing  
limits in March of last year, there was a direct correlation between the legal borrowing limits  
and cash reserves. That is because the legal borrowing limits were calculated at a net debt of  
80% of recurrent revenue and net debt is calculated gross debt minus the money that you have  
1870 in the bank. In other words, cash reserves. That formula for the legal borrowing limit was  
changed in March of last year to 40% of GDP without an electoral mandate and indeed without  
mentioning it to the people of Gibraltar in the election held three months earlier. It is a similar  
formula, Mr Speaker, in fact, that led Bermuda to borrow more over a number of years than it  
could afford, and now that jurisdiction is scrambling to rein in public debt and there are  
1875 significant calls to change its legal borrowing limits to the formula the Government ditched in  
March of last year. But the important point for our purposes today is that for much of the period  
between March 2012 and March 2016 when the legal borrowing limits were changed, cash  
reserves were very low and therefore net debt was running very close to the legal borrowing  
limits – at one point as close as less than £30 million.

1880 The Government just could not afford to pay for the £750 million it spent over a period of  
four years on capital projects or the rest of the goodies that they like to crow about that they  
delivered on. They could not do it without the money borrowed from Government-owned  
companies. It just was not legally possible for them to do it.

Today the Government comes to this House and says it has made a surplus of £75.7 million.  
1885 It is a complete nonsense when it is not accounting for the expenditure in Government-owned  
companies. A simple example – and by no means the only one, Mr Speaker – is that through  
Government-owned companies the Government is paying the commuted pensions of civil  
servants. That is traditional Government expenditure and that expenditure no longer appears in  
this book because it is being paid through Government-owned or controlled companies.

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**Minister for Economic Development, Telecommunications and the G (Hon. J J Bossano):**  
Which is a jolly good idea.

1895 **Hon. D A Feetham:** I hear the Hon. the Father of the House saying it is a jolly good idea. Well,  
Mr Speaker, that may or may not be so, but what I am saying to this House today and my  
message to the people of Gibraltar is that if it is such a good idea come clean, be open, be  
transparent about it. Tell us what the Government has spent in those Government-owned  
companies. Allow us to scrutinise the money that is held in Government-owned companies and  
then let's see whether in fact the Government is making a surplus or whether Government  
1900 expenditure and what Government expenditure is being channelled and funnelled through  
Government-owned companies.

In 2012, contributions to the Improvement and Development Fund from the Consolidated  
Fund were £181 million. In other words, in 2012 the Government was directly, from its own  
pocket and reflected in this book, making provision for capital projects and development to the  
1905 tune of £181 million. That was pre Credit Finance Company Limited. At that stage they were not  
taking money from the Gibraltar Savings Bank. Post Credit Finance Company Limited, in 2013,  
that number – in other words, the contribution from the Consolidated Fund into the  
Improvement and Development Fund – falls spectacularly in the following years and there is a nil  
contribution to the Improvement and Development Fund in 2016, a forecast outturn for this  
1910 year of £25 million and an estimate next year of £5 million. That is why, if you look at what the  
Government actually spent overall – in other words, itself directly – in the year ending 31st

March 2012, which was £602 million, it is more or less the same than what the Government estimates it will spend next year up to 31st March 2018, which is £601.6 million.

1915 There are additional reasons why the analysis on the surplus by the Government, we believe, is grossly exaggerated, if not fictional.

1920 Firstly, I repeat the point that I have been making for the last two years about contributions to Community Care. Prior to the financial year ending March 2014, contributions to the charity Community Care were treated as a recurrent expense through a contribution to the Social Security Fund. Since 2014 these amounts have been included in the surplus and then, from there, there has been a payment to community care. The effect in accounting terms is to lower expenditure and to increase the surplus by a corresponding amount. It has never been explained why the change in accounting practice. If the GSD Government had done this, we would have been accused of smoke and mirrors. This year, that would have meant an increase in recurrent expenditure of £20 million and a corresponding decrease in the surplus by the same amount.

1925 Secondly, the Government owes – that we know of, Mr Speaker – at least £19 million or £20 million in tax rebates going back years. He tries to portray almost a Mystic Meg mode in trying to diffuse the point that I am about to make about tax rebates by pointing out to practices – that he says were practices, Mr Speaker – of the former GSD Government. But he is the New Dawn Chief Minister, Mr Speaker. He is the incumbent four, five, six years ... This is his sixth  
1930 Budget speech, he has told this House today, and I would have thought that in six years, even if he is right on the points that he has made, he would have been able to do the right thing by those very many people who are owed money by the state. Some people are being paid their tax rebates for the year ending 2008. If the Government has made money, it should pay it back to the people, not just retain it so that the hon. Member can stand in this House today and say,  
1935 ‘Look at what a wonderful Government we are: we have made a £75.8 million surplus.’ That is not a comfort to those people, Mr Speaker. Nor is it a comfort for the hon. Gentleman to say, ‘Well, it’s just a practice of the GSD that we are taking moving forwards.’

1940 Thirdly, Mr Speaker – and my hon. Friend Mr Clinton will be examining this in more detail later on in this debate – the £300 million loan and the mortgage on the estates has generated £14 million of stamp duty, which is a transaction by the Government with itself, a Government-owned company ... I think it is two Government-owned companies. It is artificial income. Indeed, if you take into account transactions between the Government and Government-owned companies or between Government-owned companies, stamp duty generated exceeds £20 million, as my hon. Friend Mr Clinton will be demonstrating beyond peradventure in due  
1945 course. Just on those three items it would reduce the surplus by £54 million – and I am just taking £14 million for the time being in terms of stamp duty. But I would not want listeners to think that our position is that there is a surplus of £21.7 million. Our position is that if you take all this, and in particular the expenditure through loans provided to Government-owned companies, there probably is not a surplus at all – but we cannot say for sure because there is no  
1950 visibility and ability by the Opposition to scrutinise how much is being spent in Government-owned companies.

1955 Mr Speaker, I now turn to analysis of Government revenue and expenditure. For the reasons that I have already explained, any debate on Government expenditure based purely on these estimates without taking into account the expenditure of Government-owned companies is a nonsense. In simple terms, if I told listeners that I had £500 in my right pocket and I told listeners that I have £800 in my left pocket and I then told listeners, ‘Here is a complete account, detailed to the last penny, of how I have spent the money in my right pocket, that £500,’ and I then said to listeners, ‘I have provided you with a full account of how I have spent all the money in my possession in my control,’ the obvious answer from those listening to this debate would be, ‘Oh,  
1960 but, Mr Feetham, what about the £800 in your left pocket?’ and if I said to them, ‘Well, no, I can’t disclose that, because that’s my left pocket, it’s not my right pocket and I’ve only got an obligation in law to disclose to you how I’m spending the £500 in my right pocket,’ they would say, ‘You’re absolutely mad – you’re stupid!’ (A Member: Yes.) The reality is that, unfortunately,



1965 they have reduced this debate to a complete and utter nonsense precisely because they fail to account for that £772 million that they are spending in Government-owned companies.

It has to be said, however, Government expenditure, even without taking into account the hidden expenditure of Government-owned companies, has risen over recent years like a runaway train. It has provoked comments from the Father of the House about consultants hypnotising Government Ministers into overspends, and no doubt a lot of sleepless nights on the part of the Father of the House, as indeed it has caused one or two sleepless nights on my part too. He has that in common with me.

It has led a Government – that fought an election saying we, the GSD, were the party of austerity – to introduce austerity measures under the guise of public efficiency, which is what we are seeing across the public service.

1975 Mr Speaker, on 31st March 2012 the overall recurrent departmental expenditure, i.e. the cost of Government, stood at £333 million. If you compare like with like and treat the £20 million contribution to Community Care as a recurrent expense, as was always the case prior to 2014 before the Government started to indulge in some creative accounting, recurrent departmental expenditure stands at £494.7 million and has therefore risen by 48.5% since 2012. For a  
1980 Government that is hiding away so much of its expenditure in Government-owned companies that is a very significant amount.

Recurrent revenue in March 2012 stood at £454 million. The forecast outturn for this year stands at £653.7 million. That is an increase of 44.5% since 2012. Again as I have pointed out in previous years, recurrent expenditure, even without taking into account the money hidden away  
1985 in Government-owned companies, continues to increase at a faster rate than recurrent revenue.

This House will also note that over 25.4% of recurrent income relates to import duty, which of course means, in the main, tobacco revenue. Before he accuses me of high treason – which is of course his practice – for making the point, the hon. Gentleman may want to refer to the statements he made to this House on this same debate when he was on these same benches,  
1990 where he said, on a slightly lower percentage, that we needed to move away from overdependence on that sector.

Again, Mr Speaker, the Hon. Mr Clinton will be examining a series of one-off increases in income and artificial generation of income that will further highlight concerns with the ratio of recurrent income to recurrent departmental expenditure. I have to repeat, however, that  
1995 without taking the entire picture of Government expenditure into account by examining the picture as regards Government-owned companies, it is not possible to have a comprehensive analysis of Government expenditure nor compare it usefully to Government revenue.

Mr Speaker, I now turn to economic growth. Today the Chief Minister has said that economic growth for the year ending 31st March 2016 came in at £1.75 billion and that GDP was forecast  
2000 to rise to £1.91 billion next year. Everyone welcomes the rise in GDP, but there is absolutely no doubt that economic growth is being driven by direct or indirect Government borrowing, at least to a large extent. This is not rocket science. If you inject hundreds of millions of pounds in Government company borrowings into the economy it is bound to produce a significant increase in economic growth. It does not, however, guarantee economic health, as he himself was telling  
2005 the people of Gibraltar in his podcast in 2011.

At a time when Bermuda's economy grew substantially, fuelled by debt, there were a minority of voices in that jurisdiction that warned that debt had to be repaid and that the jurisdiction was mortgaging its future economic security. This has been precisely the warning of the GSD Opposition for the last four years, and the failure of the Government to put forward a  
2010 coherent plan for debt repayment continues to be a very significant weakness in the Government's economic plan, which could bring economic consequences in the future.

Mr Speaker, I now turn to specific Budget measures and my concluding remarks. I said last year that in the light of an impending Brexit and the very significant spending funded by the borrowing we had seen over the last four years, this was a time for reflection and a time for the  
2015 Government to rethink its spending plans over the next few years, that it was a time for

consolidation and long-term planning, including debt repayment planning. The immediate response from the Chief Minister was that the Government would meet all of its manifesto commitments. No doubt that is why he has hocked Government estates to the tune of £300 million. This is a matter entirely for the Government.

2020 We have made our position clear. What we have advocated is for the Government to prioritise spending on education and training, which is a matter that my hon. and learned Friend Mr Phillips has tenaciously raised on numerous occasions. In addition, Bayside school is not fit for purpose and I am sorry to say that to have prioritised spending on his own offices over and above a new school for Bayside students will, and continues to be a huge black spot on his record as Chief Minister. We cannot see how their electoral plans on Bayside School are sound and how they are going to build a new school at Bayside while students work on a building site. I hope that the announcement that the Hon. the Minister for Education makes during the course of this debate this week is that he will ditch their manifesto plans for a school at Bayside, because it was completely and utterly ill-conceived and I hope it goes in exactly the same way as his plans for a Europa Point stadium and a stadium at Lathbury Barracks went – confined to the dustbin of history. But we will see what the Minister for Education has to say.

2030 We, for our part, continue to believe that the Rooke site is a much better site for a boys' comprehensive school – even if he does not want to follow our plans, which they have said that they will not – and would allow works with no disruption to children. Well thought-out targeted spending is where we need to plan over the next two years, Mr Speaker, and that is what we will be looking for from the Government not only now but moving forwards.

2035 Mr Speaker, the Budget is a prudent Budget and I accept that in terms of the measures that the hon. Gentleman has announced today those measures are prudent. We welcome the measures that he has announced today in relation to increases in import duty in respect of tobacco and diesel and also the measures that he has announced in respect of plastic bags.

2040 The measures that he has announced today affecting working-class people are modest. We live in uncertain times and I certainly am not going to criticise the Hon. the Chief Minister in respect of the measures that he has announced before this House today, particularly when I have been calling upon him to be prudent in the measures that he announces.

2045 But I still want to say this: that if we are really a truly wealthy society, we have to make sure that that wealth trickles down to those who need it the most, and we need to make sure, through training and employment opportunities, that those who find it most difficult in a difficult economy to find jobs are helped in order to find those jobs. I still get many people in my surgeries complaining that they cannot find employment or are not earning enough in order to raise a mortgage to buy a property. Today he has said that employment levels are at record highs. Yes, that is true, but when one looks for examples in terms of a breakdown of nationality where the increases in employment have been, Gibraltarians have increased – and this is up to the end of 2016, which is the latest figures that we have – from 11,010 to 11,065. That is an increase of 55 Gibraltarians in jobs. Spaniards in employment has increased from 6,413 to 6,867. That is 454, an increase of 7.1%, when the increase in new Gibraltarians occupying jobs was 0.5%. The increase in other EU has been from 2,599 to 2,776, an increase of 177 or 6.8%. My heart breaks every time I see someone break down in front of me, as indeed they do, because they simply cannot find employment – *any* employment *anywhere* in *any* building site in Gibraltar.

2050 Since the hon. Gentleman Minister Costa has moved from employment it has proved very difficult for me to engage with the Government as I did with him, where I used to draw to his attention the most difficult cases that came to see me. It is all very well for me to now be told when I refer difficult cases that that is what the ETB is there for, but these people come to see me because they go to the ETB every week and because they are desperate. They do not come to see me otherwise; they come to see me because they are desperate. It is then galling for these people to see top civil servants retiring on fat pensions to be re-recruited by the Government on fat salaries as consultants, or the Government handing out a 28% pay rise to the

Chief Secretary and the Principal Auditor just before their retirement on a final salary pension. Was there really no one who could have done the job as Ombudsman? Did it have to be the retired Financial Secretary, whatever the undoubted merits of that gentleman may be?

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I also believe that unemployment figures are skewed by the fact that there are people with employment contracts with recruitment agencies who are either on zero-hour contracts or are not working a sufficient number of hours to make ends meet. These people are not classed as unemployed, because they have a contract with a recruitment company, despite the fact that they may be working four, five, six hours a week or may be in possession of a zero-hour contract.

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At the other end of the spectrum we have seen the Government and Government authorities make increasing use of recruitment consultants to the extent that we are creating a parallel public service on significantly poorer terms than their permanent cousins. It is all very well to say that such labour is necessary to cover for maternity leave or sickness. The reality is that many of these people are occupying posts for some years. These workers have no holiday or sickness leave entitlement. Many are on the minimum wage whilst the recruitment agencies earn a significant slice by way of premium.

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I would ask the Government to be honest with people, tell them what they intend to do and in the meantime make sure people who have been covering on a long-term basis have proper holiday and sick leave. I would go as far as to say that there is a case for cutting out the middle man altogether and for the Government or agencies to do the recruiting directly, so that more of their labour goes into the pockets of the worker and not into the pockets of recruitment agencies, even if that employment is on a temporary and not a permanent basis.

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I just want to draw the attention of this House to some of the figures on subcontracted labour. As at February of this year, 45% of all employees at the Dr Giraldi Home were subcontracted workers; 30% of all nurses in the Care Agency and Mount Alvernia were also subcontracted through recruitment agencies. These are very significant figures, and in some areas there are more workers recruited through agencies than directly by the Government. There were a staggering 196 subcontracted workers providing care services for the Care Agency alone, excluding Mount Alvernia, compared with 159 employed directly.

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And again, Mr Speaker, as in other areas of Government business, the Government simply refuses to disclose accurate information every time we issue a press release criticising their performance in the area concerned. And there I thought that part of the democratic process was the Opposition holding the Government to account and criticising the Government on areas of Government performance where it is justified. One day the Government gives us the figures on vacancies within the public service, including the GHA and the Care Agency, but when we make any kind of public comment on the numbers, the Government closes the shutters on democracy the next time that we ask. And he calls himself a transparent and accountable Chief Minister simply because we have more meetings of the House, of Parliament, than we did under the GSD Government!

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What is appalling, in my view, however, is that rather than opt for the approach of Minister Bossano, who will simply say, 'I am not going to give you the answer,' and will take any criticism coming his way on the chin, we are told there are no vacancies in the Care Agency or the GHA when that is clearly not the case and the Government was in discussions with Unite the Union on the issue – and we know that because Unite the Union issued a contemporaneous circular to its members stating precisely that it had spoken to the Government about vacancies within the GHA.

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Mr Speaker, there is no doubt that there are huge morale issues in the GHA and indeed the Care Agency, and labour issues lie at the heart of that discontent. The hon. Gentleman Minister Costa knows I have the highest regard for him personally, but he has a massive job on his hands in relation to Health. There is a very significant discontent by both hardworking staff and by patients. It is unprecedented for doctors to have felt the need to conduct a morale survey at the hospital. It is unprecedented to see so many doctors leave the hospital because of morale issues. It is unprecedented, Mr Speaker, to see doctors who have felt the need to conduct a morale

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2120 survey at the hospital – absolutely unprecedented. That all in the context of unprecedented expenditure in Health, which has gone up from £75 million in 2011 to £120 million last year. That is nearly *£10 million a month*, Mr Speaker! For that amount of money we just simply should not be having the kind of issues that people and staff are experiencing within the Health Service.

Such were the number of complaints we were receiving that I took over this portfolio myself. 2125 It is the reason why I am dealing with this during the course of my own contribution before this House. I began to raise the burning issues as I saw them that were coming to me: bed shortages, Accident and Emergency, the Primary Care Centre and doctor morale issues amongst others. Since March I have attempted to give the hon. Gentleman the space to deal with these because I genuinely want him to succeed, but it is something that I intend to return to and he knows that I 2130 will compare his performance by the same yardstick that he used as Shadow Minister for Health when we were in Government. Nothing is more important than health and we ignore the concerns of professionals and patients at our peril. But again, Mr Speaker, I wish the Hon. the Minister for Health, Mr Costa, well in his endeavours.

Mr Speaker, these are uncertain times. I foresee difficult moments ahead. It is important that 2135 in the same way as we create wealth, that wealth is spread evenly when it is created. Where the Government is looking for efficiencies it should not be allowed to affect the quality of services, the disadvantaged, or create unfairness in the workplace. Other than that, our spending has to be carefully targeted: no more pharaonic projects, no more suspension bridges, no more building palaces at No. 6 Convent Place, less traveling around with hordes of officials and 2140 politicians. Let's invest in what really matters: training, education and the creation of jobs for our people.

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

**Chief Minister (Hon. F R Picardo):** Well, Mr Speaker, this is going to be an easier week than I thought, and in the circumstances I now seek that the House recess until 5 p.m. this afternoon, 2145 when the Deputy Chief Minister will continue with the proceedings.

**Mr Speaker:** The House will recess to five this afternoon.

*The House recessed at 2.34 p.m.*