



# PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

**AFTERNOON SESSION: 3 p.m. – 6.33 p.m.**

**Gibraltar, Monday, 2nd July 2018**

## Contents

Appropriation Bill 2018 – For Second Reading – Debate continued .....	2
<i>The House recessed at 5.07 p.m. and resumed its sitting at 5.19 p.m.</i> .....	29
<i>The House adjourned at 6.33 p.m.</i> .....	41

# The Gibraltar Parliament

*The Parliament met at 3.00 p.m.*

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

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

## **Appropriation Bill 2018 – For Second Reading – Debate continued**

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

5       **Deputy Chief Minister (Hon. Dr J J Garcia):** Mr Speaker, the first time I spoke during a debate on the estimates of revenue and expenditure was in 1999. I had been earlier elected on a by-election barely a few weeks before. This is therefore my 20th Budget and my seventh as a Member of the Government. Only Sir Joe Bossano and indeed you, Mr Speaker, have been here for longer!

10       I propose to start with a report to this House of work connected to our departure from the European Union. It will not come as a surprise to learn that this has been the subject that has most occupied my time over the last financial year. There have been over 500 meetings, engagements and media interviews linked to Brexit since the referendum of June 2016.

15       These are only the ones which I have been involved in directly, so that figure does not cover everything. More meetings have taken place at many other levels and with many other different people.

Mr Speaker, there is less than a year to go until we leave the European Union. We did not vote to leave. We did not want to leave. But now we have to get on with it. And that, Mr Speaker, is exactly what we are doing.

20       These have been an intense twelve months. The Chief Minister, the Attorney General and I have lived and breathed Brexit practically on a daily basis. It has been a real pleasure to work together with them, the Financial Secretary and with the wider Brexit team.

25       Mr Speaker, the Department for Exiting the European Union in the United Kingdom has an estimated 550 full-time employees. They are supported by well over 100 more at the UK Representation to the European Union, known as UKRep. In Gibraltar, we probably have less than 20 people dealing with different aspects of Brexit. These include staff based in London and in Brussels. However, we do call upon the expertise of different UK Government departments as and when needed.

30       We are all aware that Brexit is an incredibly complicated affair. It is complicated for the United Kingdom itself. We have the additional political challenge posed by our neighbour.

35       Mr Speaker, the House will recall that last year Clause 24 remained in the final version of the European Council's negotiating guidelines. That clause has continued to be restated several times as the UK/EU negotiations have progressed. The House knows that the EU draft text of the Withdrawal Agreement was published earlier this year. The section on territorial scope included Gibraltar shaded in green as agreed text. There was an asterisk in white background which referred to Clause 24 and which was therefore not agreed text.

It is important to bear in mind that Clause 24 is the position of the EU side. Their latest conclusions published last week once again made reference to Gibraltar in this context. This is not the position of the Member State United Kingdom and still less the position of Gibraltar. The European Council's decision to provide Spain with this purported veto was shameful. It is symptomatic of the very attitude that led the United Kingdom to vote to leave the EU in the first place.

For us, it was a base betrayal; 96% of us voted to remain. We thought that the EU would love us. We believed that Europe would embrace us. Instead, with that veto clause they did the very opposite. Faced with that betrayal, the Government is delighted with the solid support that we continue to receive from London, to date, as this process moves forward.

The Government, Mr Speaker, continues to engage closely with the United Kingdom Government on the details of our EU exit. We have worked together in lockstep. We have planned the way forward. We have discussed strategy. We have drafted papers. We have been very closely consulted at every stage. This co-operation is reflected in the wide package of measures agreed at the sixth meeting of the UK-Gibraltar Joint Ministerial Council. Those measures provided important reassurance to our financial services and online gaming industry in terms of continued access to the United Kingdom market. The House will recall that other measures agreed provided for British Citizens resident in Gibraltar to continue to be eligible for higher education fees at home student levels in England, both during the transitional period and afterwards.

On health, it was also agreed that Gibraltar would continue with the existing arrangements, for patients receiving free elective treatment in the United Kingdom. This marked the end of the first phase of Brexit for Gibraltar. It was cemented by securing agreement on the delivery of those UK bilaterals.

Mr Speaker, there continues to be solid support for Gibraltar across the political spectrum in Westminster and in the Devolved Administrations. The Government will continue to keep our friends in Parliament informed. We will maintain a high visibility profile for Gibraltar. It is important that our issues are not lost in the wider Brexit agenda.

Those who sit on the Brexit Select Committee of the Gibraltar Parliament have been briefed privately on the details of our EU departure. They will therefore know more about what is happening than I am able to tell the House today. There have been 10 confidential briefings to date. My hon. Friend, the Chief Minister, has also separately briefed the Leader of the GSD party more than once.

Mr Speaker, as we prepare to leave the European Union, officials from the United Kingdom continue to engage closely with the Government of Gibraltar and other European partners, including Spain, to address the practical implications arising from the UK and Gibraltar's EU exit. The Government of Gibraltar is directly involved in those meetings which are relevant to Gibraltar. The United Kingdom is the Member State responsible for Gibraltar in the European Union. They are also responsible for the negotiations as they affect the entirety of the British family of nations.

These are three Devolved Administrations, three Crown Dependencies and 14 Overseas Territories impacted to varying degrees by the UK's departure from the European Union – 20 territories in total. All of them have different interests that the Government of the Member State UK has to take forward. Anguilla is concerned about its border with EU territories in the Caribbean; the Falkland Islands want to continue with tariff-free and quota-free access to the EU market for fish, squid, lamb and mutton. Curiously, they supply fish and squid mainly to Spain.

The Channel Islands want to protect their trade with the UK and the EU in fisheries, agriculture and manufacturing. Bermuda and others are concerned about the ability of their citizens to travel into the EU after Brexit. All the OTs have concerns about the continuation of the existing generous EU funding streams that they receive. Every territory, Mr Speaker, has their issues.

Gibraltar is no exception, we have our issues too. It is no secret that there are seven areas under discussion as part of our own EU departure. These are: tax transparency and co-operation; police, customs and judicial co-operation; the border; tobacco; the airport and aviation; the environment; and the legal form that any possible agreements might take.

The Government remains willing to engage Spain in a positive and constructive manner as we prepare to leave the European Union. It is sensible that issues which want to be progressed by both sides should be on the table. The question of sovereignty is excluded; indeed, this has been made clear by Spain itself. In any case, for the avoidance of doubt, let me repeat that the sovereignty of Gibraltar is not a matter for discussion with Spain – Brexit or no Brexit. The discussions taking place now are EU-exit discussions.

It is obvious from the list of topics that some of the issues will be easier to resolve than others. For instance, much has been said about the greater use of Gibraltar Airport. We are happy to have a discussion with Spain about its enhanced use. We are not happy, however, and will not contemplate any proposals which impinge on our sovereignty, jurisdiction and control.

In this context, it is important to make it clear once again that the symbols and the ingredients of sovereignty are as important as sovereignty itself. Gibraltar has clear red lines. We know that Spain has its red lines too. As I have said before, Mr Speaker, there is space between for a practical, modern, non-sovereignty solution between the two sets of red lines.

Mr Speaker, quite apart from the political work, our departure from the European Union will require a considerable legal and administrative effort as well. That departure will be enshrined in an EU (Withdrawal) Bill in the same way as is happening in the United Kingdom. In order to make sure that there is certainty in the status of the law, the entire body of EU law will be copied on to Gibraltar's domestic statute book. There are two steps in this process.

The first is that all directly applicable EU law will be converted into Gibraltar domestic law on exit day. The second is that all Gibraltar law that has been made to give effect to EU rights and obligations will be preserved. Therefore, Mr Speaker, on exit day directly applicable EU law, like Regulations and Decisions, will continue to be considered as part of Gibraltar law and can be relied upon as such. However, these savings provisions will not be enough to ensure a smooth transition.

Some measures will only work in the context of EU Member State relations. These will involve, for example, the recognition of competent authorities, the exchange of information or the mutual recognition of licences. Other measures can be brought into Gibraltar law but will require changes in order to make them operable, by which I mean they will function as legal instruments in our legal order.

The EU (Withdrawal) Bill will include the power for the Government to change EU law in order to ensure that every EU measure is operable. It will also contain provisions that will allow for the implementation of any agreement reached in respect of Gibraltar's EU exit. However, that may yet be done in the context of a Withdrawal and Implementation Bill, as the UK are minded to do.

Mr Speaker, in order to get a complete understanding of which laws apply to Gibraltar we have examined in excess of 20,000 pieces of legislation. Taken together, these comprise the legal order of the European Union and these are principally the treaties, regulations, decisions, and directives. We have also undertaken an examination of our entire statute book in order to identify where individual EU measures have to be implemented or transposed.

We are working on the basis of a core of about 1,600 measures which are of relevance and need to be individually considered by the various government departments and the legislative drafters. That exercise is already under way. This is perhaps the most far-reaching legislative review ever undertaken in Gibraltar, veritably a mammoth task, and the Government is very grateful to everyone involved in the exercise.

Mr Speaker, work related to our departure from the European Union can be found at Head 12, Sub-Head 2(9).

140 I move on now to report on our office in Brussels. Not surprisingly, our EU Representation is itself heavily involved in different aspects of work as we prepare to leave the European Union. Therefore the office today is busier than it has ever been as a result of the ongoing Article 50 process. In addition to the 'business as usual' work that they conduct, are the demands and the challenges we collectively face as a consequence of Brexit. The office continues to gather vital intelligence 'on the ground' in Brussels.

145 It has been pivotal in informing the Government of developments in each of the EU institutions concerning Brexit. It has helped to educate influencers about Gibraltar's position in respect of matters that are of critical relevance to us. Gibraltar's network of contacts and supporters continues to grow. I should add that this is something which has not escaped the attention of Madrid.

150 An informal 'Friends of Gibraltar' group is now consolidated and relationships are being maintained on a day-to-day basis. Interest in Brussels about Gibraltar matters has never been greater. This is of course due to an increasing awareness of our position in these negotiations. However, the work of our assets in Brussels in generating this interest should not be underestimated.

155 Mr Speaker, over the last 12 months I have visited Brussels on three occasions, once with the Chief Minister, in July last year. The Attorney General has made several other visits during the year. Our Representation has been closely involved during all these visits and has been instrumental in securing meetings.

160 Mr Speaker, the European Parliament will have a final say on the outcome of the negotiations for the departure of the United Kingdom and Gibraltar from the European Union. It will have a vote on whether to approve or reject the withdrawal agreement. For this reason, the team in Brussels have dedicated much time to the work of briefing Members of the European Parliament on Gibraltar Brexit issues.

165 In the 2017 calendar year, Gibraltar Government officials or Ministers met informally with 79 MEPs of different nationalities, from different committees and from different political parties. Since 1st January 2018 to date, 40 more MEPs have been seen. Discussions with some of these MEPs have taken place on more than one occasion. This means that the number of separate meetings is in fact much higher. Records of every single meeting are kept. In relation to every meeting there is a purpose, an objective and a reason for the approach. Many of the MEPs  
170 concerned are among the most influential and experienced Members of the European Parliament. Some are the chairs of the parliamentary committees which are of most relevance to Gibraltar.

175 By way of example, the Government can confirm that it has exchanged views with each and every MEP forming part of the European Parliament's Brexit Steering Group. This is the group that is co-ordinating and defining the Parliament's policies as the Article 50 process moves forward. At times, this strategic lobbying translates into results that are measurable and tangible.

180 The House will recall that amendments hostile to Gibraltar were tabled by Spanish MEPs following an inquiry into money laundering, tax avoidance and tax evasion. Those amendments were highlighted prominently in the Spanish press. Predictably, that same Spanish press was silent when amendments were ultimately rejected by MEPs in a vote in the committee concerned.

185 There are other examples, Mr Speaker. Gibraltar has won votes in the European Parliament. We have also won votes in Committees. This is a result of the sheer hard work carried out in Brussels since we took the decision to expand our presence there.

The Government, at the same time, continues with its programme of organising or supporting visits for MEPs to Gibraltar. Last year, we welcomed nine different members of the European Parliament.

190 Mr Speaker, we have also had direct contact with the European Commission. On 13th July 2017, the Chief Minister and I met with the EU's Deputy Chief Brexit Negotiator, Sabine Weyand,

and other members of her team. This was the same day that Taskforce 50 Team met with the First Minister of Scotland, Nicola Sturgeon; with the First Minister of Wales, Carwyn Jones; and UK Opposition Leader, Jeremy Corbyn. The meetings took place despite intense and desperate efforts from Madrid to prevent it from happening. It proved to be a good opportunity to explain Gibraltar's objectives and concerns.

I also had the pleasure to exchange views again with the UK Commissioner, Sir Julian King, earlier this year. Further meetings with Commission officials belonging to different Directorate-Generals have taken place over the last 12 months. The purpose of those meetings has been to discuss issues relevant to our ongoing membership of the EU and our continued obligation to observe and implement EU law.

Mr Speaker, as part of our policy to leave no stone unturned as we leave the EU, we have met with every single Member State. These meetings have taken place in Brussels, in London and here in Gibraltar. Meetings have also taken place with the Council officials co-ordinating Brexit matters. The House will understand that it is not in the public interest to disseminate detailed information concerning some of the contacts that have taken place. Communication with the UK's own Representation to the EU, UKRep, has also been fluid at all levels.

It is worth highlighting that in January I had a very productive meeting with the UK Permanent Rep to the EU, Sir Tim Barrow, and a separate meeting with the newly appointed Director for the UK-EU Partnership, Hermione Gough. I am confident that Gibraltar's concerns and priorities are thoroughly understood by the UK officials in Brussels. They know that we look to them to continue to defend our interests in the heart of the European Union on a day-to-day basis.

Mr Speaker, aside from the above, the office in Brussels continues to monitor and advise on EU legislative and non-legislative proposals.

It has also been involved with the following: (1) Keeping up to speed with developments in Brussels in Fintech and DLT Technology, working in conjunction with the Finance Centre Department and the Financial Services Commission. The office has also helped organise visits to Brussels with this purpose, ensuring that Gibraltar is well represented in prominent debates and discussions; (2) Arranging for me to make Gibraltar's case at a Brussels policy think-tank; (3) Conducting two visits to Strasbourg to coincide with European Parliament plenary sessions there, with a further visit envisaged later this month; (4) Organising and accompanying three visits of MEP assistants to Gibraltar. The last one took place just over a week ago. (5) Making arrangements for the October 2017 visit of Gibraltar students to Brussels. (6) Assisting with an event hosted in Gibraltar House to inaugurate the 'Friends of Gibraltar' Group, as well as hosting events for the Gibraltar Ombudsman, the Young Professionals in Foreign Policy group, Team Global and the British-Irish Parliamentary Assembly; (7) Attending leading think-tank events, networking events organised by other representations and organisations as well as conferences in Brussels, takes up another part of their time.

The Government is grateful to Sir Graham Watson, to Daniel D'Amato and to the team there for the work that they continue to do. The Brussels Office can be found at Head 12, Sub-Head 2(2)(b).

Mr Speaker, I move on now to Gibraltar House in London. The expanding diversity of challenges arising as the process of leaving the EU unfolds has also continued to dominate work at Gibraltar House in London. This is in addition to the important task of lobbying and keeping our many friends and supporters in Westminster accurately informed. The office on the Strand provides an effective working platform from which the Government can interact with ministers and officials in London.

As the deadlines established for the UK and Gibraltar's departure from the EU approach, engagement at a technical level has increased alongside the broader and intense political discussions that also continue. This has meant Brexit working groups from Gibraltar meeting regularly with their UK counterparts in London. Some of those meetings alternate between Whitehall and Gibraltar House itself. The networks that have been established and the detailed

technical work that results from this engagement will become increasingly important to us as we leave the European Union. The indications are that this work will expand exponentially.

245 Mr Speaker, the flow of information and channelling of contacts in both directions has been an important element in the work carried out in London. Gibraltar House has evolved over the last couple of years. It has become the conduit for information gathering and analysis. It has been the visible face of Gibraltar in Brexit think tanks and events in London. It has engaged with UK government departments and officials. It helps to organise the flow of information into No 6  
250 and to the Government here in Gibraltar.

The team at Gibraltar House attend parliamentary committee hearings. They engage with MEPs and Committee members where it is felt Gibraltar should put forward its views and concerns. Their work with both Houses of Parliament is very much a priority. Gibraltar House assists the All Party Parliamentary Group on Gibraltar with its secretarial functions. It reaches  
255 out to new MPs and Peers who show an interest in Gibraltar affairs.

Bob Neill MP took over the Chair of the All-Party Parliamentary Group (APPG) on Gibraltar a year ago. He has been an important ally in getting the Rock's message across to the right people in No. 10 and in Whitehall. The APPG is a cross-party body which includes MPs and Peers. Members will have seen that Gibraltar has enjoyed considerable support in debates and other  
260 parliamentary activity. The Government, and I am sure the whole House, is very grateful to Bob and to our friends in the APPG.

Mr Speaker, the Government has been active in putting across our views in Westminster as well. My colleague, the Chief Minister, has appeared before both the House of Commons Committee on Exiting the European Union, chaired by Hilary Benn, and the House of Lords European Union Committee, chaired by Lord Boswell. Members will recall that in March this  
265 year Lord Boswell led a small delegation from the Committee to see the situation in Gibraltar at first hand.

It has been important for the Government to foster the support and loyalty we have enjoyed from many British MPs and Peers. Old friends like Deputy Speaker, Lindsay Hoyle, and his father Lord Hoyle, are prime examples of that continued loyalty and support. But at the same time, we  
270 continue to reach out to new friends. We must get our message across and win support based on the merit of Gibraltar's case.

Mr Speaker, I would like to say a few words about Gibraltar Day. The annual Gibraltar Day event in London has been transformed. Numbers for the evening reception have been reduced  
275 considerably; invitations are now far more targeted. Last year, the evening reception was hosted at the Gherkin on Monday 23rd October. Among the guests were 10 Ambassadors and 13 Deputy Ambassadors, as well as some 36 members of the House of Commons and the House of Lords. The Government also hosted over 100 members of the Gibraltar expatriate community to a Thanksgiving Mass and Reception in Fulham on the preceding day. Over 300 members of  
280 the Gibraltar Financial Services industry met for a business lunch in the City of London. The new focus given to more targeted events provides greater value for money.

Mr Speaker, the number of political guests at the last National Day rally is a reflection of the political moment that we find ourselves in. Gibraltar played host to 26 MPs and Peers from across the UK Parliament. Five members of the European Parliament also joined us; their  
285 programme included separate briefings from the Chief Minister and from me; a meeting with representatives from the Finance Centre; and a call on His Excellency the Governor.

Delegates attended the traditional National Day rally and they were also able to participate in a number of events marking the 50th Anniversary of the 1967 Referendum. It was a real pleasure to welcome the UK Minister for Europe, Sir Alan Duncan, to Gibraltar.

290 This lobbying work is a continuous process. Only this spring, the London office organised a breakfast meeting with the Chief Minister for the All-Party Gibraltar Group in the House of Commons. This was attended by 17 MPs. On the same day, at almost exactly the same time, I hosted another group of MPs here in Gibraltar.

295 We believe that such visits are crucial in deepening our understanding of the issues and the  
challenges before us. There is no better way to understand Gibraltar than to visit Gibraltar.  
Those UK MPs who came here on working visits outside National Day include Dominic Grieve, Liz  
McKinnes, Robert Goodwill, Mike Gapes and Tom Brake.

300 Mr Speaker, our former governors continue to represent a great source of support and  
remain in close contact with the team in London. The London office also has a fluid relationship  
with the Scottish, Welsh and Northern Ireland Assembly representatives. Contact is maintained  
with many embassies in London including the Ambassadors of European Union countries. Many  
Member States of the EU have a particular interest in how Brexit may impact on Gibraltar. Our  
UK Representative Dominique Searle is regularly invited to official and diplomatic events in the  
capital in addition to formal working meetings.

305 Mr Speaker, the lobbying work comes to a head normally during the party conference  
season, and 2017 saw a record participation in such events. Gibraltar maintained its traditional  
presence at the Conservative, Labour and Liberal Democrat conferences. We also hosted a stand  
at the conference of the Scottish National Party. In the same way, we attended the DUP  
conference in Belfast for the very first time. Gibraltar hosted a reception or a lunch at each  
venue.

310 The high-profile speakers in these events reflect the support that Gibraltar enjoys right to the  
top of the UK political establishment. At the Conservative conference we had the Foreign  
Secretary, Boris Johnson; at the Labour Conference we had the Shadow Foreign Secretary, Emily  
Thornberry; at the Liberal Democrat Conference we had the Deputy Leader, Jo Swinson; at the  
315 SNP Conference we had the Spokesman on International Affairs and Europe, Stephen Gethins;  
and at the DUP we had the leader and former First Minister, Arlene Foster.

Mr Speaker, we will never take our friends for granted. The Government will continue to  
work closely with them. We shall continue to reach out to all layers of public opinion in the UK.  
We shall continue to consolidate and to grow our support in Westminster. I would add here that  
320 Gibraltar was represented at the State Opening of Parliament that followed the last UK general  
election. We took our seat alongside Ambassadors and the representatives of other British  
Overseas Territories. In this context it is important to recall that UKOTA, the association of the  
territories, continues to be an integral part of our work in London. Gibraltar House is a regular  
venue for its meetings.

325 I explained how all of us will be affected in different ways as we leave the European Union:  
despite these differences, the territories have much to gain from standing in solidarity with one  
another.

Mr Speaker, as we leave the European Union and one door closes, other doors will open.  
Gibraltar, like the United Kingdom itself, is looking for closer interaction with the  
330 Commonwealth. This year, on Commonwealth Day, we lowered the flag of the European Union  
and replaced it with the flag of the Commonwealth. This was an important symbolic gesture; a  
prelude of things to come.

Gibraltar has long relished its historic relationship with the Commonwealth family. This year,  
we attended a number of different fora around the Commonwealth Heads of Government  
335 Meeting in London. We were represented at the Commonwealth Youth Forum, the  
Commonwealth Business Forum, the Commonwealth People's Forum and the Commonwealth  
Women's Forum. These engagements all proved to be very useful. Indeed, the young people  
who attended the Youth Forum were able to speak directly to the leaders of Commonwealth  
countries like Canada and Jamaica – as well as to the Prime Minister, Theresa May.

340 In 2018, Gibraltar also went to the Commonwealth Youth Parliament for the first time. This  
event took place in Jersey. Once again, our young people did very well.

In April, the Gibraltar flag flew proudly next to those of 70 of other territories and countries  
during the Commonwealth Games in Gold Coast, Australia.

345 At the same time, Gibraltar has continued its long-standing contact with the Commonwealth  
Parliamentary Association. The Minister for Equality, Samantha Sacramento, is a member of the



Board of the Commonwealth Women Parliamentarians. The Minister for Culture, Steven Linares, is now an alternate in the Board of the Commonwealth Local Government Forum. Sir Joe Bossano has stepped up our engagement with the Commonwealth Telecommunications Union. Gibraltar has now joined the Commonwealth Enterprise and Investment Council.

350 Earlier this year, I met with the Secretary General of the Commonwealth, Baroness Scotland, at her offices in Marlborough Palace. I also met with the UK Minister for the Commonwealth, Lord Ahmad of Wimbledon.

Gibraltar will continue to reinvigorate our institutional links with the Commonwealth in the months and years to come.

355 Mr Speaker, the Government maintains a strong relationship with the Royal Household through Gibraltar House in London. This includes representation and attendance by Gibraltar at key ceremonial events including the annual Commonwealth Mass. The Government is working to include Gibraltar in one of Her Majesty's programmes, known as the Commonwealth Walkway. My colleague, the Minister for the Environment is leading on this matter.

360 Last year saw the first Royal visit to Gibraltar House in London. On 16th October, the Chief Minister hosted Her Royal Highness, the Princess Royal, to a reception there to mark her patronage of the Gibraltar Literary Festival. HRH unveiled a plaque to commemorate this patronage. The event was attended by speakers and sponsors of the festival.

365 Mr Speaker, I am happy to say that the Friends of Gibraltar continue to provide welcome support. They make regular use of the facilities at Gibraltar House. This is in addition to the considerable use of the building by the finance centre and by commercial and legal firms, as well as government departments and bodies.

I take this opportunity to thank Dominique Searle, Tyrone Duarte and the staff of Gibraltar House. They are Gibraltar's face in London and they continue to fulfil this role extremely well. Gibraltar House in London can be found at Head 12, Sub-Head 2(2)(a).

370 Mr Speaker, the office in Hong Kong works directly to my colleagues, the Minister for Commerce and the Minister for Economic Development. The Hong Kong office, as I have previously explained, has been included within my Head purely for administrative purposes together with the other two Gibraltar offices abroad. Since establishing our office in Asia in 2014, the aim has always been to promote, protect and further Gibraltar's interest in the Far East. This is the fastest growing economic region in the world.

380 The Office has hosted numerous Gibraltar delegations led by Ministers and private sector firms in China and has also introduced many firms from Asia to Gibraltar. It has driven significant media coverage in the region promoting Gibraltar as a jurisdiction. Private meetings with businessmen, regulators and officials have also been managed by the office in Hong Kong. This includes arrangements for a Memorandum of Understanding to be signed by the GFSC with Hong Kong regulators, related to our drive to attract DLT business to Gibraltar. The Government has worked hand in hand with the private sector to foster and promote Gibraltar's reputation as an attractive, safe and economically advantageous jurisdiction in which to conduct international business.

385 Mr Speaker, it will be clear to the House that the role of this office is commercial and not political. I therefore leave my colleagues to provide more details about its operation. The Hong Kong office is located at Head 12, Sub-Head 2(2)(c).

390 Mr Speaker, I now propose to say a few words about the Government's lobbying activities in Washington. Gibraltar and Spain have been engaged in a game of cat and mouse in Washington for a number of years. This started because the Spanish Government at the time stepped up its anti-Gibraltar rhetoric. They wrote to and met with Members of Congress who signed up to a resolution supporting Gibraltar. They have complained to those Congressmen and Congresswomen who have visited Gibraltar. They have protested to Members of the Congress and Senate Committees on external relations. They have also protested to those Congressmen who have met with us during our visits to Washington.

Indeed, Mr Speaker, they have been known to protest to Congressional offices even before such meetings have taken place and when our schedule has not been published. Quite remarkable! Nonetheless, Spain's efforts have proved to be completely counterproductive. A senior Congressman told us that no third party will dictate to him who he can or cannot meet. Other offices were curious to find out how Spain knew about our meetings in the first place. Despite this welcome reaction, it has become necessary to counter the misinformation against Gibraltar being put across by Madrid in the US capital.

This happens in several ways. First, Mr Speaker, our lobbyists Holland and Knight have held over 100 meetings with Congressional offices in the House and in the Senate, including with senior officials in the Trump administration, and multiple other communications. Secondly, we encourage members of Congress and of the US armed services to visit Gibraltar so that they can appreciate our reality for themselves.

In August, we hosted a visit by US Congressmen and staffers under the United Kingdom's MECEA scheme. That visit included two Republican Congressmen and one Democrat. There were also two Senator's Chiefs of Staff, four Congressional Chiefs of Staff and two other staffers.

There were two other visits during 2017. One visit was composed of three Members of Congress, including the Chairman of the House Appropriations Committee and the senior ranking Democrat on the Defence Sub-Committee. The other visit consisted of Representative Sanchez and Representative Meehan who came to Gibraltar for an event organised by the American Chamber of Commerce, AMCHAM. This year we were delighted to welcome another delegation from the Appropriations Committee which included a member of the US Air Force and of the US Navy.

Mr Speaker, the third way in which we counter Spain's propaganda is by making our own lobbying visits to Washington. These involve very tight schedules which often run to over twenty meetings in two full days. The House knows that Congressman George Holding tabled a Resolution which salutes the long-standing and historic relationship between Gibraltar and the United States. It also supports our right to self-determination as a UK Overseas Territory. This started with six Members of Congress. I reported last year that there were now 27. I am pleased to tell the House that this support has now increased further still to 47 Members of Congress.

Mr Speaker, as a result of Gibraltar's outreach and engagement with the US Congress and Executive Branch, there is now a broader appreciation of our position. Several Congressional leaders are concerned that Spain may take advantage of Brexit in order to advance their sovereignty claim. Some of them have advised Spain against this. A disruption of the status quo in this part of the Mediterranean is in nobody's interests. For our part, the Government will continue to present our side of the argument in Washington and in that way set the record straight.

Mr Speaker, it is relevant at this stage to say a few words about Spain and Spanish policy towards Gibraltar. In so doing, I am conscious that there was a change of Government in Madrid a few weeks ago, so much of what I have to say clearly relates to the period before that. I also want to make it clear that our lobbying in Spain itself has been led by the Chief Minister and his office. That said, I have also engaged Spanish political parties, except the *Partido Popular*, in places like Brussels.

Mr Speaker, we continue to try to understand Spanish policy towards us beyond its often noisy manifestations in the media. It remains our long-standing hope that progressive socio-political currents will one day triumph in Spain. If this were to happen it might become possible for Spain to finally see us as we see ourselves. This could be the basis for a fruitful partnership in areas where we share the same interests and the same concerns. In the meantime, we remain alert to any policies and actions designed to subvert our identity, our constitutional order, or our economy.

The vast majority of ordinary Spaniards are too busy with the real issues affecting their daily lives to think about Gibraltar. But the parts of the Spanish machinery of government that

formulates its security policies and strategies continue to regard Gibraltar as an ‘anomaly’ at best, and as a threat at worst.

450 Two examples from different areas will serve to exemplify these attitudes. Each year Spain conducts a major maritime security and safety exercise known as MARSEC. This year MARSEC took place from 14th to 25th May. The aim of MARSEC is to improve the co-ordination between the Spanish Navy and all the national and autonomous bodies involved in maritime safety and security. It is an important exercise and good for the security and safety of mariners and cargo as  
455 they transit the region. Unfortunately, the exercise also acted as the backdrop for Spanish naval incursions into BGTW.

These occurred just before the exercise started on 12th May, and then again on 15th May. Our friends in the Royal Navy deal with all such incidents proportionately and with immaculate professionalism. However, the incident on 12th May also required the intervention of our own  
460 Vessel Traffic Services. They had to urge the patrol vessel *Serviola* to change its course for the sake of safety of navigation as a vessel was inbound from Europa Point towards our pilot boarding station in the Western anchorage at that time.

These incidents are unnecessary, unfortunate and potentially dangerous. But they occur because of the Spanish Navy’s insistence in seeing us as a threat, rather than as potential  
465 partners.

The second example relates to the routine allegations that Gibraltar is a centre for money laundering. Spanish Judge José Grinda Gonzalez is a Special Prosecutor who has dedicated much of his professional career towards tackling the long shadow cast in Spain by Russian organised crime. Judge Grinda is rightly lauded for his work. However, on 25th May, whilst delivering a talk  
470 about his work at the Hudson Institute, a prestigious think tank in Washington, Judge Grinda claimed Gibraltar is an example of a non-co-operating territory which was not transparent. He said that Gibraltar was ‘temporarily’ British; he said it was considered by Spain as a non-co-operating territory; he said that we are used by international criminal organisations to hide their wealth. Gibraltar was the only example he gave.

475 Mr Speaker, this is naked disinformation. It is intended to make out that Gibraltar is a security threat. It is hard to imagine that these slurs are not manufactured by more hard-line elements within the Ministry of Foreign Affairs and in related departments. This is the kind of disinformation we have to counter in Washington.

Gibraltar will continue to extend the hand of co-operation and partnership towards its  
480 neighbours. The Government continues to hope that deep changes take place in Spain that might form the basis for a successful partnership in areas of mutual interest and concern.

I move on now, Mr Speaker, to civil aviation. As I said earlier, there have been discussions with Spain on the enhanced use of Gibraltar Airport. These discussions follow on from our planned departure from the European Union. They do not involve sovereignty, jurisdiction and  
485 control; they involve EU-exit matters.

Our departure from the EU will change the dynamics of Gibraltar Airport issues as we have traditionally known them to be. Airport agreements in 1987, and again in 2006, made provision for the application of EU law on civil aviation to Gibraltar Airport. This had applied automatically and without question before 1987. In 1987, Gibraltar Airport was suspended from the EU  
490 aviation *acquis*. In 2006 that suspension was lifted. However, the position once we have left the European Union will be markedly different. We will no longer be entitled to inclusion in EU civil aviation legislation by virtue of our membership of that organisation, for in under one year we will cease to be a part of it. Our relationship will therefore have to be redefined.

It is obvious, Mr Speaker, that the European Union has not tried to introduce any new  
495 aviation legislation during the past year which includes a direct reference to Gibraltar. A number of such measures remain blocked by Spain in the Council. Clearly, there are some awaiting the UK’s departure from the European Union next March before making their next move.

The Government has already said that the Cordoba Agreement of 2006 provides a basis for discussion going forward. Indeed, it will be recalled that before our time in office the entire

500 design of the air terminal was premised on the opening of an access point on the Spanish side. There are corridors, walls, escalators, lifts and partitions that were put in place precisely in order to facilitate such dual access. Nonetheless, that agreement would itself need to be updated going forward as Gibraltar would now be outside the EU while Spain would remain inside it.

505 The view of the Government, Mr Speaker, is that there is space between the red lines of Gibraltar and the red lines of Spain to produce a sensible way forward. That can only be in everybody's interests. The return to power of the socialist party that signed the Cordoba Agreement may assist in this respect. It is still too early to tell.

In the meantime, the Government continues its vigorous lobbying in the European Union in order to increase awareness of our position. Let me add that we have always enjoyed the full support of the United Kingdom Government throughout.

510 Mr Speaker, my colleague, Gilbert Licudi, who has responsibility for commercial aviation, may comment further on the loss of Monarch Airlines flights following the collapse of the airline. I would like to concentrate on the repatriation effort. This ensured that passengers stranded in Gibraltar and the surrounding areas were efficiently repatriated to the United Kingdom. It could have been a nightmare scenario for the Airport. However, gladly, the logistics of the exercise proved to be a success. The co-ordination efforts between the Air Terminal Director, the Director of Civil Aviation, the UK CAA, the Convent and different Government entities worked extremely well. The repatriation of stranded passengers was conducted in an orderly manner and without significant problems.

520 Mr Speaker, the number of applications to fly an unmanned air vehicle, otherwise known as a 'drone', has increased significantly. The number of drone permits issued in 2017 was 30 – this is six times the number issued in 2016. In the first five months of this year, 25 have already been issued. Applications continue to rise. Gibraltar has three fully-qualified local drone operators. It would appear that business is booming for them given the number of requests for their services. I would like to thank the Department for the Environment and all other stakeholders for their rapid turnaround of all the requests received.

530 Mr Speaker, this year the Director of Civil Aviation has been consulted on a record number of applications for building projects. The new Airport Safeguarding proposals are working very well. The Government is encouraged to see the number of developers who continue to engage with the Director of Civil Aviation in advance of applications being submitted to Town Planning. This has resulted in support for development projects from the Director of Civil Aviation and indeed from the MoD Authorities at RAF Gibraltar. On occasions, aviation-related conditions have nonetheless been included to the planning permits.

535 Mr Speaker, I would like to thank the Director of Civil Aviation, Chris Purkiss, for his support over the last year.

The Civil Aviation vote is included at Head 13 in the Estimates of Revenue and Expenditure.

540 Mr Speaker, the Gibraltar National Archives are included under the Office of the Deputy Chief Minister. The programme of digitisation of the material at the Archives continues. A significant amount of historical material has not only been digitised, it has also been put online and can now be accessed from anywhere in the World. There are 1,238 registered visitors who consult this website on a regular basis. A total of 19,994 hits from 123 countries have been registered on the website of the Gibraltar National Archives.

545 The Government has continued to support the Archivist, Anthony Pitaluga. In 2017, he attended digital preservation workshops at Oxford University, where he was invited to speak to a global audience about our digitisation and digital preservation programme. In August, he attended a meeting of the Archives and Records Association of the United Kingdom and Ireland held in Manchester. This included training in respect of Archival Science best practice in terms of conservation, digitisation and digital preservation.

550 Mr Speaker, the Archivist has also organised a number of very successful outreach programmes during the last financial year. This included an open-air screening of original

footage of the 1967 referendum and a film night series at the University of Gibraltar. The latter was fully booked.

Mr Speaker, on behalf of the Government, and I am sure of the whole House, I would like to congratulate Mr Pitaluga and his team for the wonderful work that they are doing. The preservation of our record of the past holds the key to the future. Therefore the Archivist knows that he can continue to count on my personal support and the support of the Government going forward.

The Gibraltar National Archives are at Head 12, Sub-Heads (1) and (2)(5).

Mr Speaker, the Archivist is assisting with events later this year to commemorate the end of World War I. This will include an exhibition of relevant historical material and photographs which will take place in November.

In addition to this, I am pleased to announce that Gibraltar will be taking part in the UK 'There But Not There' charity campaign. 'There But Not There' is a charity project which has chosen to mark the 1918 Armistice that put an end to a bloody conflict. It is the Centenary Commemoration for the end of World War I – this was supposed to be the War to end all Wars. Their objective is for individuals and organisations to purchase and install silhouettes of World War I soldiers in order to commemorate the fallen. In this way, the charity seeks to educate different generations about the ultimate sacrifice that was made. These silhouettes are available in different sizes. The Government will be purchasing a number of life-size models and these will be placed in different public buildings.

In addition to this, the Government has offered, as part of the commemoration, to project a silhouette image of a World War I soldier onto the north face of the Rock during the week of Remembrance Sunday. This initiative has been warmly welcomed in the United Kingdom. This year Remembrance Sunday and Armistice Day coincide on the same day.

Mr Speaker, as part of these commemorations, a book reflecting on the role that Gibraltar played during World War I will be published by Calpe Press. The book was written by Rear Admiral Albert Niblack and is his memoir of his time as the Commander of US Navy ships based in Gibraltar from 1917-1919. It carries an introduction by Professor John Hattendorf who is the Ernest J King Professor Emeritus of Maritime History at the US Naval War College in Newport, Rhode Island. Professor Hattendorf discovered the Admiral's account of the US Navy at Gibraltar which had gone unnoticed for several decades. The Professor is a member of the Gibraltar-American Council.

There were over 40 US vessels and 4,000 US sailors based at Gibraltar during World War I. Their role was to escort convoys in and out of the Mediterranean and elsewhere. The book makes it clear that Gibraltar became the principal convoy port of the world, with over one quarter of all allied tonnage touching here in order to be organised into convoys in every direction. Indeed, the American War Memorial in Line Wall Road was a thank you gift from the United States of America precisely for the pivotal role that Gibraltar played. Mr Speaker, I very much look forward to the launch of the book.

As promised in previous years, the Government continues to invest in our urban fabric and our unique heritage. We have focused on several historical sites. Many have been conserved, restored and are now open for the general public to enjoy. My colleague, the Minister for Heritage and for the Upper Rock, Dr John Cortes, has spearheaded those improvements. The Government, at the same time, will continue to improve and restore the Northern Defences.

Our dedication in bringing life back to the Princess Lines, the Queen's Lines and the King's Lines remains unwavering. This project will continue to receive the funding from this Budget which it rightfully deserves. Hanover Battery has now been cleared. About 50% of the Queen's Lines has been cleaned. The Government intends to focus our attention this year in not only removing debris from these Lines but also in providing utility infrastructure to the site.

Works in previous years have exposed an extensive area of previously hidden wonders: World War II bunkers; gun emplacements; battlements and galleries which date back to the 18th century; paths, steps, tunnels and viewing platforms. All are now visible nestled within a

uniquely picturesque environment. Galleries have been cleaned and chambers used during World War II as headquarters are now accessible. The majesty of such engineering feats cannot be understated.

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This year will see the continuation of walking tours of the area, kindly organised by the Heritage Trust and supported by members of my office. These have proven to be extremely popular. Mr Speaker, I would like to thank those members of the Heritage Trust for their time and their passion in presenting such facilities to the public. The Government is also grateful to the Royal Engineers who continue to assist with these operations. It is our vision to add value to such an experience by making this site a unique events venue in the coming years.

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The Northern Defences are provided for at Head 102 Projects, Sub-Head 4(zzn).

Speaking of events, Mr Speaker, the Government plans to invest further in the Grand Battery which links up to the Northern Defences. The exact timing is not yet clear because this depends on the pace of the Northern Defences project itself. Our most important Battery stands defiantly facing Spain to the north. It is overlooked by the King's Lines and the Queen's Lines. This battery currently has a proud connection with the Royal Gibraltar Regiment based in Grand Battery House.

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The Chief Minister and I have agreed with former Regimental Colonels to improve its external areas. This means that it will be better utilised as an events venue. Up-lighting of the monument will be provided, damaged fire steps repaired and a hard surface introduced in some areas to provide a home for our saluting Battery. This site holds considerable historical value as it has helped to define and shape our identity. Indeed, it has protected Gibraltar from the combined forces of France and Spain. In so doing, it kept Gibraltar British. It is also an area which, thanks to the Regiment, is being used to house events that are a part of our community's social calendar. The reuse of our historical assets in this way provides the most solid guarantee for their protection.

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For the reasons that I have explained, there is an opening provision in this project at Head 102, Sub-Head (4)(zzq).

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In these more modern times, Mr Speaker, the new battle line is in Europe. None of us banked on leaving the European Union when the last general election took place. Yet today that is the direction in which we are all headed.

The sheer volume of work and of meetings that this has generated has understandably taken up a considerable proportion of the Chief Minister's time and of my own time. We are, as we said before, leaving nothing to chance. We are leaving no stone unturned. This is what we promised to do. It is physically and logistically impossible to do more.

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At the same time, we are delivering our manifesto: new schools are already under construction; new low-cost housing projects are in the pipeline; new sporting facilities will remain for our enjoyment after the Island Games next year.

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All this has happened in the shadow of Brexit and, in the main, against the background of the most hostile Spanish Government that Gibraltar has known since the days of General Franco. This is, in itself, a considerable achievement.

Mr Speaker, I take this opportunity to thank my personal staff in Convent Place for their support over the last year. I am also grateful to the staff in the Lands Office and to the management and staff of Land Property Services Ltd. I also wish to take the opportunity to thank the Clerk and the staff of the Parliament, and you too, Mr Speaker, for your support.

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Thank you.

**Mr Speaker:** The Hon. Sir Joseph Bossano.

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**Minister for Economic Development, Telecommunications and the GSB (Hon. Sir J J Bossano):** Mr Speaker, this is our last Budget as members of the European Union. By the end of this financial year, Gibraltar will no longer be part of the territory of the EU and the external

border of the EU will be the international Frontier between our country and the Kingdom of Spain.

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I was first elected to this House, as you were, in 1972, Mr Speaker. We were both here when we voted to join the EEC in the Bill that came to the House of Assembly. I am sure we must hold some kind of record as having been part of the Parliament that joined the EEC and the Parliament that is leaving it now.

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Optimists say that there is always a silver lining in every cloud, however black. I guess one silver lining of being outside the external frontier of the EU is that Spain can no longer claim that it is a mere fence – *la verja*, as they like to call it – which we always called a Frontier. So, after Brexit, the EU ends at this Frontier and what is on our side is not EU and, by definition, not Spain. At present, that is about it in silver linings; we shall see in nine months' time what else there is.

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So we are back where we were in 1973 geographically and politically, but now in a world that in the intervening 45 years has changed beyond imagination and in the area of economics, driven by technology, changed more than anything else, and this is the challenge we face.

Mr Speaker, as the Leader of the Opposition, Mr Feetham frequently praised my commitment to prudential control of spending and to living within our means, values which he claims are now shared by the GSD which he led. This has always been my hallmark in this House and the core value of the GSLP. It is based on the political philosophy that our most important duty is to ensure that we can defeat any attempt by Spain to take us over. In order to do that, we have to be solvent and we need to have a rainy day fund to be able to cope with emergencies when our economy needs adjustment. He has said there has been no greater need for a rainy day fund than in these uncertain times, and I agree. So does, incidentally, the head of the IMF, who recently recommended to the EU that they should create a rainy day fund.

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Regrettably, in government they rubbished the idea of a rainy day fund and proceeded to transfer all the ring-fenced funds to the Consolidated Fund and spent the money. What they could not transfer, but at one time threatened to, they simply deliberately ran down between 1997 and 2010, which was the reserves of the charity, Community Care. If they had done otherwise and added to what we left, our level of exposure to the Brexit dangers might not be so great; but they left nothing and we have had to restart from zero in 2011.

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Mr Clinton has also expressed approval of my commitment to keeping spending under control, yet almost all the things they criticise are many of the things we did before 1996 in order to strengthen our economy. And they also, by the way, criticise us for continuing to do things introduced by them between 1996 and 2011.

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I propose therefore, Mr Speaker, to do two things in my statement: evaluate where we are in our last year of membership of the EU, and address a number of the issues raised last year by the Opposition to put the record straight. I will only evaluate the economic position for this year because I cannot evaluate where we are going to be next year after March, except that we will not be members of the EU any longer and we have no idea what relationship, if any, the UK will then have with the EU; and that if there is one, whether it will be open to us to be a part of it, given article 24 and Spain's veto, and indeed whether we would want to be a part of it. No serious economist would venture to forecast the direction in which our economy will or should develop in 2019-20 or later years.

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The prudential thing to do in such circumstances always is prepare for the worst and aim for the best. We can and should look at this point as a transition of our economy similar to the move from our dependence on the MoD expenditure in the 1980s.

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One thing is clear: that the size and the costs of the public sector as it is structured at present is not sustainable, even without Brexit. There is a simple metric that we all need to understand – and we in this House are part of the public sector, so I include myself in what I have to say.

Prior to 2011 the public sector was growing in number and costs. It has continued to do so since 2011 and the Opposition has constantly criticised the growth, though in fact it has been little different from what was happening when they were in office, and indeed in the period

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2011-15 much of the increase which took place was a result of honouring their commitments and finishing the projects started by them.

710 Things, however, will have to change. Controlling Officers have a duty to keep their Departments within budget. Ensuring that this is done is not my responsibility. Since I am responsible for public sector efficiency, my job is to ensure that we work better, i.e. more efficiently, in order to improve value for money and deliver improved services at the same or lower costs. Not keeping to budgets is in conflict with the policy of the Government to ensure greater efficiency.

715 I know that within the public sector there are many who understand the need to move in this direction, but there are also those who do not. In order to understand why this is a problem that needs to be addressed, there are only two figures we need to know: on average, public sector earnings are 25% higher than UK equivalents and 50% higher than the average earnings in the private sector. Each year these gaps get bigger, the gap between the lowest paid and the highest paid in the public sector and the average earnings gap between the public and the private sector. This is impossible to sustain economically and difficult to justify socially. The Chief Minister has explained the steps we are taking this year to address this issue.

720 In order to understand the problem, we need to realise that, in spite of the growth in the level of private sector employment prior to 2011 and since, the earnings gap has increased every year. This means that the growth needed in the private sector to provide Government revenue to meet the increasing cost of the public sector gets bigger every year. It is for this reason that it is unsustainable in economic terms. With the uncertainty we face as from next year, it is an issue that can no longer be ignored. We have a duty to try and put things right and rebalance the relationship between the public and private sectors of the economy.

730 It is a matter for regret that Mr Feetham, who claims to be committed to a policy of living within our means, last year accused us of creating austerity measures across the public sector under the guise of public sector efficiency. It seems I need to add to the list of things he does not understand what the public sector efficiency strategy, that I have responsibilities for, is.

735 We are seeking to increase the level of efficiency in the public sector by looking at working methods and the introduction of e-government that increases output without increasing manpower.

740 The Opposition accused us last year of overspending and austerity, both at the same time. Well, the public efficiency measures will ensure that we are able to maintain our public sector and avoid austerity, because austerity is not a matter of choice. Austerity happens the day when you do not have the money to do the things you want or need to do. It is to avoid finding ourselves in that situation that we have to examine how we deliver services and how we can improve what we do. The objective of the Ministry for Economic Development is to improve efficiency so that that day never arrives.

745 There are things that we do in the public sector which have not changed since you and I first joined the House, Mr Speaker. In the Budget of 1988 the first question the Government answered was from you, as Leader of the Opposition, and the answer was given by the Financial and Development Secretary, as was the norm in those days. The exchanges went as follows. You asked:

What was the total sum frozen by the Government when considering the Draft Estimates for 1988/89, as announced on the 30th March, (a) in respect of 'Departmental Bids' over and above the 'Treasury Allocation' for recurrent expenditure, and (b) in respect of items termed as 'Special Expenditure'?

The Financial Secretary answered:

Mr Speaker, the Government was unable in the time available between its election to office and the latest date for circulation of the Estimates to the House, to give full consideration to the details of departmental Estimates. It was therefore decided to accept, for the purposes of the Appropriation Bill, with some exceptions, related primarily to the policies of the new Government, the Treasury's estimates of departmental requirements in accordance with the formula adopted in recent years. Departmental Ministers will however give further



consideration to departmental bids for additions to these Estimates, and a Supplementary Appropriation will be sought in due course in the light of this.

2. It would not be normal practice for the Government to reveal departmental bids for increases in public expenditure when these are not approved by Ministers. However, in the exceptional circumstances of this year's Appropriation Bill when the bids were prepared during the previous government's tenure of office

– when you were in Government, Mr Speaker –

it is prepared exceptionally to do so.

3. The figures are; for recurrent expenditure, £3.1 million, including £872K in respect of the Gibraltar Health Authority; and special expenditure of £½ million, including £96K in respect of the Gibraltar Health Authority.

4. To have approved these bids in full in the light of the Treasury's Revenue Estimates would have implied a deficit of £5.4 million for this year. The government is not prepared to contemplate a deficit of this magnitude and will seek to contain public spending within reasonable limits. This will be made clear during the course of the Appropriation Bill when the Government's policy on public spending is spelt out.

750 Well, this is an example of something that happens every year, when hundreds of man hours  
are spent by Departments on producing a list of things they would like to spend money on. The  
'wish list' they call it. Members of the Opposition who have been in Government will know what  
I am talking about. This is done without reference to what is likely to be affordable given the  
755 previous year's revenue, which is known to everyone. Then many more man hours are spent  
discussing these requests and removing many of them. It is how things have always been done,  
and this is often the only explanation as to why things are still being done in many areas.

We need to look at the detail of the workflow to see if things can be done differently. It is  
about working smarter, not about working harder. People can work very hard and produce very  
little value, through no fault of their own.

760 I recently participated in the biennial Forum for Commonwealth Ministers of  
Telecommunications and ICT in London. The Commonwealth countries represented by their  
Ministers for Telecommunications ranged in size from India with 1.2 billion citizens to Tuvalu  
with 11,000. In all cases, Governments were grappling with the issue of the transformational  
765 changes of the use of technology in the public sector and the implications of artificial intelligence  
and the internet of things for the delivery of services, changes seen by most as dramatic as those  
brought about by the Industrial Revolution.

We in Gibraltar over the years have spent vast sums of money bringing in experts in order to  
provide electronic delivery of services instead of manual systems, but to date we seem to have  
precious little to show for such investment. I came away from the conference with the feeling  
770 that we run the risk of being left behind, and that is the last thing we want to be doing at this  
point in time in our history.

In addition to working methods, the efficiency drive looks at how we procure supplies and  
other areas for possible savings. In the last two years we have concentrated on the GHA, simply  
because it was the biggest budget, working together with the Minister for Health and the senior  
775 management team. The results can now be seen reflected in this year's GHA budget, which is  
close to what it was two years ago. Mr Feetham last year and in earlier years expressed the  
concerns of the Opposition on the growth in the size of the GHA budget since 2012.

To put the situation in context let me remind hon. Members opposite of the historic rate of  
increase of the GHA budgets. In 1988 we inherited a budget of £8 million from the AACR  
780 administration. The GSLP Government increased that budget to £20 million by 1996 – two and a  
half times the original figure. Under the GSD, the GHA budget grew from £20 million to  
£80 million by 2012, four times the original figure. Since 2012 it has grown further from  
£80 million to £120 million, a 50% increase.

Let me make clear that by making this comparison I am not for one moment suggesting that  
785 there are any grounds for complacency. There is a long road ahead before we get to where we  
should be across the public sector as a whole, but what has been done so far in the GHA shows  
that it is possible to exercise better control of spending.

790 Last year the Hon. Mr Feetham went into an analysis to justify his extraordinary decision as Leader of the Opposition to vote against the Appropriation Bill which provided the estimates of expenditure for 2017-18. And I am sorry that his successor has followed his bad example

This decision is being repeated this year. This is something that no Opposition had ever done before in Gibraltar's history so one would think it would take something unique to make it happen in 2017, to explain how this policy shift on the part of the GSD had come about, because it was only the four GSD Members present who voted against.

795 Mr Feetham was so sure of what he was doing he told us that history would judge his decision and that their speeches were going to be there as a matter of public record. Shortly after this, he resigned as Leader of the GSD and the Opposition and appointed the Hon. Mr Clinton acting in both capacities pending an election within the GSD. He then supported a non-elected Member of this House, Mr Azopardi as candidate, who had previously left the GSD  
800 because *he* had joined it, in the process going against his own choice of candidate, the Hon. Mr Clinton.

I am not sure if the Hon. Member feels that history has already judged what he did and punished him enough for his mistake or there is still a final judgement to come in the future, based on the public record of the speeches he made in support of a policy of voting against the  
805 annual expenditure, which of course is to pay for the civil service and all the other expenses that enables the Government to provide services for our country.

However, given that the Hon. Mr Phillips has endorsed the position of voting against the Appropriation Bill, and for the sake of the public record that Mr Feetham expects history to judge the episode by in future, I feel I have to show that his arguments last year were utter and  
810 complete nonsense.

Mr Clinton, when he spoke after him, said he echoed the sentiments expressed by his learned friend, Mr Feetham, implying that he was not the instigator of the policy but was following the lead of his Party and Opposition Leader. However, he went further and stated that he could not support last year's estimate of expenditure or indeed any other Appropriation Bill presented by  
815 us which, in his judgement, did not have the necessary facts and figures to arrive at an informed decision. This in fact means that for as long as this position remains the view of the GSD they will be voting against forever more.

Incidentally, the facts and figures for last year were also the same as the ones provided between 2012 and 2016 when he voted in favour of the Appropriation Bill. They are also the  
820 same as the GSD's Appropriation Bills between 1996 and 2011; the same as the GSLP's between 1988 and 1996; and the same as the AACR's between 1972 and 1987.

So what was so special about last year? Neither Mr Feetham nor Mr Clinton sought to explain what was different about last year's Appropriation Bill to make them vote against. I will in due course and for the record show that their analysis was wrong in a number of areas mentioned,  
825 especially that of Mr Feetham.

But at this stage let me point out something that should have been blindingly obvious to the two Members. What Mr Clinton implied last year was that he believed the information contained in the book for recurrent expenditure was but the tip of the iceberg of Government spending and that the bulk of recurrent spending was not contained in the Appropriation Bill.  
830 This information was what they required should be shown and that unless they were shown the rest of the iceberg they would not vote for the tip.

Well, even if they had been correct in their assumptions, which they were not, there is no logic in their argument. The Appropriation Bill is the approval by Parliament for the withdrawal of money from the Consolidated Fund. The vote is to provide this approval without which no-  
835 one can get paid, (**A Member:** Exactly.) including the Hon. Members themselves who voted against, since Opposition salaries come from Head 5, Sub-Head 3(a).

So they do not vote for what they are being asked to vote – for which full details are being provided, as they have been, in the same form, in every previous Appropriation Bill since I joined this House in 1972 – because rightly or wrongly they believe there is a far bigger level of

840 expenditure, the iceberg, that was going to be spent in the last 12 months by the Government without them being asked to vote for it and without them being given an explanation for it. Well, the explanation that they had was for what they had to vote.

Even if this other version had been correct, which it was not and is not, one has nothing to do with the other and I will show why, Mr Speaker. It is the withdrawal of money from the Consolidated Fund that has to be approved. That is what this Parliament, the House of Assembly  
845 before and the Legislative Council before, has ever had to approve.

Mr Clinton's concept of channelling Government company revenues and expenditure through the Consolidated Fund, which would then require a vote for the money to be spent by the company, is something that makes no sense whatsoever. It has never been put forward as a  
850 GSD policy objective in any election. It is contrary to the way every previous Government has dealt with the running of State-Owned Companies in the 15 years of the GSD administration, the eight years of the GSLP before that and the AACR before 1988.

What is the rationale for this radical change in the public accounts of Gibraltar? What is it that Mr Clinton believes is happening, to come to the conclusion that the level of annual  
855 recurrent revenue and expenditure in the annual estimates is the tip of the iceberg? Or, rather, was the tip of the iceberg in respect of the expenditure about to be incurred in 2017-18?

The tip of an iceberg, Mr Speaker, is known to be just 10% of the mass of the whole. So he was telling us that he was refusing to vote to withdraw £490 million from the Consolidated Fund over the financial year to pay for recurrent Government costs because the Government  
860 intended to spend an additional £4.41 billion, the submerged 90% of the iceberg, on recurrent spending in 2017-18. Perhaps we can all agree that he must have been exaggerating a little bit when he made this comparison.

Certainly he was exaggerating the alleged hidden recurrent expenditure when compared to the estimate made by Mr Feetham who argued:

– these estimates of revenue and expenditure – is only half of the picture

865 – not 10% –

of what the Government has directly or indirectly spent ...

Well, actually we were supposed to be voting on what we were planning to spend and not on the forecast outturn of the previous year, which is the only possible interpretation of his use of the past tense. So he seemed to be saying that in the year 2016-17 the forecast outturn of  
870 £475 million was only half of the recurrent expenditure we had incurred in that year, which according to him would have amounted to another £475 million not shown in the estimates and not funded from the Consolidated Fund.

So Mr Feetham's allegation at this stage in his argument for not voting, was that in 2016-17 we had spent an amount equal to the funding of the whole recurrent expenditure of the Government, an additional £475 million spent through the companies that year which was not  
875 shown in the estimates. This of course is utter and complete nonsense and pure invention on his part, and incidentally does not fit in with any of his other arguments last year to explain his decision to vote against the Appropriation Bill.

His explanation went as follows:

The very simple reason for that

– meaning that the expenditure in the book showed only half of what had been spent in 2016-17

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.

880 Well, whatever it is that the Hon. Member thought he was debating in the course of the Appropriation Bill, it clearly was not the Appropriation Bill, because that was a book. Moreover, he was obviously not talking about the estimates for 2017-18, he was only arguing about the estimates for 2016-17 that he had voted in favour of the previous year, because he had then connected the argument to the forecast outturn surplus of £75.8 million for 2016-17.

885 This, which he said the Chief Minister was saying poker-faced, was the result of the £772 million, we were told – the £75.8 million was a result of the £772 million. I would remind Members that we are talking about recurrent revenue and recurrent expenditure and that the £75.8 million for 2016-17 was the excess of recurrent revenue over recurrent expenditure. Mr Feetham was talking about borrowing, as if the borrowing was annually recurrent revenue used  
890 to meet annually recurrent expenditure in order to create a surplus.

If anyone in this House has ever demonstrated he did not have a clue what he was talking about, no-one has done it as clearly and explicitly or as well as Mr Feetham did last year; and here is the evidence, Mr Speaker.

He then added:

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.

895 Mr Speaker, this analysis of the recurrent expenditure of the Government and a surplus of recurrent revenue is so ridiculously wrong that it beggars believe how anyone who has been in Government can make such a statement.

So the Opposition was not able to judge whether we had made £75.8 million surplus or not during the preceding year 2016-17, because they believed Government companies had  
900 borrowed £772 million and used some of it for spending that should have been included on the expenditure side of the forecast outturn for 2016-17. Amazing!

Let me explain to the Hon. Member how the book shows the difference he cannot explain by looking at the book, and then he does not have to invent outlandish explanations.

The 2016-17 Appropriation Bill which he voted for, estimated revenue of £590.8 million, an  
905 expenditure of £517.5 million and projected a surplus of £20.3 million. The forecast outturn that he was referring to last year, for the surplus which he was quoting was £75.8 million – that is £55.5 million more than anticipated at the time the Appropriation Bill was approved by him in 2016. He told us last year he could not tell if this was true because there was £772 million borrowed by companies which had taken on expenditure that should have been in the book.

910 So if removing recurrent expenditure from the approved estimate was not the reason for the increased surplus, as I say, what was it? Well, the answer was under his nose in the book.

Expenditure was actually higher than budgeted at £578 million instead of £570.5 million, but the revenue came higher by a much bigger margin at £653.8 million instead of £590.8 million.

915 So increased revenue of £63 million, less increased expenditure of £7.5 million, increased by £55.5 million the estimated surplus in the 2016-17 Appropriation Bill of £20.3 million, to the forecast level of £75.8 million, a difference of £55.5 million.

Simple. All in the book.

In fact not only all in the book, the Hon. Mr Clinton knew it was all in the book and actually said so himself when he referred to the reasons for the surplus of £75.8 million. He said, I quote:

The Government's larger than expected surplus is entirely due to revenue being £63 million greater than expected.

920 Entirely due to this, not due to the so-called £772 million of eye-watering debt, nor the result of duty on property sales in any preceding years, nor the investments made by the Savings Bank in order to be able to pay the attractive rates of interest that it does to its depositors. No, Mr Speaker, entirely due to the extra revenue.

925 The analysis by the Hon. Mr Feetham last year was about the 2016-17 forecast surplus: but what did he actually say in 2016 when he voted in favour of the Appropriation Bill? The tone of his address then was so different that it is difficult to believe we are talking about the same person. He told us that we faced potentially the single largest threat to our economic model since the closure of the Frontier, and in his view in the history of democratic government in Gibraltar. As a result, he said it was important that the debate took place within a framework of sober analysis, prudence and realism. He then said that, in spite of his criticisms over four years of Government spending, it was his duty to steer a careful line between honest assessment and the need to maintain confidence and work with the Government to steer Gibraltar into calmer waters.

He then added:

To do otherwise would constitute a dereliction of duty and it is not what I am in politics for. ...

It is, therefore, a difficult Budget speech that I deliver today balancing, as I must, objective observation of the state of our public finances – which is my principle duty after all to this House – against a very difficult backdrop indeed

935 I ask myself, Mr Speaker, what on earth possessed him a year later to make him abandon that balance of the need not to undermine confidence in Gibraltar and, for the first time ever in our history, vote against the appropriation of funds from the Consolidated Fund to enable Government to continue functioning after July 2017? Or is it that they do not realise if they had the majority and were successful in not approving funds, on 1st August nobody in Gibraltar would get paid?

I have no answer.

940 The arguments he used in 2017, which were flawed then and flawed when they had been used in previous Budgets with the same arguments, are not the answer. There was nothing new in the Budget of 2017 and nothing had happened lessening the Brexit threat since 2016. Indeed, if anything, it had got worse with the article 24 veto granted to Spain and the failure of the EU to respond to any of the compromises and ideas suggested by the UK. We are now much closer to the cliff-edge departure than we were in 2016, since to date the position has not improved.

945 So what was the reduction of expenditure in 2016-17 from the £772 million which the Hon. Member had in mind which prompted him to vote against?

950 He told us last year:

Today the Government comes to this House and says it has made a surplus of £75.7 million.

He made a mistake, he should have said £75.8 million. But there...

It is a complete nonsense when it is not accounting for expenses in Government-owned companies. A simple example – but 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.

I interjected from a sedentary position, which I know is not allowed:

Which is a jolly good idea.

– that was my intervention.

Mr Feetham responded:

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,

955

This requires quite a lot of explaining to put the record straight and demonstrate how confused the Hon. Member was and probably still is.

I was not saying it was a jolly good idea, Mr Speaker. I would not say that, since the idea was mine. But I can tell the House that I have been told by some highly qualified people that it was a brilliant idea. Be that as it may, all I was simply doing, was quoting what someone else had said in the previous Budget, the words that I had quoted.

This person in the Budget of 2016 said:

The commuted pensions of civil servants have traditionally been an expense of the Government and now it is an expense of Credit Finance Company Ltd.

The effect – and it does not take a rocket scientist to work this out – is that of course the Government does not have to pay that money directly itself, to pay for the commuted pensions of civil servants ... which is a jolly good idea, Mr Speaker, I am not criticising it.

Do you remember Mr Speaker, who said:

... it's a jolly good idea, I am not criticizing it

Wait for it. It was the Hon. Mr Feetham, who clearly had forgotten a year later what he had said in 2016. Thankfully, my own memory is still serving me slightly better than that and I can remember things I have said a year ago and indeed many years before. It is obvious that the Hon. Member is not a rocket scientist and a jolly good thing too, otherwise you would have lots of rockets exploding all over the place.

He was not criticising me in 2016 he just wanted it explained. Okay, I have done this before but I will explain it again and let's hope this time he remembers.

Mr Speaker, when the GSD decided to allow private sector employees to commute 100% of their pensions on retirement, I asked from the Opposition for the same to be done for Civil Service Pensioners. The then Chief Minister, the Greatest Gibraltarian of our time, did not reject the idea in principle but said it could not be financed. Well, I had thought of a way of financing it and we committed ourselves to doing it in the 2011 general election. It is what I call a 'Reverse Annuity'.

In defined benefit schemes, what you do is you accumulate a sum of money which matures when you retire. This sum is available to buy an annuity, which incidentally the GSD Government at one stage announced they would be providing using the Gibraltar Savings Bank, which I never criticised them for, but which they never put into practice. The annuity is the income paid to the pensioner purchased by the lump sum received from the pension fund.

What we provide is the opposite but with a similar mechanism. The civil servant retires and gets paid by the Government the pension, monthly, and can use this income to buy a lump sum, the commutation, by entering into an agreement with Credit Finance.

This was initially done for civil servants only, and in 2012 the then Hon. Leader of the Opposition approached me to ask whether it was going to be extended to Members of this House as he was interested in the facility. I told him I was planning to find a way of extending it as the only persons who otherwise would not be able to enjoy the opportunity of 100% commutation would be Members of the House, now that both public and private sector employees were able to do it.

Although originally he had some reservations, when I explained the mechanism in this House he saw the logic of how the system worked. So let's be clear, Credit Finance does not pay and has never paid Government pensions. Government pensions continue to be a direct charge on the Consolidated Fund as provided by law and does not require Members to vote the funds in the Appropriation Bill.

So nothing has been removed from the voting of the Appropriation Bill and therefore it is nonsense to say:

I am not voting because there is less in the recurrent expenditure which is the pensions no longer paid by the Government but now paid by Credit Finance in order to reduce this size of the expenditure of the Government.

1000 This is not the case now and has never been the case any time since 2011. The cost to the Government of paying Civil Service Pensions has grown, but is not included in the amount we are voting this year or in the amount we have voted in any year since 1973 when you and I, Mr Speaker, voted in our first Budget.

1005 The cost of pension payments from the Consolidated Fund was put by the GSD Government at £19.6 million in 2010-11. It was estimated to grow to £20 million by their last Budget for 2011-12 and the outturn was £21.5 million, an increase of £1.9m over the preceding year. It was estimated to cost £36.5 million last year when the Hon. Member voted against the Appropriation Bill and the outturn is now put at £37 million. The estimate for the coming year is £40 million.

1010 So, Mr Speaker, from the last Budget of the GSD in 2011-12 to the Budget for the current year 2018-19 the cost to the Government, which Mr Feetham said was no longer being paid by the Government, has grown 100% and is now put at £40 million instead of £20 million a year. This 100% increase over the last seven years compared with a slower increase in the last seven years of the GSD administration when the estimate in 2004-05 for the Consolidated Fund Pension payment was £11.5 million and grew to £20 million in 2011-12 – an increase of 74%.

1015 The cost to the Government of paying pensions has in fact grown faster than the departmental expenditure that is voted on and included in the Appropriation Bill, which has increased from an estimate of £316.6 million in their last Budget in 2011-12 to £512.3 million for 2018-19 – an increase of 61.8%.

1020 Indeed, I predict that the cost of pensions will continue to grow at a faster rate than the recurrent operating costs of the Government since this is something we have to control and to some extent are already doing. That is, we are taking steps to contain the latter but there is nothing we can do about the former.

1025 Whilst on the question of Credit Finance and the payment of pensions, I will deal also with the argument on the size of the non-Government debt, the eye watering non-Government debt, Mr Speaker. Let me just first remind Members opposite that I do not need any lessons from them on a sound and prudential approach to debt or public spending. I would refer Members to the first Budget of the GSLP in 1988 to which I referred earlier in the context of question No. 1 of 1988 from yourself, Mr Speaker.

1030 In 1987, by the way, the main Budget speech had been delivered by the Financial and Development Secretary as had been the case in every Budget since I was elected in 1972. The Constitution of 1969 made it mandatory that he should move the Appropriation Bill, which now is done by the Minister for Finance. This change, brought about by the 2006 Constitution was claimed by the GSD in the 2007 Budget to be evidence that we were now decolonised.

1035 If that were the case then we were *de facto* decolonised in 1988, because this is how the Financial and Development Secretary made a much shorter speech in the first GSLP Budget, a one-minute statement starting with the words:

I propose to make a very short introductory statement ...

– and ended with the words:

The only other thing I need to say, Mr Speaker, is that having spent most of my period as Financial Secretary restraining public expenditure with varying success, of course, it not only is an honour for me to move an Appropriation Bill which comes as closely to Treasury purity as it is possible for me to imagine.

Our first budget.

but that I have great pleasure as well in commending the Bill to the House. Having it is possible made that point, Mr Speaker, 'El Giri' will now give way to 'El Jefe'.

– as already mentioned by the Chief Minister.

‘El Giri’ is not still here; but ‘El Jefe’ is still here.

1040 The Hon. Brian Traynor with whom I had crossed swords from the Opposition benches on many occasions had a sense of humour and we became very good friends.

In my 1988 contribution I concentrated on making clear that we would tackle the deficits but not borrow to cover them – which had been happening in the past. I said:

we do not believe in borrowing for recurrent expenditure and that therefore it will be our intention to use the powers in the Loans Empowering Ordinance which is in the pipeline for investments and not to finance recurrent expenditure

1045 A policy which I am glad to say was also followed by the GSD Government after 1996. However, it is also worth pointing out that the state-owned companies in existence were never included in the Government estimates then, during the GSLP Government or subsequent years of the GSD Government. Incidentally, as has been previously stated, it was the GSD who introduced borrowing by companies as an alternative to Government debt. This was initially done for the purchase and conversion of the Europort Building. And in reply to my question to the then Chief Minister, he said that although there was a slightly higher rate of interest it was not sovereign debt but debt secured on the value of the assets.

1050 The same concept was then used for the construction of car parks which was removed from the I & D Fund and where the revenue from the car parks was expected to service the loan, but in the end it was found not to be sufficient.

1055 The GSD in 2011, when the Hon. Minister Feetham was in Government, had entered into an arrangement to raise a company loan for the proposed Upper Rock Generating Station. There was to be a roadshow in the States to raise the money and a commitment of a 5% annual increase in electricity charges to create profits from the sale of electricity to service the loan. All of them outside the book.

What about the performance of the economy?

1060 The Hon. Mr Feetham last year said I was right to be cautious about the size of the future GDP. In 2007 when the Hon. Member joined the GSD Government I predicted that the GDP for 2008 would be £800 million. The view of the GSD Government, then expressed in that Budget by the Greatest Gibraltarian of our time, was not very flattering. Rather than reply to my analysis of the state of the economy in that Budget, the reaction was to tell me that my questioning of the figures did nothing for my credibility and even less for my waning reputation as a supposed economist.

Well, we all know that in politics you cannot please everybody.

1070 I was then predicting an £800 million result for the 2008 GDP. Three years later the GSD published the 2008 GDP and it was £806 million. So I had underestimated the figure. I also predicted the 2012 result at £1.2 billion, and the final figure came in at £1.201 billion, so I underestimated again, this time by £1 million. Based on the £1.2 billion, I predicted the result for 2015-16 of £1.8 billion. This year we have the final figure for 2015-16 and it is £1.794 billion – £6 million below my estimate.

1075 The projection for 2019-20 was £2.4 billion, a £600m increase in output over the four years. The projected estimate for 2017-18 is estimated at £2.18 billion – a £386 million increase in output in two years. This figure can go down as more actual results are imputed and estimates replaced, but if it stays at this level then there is a very good chance that we will meet our target or even slightly surpass it. I am more cautious than the colleague on my right.

1080 One of the main contributors to GDP growth is the growth in the payroll of the labour force. In the case of the construction industry this is the payroll of construction workers. In turn this is the best indication of how much of the growth of the economy is due to construction projects and can be deduced by comparing in different periods of time the number of construction workers.



1085 I have explained this before to Mr Feetham and Members of the Opposition, but they seem to have lapses of memory and they nonetheless insist on the basis of personal intuition that the growth in the economy is fuelled by Government construction projects financed by the eye-watering £772 million – this mysterious £772 million which appears in almost every Budget, with the figure changing every time on the way up.

1090 I will provide the Hon. Member opposite with the construction figures again to jog his memory, and update the information in the light of the 2017 Employment Survey Report tabled in the House which shows what the latest position is.

1095 I have previously compared the private sector labour market on different dates to establish the relative importance of the construction sector showing how it played a bigger role before 2011. This looked at the position in 2007, 2011 and 2015 which I remind Members of now, and add an update by including 2005, that is going back two further years, and 2017 so that we are looking at where we are today – the changes over six years instead of four years.

1100 The number of private sector jobs at the start of the previous period, 2007, excluding the construction industry, amounted to 13,340. In the four years to 2011 it grew to 14,038, an increase of 698 jobs, representing a 5.2% expansion of private sector jobs market outside construction. The growth in GDP was 49% in the same period. So it is self-evident that the private sector non-construction expansion can only have accounted for a small share of the growth – the growth was 49%, the non-construction growth was 5.2%, so that cannot have been responsible. The construction sector, however, increased by 701 jobs – more than the whole of the rest of the private sector together, an increase of 31.5% and evidently the main engine of the increase.

1105 This was the position under the GSD. Not since.

1110 In the four years from 2011, by comparison, the figures show the opposite. The GDP grew by 49.1% and the private sector, excluding the construction industry, increased in size to provide 2,926 jobs. Employees in the non-construction sector went up from 14,038 to 16,964 – 20.8% higher. The contrast with what was happening in the construction industry could not be greater. The extra jobs in the construction sector from 2011 to 2015 was 180, amounting to a 6% increase in the workforce.

1115 The evidence is clear: the growth between 2007 and 2011 was much, much more dependent on a public sector capital programme construction boom than has been the case in the period 2011 to 2015. Since 2015, non-construction private sector jobs have grown by almost 2,000 bringing the total since 2011 to 4,925. By contrast, the private sector workforce in the same period has grown by a mere 144.

1120 So the economic analysis of the Opposition, as expressed by Mr Feetham last year, as the Leader of the Opposition, was that the economy had grown in one year from £1.75 billion to £1.91 billion – he did not question the figures – an increase of £160 million. And that this £160 million was to a large extent due to the Government injecting hundreds of millions of pounds to produce significant economic growth. Hundreds of millions of pounds of Government money, plus private sector investment, to provide £160 million growth?

1125 Not rocket science, we were told. Well, certainly not economic science.

1125 Was there hundreds of millions of pounds being injected into the construction industry? In the construction industry there were 303 less workers in 2016-17 than in 2015-16. So, no hundreds of millions of pounds injected that year.

1130 Maybe the Hon. Member did not mean to apply his analysis to just one year. So let's look at what has happened since 2011. Did 144 more construction workers in 2017 than in 2011 produce the bulk of the six year growth and not the 4,925 workers in the other industries?

Are they serious Mr Speaker? Do they really believe anybody in Gibraltar will swallow all this? Do they really believe it themselves?

1135 It seems to me the explanation is that they decided a long time ago that the only way the economy could grow was on the back of a construction boom because it was what was happening between 2007 and 2011, the only time that Mr Feetham was in Government, and

therefore they came to the conclusion that this is what must have also been happening since 2011, irrespective of the evidence to the contrary.

1140 Let me add one further comparison. I have given the changes in the composition of the private sector workers in the six years 2011 to 2017, construction workers 144 and the rest of the private sector 4,925. So let's look at the six years 2005 to 2011: the increase in that period under the GSD was construction workers up 1,321, not 144 – 1,321 in the construction; the rest of the private sector, 2,827.

Mr Speaker, the figures speak for themselves.

1145 The Hon. Mr Feetham and Mr Clinton have continued their attack on the Gibraltar Savings Bank, using the same arguments that they used before 2015. They seem to forget that the policy of the Government on the role of the Savings Bank was defended in a general election and forms part of our election manifesto. That is to say, we are doing with the Savings Bank what we promised we would do and received a mandate from the electorate to implement. This is to grow the size of the Savings Bank with a target of increasing deposits to achieve a deposit base of £1.6 billion by 2019-20, up from the £1.1 billion that we expected to have reached in 2015-16.

1150 In 2015-16, we actually fell short of the target with £990 million in deposits which, added to the reserves, came to a total of £1.016 billion. Since then we have had a higher increase in deposits from the public, both new and existing customers, and deposits recently stood at around £1.35 billion, up £360 million since 2015-16.

1155 I am sure Members opposite must be horrified to hear that the Gibraltar Savings Bank is doing so well, especially the Hon. Mr Feetham who told us last year that the Savings Bank was the culprit (*Interjection*) in what he described as the 'eye-watering debt of £772 million' – that he knew of – which, when added to the Government debt of £447 million, produced an even more eye-watering debt of £1.2 billion. A gross debt of that figure he said was running at 62.5% of GDP.

1160 Well, I will deal with his debt fabrication shortly, but let me just remind the House that the percentage of gross debt to GDP no longer has any meaning or relevance because he, in Government, removed the legal link between gross debt and GDP.

1165 So let's stay with the Savings Bank for a while longer. He told us last year that the Savings Bank in 2011 had £27.6 million of debentures and bonds from the public. He said,

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 £834.5 million.

1170 That represents an increase, Mr Speaker, of 3,023% in six years. Actually he was quoting the wrong figure: the Savings Bank did better than this, or worse on the watery eyes of the Opposition. The figure for debentures and bonds in last year's book was £902.3m, a 3,269% increase, and the final figure for March 2017 was a £921.9m increase, a magnificent – or, if you suffer from watery eyes – an eye-watering 3,340% increase, expected this year to have reached over £1 billion. An incredible 3,623% increase. I am looking at doing at even better, or worse in the eyes of Members opposite, in the next financial year.

1175 He then said this was not a sovereign fund. Well, of course it is not a sovereign fund. But describing it as a debt to the public is a strange way of describing what a savings bank or any other bank does and he never described it like that when he was in Government.

He then added:

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 ...

– it is a debt owed by the Gibraltar Savings Bank, to members of the public.

Let's be clear, the Hon. Member thinks that this £800 million increase is because we took Government debt and put it in the Savings Bank and therefore the Government debt went down

1180 £800 million. Based on the figures and the language he was using, he was saying the growth from £27 million to £834 million in 2017 was paralleled by a drop of Government debentures and the replacement by the Gibraltar Savings Bank Bonds and debentures.

This, we all know, is totally false. In the first place there was no £807 million of Government debentures to shift to the Savings Bank. Secondly, in December there was £280 million in  
1185 Government debentures which reached £318 million in March 2012. Thirdly, the debentures were repaid to members of the public who invested some of their cash in Savings Bank debentures, around £250 million. Fourthly, the Savings Bank in turn purchased £250 million of Gibraltar Government debentures, i.e. public debt, so the public debt was the same.

The result of this transaction was that the level of Government debt was reduced by £68  
1190 million that the public took in cash, and that the public debt is still composed of the £250 million of debentures that the Savings Bank bought and it is the same as it was before the transaction took place, and the rest is the £200 million from the other banks.

For reasons that I cannot understand, the Members opposite think that it is very bad for the Government to borrow from its own bank and give it the benefit of the interest paid, but fine to  
1195 do so from other banks and give *them* the benefit. Mr Speaker, the policy of the Government today on the Gibraltar Savings Bank is the policy of the GSLP Government of 1988 on the Gibraltar Savings Bank.

The GSLP increased the role of the Savings Bank in 1988 and developed it so that by 1996 it had £165.9 million instead of £2.7 million in 1988, a change I brought about as Chief Minister, an  
1200 even more terrible percentage increase of 6,144% which the GSD of the time did not complain. If they had been suffering from watery eyes this place would be a lagoon now.

The Savings Bank's role has been correctly identified by the Hon. Member, Mr Clinton previously, describing it as fulfilling the function of a Development Bank. It did so between 1988 and 1996 and continues to do so since 2011. In between, the GSD ran the bank down to nothing  
1205 and if they ever get back into Government they will do the same again, given the remarks of Mr Feetham as Leader of the Opposition and Leader of the GSD in 2017 and earlier years.

Since when has anybody described a bank as having debts because it accepts deposits from the public? The only reason for doing so is to make it sound negative. Banks exist to take savings from the public and reinvest the money at a profit. This is what the business consists of. Or was  
1210 it something different when Mr Clinton was running his bank?

The Government is proud of the role of the Savings Bank in providing a secure home for the savings of our people and putting those savings to work for the economic growth of our country. Mr Feetham talks of it as if it was something bad that we are trying to hide and he had  
1215 discovered something that the public did not know.

Mr Speaker, he knows that as Minister for the Savings Bank I produce a report containing this information for our customers which gives details of the increases that are taking place in deposits every year. This is something that reflects the confidence that our customers have in the institution they see as a safe home for their money. He should ask Mr Clinton whether the bank that employed him as a director would have punished or rewarded him if the bank had  
1220 increased deposits by over 3,000%.

So now we know that no Government debt was transferred from the Government to the Savings Bank in order to reduce the Government debt. The £447 million which was added to the £772 million to increase the eye-watering effect by combining it into £1.2 billion can now be discarded. The Government debt of £447 million is the reduced level of the Government debt  
1225 from the GSD debt of £520 million in 2011. It is not money borrowed by us since 2011.

What about the £772 million of non-Government debt? The £400 million of the so-called debt is an investment in shares of Credit Finance Company Limited. Credit Finance has a money-lending licence – money-lending companies lend money that is how they make a profit for their owners. So if Credit Finance lends money to the Sunborn at a commercial rate of interest this is  
1230 not a hidden non-Government debt, it is the debt of the Sunborn Company owners.

If the loan was to be made to the Sunborn Hotel that is berthed in Victoria Docks in London it would not matter in the watery eyes of the Opposition, because all the investments in loans in the UK shown in the list of assets of the Savings Bank are okay as far as they are concerned.

1235 If Credit Finance lends money to a former Chief Minister who pays interest and repays the loan by transferring to Credit Finance his entitlement to a final salary pension – and so do countless other Civil Service Pensioners – it is not in order to reduce the expenditure in the Appropriation Bill, as has already been shown, and it is not a hidden debt of the Government because the loan has not been made to the Government but to the individual.

1240 If the Savings Bank buys shares in Gibtelecom it is not a hidden Government debt, it is the purchase of an asset just as if it bought shares in British Telecom. If the GHA pays rent to RBS in respect of the building it occupies which the GSD as Government arranged, this is not hidden Government debt, it was a perfectly reasonable and acceptable form of meeting the needs of the GHA which we in the GSLP, in opposition, did not criticise when it was done. If they did the same in respect of the construction of car parks using the Car Park Company it is not a hidden  
1245 Government debt, but creating an asset that produces revenue.

This is how the Opposition last year concocted a £772 million eye-watering hidden debt used, they said, to meet recurrent Government expenditure, when much of it was done before 2017, and some of it even before 2011. This is what was used to justify their incomprehensible vote against the Appropriation Bill. Indeed in the division vote Mr Feetham said ‘No’ and added  
1250 ‘Account for the £772 million’ – so the link could not be clearer.

In closing, I want to say that the Training for Employment Apprenticeships and Vocational Training is working as intended and the results reflect the increase in Gibraltar employment. The October 2017 Gibraltar employment level at 11,130 was 910 more than in October 2011. This compares with an increase of 350 between 2005 and 2011, the last six years of the GSD  
1255 Government.

We have had some success in placing unemployed workers in the private sector construction industry and elsewhere using the public contract requirement introduced in 2010 by the GSD, which I welcomed at the time.

In the 2011 Budget the then Minister for Labour said:

...there are many areas of employment within the private sector that are not attractive enough to the local unemployed. As I have stated in the past, few, if any, are clamouring to replace foreign labour in the private construction market, catering, hotels, shops, bars or restaurants.

1260 Last year, Mr Feetham said:

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.

I am happy to look into any cases of local unemployed persons able and willing to work, and help in any way I can if the Hon. Member provides me with the information. Similarly, my doors continue to be open to any employer in *any* industry who is interested in taking on apprentices for which my Department would provide financial support. And therefore I repeat my call that  
1265 they should approach me directly, since approaching Mr Phillips does not enable us to engage as he is unwilling to provide me with the contact.

Finally, I apologise for having to cut my contribution short, as I will be flying to London this evening, to officially open the magnificent, new, asbestos-free Calpe House tomorrow morning. *(Banging on desks)* I will be back tomorrow evening and, as Father of the House, I hope  
1270 Members will behave themselves while I am away. *(Laughter)*

As Patron of the Calpe House Charity, I would also like to thank Members opposite once again for their support, and especially the Hon. Mr Feetham for his initiative, at the start of the fund-raising campaign, in coming forward to donate his salary of one month to the charity.

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

1275 **Chief Minister (Hon. F R Picardo):** How true it is that the truth will set you free, Mr Speaker. I move that the House –

**Mr Speaker:** I move a recess –

1280 **Hon. Chief Minister:** Sorry?

**Mr Speaker:** A 20-minute recess.

**Hon. Chief Minister:** I move that the House should recess for 20 minutes.

*The House recessed at 5.07 p.m. and resumed its sitting at 5.19 p.m.*

1285 **Mr Speaker:** The Hon. Roy Clinton.

**Hon. R M Clinton:** Mr Speaker, in the immortal words of Emile Zola – I Accuse!

Mr Speaker, I accuse this Government of failing to produce a meaningful Budget and prudent Estimate Book for 2018-19.

1290 Mr Speaker, I accuse this Government of failing to meet basic standards of transparency and accountability in public finance

And, Mr Speaker, I accuse the Chief Minister of being the architect of this dismal state of affairs in respect of our public finances and thus utterly failing in his duty as Minister of Finance.

1295 And, Mr Speaker, these accusations are not mere rhetoric and I intend to prove beyond reasonable doubt each of those as being true.

And, Mr Speaker, as Zola himself reasoned, and I quote:

My duty is to speak out; I do not wish to be an accomplice in this travesty.

1300 The Government set out quite clearly in response to my motion in March, earlier this year that it was a pillar of GSLP policy not to have the Finance Bill presented at Budget time. As a result, Mr Speaker, nothing – absolutely nothing – that the Chief Minister has said today as regards any budgetary measures or tax changes has any practical legal effect when he sat down.

1305 If we need any proof of this we have only to look at Gazette number 4468 issued on 24th May 2018 in which three years of backdated Budget measures were introduced in one go. Indeed, we in this House today do not have the ability to debate or vote on those Budget measures as all that is in fact before us is the Appropriation Bill. If we had a proper Finance Bill, Standing Orders would allow for a reasonable recess to enable the Opposition to digest the measures and prepare a considered response. Evidently, Mr Speaker, the Government has no interest in scrutiny by the Opposition and regrettably there is not a great deal we can say about what he has announced today. But I will try and make some observations on what we have heard today from the Chief Minister

1310 Firstly, thankfully, I am nor a smoker, not am I a great drinker so the Budget's increases in terms of taxation in these areas are not something I will necessarily regret. The other measures that have been introduced by the Chief Minister, particularly in respect of intergroup losses will, no doubt be welcome by the Gibraltar Society of Accountants who I know were lobbying quite hard on this point, and anything that we can do, Mr Speaker, to enable the operations of business in Gibraltar to be effective and efficient should be welcomed.

1315 I must admit I am a bit mystified by why the Government is getting involved in the Damages Act and providing a Savings Bank product. Indeed, I would like to hear more on this from the Chief Minister as to what the rationale is for the Savings Bank to get involved. My concern is that

1320 if they offer better rates than anybody else in the UK or in Gibraltar, that they will effectively be  
affecting the discount rate, and I stand to be corrected, be effectively allowing insurers to give  
lower payouts. But again, I would welcome the Chief Minister's thoughts on this matter and why  
there is a need for the Savings Bank to get involved at all.

1325 Mr Speaker, there is of course one positive for the ladies in the community and that is the  
abolition of duty on handbags – if not somewhat discriminatory because the rest us poor  
gentlemen have no such tax perk. Talking about tax perks, there is not really much in the Budget  
for the working family. I do not see much in terms of tax breaks or other measures that the  
ordinary working family will see a result in their pockets. Indeed, in the public sector the pay of  
2.5% increase is in real terms actually zero – they will see no real increase because, as the Chief  
Minister has said, in fact, he said, inflation in 2018 was 2.6%, in which case that will have a  
1330 negative real effect on their take home pay packet.

Try as I must, I cannot quite get my head around – and no doubt he will enlighten us – as to  
the cap on the 2.5% increase and the 60 pence per hour cap; but this is something I would  
welcome more clarity on by the Chief Minister.

1335 What I was surprised to hear from the Chief Minister is about the 10% social insurance  
increase across the board. Now, Mr Speaker, I did criticise the Chief Minister last year for not  
having mentioned this during Budget time, and of course this year I do indeed welcome he has  
announced it as part of the Budget and not in advance. But this 10% increase in Social Insurance,  
if we are doing so well, and to quote him, as he knows I did quote him last year, when he was  
on the Opposition Benches in 2010 he said, I quote: 'If we are running surpluses, if we are in  
1340 such good shape, tell us why it is then we need to further increase the cost of doing business in  
Gibraltar?' Which indeed, he is.

Mr Speaker, last year, when he announced the increases in March – in fact 10th March 2017  
– the 10% increase which he announced, effectively cost employers on average an extra £183.56  
per annum per employee. And employees took home £121.68 less on average per year. But  
1345 those were last year's measures. This year, another 10% increase, but what we will see is that  
the employer will be having to pay an extra £189.80 per annum per employee; and employees  
will be worse off by £143 on average each.

1350 So, Mr Speaker, this is not really a Budget for the working family. Indeed, this is perhaps as  
the Government ominously predicted, a Brexit Budget. But you cannot on the one hand say, 'Oh,  
this is a Brexit Budget', and then on the other hand boast, 'It's never been so good!' Because the  
two just do not make sense.

As they say, if we had more time, we would have a more detailed analysis on this Budget but  
then, to be honest, there is not much to analyse in the Budget because there is not much in the  
way of measures. The only measure I perhaps can welcome is the capping of speculative profits  
1355 on affordable housing which I think we can all agree is something we would not wish to  
encourage.

1360 Other than the absence of a Finance Bill, this Government has also slipped into the bad habit  
of taking the Supplementary Appropriation Bill for prior years well after the Budget debate. Not  
only is this illogical but also has the effect of delaying the Principal Auditor's report which we  
have still not had in respect of 2015-16. Mr Speaker, if I may remind the House this is what the  
Chief Minister said on 2nd March 2016, and I quote:

Because the main Appropriation Bills for the year are normally now debated in this House at around June or July  
of each year as part of the Budget session, this has meant that the annual audited accounts for the previous year  
have necessarily been delayed until the approval of these supplementary appropriations and the Principal Auditor  
has not been able to complete his audit of the annual public accounts until then.

And he goes on:

In order to enable the Principal Auditor to complete his audit of the annual audited accounts earlier and for these  
annual accounts to be laid in the House on a more timely basis – the Government has decided to revert to the  
earlier practice of presenting the Supplementary Appropriation Bills separately.

1365 Mr Speaker, the Supplementary Appropriation Bill for 2014-15 was published on 17th December 2015 and debated in Parliament on 2nd March 2016. The Supplementary Appropriation Bill for 2015-16 was published on 22nd December 2016 and it was not debated in Parliament until 6th December 2017, almost a year later! The Supplementary Appropriation Bill for 2016-17 was published on 12th January 2018 and we have yet to debate it in this House.

1370 It is evident that the Chief Minister cares little for the budgetary process and parliamentary scrutiny, and I can only assume he just wants to delay the publication of the Principal Auditor's report as much as possible because, Mr Speaker, Brexit cannot be an excuse for everything.

Turning to the Estimates Book and the Appropriation Bill itself: my colleagues will speak in detail as regards their respective areas but I have noted a general trend which is worthy of comment and in fact has been picked up by the Chamber of Commerce in their annual report.

1375 Total recurrent revenue peaked at £655.7 million in March 2017 and we now see the outturn for March 2018 to be lower at £635 million; and yet recurrent expenditure as a proportion of revenue – and again I say, as a proportion of revenue – is growing from 88% in 2017 to 94% in 2018, and in the estimates for 2019 to 96%. As the Hon. Sir Joe Bossano quite rightly pointed out, this is just not sustainable. This is a worrying trend that does not allow for much of a buffer should Government revenue suffer a downturn next year because of Brexit or for any other reason. And in those percentages I have included the £25 million that is appropriated to finance Government Companies, and which the Government include in the calculation of what they call 'a surplus'. But more on that later.

1385 Mr Speaker, and this is in spite of stealth increases in fees for everything from MOTs, business licences, fines, dog licences, zonal parking permits, housing rentals and today we see an advert in the Chronicle for 3% increase in rates across the board for residential dwellings. Stealth taxes.

1390 Of concern – and the real concern – is a projected decrease in the cash reserves of the Government from £127.6 million in 2017 to £96.1 million in 2019; and there would then be a consequential increase in net debt in 2019 to £339.9 million which is wide of the Government's manifesto target of £300 million net debt by 2020.

1395 Indeed it is surprising that in answer to my question 410/2018 the Government stated that as at 28th February 2018 it had £260.4 million deposited in the Savings Bank which I assume includes Government-owned company cash. And yet *per* the estimates Appendix L, as at 31st March 2018 this was expected to be only £164.6 million. I really would be grateful if the Chief Minister could explain where £95.8 million has disappeared to in just one month.

1400 It is frightening that from a balance of £308 million on 31st March 2017 it is anticipated that by 31st March 2019 only £127 million of the famous 'cash pool' will be deposited by the Government in the Savings Bank. Now, the Chief Minister may well reply, 'Ah yes, but the money is somewhere else'. Well, every session I ask for the Government's liquid reserves and holdings and I am refused this information. I ask this question every time I come to this Parliament and I am refused the information.

1405 Mr Speaker, what we are seeing, rather ominously, is rising recurrent expenditure, rising net debt, decreasing revenue and decreasing cash balances. I am afraid to say this, but it would seem we are heading for a sober reckoning with financial reality and we need to wake up to this now.

1410 None of this bodes well but it gets worse I am afraid. For the first time since I have been in this House the Government is actually anticipating what I would call a budget deficit, in that the closing consolidated fund reserve is lower than the opening balance. The outturn for March 2018 rather than a surplus as the Chief Minister proudly announced, is actually showing a deficit of £4.9 million which is mainly due to an extra £21 million required for the Improvement and Development Fund which in itself is recording a £7.6 million deficit – and that is a written deficit in their own book.

Mr Speaker, it is telling that the Community Care contribution for 2018 is not the usual £20 million as it has been for the last two years but in fact has been cut by 25% – yes, by a

1415 quarter – to the lowest level under this Government, to £15 million. This is very significant in  
 that it means that the Government is actually now underfunding Community Care, whose annual  
 cost in 2014 – which were the last accounts I have available to me – was £16 million. Community  
 Care will, if the numbers have not changed significantly, and the Chief Minister kindly provided  
 1420 us today with some information as to the growth in eligible pensioners which he stated in 2009  
 was 8,213 and in 2018 was 11,693, so I cannot see that Community Care’s outgoings will be  
 decreasing.

So if the numbers have not changed, and in fact I would say that the numbers have grown,  
 Community Care will have to be eating into its reserves to fund its expenses. Is this what the  
 Hon. Father of the House meant in his *New People* editorial? That the Government would be  
 1425 taking a contribution holiday to Community Care and that Community Care would have to look  
 after itself soon until its money ran out?

Is it that it is starting to drizzle and we really need to dip into the rainy day fund? Mr Speaker,  
 I was shocked to see that for 2019 the Government is actually projecting again what I call a  
 budget deficit of £19 million, *without* taking into account its contribution to Community Care  
 1430 *even* at its 2018 level of £15 million. The Government is, for the first time, actually projecting a  
 depletion of our reserves. This is indeed a Brexit Budget!

Looking at the Improvement and Development Fund the picture is not much better – in fact it  
 is much worse. The Improvement and Development Fund in 2018 is being emptied such that  
 from an opening balance of £7.9 million it is being left with nothing more than £319,000. The  
 1435 fortunes of the Improvement and Development Fund unfortunately are not set to improve in  
 2019 with the balance only anticipated to grow by £108,000 which, frankly, is peanuts.

Mr Speaker, for me it is the Improvement and Development Fund that has signed a death  
 warrant for this Budget if it needed one. I do not need to bore this House with a Colonial  
 Bookkeepers technical analysis. (**A Member:** No.) I hear a Member saying, ‘I am’ – well, I am  
 1440 proud to be one, because they are evidently not. It is simply this fact that makes this Budget an  
 utter nonsense – this fact alone, which the people on the street will understand: other than  
 £1,000 – yes, Mr Speaker, £1,000 – there is no, I repeat *no*, provision for the cost of the  
 construction of the eight new schools which, as the Government has already disclosed, just the  
 new comprehensives will cost £52.2 million. (*Interjection*) *Nothing*. If the other six schools are to  
 1445 be built at a conservative estimate, say, of £15 million each then the total spend would be  
 £142.2 million.

Where is it in the Book? Can the Chief Minister show me the page, because I cannot find it! It  
 does not exist; it is not in the Book. How can the Chief Minister stand up and have the temerity  
 to say he has got record surpluses, when he is not even accounting for most of the expenditure?  
 1450 It is a nonsense!

And, Mr Speaker, if that is not bad enough, there is no provision for the £20 million waste-  
 water treatment plant again, other than £1,000. And he stood up this morning and said, ‘Well,  
 we are going to be breaking ground before the end of the year’. So where is the cost – £1,000?  
 We know it is a £20 million contract. Can’t he put in £20 million? Can’t he put in £52 million? Oh  
 1455 no, because then he would not have a surplus and he would have an even worse deficit. It is a  
 nonsense.

The one project that is recorded in the Improvement and Development Fund is the  
 2019 Island Games and I regret to say that unsurprisingly this is already significantly over budget.  
 Over budget on the £16.5 million which is earmarked for it.

And, Mr Speaker, I can carry on. There is nothing in respect of a National Theatre; there is  
 nothing in respect of the Grand Parade car park scheme. Even if the Government came back  
 with a Supplementary Appropriation Bill next year for this money, we simply do not have it in  
 either the Consolidated Fund or the Improvement and Development Fund by the Government’s  
 own estimates for 2019. We would be bankrupt; we would only have £96 million! How are we  
 1465 going to pay for all this? Where is the money going to come from?



Mr Speaker, is this what the Chief Minister calls ‘careful calibration’? It does not add up, and the people of Gibraltar are rightly asking themselves: where is the money coming from? Where is it coming from?

1470 The answer to the question: ‘Where is the money coming from?’ – is simply this. The Government are running two sets of books – one public and the other one hidden and secret. The secret books of this Government are a travesty to our public finance system, as I explained last year. We have absolutely no visibility as to what the financial position of Government Companies is, and importantly what is happening to the £300 million by way of mortgage over six of our housing estates which house thousands of families?

1475 Today, we hear from the Chief Minister, ‘Well, actually, I spent £30 million of it on the Gibraltar International Bank’. All well and good. That is the first we hear of it – and more on that later. The Chief Minister gave a clue perhaps in the last session of the House because that is what we seem to be working on – clues, guesses, estimates. We do not see the full picture.

1480 He said a Government Company had awarded the contract for the schools and thus did not need to go through the procurement process for the awarding of the contract to Casais. So, I now have to guess that the new schools will be owned through a corporate structure that will enable the selling of parking spaces and other such commercial activity unheard of before in respect of our schools.

1485 Mr Speaker, the evidence of our eyes tells us the money is being spent on the schools, the University Accommodation block and the Midtown car park, but according to the Government’s Financial Records – and these are the official Financial Records – we are dreaming, because they do not officially exist. When we ask for the cost of these mirages we are told, ‘No, it is all commercially sensitive, we can’t tell you; we’re here to defend the interest of the taxpayer; you’re all terrible and shouldn’t be asking these questions’. I am sorry, it does not wash.

1490 I have not even touched upon the cost of the new affordable housing schemes – and funnily enough, neither has the Chief Minister – perhaps because by my own conservative estimate of £200 million is a dream too far even for the Chief Minister, given the current state of our finances, as I have just set out. We are told that the Minister for Housing will have good news in this respect. But alas, I would not put too much stock on her words, especially when she said memorably in last year’s Budget speech as regards Bob Peliza Mews and I quote – and this really is priceless:

... there has been a delay due to technical reasons of infrastructure. Infrastructure is an important preliminary issue and we wanted to get every detail right before making any further announcements.

This is priceless, Mr Speaker:

This may affect the footprint of the new development to some extent but not in a way that will be disadvantageous. I expect that the technical advice and the administrative process will be complete before the end of this year and I am delighted to announce, Mr Speaker, that we will be in a position to have started the process of selling our new flats and give so many people the opportunity to be homeowners once again

1500 Mr Speaker, fantastic phrase ‘technical reasons of infrastructure’. Or could it be that – (*Interjection*) It is going to be a school! So ‘technical reasons of infrastructure’ really should now be taken to mean – much as shortly or in the lifetime of this Parliament – is that there is going to be a complete change and nothing will be done on affordable housing.

1505 As regards the Minister for Housing’s accusation on Twitter that I am a populist. Mr Speaker, I am a populist. If speaking the truth about the need for 3% rent rises for the next 30 years to pay for the £300 million mortgage on the six housing estates makes me a populist then I will plead guilty. And the Chief Minister thinks me foolish if I make this remark, that I cannot therefore be very good at maths. Well, I suggest he check with the technical experts who gave us that same information, one of which is sitting right behind him. That was information from his experts and not my guess.

1510 Mr Speaker, this financial alchemy really has to end. We do not live in the Congo. The public deserves the truth and to know our true financial position from the Chief Minister.

**Chief Minister (Hon. F R Picardo):** Or in Brazil. *(Interjections) Madoff! [Inaudible]*

1515 **Mr Speaker:** Order. The Hon. Member is entitled to be heard without any comments across the floor.

**Hon. R M Clinton:** I have asked him publicly to explain how the schools are being funded and he sidesteps the issue. I have asked about what is being done with the £300 million mortgage proceeds and the Chief Minister talks nonsense about having a 'war chest' and 'Sovereign Wealth funds'. Mr Speaker, he obviously has no concept of what these are and he hopes nobody else does. The Chief Minister either does not know the answers to these questions or simply cannot bring himself to tell the people the truth which is, quite simply and plainly, that we are borrowing heavily to pay for his concept of Utopia.

1525 Mr Speaker, the Chief Minister said in a press release on 26th April 2018 that he will, and I quote:

... deliver substantial 'rainy day funds' in excess of those ever held by Gibraltar before.

Well, I would really, sincerely like to know where they are, because they are certainly not in the form of the Consolidated Fund or the Improvement and Development Fund, given that his own projections for 2019 do not show that.

1530 Mr Speaker, I really have to explode this fallacy that the Father of the House is promoting in that he has set aside substantial rainy day funds in other places. In the GSLP/Liberal manifesto for 2015 he sought to explain what in his view a rainy day fund was and he said, and I quote:

It consisted in retaining reserves in a number of ring-fenced funds which were not available to the government to meet the recurrent running cost of the public administration.

The idea was and is that the Rainy Day Fund should be available to meet additional funding requirements if there were unexpected calls on government expenditure or unpredictable drops in revenue.

The only true Government rainy day fund that exists is, as its name suggests, the Contingencies Fund created under section 71 of the Constitution which for a number of years has held the paltry sum of £400,000. This fund exists so that if there has, and I quote:

arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advances from that Fund to meet that need.

That, Mr Speaker, sounds remarkably like the GSLP/Liberal definition of a rainy day fund – but it is evidently not being funded.

1540 The Father of the House likes to squirrel away money in different places almost as if a burglar was going to break in one night in the Treasury and raid the Government's coffers. Or perhaps he just does not trust any Government, including his own, not to overspend.

**A Member:** They are consultants.

1545 **Hon. R M Clinton:** Mr Speaker, the surplus money held by Community Care is described as a rainy day fund in the GSLP/Liberal manifesto. However, it is a self-evident truth that it is simply not available to the Government to meet additional funding requirements. What it represents is a pot of money to pay pensioners should the Government fail to meet its recurrent obligations; it is *their* rainy day fund not the Government's. It cannot be accessed if there is a shortage in funding to meet Healthcare, Education, Housing or any other needs of the Community.

1550 In an editorial in the *New People* on 17th May 2018 called, I quote: 'Clinton's Community  
Care Nonsense' the following argument was put forward, and I quote: 'Should Gibraltar be hit by  
a period of low revenue, pensioner income will be protected by the fact that the Trustees have  
this rainy day fund available to them. By continuing to fund these payments to pensioners in  
1555 times when the Government might not wish or be able to fund the payments itself, the Trustees  
of Community Care would be relieving the taxpayer of the need to make these payments. Hence  
the principal reason why the Community Care fund can properly be classed as a rainy day fund  
of the people of Gibraltar'.

Yes, Mr Speaker, it is Community Care's rainy day fund if the Government fails to meet its  
obligations. It cannot be and is not the Government's rainy day fund and to continue to describe  
1560 it as such is utter nonsense. If the Government were a company it would not and could not claim  
its pension fund was its own money – unless you were Maxwell. What we now see in this year's  
Estimates Book is that the Government is indeed running down its contribution to Community  
Care this year, and as I estimated last year I cannot see the Government meeting its manifesto  
commitment of funding it to the tune of £230 million by 2019-20. Indeed, I am now concerned  
1565 as to exactly where this £100 million already in Community Care is and how it is invested. I  
would rather see this large sum of money held and invested by the Financial Secretary, given the  
Brexit uncertainty we face.

Mr Speaker, I take this very seriously. As I said in the House last session I have complained to  
the Charities Commission in March this year because the last set of audited accounts filed by  
1570 Community Care and its group of companies was for 30th March 2014. I have at the same time  
in March, with a chaser in April, written to the trustees requesting information on the  
investments held but to date as at today, other than an acknowledgement of receipt, I regret I  
have not had a response. It is regrettable because an understanding of the investments held  
would of course have informed this debate as to the liquidity of the surplus funds they hold,  
1575 given that the drizzle seems to have started by this Government and the rainy day may indeed  
be soon upon them and us. I would therefore – I appeal – politely ask the trustees to please,  
please respond to my letter as soon as possible as it is a matter of public interest where they are  
investing the £100 million they own. That money was gifted to them by this Government, it is  
taxpayer funded, and we are entitled to know what they are doing with it.

I am also particularly interested to hear if they are funding any Government or private sector  
real estate projects. If this money is held in bricks and mortar, it is not liquid. Or, if it is liquid, I  
would like to know where it is. And certainly, Mr Speaker, despite our best attempts in the last  
session neither my hon. colleague, Mr Feetham, nor myself were able to draw the Father of the  
House as to whether this money was indeed or not deposited at the Gibraltar Savings Bank. We  
1585 deserve an answer.

Mr Speaker, I will grant that the reserves of the Savings Bank itself could be deemed a rainy  
day fund, as they are indeed available to the Government. The Government's manifesto  
projected that the reserves of the Savings Bank would be £70 million by 2019-20. Given that its  
annual profits have been falling, this target will surely be missed as reserves are projected to be  
1590 only £41 million in 2018-19 with an annual surplus of £4 million in 2018-19. The Savings Bank  
would have to make an extraordinary surplus profit of £30 million in 2019-20 to meet the  
Government's manifesto commitment. It is going to have to miss this target by a large margin.

The Chief Minister said the GSD Government left Gibraltar with zero. That is not true,  
Mr Speaker. When the GSD left office in 2011, the Government had £234 million in official  
1595 reserves and a net direct debt of £285 million. For 2019, this Government is predicting official  
reserves of only £96 million and a net direct debt of £339.9 million. I am sure we can all do the  
maths – cash, down; net debt, up. Is this what the Chief Minister calls 'substantial rainy day  
funds' and that Gibraltar's finances will be stronger than ever before? Let him prove it, because I  
seriously do not see it. His own Estimates Book does not show it; and if it does, please tell me  
1600 where it is, because I really do not see it.

1605 Mr Speaker, on the subject of Public Debt: nothing is more contentious perhaps than the question of what is our real level of public debt, that is indeed the perennial question that arises in these debates. First of all, I would ask GBC to correct the information on their website where they say that net debt is down 1% to £324 million. I am sure the Chief Minister will confirm that is not right – net debt is in fact up 2.8% from 2017-18 from £315 million to £324 million. I think the reason for that, Mr Speaker, is the rather roundabout way where the Chief Minister has compared our net debt figure to GDP and that is where the confusion has arisen. But in real terms, our net debt is not down; our net debt is up! Up, Mr Speaker. Up 2.8% from £315 million to £324 million.

1610 And on the subject of debentures and transfers from Government to the Savings Bank, I would like to have a quick extract from the Principal Auditor's Report for 2014-15, talking about deposits in the Savings Bank. It says: 'The increase of £274.2 million over the previous year is mainly a result of the issue of Gibraltar Savings Bank debentures including', and I quote here, 'the replacement debentures for Government of Gibraltar debentures that were redeemed earlier'. So what the Hon. Sir Joe Bossano is referring to, there was a transfer, as my hon colleague has referred to 'a transfer debt' from the Government books to those books of the Savings Bank.

1620 Now, Mr Speaker, the Chamber of Commerce has this year joined the debate, and they have simply asked for the question to be settled – which I do not think is an unreasonable request. I certainly would welcome an external review from a specialised body such as, for example, the UK Chartered Institute of Public Finance and Accountancy which is their speciality. The official gross direct debt of the Government of Gibraltar is £447.7 million – £323.8 million net as at 31st March 2018, which is made up of £247.7 million of debentures issued by the Government but held by the Savings Bank which I understand has no fixed maturity, and £200 million of bank borrowing. The bank borrowing from the last information available to me is provided at 1625 £50 million by NatWest maturing in March 2020, and £150 million by Barclays maturing in a tranche of £100 million in January 2019 and £50 million in June 2020.

1630 Mr Speaker, I note and am hopeful as to what the Chief Minister said this morning about seeking an extension of those maturities. Last year I tried to quantify indirect debt and this year I have come up with the following: Credit Finance – £400 million borrowed from the Savings Bank; GCP Investments Ltd, a slightly lower number now – £16 million borrowed from the Gibraltar International Bank secured on Government property; ES Ltd, the proud owner of our generating station – £55 million, Lombard Plc; Gibraltar Capital Assets Limited – £300 million, loan notes secured on six housing estates.

1635 Mr Speaker, that adds to the famous £771 million, in addition to the official gross debt of £447.7 million which would take us to a gross debt of £1,218.7 million as at 31st March 2018.

1640 But this year, I need to add a new element, and that is in the form of the Gibraltar Development Corporation, who have in fact borrowed £30 million from Government-owned companies in order to buy £30 million of B shares in the Gibraltar International Bank. I have no doubt that this injection of capital was needed and justified; it is the method of funding that I find unusual.

1645 This morning, the Chief Minister said that this £30 million came from the £300 million borrowing – well, that is the first we hear of it, Mr Speaker. And it begs the question why were not the B shares paid for by the Improvement and Development Fund, because there is in fact provision for it – there is actually the usual ubiquitous £1,000 allowance in the Improvement & Development Fund? Or is it that if the Government did that, it would create an even bigger deficit in the Consolidated Fund and a higher net debt? If the Government was perhaps concerned about increasing the deficit, if he wanted to be clever about it, he could have transferred £30 million from the Savings Bank's reserves to the Consolidated Fund to pay for it. 1650 But no, that would of course mean the use of a rainy day fund which would be difficult to explain politically and ruin the Government's manifesto.

1655 So £30 million has come from the £300 million? We still do not know what happened to the other £270 million, and the Chief Minister does not care, he will not tell us. Whereas the Hon. Leader of the Opposition pointed out it is not his money, it is not my money, it is not our money, it is the people's money. And it is the people's debt, more importantly.

So the solution is really quite simple: get the GDC to borrow the money and buy the shares. Simple, no Government Debt and the Government keeps its rainy day Fund. Wonderful!

1660 Mr Speaker, this is the ultimate in financial trickery and reinforces my argument that our finance system and Budget has been reduced to a farce by this Government. (**Hon D A Feetham:** Hear, hear, hear.) (*Interjection*) The Chamber of Commerce may be right in that the only way to resolve the famous debt question is to have an external review by experts, because at the moment the Government are fudging it.

1665 I now estimate our total gross figure to be at least £30 million higher at £ 1,248.7 million. And what is worrying is that the Government does not have a debt management plan to repay any of this debt, other than the Chief Minister making some nebulous comment on public television about half of the revenue a certain product – which I do not think was particularly wise. The sinking fund barely increases each year and we do not know how this £300 million is going to be paid back with the first payment due in 2031. The Chief Minister probably hopes to be well and retired driving around in his electric car by then.

1670 Mr Speaker, let us not be swayed by arguments that GDP has grown and thus our debt should be of no concern. The Institute of Chartered Accountants of England and Wales recently published a report called 'The Debt of Nations' and they had this to say about debt and GDP ratios, and I think it is worth quoting:

Although dividing debt into GDP is a common way to assess the scale of public debt, as a measure it depends on the quality of statistical practices around the world.

And I am quoting here:

GDP is not always reliable, may be incomplete, and can be subject to manipulation.

1675 Their words, Mr Speaker, not mine:

GDP is also not available to governments as a source of income. A better approach is to calculate public debt in proportion of the revenue that governments actually receive and use to service their debts.

1680 That last argument is precisely why we had a legal debt limit linked to our revenue and not to GDP. But, Mr Speaker, this Government abolished it because it did not suit them. Come to think of it, it is not entirely clear where the GDC got £30 million to buy the ordinary shares in Credit Finance back in 2014 either – another mystery. This Government likes nothing more than to create financial mysteries and it hates transparency – something it said it would embrace in 2011. Well, I have seen no evidence of it.

1685 Mr Speaker, since December 2011, this Government has created or acquired 37 companies. In answer to direct questions, the Government has actually refused to explain the reason for the creation of some of these companies. This is unacceptable in a modern democracy. We do not have an elected dictatorship, or at least we should not have – perhaps we do?

1690 Credit Finance's financial information on the Government's website still dates back to 2016 and it still does not have audited financial statements *six years* after its creation by this Government – not us, *their* Government, on 17th February 2012. That, Mr Speaker, to borrow a phrase from the Minister for Culture, is simply disgusting and the suggestion that the information on Credit Finance has not been updated on its website being due to the audit being completed shortly – where have we heard that before, Mr Speaker 'shortly'? It is just not credible coming from this Government. Shortly!

There is very little information available on Government-owned companies and when there is, it is the bare minimum possible. I am still waiting to hear from the Chief Minister for the full

1695 accounts of Gibraltar Capital Assets Limited, the company that borrowed the £300 million mortgage on the six housing estates. As I made clear last time in the last session of Parliament, this is information that its own Articles of Incorporation require for it to be made public at Companies House. I have heard nothing other than an acknowledgement of receipt from the Chief Minister.

1700 Mr Speaker, of the £300 million, again, we still do not know the terms of the option agreement by which the loan note holders may sell their interest to Government; and the Government refuses to provide the Opposition with a copy of the private placement memorandum setting out the terms of the loan notes. In fact, Mr Speaker, the loan note holders get more information than we do in this Parliament.

1705 And for reasons I have already explained we still do not have the latest report from the Principal Auditor; the accounts for the University of Gibraltar for 31st July 2017 are not finalised – and yet we are being asked to approve a tripling in its budget to £1.7 million in 2019 – a tripling, and we have no sight of their financial statements.

1710 And the Gibraltar International Bank has not yet filed its 31st December 2017 financials, even though they have to be with the FSC by the end of April each year and the Government gave them £30 million extra capital. From what the Chief Minister said this morning it is evident that in 2017 they did not make a profit, and that they are now in 2018 making a profit, which I welcome. But what is the big mystery? Why this show of holding back information? Just publish it, the same as any other entity has to.

1715 Finally, the Government – and this is unbelievable – has still not gazetted the accounts of the Savings Bank despite my repeated requests.

And, Mr Speaker, it really is unfortunate that the 2017 statistical reports on tourism, unemployment, hotel occupancy and other matters have only just been tabled this morning – this morning! That does not really give the Opposition any time for any deep analysis. Of course, Mr Speaker, that is entirely what is intended, because the Chief Minister does not want us to analyse those numbers or hold him to account.

1725 I have to take issue with his explanation of some of the statistics. He talked about job creation: 956 more jobs created in the economy. Wonderful, but again the same as last year, he fails to say that only 65 went to Gibraltarians and that 720 went to Spaniards – i.e. 75% of that growth did not go to Gibraltarians it went to Spaniards, and he has the audacity to say that our people come first!

1730 Mr Speaker, the creation of a responsibility for public sector efficiency under the Father of the House was indeed something that we welcomed at the time. And I thought the phrase that the Father of the House came up with earlier this afternoon which is, I quote ‘Work smarter, not harder’ was perhaps something that the Government should have emblazoned on every Department, including the Chief Minister’s own.

1735 I have to say I have seen very little evidence of success to date from the Department for Public Sector Efficiency. A simple example being the use of private sector office space. On 31st January 2017 the Government entered into a 12-year lease for 323 Main Street at £100,000 *per annum*, which was originally to be used by the Savings Bank. Having then spent £216,222 and one penny on its refurbishment – and, Mr Speaker, we are talking about three floors – today, it appears abandoned, boarded up and empty. Yet in the same period we have seen the Statistics Office and the Audit Department relocated into the World Trade Centre, and neither of these departments are public-facing. So we will spend a minimum of £1.4 million on 323 Main Street over 12 years, which is empty, and move Government departments into expensive office space in the World Trade Centre. This makes no economic sense whatsoever. None!

1740 The other particular failure is unfortunately in the budgetary control of the Gibraltar Health Authority. The Minister for Health assured this House in his Budget speech last year that and regretfully I will remind him of it, and I quote:

The GHA has ended the financial year with ...

1745 And these are all his words, Mr Speaker –

... in my view, an unacceptable deficit. My commitment to our tax payers is that in my first year as Minister for Health, the GHA will come within budget whilst improving health care.

Mr Speaker, again, ‘the GHA will come within budget’. I regret to say the GHA is estimated to come in some £9.6 million over budget – over budget, Mr Speaker – and this is despite him having, and again I quote, and I was impressed when I heard this first:

... monthly meetings, held on the first Friday a week after the close of the month, with all Heads of Departments, where we review every single expenditure line by line. If any subhead is in deficit I will require a full explanation for all the reasons and the steps being taken to ensure that the next month will reflect expenditure within budget.

1750 What went wrong, Mr Speaker? I am sure the Minister for Health will enlighten us when he gives his Budget speech. But to be fair to the Minister for Health, it was my personal view and this last year’s GHA budget was perhaps a tad unrealistic, despite the Minister’s best efforts at budgetary control, for which I commend him.

1755 But, Mr Speaker, not to disappoint this year is of course the Minister for Culture who, Mr Speaker, has yet to learn what a budget is, (*Laughter*) and he obviously needs lessons from the Father of the House. Not content with exceeding his budget last year on the 2017 Music Festival by £1.6 million – which was bad enough as it was – this year he has beaten his own record which is worthy of a Guinness Book of Records entry, perhaps even an Olympic medal – he has beaten his own record with an eye-watering *excess* – over budget, which is really a loss – of £2.6 million! Yes, £2.6 million, Mr Speaker. (*Interjection*) More than half the annual running cost of GBC – that  
1760 is for only two days of entertainment! What value for money; evidently bringing in MTV in 2018 did not help much.

I hope the Chief Secretary enjoys some success with his recently created ‘A’ Team comprised, I understand, of recently retired senior civil servants to keep an eye on Departments and expenditure. I of course naturally welcomed the announcement that the Chief Minister made of  
1765 an external review of senior public sector salaries in Gibraltar, perhaps a measure that was long overdue.

Mr Speaker – and the Father of the House uses the term himself – ‘value for money’: that is what it is all about in the public sector, value for money. Value for money is about economy, efficiency and effectiveness which, regretfully, this Government still needs to learn or simply  
1770 does not yet understand, other than the Father of the House.

I understand that attracting inwards investment is difficult, especially given the current Brexit environment, and I for one will not criticise the Government for its failure to bring the Bluewater project into fruition. However, it would be nice to learn something about the ‘new rock pile’ storage facility at Coaling Island, and of course what is going to happen to the Rooke site? We  
1775 have heard nothing at all, Mr Speaker, from the Chief Minister as regards these two sites. I would hope in his response, that he will enlighten the House.

The Father of the House, although he is not here with us at the moment, is of course to be commended for his efforts in engaging with Chinese banks and construction groups and investors. I appreciate that this does take time and I sincerely hope we will see positive results in  
1780 years to come.

Mr Speaker, turning now to some of my other portfolios being Small Business, Telecoms and Heritage. As I mentioned last year business licensing continues to be an issue needing simplification especially as regards the business premises requirement. I know the Federation of Small Businesses and the Chamber are working closely with the Government on this matter and I  
1785 hope progress will be made soon. The recently published consultation paper on key legislation affecting businesses and commerce is of course to be praised and welcomed. We need to reduce obstacles to business and provide encouragement not disincentives to business – especially in start-ups.

1790 Mr Speaker, the introduction of private sector pensions is something to be welcomed and I look forward to hearing the views of both the unions and the Chamber and the Federation as to the best way to introduce these. I trust the Government will come up with a workable Bill after end of the consultation period and I look forward to the debate in due course.

1795 The world of telecommunication has never been so competitive and I really do now have a particular interest in Gibtelecom's financial performance, not just because it is now part of my portfolio of responsibility, but also because the Savings Bank is its sole shareholder. I note that Gibtelecom is doing its best to diversify its product range from fixed line to data storage and recently on-demand TV. I am, however, disappointed that its December 2016 audited financial statements are not yet available due to technical accounting issues that its auditors I am told are resolving. Gibtelecom audited accounts are usually uploaded on their website promptly every year and I look forward to them being finalised soon.

1800 But, Mr Speaker, I am particularly interested in Gibtelecom's plans for the Haven site. This was purchased from the Government in 2014 for £5.8 million, partly funded by way of a bank loan. And it has been empty ever since. In 2015 an application was made to the DPC for a two-storey extension to be built on the Haven site but now this has been replaced in March 2018 with a new plan seeking just refurbishment of the existing structure, and no extension. No doubt the forthcoming annual report will shed light on its plans for the Haven and associated costs and I look forward to reading the 2016 annual report in due course.

1805 Mr Speaker, last and not least, I welcome the publication of the long-overdue Heritage and Antiquities Bill. I have already had the opportunity with my colleague, the Hon. Mr Trevor Hammond, to have a constructive discussion on the Bill with the Minister for Heritage and in order not to anticipate anything that will be said in the forthcoming debate on I will leave it at that. We of course still have much to do on Heritage and I note the comments made by the Hon. Deputy Chief Minister as to the idea to enhance the Northern Defences. But I also look forward to hearing more from the Minister for Heritage as to plans for the Moorish Castle.

1815 So, Mr Speaker, in conclusion, as I said in my opening I will not be a party to this travesty that the Government calls a Brexit Budget. I accused the Government of failing to produce a meaningful Budget and prudent Estimate Book for 2018-19 and so I have proven, in that they have not included the cost of the new schools and we can see reserves are being depleted. I accused the Government of failing to meet basic standards of transparency and accountability in public finance and so I have proven in that there is a lack of information given on Government companies and indeed how the £300 million mortgage money is being used and spent.

1820 And, Mr Speaker, I accuse the Chief Minister of being the architect of this dismal state of affairs in respect of our public finances and thus utterly failing in his duty as Minister of Finance and so he must shoulder the responsibility – him alone.

1825 The people of Gibraltar deserve the truth and a meaningful Budget. I will not vote for this budget Mr Speaker, not because of petty partisan politics, but because put simply it is neither complete nor accurate.

1830 Mr Speaker, the lights will not go out, the schools will not close and people will not die as the Chief Minister suggested last year because of our voting against this Budget. We have a duty to hold the Government to account on behalf of the people of Gibraltar (**Hon D A Feetham:** Hear, hear.) and we would be negligent in that duty if we turned a blind eye to the Chief Minister's financial trickery. (*Banging on desks*) Trickery, Mr Speaker!

I stand by my accusations and will vote against this so-called Brexit Budget.

1835 Thank you, Mr Speaker. (*Banging on desks*)

**Chief Minister (Hon. F R Picardo):** Well, Mr Speaker, wake up, wake up, everyone! I move that the House do now adjourn to tomorrow morning at 10 a.m. if Hon. Members would care to wake up and now move back home.

1840



**Mr Speaker:** The House will adjourn to tomorrow morning at 10 a.m.

*The House adjourned at 6.33 p.m.*