



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 10.03 a.m. – 12.41 p.m.

Gibraltar, Monday, 2nd July 2018

Contents

Suspension of Standing Order 7(1) to permit papers to be laid.....	2
Papers to be laid.....	2
Order of the Day	3
Government Bills	3
First and Second Reading	3
Appropriation Bill 2018 – First Reading approved.....	3
Appropriation Bill 2018 – For Second Reading – Debate commenced	3
<i>The House adjourned at 12.41p.m.</i>	37
Department Review – Part of Chief Minister’s address – Appendix 1	38

The Gibraltar Parliament

The Parliament met at 10.03 a.m.

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

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

Suspension of Standing Order 7(1) to permit papers to be laid

Clerk: Meeting of Parliament, Monday, 2nd July 2018.
Suspension of Standing Orders. The Hon. the Chief Minister.

5 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I beg to move, under Standing Order 7(3), to suspend Standing Order 7(1) in order to proceed with the laying of a report on the table.

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

PAPERS TO BE LAID

10 **Clerk:** (vi) Papers to be laid – the Hon. the Chief Minister.

Chief Minister (Hon. F R Picardo): Mr Speaker, I have the honour to lay on the table the Annual Report of the Gibraltar Regulatory Authority for the year ended 31st March 2018.

15 **Mr Speaker:** Ordered to lie.

Clerk: The Hon. the Minister for Tourism, Employment, Commercial Aviation and the Port.

20 **Minister for Tourism, Employment, Commercial Aviation and the Port (Hon. G H Licudi):** Mr Speaker, I have the honour to lay on the table the Tourist Survey Report 2017, the Hotel Occupancy Survey 2017, the Air Traffic Survey Report 2017 and the Employment Survey Report 2017.

Mr Speaker: Ordered to lie.

Order of the Day

GOVERNMENT BILLS

FIRST AND SECOND READING

Appropriation Bill 2018 – First Reading approved

25 **Clerk:** Bills – First and Second Reading.

A Bill for an Act to appropriate sums of money to the service of the year ending on 31st March 2019. The Hon. the Chief Minister.

30 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that a Bill for an Act to appropriate sums of money to the service of the year ending on 31st March 2019 be read a first time.

Mr Speaker: I now put the question, which is that a Bill for an Act to appropriate sums of money to the service of the year ending on the 31st day of March 2019 be read a first time.
35 Those in favour? (**Members:** Aye.) Those against? Carried.

Clerk: The Appropriation Act 2018.

Appropriation Bill 2018 – For Second Reading – Debate commenced

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

40 This is my 15th Budget address as a Member of this Parliament, it is my seventh Budget address as Chief Minister and in delivering it I am already facing my fourth Leader of the Opposition.

As part of my address on this Second Reading of the Appropriation Bill, I have the honour to present the estimates of the Government's revenue and expenditure for the year ending 31st
45 March 2018.

I also have the honour to present the out-turn for Government's revenue and expenditure for the year ended 31st March 2018, which was the sixth full financial year of a Socialist-Liberal Government since we took office in December 2011.

50 This address comes 24 months after the decision of the British people in their referendum to leave the European Union. In that respect, and given that it is now increasingly likely that the United Kingdom will leave the European Union on 29th March next year, this is, sadly, the last Budget address that will ever be delivered in this House by a Chief Minister whilst we are members of the European Union. In the context of that international political backdrop, as is now traditional, my Budget address to this House will be very much a State of the Nation
55 address and I will also report to the House on the state of our public finances as well as on our nation's economic outlook.

Indeed, Mr Speaker, it is now 30 years since Sir Joe Bossano delivered his first Budget address as Chief Minister to this House. To quote exactly and verbatim what the then Financial and Development Secretary said in his address on the Second Reading of the Appropriation Bill in 1988, it is, in fact, 30 years since *el giri*, as he referred to himself, gave way to *el Jefe*, as he very wisely referred to the then new incumbent of No. 6 Convent Place. Seen now through the prism of history, those words were perhaps more prescient than he might have ever appreciated.

That was the beginning of an economic revolution in Gibraltar's political development that ushered in a period of economic self-sufficiency that was inextricably linked to the right of self-determination that is the foundational core of the GSLP.

Additionally, and as a direct and specifically intended consequence, a process of political emancipation commenced also as we took full control and responsibility for our finances into the hands of a Chief Minister who was better able to understand our aspirations and trajectory as a people than any person appointed by London might ever have been or would ever be.

Moreover, it is certainly true that the real reins of colonialism run through the control of economic levers and therefore, by wresting control of the economics of our nation from the hands of a United Kingdom appointee in 1988, Sir Joe Bossano advanced giant steps in the cause of self-determination, decolonisation and the cause of the maturing of the Gibraltarians in one deft move. And that is why, since 1988, when we look at the economics of our nation we know that we are looking through time also at the development of our nation and the growth of our identity as a people, not just at the year-on-year statistics of our finances.

This year, as in every other year, I will of course also be outlining the Budget measures that this Government will introduce in pursuance of its manifesto commitments, in pursuance of the approaching departure from the European Union and in pursuance of the important twin tracks of the social and business needs of our community.

Mr Speaker, as has been the case with all my Government's previous Budgets, this Budget is designed to support our hardworking families, to strengthen our future – that is to say to support our youth and our students – and to provide well-deserved support for those in our community who are disabled as well as to provide well-earned support for those who have made the sacrifices that make our prosperity a reality: our senior citizens. All of that is factored into what I will tell the House today.

At the same time, and as we face together as a community the challenge of leaving the European Union, this is a Budget designed to encourage established businesses to grow and to encourage new businesses to establish themselves.

Hon. Members have heard me say before that we consider the private sector to be the essential engines of our economy. Hon. Members will hear me say that again today throughout this address. Working with the organisations that represent businesses in Gibraltar, we have delivered a pro-business environment that will continue to be fostered. We mean business in our support for our businesses large and small and this Budget will once again demonstrate that.

But to deliver a great environment in which to do business, to deliver what our private sector needs, we need to continue to improve our public services. That means investing in our public sector and investing in our public servants in order to deliver the public services that our community needs and deserves today. That combination of support to our private sector business community and investment in our public sector will be what delivers the continued and sustainable growth in our economy. And so, Mr Speaker, this Budget reflects my Government's ongoing commitment to use the resources of the State to continue to improve the quality of life and standard of living of all our citizens.

For seven straight years now, my Government has been able to report GDP average growth over 10% per year. I will report on GDP later in this address, but I want to reflect on the fact that this unprecedented run of growth has demonstrated in an objective manner our success in these past seven years in the management of our economy – whatever anyone else may say. We have also demonstrated that we have known how to spread that wealth. We have known how to

manage also the redistribution of that wealth in our community, and in doing so we have provided an unprecedented level of prosperity to all sectors of our community.

110 Indeed, it would be churlish and unconvincing of anyone to suggest that Gibraltar is not today experiencing a prosperity which our forefathers might not have imagined possible, despite the many difficulties and challenges that we have faced. How could those who sailed from Gibraltar in the ships of the evacuation, and the men who saw them sail into the horizon, imagine this Gibraltar which they have bequeathed us with their hard work? How could those who voted in
115 the referendum of 1967 – knowing that their choices led to sacrifice, not plenty – imagine the turnaround in our fortunes that has led to this Gibraltar in which no real sacrifice is asked of any of us? And what of the generation which almost 50 years ago saw the Frontier gates shut in their faces, cut off from families, from businesses and from access to the European continent? How could they imagine this Gibraltar where economic growth reaches an average of 10% per annum
120 with the Ministry of Defence now contributing a minor fraction of the economic activity?

None of the Evacuation Generation, the Referendum Generation or the Closed Frontier Generation could have imagined that by our own hand, our people's entrepreneurial spirit, our workers' hard graft and the economic guile of one man, Sir Joe Bossano, we could see a turnaround in our political and economic fortunes which could lead us on to the path of
125 prosperity that we enjoy and continue to develop and grow today.

And so, Mr Speaker, on this side of the House we will seek to adhere to some of the founding principles which Sir Joe Bossano set out 30 years ago in his address in 1988 and his fuller address in 1989. I want to enumerate those principles today Mr Speaker as follows.

The first principle is that the two most important pillars of our economy in Gibraltar are the
130 land that we own and the people that we have. Those are the pillars, those are the resources, and our whole wealth and standard of living depends on using those two natural resources efficiently. We have nothing else. Perhaps nations with larger populations and greater land masses do not recognise this as acutely as we do, but it is likely as true of Gibraltar as it is for the whole of the world; we are just more acutely aware.

135 The second principle is that we do not borrow to repay recurrent expenditure. In sticking to that principle we must also understand the need to control recurrent expenditure so that it does not rise beyond what can reasonably be met from what the conservatively estimated level of recurrent income will be. You see, if recurrent expenditure were ever to exceed recurrent income and we were to stick to the principle that we do not borrow to repay recurrent
140 expenditure, then the only way to repay that recurrent expenditure would be to increase recurrent income using the levers immediately available to Government – that is to say, taxation – and we do not want to see taxation increased, as we consider that the best business environment is a low tax business environment both for corporations and individuals. That is why hon. Members will see in these Estimates – and I will come to this later in my speech – how
145 we have controlled and are controlling recurrent expenditure, because that is the fundamental, inescapable logic of our situation and the situation of all economies, which is that we cannot consume collectively more than we produce collectively and that if we have one section consuming more than they produce, that can only happen at the expense of another section consuming less, because at the end of the day the equation has to balance. There is no way out
150 of that dilemma. It is a dilemma that is faced by everybody in the world; it is not unique to Gibraltar. And that is exactly how Sir Joe expressed it in 1989.

The third principle relates to borrowing generally and the need to ensure it is properly financed and invested in capital projects which are self-sustaining or required for the social needs of our community. Again, the position of the GSLP has always been that borrowing is not
155 an evil or a problem if it is designed to result in investment which produces more income in the future and is repayable from that income or other reliable source.

The fourth principle is that we should accumulate funds in pots where they will be accessible to Government to discharge liabilities of the Government in the event that there might be

160 periods of lower recurrent income. These are the 'rainy day funds' that other parties have at
different times eschewed and at other times eulogised. The negative consequence of the times
when the others have eschewed the rainy day funds is that we found all of the funds depleted to
zero when we were elected in 2011. In the GSLP, and now with our colleagues in the Liberal
Party, we have been constant and consistent in our view of the importance of these funds. This
applies equally in respect of entities whose liabilities the Government considers as important as
165 its own. The best example of these is Community Care, an independent charity which was
created to provide additional support for resident pensioners in our community.

And so, Mr Speaker, sticking closely to these principles we have not just delivered economic
growth, we have made growth sustainable. In this term we have predicted 7.5% of annual
economic growth in GDP terms. I will report later on how we have exceeded that to date and
170 expect to continue to exceed that in coming months as the lifetime of this Parliament is
extinguished. Additionally, we have delivered record levels of annual recurrent budget
surpluses. We have delivered and continue to deliver a significant increase in our employment
levels. We have delivered and continue to deliver record low unemployment. And we have
delivered and we continue to deliver an overall reduction in the cost of doing business in
175 Gibraltar. And, again, this year will be no different, despite the Brexit process on which we
unfortunately and seemingly irretrievably are embarked.

And in the time that we have been in office the Government which I lead has provided
support for our working families with Income Tax already abolished for those on income levels
below £11,150. There has been a significant reduction in Income Tax across the board for all
180 taxpayers and many of our working families have benefitted from an increase in the National
Minimum Wage to date of over 19.4% – that is to say, almost 20% – since we were first re-
elected. Our public servants have also benefited with public sector pay increasing since first
elected by a total of 17.5%, which averages 2.9% over the six years when inflation in the same
period has averaged 1.8% per annum. These are above average inflation pay rises every year
185 since we were elected afforded to every single public servant.

And, rightly, Mr Speaker, our senior citizens have shared in our nation's economic success.
Each year there have been annual increases in old age pensions and the minimum income
guarantee: investment in the comfort, care and security of the generations to whom we owe
this magnificent Gibraltar. I will explain later the potentially negative consequences of not
190 funding the Statutory Benefits Fund that supports these payments.

Additionally, despite rates offered by the Savings Bank having been revised to reflect the
reality of continuing low interest rates, those who are pensioners continue to have available
products offering above market interest rates on their savings with the Gibraltar Savings Bank.
And for those that need it, we have invested in the capital and recurrent expenditure required to
195 open the new dementia residential and day facilities and homes for our elderly. This costs
money – it costs millions – and that is why recurrent expenditure is up, despite our very prudent
management of our public finances, because it is right and proper that we should be spending
on these new services.

I should just point out that departmental expenditure has increased in the past six years that
200 we have been responsible for it – an average of 7.6% per annum – but that it grew by an average
of 17.8% per annum in the five years before we took over and the party of hon. Members
opposite was in power.

But it is right for a socialist Government to have a view across the horizon of the generations:
from the cradle to the grave; from birth through schooling and education to our working lives;
205 when and how we buy our homes and build and nurture our families to our retirements and into
our dotage. And we should not just provide for each one of our existing generations. We plan for
future generations also. We build today in a manner that will endure for generations. That is
how we lay the strongest foundations for our future, for our nation and for our people.

210 That is why one of the limbs of those founding principles which Sir Joe set out 30 years ago
manifests itself in the privilege that our young people enjoy with university education available
to them and paid for by this small country, because when we talk about maximising our human
resources as a people, these are resources we must invest in as much as we invest in other
material things. If you trace the decisions that make us a socialist Government, now in happy
215 coalition with our Liberal partners, back to the first opportunity we had to govern, Members will
also be able to see how that investment has borne fruit. In the Gibraltar of 1988 there were not
remotely the numbers of home-grown graduates that we have now. There are now over 1,000
Gibraltarian students on Government scholarships studying away from Gibraltar at any one time.

I would be tempted to say that this policy, implemented by the first GSLP administration in
1988, is what has most transformed Gibraltar, but as a policy it has, of course, to compete for
220 that prize with the land reclamation programme, the affordable 50/50 schemes, the creation of
Community Care and the joint ventures on telecommunications, each so relevant to the
prosperity of Gibraltar today – although I do want to hasten to add that this transformational
policy in relation to students was, at the time, attacked as a move that would potentially
bankrupt Gibraltar.

225 Well, Mr Speaker, there is a deep political satisfaction in hearing one's opponents play the
same scratched record decade after decade, even when they have been proved wrong. The fact
is that our children represent our future, which is why we have invested record numbers year on
year in higher education: investment truly in future generations. And since our re-election in
2011 our spend on scholarships has increased fourfold from £4.4 million to a projected spend
230 next year of £18.7 million. That is the best possible investment we make. We reinvest our
recurrent income in our people and in those who in the main will return to produce more for our
economy in the future. We have extended the scheme to postgraduate studies now also. We
have weathered the storm of increased fees in the UK, and in the face of Brexit we have
successfully also agreed with the British government to retain the tuition fees structure offered
235 to our students as if they were home students. Our agreement also extends already to Welsh
institutions of higher education and discussions continue with Scotland and Northern Ireland on
a similar reciprocal arrangement to the ones we have completed with England and Wales.

But our investment must not just be in relation to tertiary education. That is why already we
have invested in two new schools at St Bernard's in the also refurbished areas of the Upper
240 Town. We had opened the last two new schools in Gibraltar at St Joseph's between 1988 and
1996. Now we are doing more, and some cannot decide if we are doing too much too quickly or
too little too slowly and so they accuse us interchangeably of both. I do wonder of which of the
two we will be allegedly guilty of this week.

Anyway, we are now investing in the fabric of our schools with new schools being built. The
245 first of the new schools expected in the lifetime of this Parliament, Notre Dame, is set to be
open in time for this September, and for September 2019 completion is expected of a new St
Martin's, a new St Anne's and two new comprehensive schools – on the site of which there has
not been an unexpected leak or anything as a result of any rushing, incidentally.

It is clear that this investment is long overdue, and we will be announcing in coming months
250 how we intend to tackle the other schools that require investment that is also long overdue.
Investing in our wealth in our children's generation is investment in our nation's future wealth.
We are doing everything we can in this space. We are working to deliver as many of the new
schools as quickly as possible because this is an investment that is required.

Hon. Members opposite too often say we are doing too much. They say we are spending too
255 much. They would not commit themselves to this programme to build new schools at the last
election. Well, their failure to commit to this programme would also have had consequences.
The negative consequences would have been for our young people in the new comprehensives
to come, who would not have had their new schools. The negative consequences would have
been for our children who would not have had their new first and middle schools. The negative

260 consequences for the children of St Martin's, who would not have a new school in the planning
to be delivered in time for next September. The negative consequences of not spending are real
and have real people at the end of the decisions who will suffer those negative consequences.

And yes, there is a lot going on at the same time, but the Island Games are next July, the
schools need to be ready for the start of each relevant term and this is not just construction
265 required in those areas. This is also the economic activity that delivers the prosperity on which
all families in our economy rely, and so if there is dust arising from construction, it is the dust
which delivers the benefits some unfortunately take for granted. And as we take the opposite
route to Members opposite and we make the decision to carefully calibrate our investments that
will last for generations – not least in the generation of electricity, if hon. Members allow me
270 that indulgence – I will talk a little now about the power station.

This weekend, Gibraltar's new power station at North Mole has already started testing and
commissioning. Testing and commissioning of the new LNG facility is also about to get
underway. That is the consequence of our positive decision to progress an ambitious plan to
invest in a new fuel and in a location for power generation in Gibraltar that would not
275 compromise the Upper Rock Nature Reserve and does not require us to put up the cost of
electricity to each business and household in Gibraltar by 5% per annum for 20 years to pay for
it, as Members opposite were going to do if re-elected in 2011. No 100% increase in utilities
from us, Mr Speaker.

The new power station will transform Gibraltar's power generating capability from both a
280 stability and an emissions perspective. We will provide a surer source of power in a better
location and in a manner which will improve our air quality dramatically. Not only will the new
plant not emit dangerous nox particulates, it will also enable us to shut down four other
generating facilities, the generating technology of which is now far from optimum. Indeed, the
new facility provides the best available technology, which is what the Government committed
285 itself to do. The investment has also included the distribution system as well as the fuel facility
developed with Shell and which will provide a future LNG bunkering facility also, and with the
value of bringing back to Gibraltar a world player like Shell – positive consequences of our
careful and considered decision to invest our nation's money wisely and create a new aspect for
our bunkering industry as we invest in safe and secure power generation also.

I am reminded, Mr Speaker, of how unnecessarily acrimonious this subject matter was made
290 in the run up to the last election and the manner in which this debate was pursued by some
even during the course of this debate on the Appropriation Bill in recent years. It is, once again,
another example of Members opposite not appreciating the potential negative consequences of
their actions. But that is now the past. Commissioning and testing is commencing and we are
295 progressing as a community as a consequence of our focus on delivering this much needed
project for our nation.

Plans are also moving apace on the new waste water treatment plant, another much needed
project we have been pursuing since we were elected. I am very pleased that the work on this is
now sufficiently advanced and we can expect to see ground broken during the course of this
300 calendar year. Progress indeed, at last, on a project which I know all Members on this side of the
House are very keen to see completed. The hon. Member for the Utilities and the Environment,
Dr Cortes, will say a lot more in respect of the new power station and the waste water treatment
plant.

Another important area of investment is that represented by the works for the tunnel under
305 the runway. These works are progressing with the necessary care and attention to detail.
Progress with the contractor is good, despite past difficulties, but we remain vigilant and cannot
realistically expect to be tied to any deadline given the problems we have seen previously
experienced on this project, which makes commitment to any date to open the tunnel a hostage
to fortune, something which we will not countenance. But work is progressing and what is
310 important to us is that the tunnel should be completed to the highest quality, so that the

taxpayer is not short-changed again, and that it is built to last. On this, as in every other area, we must deliver a project that lasts and endures for generations. Unlike our other capital projects that have an inescapable deadline, such as the schools and the sports facilities, we will not accept pressure on this project to complete by a particular date, as that might allow the contractor unnecessary leverage for us not to get the best deal for the taxpayer.

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The same Minister for the Environment will also be able to report to this House on the massive increase in investment we are making in the Upper Rock Nature Reserve. It is not unfair to here point out that in the time between 1996 and 2011 there was almost zero investment in the Upper Rock. That lack of investment was quite dramatic and was showing. John Cortes has reversed that with the support of the whole Cabinet. Now hon. Members can see the investment bearing fruit. Look at the new tourist facilities, like the Windsor Suspension Bridge and the Skywalker Skywalk, all of which are beautifully and properly signposted. Look even at the new railings and defences, which in the case of one particular vehicle appear to have been installed just in time to prevent a tragedy.

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So we spend money but we spend it wisely and we spend it on things that matter to all generations of our people, on our environment, and which make sense for our economy and our public finances. And that means, of course, spending on our Health Services too: a new and independent Paediatric Centre for our children which will be ready next year; a new bespoke Primary Care Centre; continued investment in new hospital services provided in Gibraltar – what better way to celebrate the 70th anniversary of the NHS in the United Kingdom than with more and better investment in our own Health Service, the Gibraltar Health Authority, everyone's Florence Nightingale; and investment also in the support of the new Calpe House in London, which we have supported and which will be inaugurated tomorrow. All of that is investment in the health of our nation. How can we not pursue such an investment?

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If I may, Mr Speaker, I would like to simply pause there to wish the trustees of Calpe House all the best for the future as they prepare to open their magnificent new facility. I will, unfortunately, not be able to attend the opening as I need to remain here to listen to all hon. Members' contributions. The Hon. the Father of the House, Sir Joe Bossano, will rightly be the one to attend to represent the Government. I am sure I speak for the whole House when I wish the new Calpe House all the very best and I express the hope that it will be as much of a haven in London for those who need it in time of illness as the existing Calpe House has been. (*Banging on desks*)

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Mr Speaker, part of living longer is also about living healthier, and that is why it is such a pleasure to see more and more of our young people involved in sport. That is why we must also invest in sport as an investment in community and an investment in the overall health of our community. Nonetheless, there are mornings when I rue the day that I allowed Steven Linares to persuade the Cabinet that we should host the 2019 Island Games in Gibraltar! But it was the right thing to do. That is also now a target that is almost upon us, and one which has required the acceleration of projects like student accommodation, which will be used as accommodation for athletes. The sporting facilities will all have to be ready by then, which is an ambitious timetable that we are sure we will be able to meet. And we are developing facilities here, as we are developing homes for the MoD, where our financial outlay is in a number of financial years but the return will come in the following financial years. That means we see the cost in this financial year but the benefit and income is not seen until later.

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It is right that in this respect I should also reflect here the gratitude of the whole community to the Gibraltar Football Association. It is in great measure thanks to them that we will be able to develop the new sporting facilities that will provide for all sports. They unlocked with UEFA the funding for a new national football stadium at Victoria, which is providing £16.5 million to Her Majesty's Government of Gibraltar and which is in turn allowing us to invest that amount and more in other facilities. That is why it would not have made sense, as Members opposite were prepared to do, for the Government to have invested itself in Victoria, which is principally a

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365 football facility today. We would then have invested taxpayers' money predominantly for one sport, ironically the richest of all sports. Yet that was the plan of Members opposite. Again, their policies, their statements and their decisions would have had the negative consequence of delivering a worse deal for the taxpayer and a worse deal for sportsmen and women. Our nation would have suffered from the negative consequences of these policy errors for generations, and the negative consequences would have affected all generations, from spectators to participants.

370 Instead, we are now able to see the use of Victoria Stadium being fully dedicated to football and with the investment coming exclusively from football, and the spread around all the other sports of funding for new facilities which will also include football. That was the right thing to do and we are doing it in partnership with the GFA and all the other sporting associations, because working together, pulling together and seeking partnership is what delivers great results.

375 And that is how we have approached our work with the United Kingdom in the negotiations to leave the European Union. If hon. Members care to think back 24 months, the mood music was not positive. Before 9 a.m. on the morning of the result of the referendum, the then Foreign Minister of the Kingdom of Spain said that he hoped, and I quote, 'that the formula of co-sovereignty, to be clear, the Spanish flag on the Rock, is much closer than before'. The ink was not dry on the returning officer's return on the result of the referendum and already these matters were leading the Spanish news in these terms. And yet today no one is talking about
380 flags or sovereignties and it is Snr Margallo who is the past. We held our nerve, we held our red lines, we held to our reasonable positions and we worked and we are working with the United Kingdom in partnership to deliver a Brexit that works for Gibraltar without compromise of any of our fundamentals.

385 The Hon. the Deputy Chief Minister will report more fully to the House in the course of his address in this debate, on the work we have done with the United Kingdom and on our contact with other European partners, given his portfolio responsibilities for Europe and for leaving the European Union.

390 Mr Speaker, our work with Her Majesty's Government in securing post-Brexit access for our financial services has been critical in first stabilising our traditional business lines and then enabling our sustainable growth to continue. Of course there will be some loss of existing business – there will be some new businesses also – but the sector today is buoyant and confident of the future. We are already seeing new firms coming in and new sectors being developed. This is also testament to the non-stop work and travel of Albert Isola, who has become the champion of Gibraltar as the jurisdiction from which to do international business.
395 He, in his field, deserves deep recognition for the work he is doing in this sector, as all Ministers genuinely deserve in the sectors to which they are all indefatigably dedicated.

400 Of course, my Government is working hard to deliver a successful new line of business for Gibraltar, that is in particular in the DLT/Blockchain space where, as world leaders, we continue to welcome new businesses to Gibraltar on an almost weekly basis. In just the first wave we have some 35 new DLT businesses coming to Gibraltar: quality firms that will have office space and people employed here in Gibraltar, and coming here because they want to be regulated within the pioneering framework that we have created for them. Indeed, I understand that some of our law firms are receiving literally hundreds of enquiries a week in this innovative area. We have led in this space and it shows. We are creating a Crypto Rock with an excellent reputation
405 around the world and the impact of this ripples across our entire community. It affects professionals and service providers and we look forward to welcoming more businesses like these who are choosing Gibraltar for their businesses to serve the future.

410 In gaming, despite the challenges of Brexit, our numbers are holding strong. Every indicator is up. Whether it is in employment, PAYE or Corporation Tax in this sector, we are up on last year, and this despite the huge consolidation there has been in the sector and, of course, Brexit. We are working with all operators to ensure that their Brexit contingency plans can work for them as well as for us and we are pleased with the progress we are making. With over 3,500 jobs in this

industry we are alert and alive to its needs and consistently working to improve the Gibraltar experience for them. As we speak, our regulators are processing a number of new licence applications both in the B2B and B2C spaces and also working in considering the impact of Blockchain on our gaming community. We have also completed an exercise on gaming licensing and duty reform, which my colleague the Minister for Commence will explain in more detail.

If I may say so, Mr Speaker, that is a million miles away from the place where our detractors and our competitors expected or wanted us to be. We were expected to be floundering by now, we were expected to be losing business by now, we were expected to be on our knees, but I never for one moment believed that we would fail. Never. And I was right to trust the Gibraltarians' instinct to rally, to fight, to never surrender in the face of a challenge; and instead we are growing, tapping new areas of business and working with the United Kingdom to preserve and enhance our access to the UK market after our departure from the EU and in that way guarantee the key factors that make us attractive to so many of the businesses that are established here and that want to establish themselves here.

That is the direct consequence of the hard work of the team I have had the privilege to lead on Brexit with the Deputy Chief Minister, involving every Minister in their own field and including the Attorney General and the Financial Secretary in the fashioning of the agreements we have been able to finalise with the United Kingdom in all relevant sectors that require continued access to the UK market on single market terms after we have left the European Union. It has not been easy, but it has been the fruit of hard Gibraltarian resolve, grit, graft and genuine British friendship, partnership and support.

All of this preserves our economic activity, which goes to the calculation of economic activity in our gross domestic product calculations, as does economic activity in the Port and Airport, in tourism generally, in employment as a whole, and all of that against the relevant measure of inflation.

And so, Mr Speaker, I move on to analyse the key economic indicators of the performance of our economy. In doing so, I want to point out that these are the metrics that have been applied to our economy by successive Governments and that they are provided to the Government by the Treasury and the Statistics Office. They are based on the figures which are audited by the Principal Auditor. Again, I should point out, to ensure no one is confused, that the Principal Auditor of Her Majesty's Government of Gibraltar is the only auditor under our laws who enjoys constitutional independence in the exercise of his functions.

I turn first to a sector that will only grow in importance as we leave the European Union, namely the Port. Activity at the Port increased by 7.6% in 2017 compared with 2016. In gross tonnage terms, activity increased by 15.5% over the year. The number of ships calling at Gibraltar for bunkers increased by 10.1% in 2017 compared to 2016. Growth, growth, growth, Mr Speaker, in all key areas of Port activity.

In tourism a similar picture emerges. The number of visitor arrivals, excluding non-Gibraltarian Frontier workers, increased year on year by 3%. The figure for total arrivals, including non-Gibraltarian Frontier workers, increased by 4.2% over the year.

Visitor arrivals by air hit a record high for the second year in a row last year, increasing by 5.3% despite the demise of Monarch Airlines in October 2017.

The strongest growth, however, came from visitors staying in Gibraltar, that grew to a record high by 12.8% year on year. The percentage of total visitors arriving by air staying in Gibraltar continues to rise where it stood at 43% compared to 40% in 2016 and 39% in 2011.

The Air Traffic Survey Report shows a record number of seats used for both arrivals and departures in 2017. Despite the demise of Monarch Airlines in October 2017, the number of seats actually used for scheduled arrivals increased – that is to say the numbers of actual bums on seats grew, even though the number of seats available dropped.

Passenger load factors also, therefore, increased. The number of seats used for scheduled departures in 2017 increased. Passenger load factors increased from 80.2% in 2016 to 86.9%, up

just shy of 7%. Mr Speaker, I think all hon. Members will recognise the work that the Hon. Gilbert Licudi and his team have done in the face of the collapse of Monarch Airlines to very quickly ensure that the other existing airlines were persuaded to step into the breach and add capacity on the Gibraltar route. I know it is work that continues and which I am sure will bear even more fruit.

The number of cruise calls and passengers also hit a record high in 2017 and the number of cruise calls increased by 5% in 2017.

Hotel arrivals also hit a record high for the second year in a row last year. The overall number of arrivals increased year on year by almost 1%. The largest gain came from tourist arrivals, that grew by almost 3%. Room nights sold grew. Room occupancy increased. Guest nights sold grew. Sleeper occupancy increased. Average length of stay increased. The length of stay of tourist arrivals also increased.

As a result, tourist expenditure for 2017 has been estimated at over £¼ billion, namely £252 million, a very creditable year on year increase of 19% – that is to say almost a 20% increase in tourist expenditure, again despite the challenges of Brexit and of the Monarch Airlines collapse. Despite that, growth, growth, growth in all key areas; but growth which is a clear consequence also of our decisions to invest in Gibraltar’s tourist product and promote investment in our hotels. As ever in life, you reap what you sow. Sow nothing and reap nothing.

And this growth that we are reaping as a consequence of our investment is delivering jobs to our people and beyond our frontiers. As is reflected in the last Employment Survey, the number of employee jobs in our economy in October 2017 has gone up to 28,029. That represents an increase of 3.5%, or 956 jobs in our economy. That is almost 1,000 extra jobs when compared with October 2016, the date of the previous Employment Survey. The majority of the job gains came from the private sector, where jobs grew by 1,052 or almost 5% over the period. Public sector jobs decreased by 54 or 1% over the same period. The engine of our economy is the private sector and this growth in jobs demonstrates that, and the engine continues to fire on all cylinders. Employee jobs in respect of Gibraltarians increased to a record 11,130 over the year, representing just short of 40% of all employee jobs. The growth in full-time Gibraltarians was mainly in the private sector with a net increase of 71 employee jobs, up about 1.5%. In these circumstances the House will be pleased to hear that the number of Gibraltarians unemployed for the quarter that ended on Friday is a record low of 45. In fact, for the month of June the number of Gibraltarians unemployed has hit a monthly low of 31, although the only figure that we report and rely on is the quarterly figure.

Mr Speaker, when we were first elected, the number of unemployed reported by the Department was 522 for the first quarter. Given the calculations done by the Hon. Mr Feetham of the cost of our Future Job Strategy, the numbers would probably have been even higher, but using just the figure which the Department was reporting, we had a situation where over 500 Gibraltarians were actively looking for jobs. At that time Mr Feetham also suggested that a figure of 300 would represent full employment in our economy. With the numbers reported by the Department now reduced to 45 and the monthly figure as low as 31, we are reporting, on the quarterly figures, a reduction 91.4% in unemployment. All credit to the successive Ministers for Employment of the Government that I have led: the Hon. Sir Joe Bossano, the Hon. Neil Costa and the Hon. Gilbert Licudi. All of them have been responsible jointly for these magnificent results. And all credit to the men and women of the Employment and Training Board, so ably led these days by Debbie Garcia. These are incredible results that we will work hard to maintain but are unlikely to be repeated. But today, for these purposes, I think Gibraltar is entitled to look at these results and say unemployment has been tamed in Gibraltar through the policies of a Socialist and Liberal administration that has considered no one unemployable and has worked to ensure that our people come first in our labour market.

But the Gibraltar economy is not an engine of benefit just for Gibraltar. There is capacity here for others. Our economy also creates jobs, as all Members are aware, far beyond its frontiers.

515 That is why we have people working in Gibraltar from each member state of the European Union and indeed from even further afield.

Importantly, in particular for the education of those who might think that we are anything other than a force for good in our whole region, it is important also to record the following in respect of the period from October 2016 to 2017: the number of Frontier workers increased by 868, or almost 8%, from October 2016 to a record high in October 2017.

520 And what are all those jobs producing for employees? Average gross annual earnings in respect of all employee jobs increased by 2.9% from October 2016 to October 2017. Average gross annual earnings for monthly paid full-time male employees increased by 2.3% in the same period.

525 To set those wage increases in context, in the relevant period for which I am reporting to this House, inflation in Gibraltar averaged at 2.6% in 2017 compared to 0.6% in 2016. Rates from 2015 to 2016 were unusually low following the low inflation trend in Europe, largely as a consequence of cheaper energy and import prices. The average rate of inflation for the previous 10 years to 2014 was 2.8%, which is slightly higher than the current average rate for 2018 that stands at 2.6%. Inflation in the euro area ran below the European Central Bank's target rate of 2% during 2017, averaging at an annual rate of 1.5%. The UK CPI inflation averaged at 2.7% in 530 2017, marginally higher than Gibraltar's IRP that averaged at 2.6%.

Since the Brexit vote the value of the pound has fallen in comparison with most other currencies, dropping by 10% from June 2016 to 2018. The continuing uncertainty surrounding Brexit continues to apply pressure on sterling and some UK analysts are predicting that it could fall below €1 against the pound once the UK officially leaves the European Union in 2019. The effect of sterling's depreciation on import prices and the recent increase in fuel prices will continue to pass through to customer prices. These external pressures are likely to keep inflation above the 2% target through 2018.

540 Mr Speaker, this year I report on the second full year's results following the decision of the United Kingdom to leave the EU. The year I am reporting on is probably also the year of maximum uncertainty, as it is the year in which we have been engaged in discrete discussions with European counterparts, but it is a year in which we were not able to see a final agreed position as to the status or nature of the United Kingdom's future relationship with the EU. The year has therefore given rise to more than the usual sets of challenges surrounding those issues. 545 It is against this challenging and less than settled backdrop that our economic performance must be measured.

The latest figures available from the Government Statistics Office show that the final Gibraltar gross domestic product estimate for the financial year 2015-16 was £1.79 billion, representing a growth of £180.64 million, namely 11.2%. The GDP figure for 2016-17 is now estimated at £2.01 billion, increasing by £212.69 million, or 11.9%. And the important new figure that I today report to this House is that the GDP forecast from the Government Statistics Office for the financial year we have just ended, namely 2017-18, is £2.18 billion. That shows our GDP increasing by £173.44 million, or an increase of 8.6% compared to 2016-17. These figures reflect 555 the continued strong growth of our economy despite the many challenges that we have faced in the year, for which I have the honour to report to this House.

The Government's manifesto target of reaching an increased GDP of at least £2.4 billion by the end of March 2020 is therefore likely to be achieved a year ahead of schedule. That is to say we now expect to reach very close to the target that we had set for March 2020 by March 2019.

560 Mr Speaker, if I may say so, this proves a point that hon. Members opposite have, on some occasions, had cause to make. Indeed, I think it was the Hon. Mr Hammond or the Hon. Mr Clinton who made the point during one or other of the last two election campaigns that at election time we – that is to say the GSLP-Liberals, or more precisely Sir Joe Bossano – predict the likely outcome of the growth of the Gibraltar economy and in particular of the GDP and that

565 we risk getting it wrong. Hon. Members have therefore been heard to muse that if our plans were all based on those predictions there was an inherent risk in that.

Well, they were right and I do not mind admitting it to them. They were right and we were wrong about GDP growth. You see, in 2011 we predicted we would reach a GDP of £1.65 billion by 2015-16. We got it wrong. We reached that target under a GSLP-Liberal stewardship of our economy by 2014-15 – that is to say a whole year earlier than anticipated. In this election cycle we once again appear to have got it wrong. We are likely to reach the target or near it, once again, a year early: £2.4 billion or very close to that by 2018-19, one whole year ahead of March 2020.

575 The one thing they would not wish me to remind the public of, of course, is that the gist of what Members opposite were telling the electorate was that we could not make those targets at all. Their position was that we were being overambitious. They were certainly wrong about that: we were conservative and prudent in our predictions and they were achieved. Indeed, based on the latest estimate of GDP, our £2.4 billion target would now be met into 2020 with a growth of just 5% a year, when our manifesto estimated a continued average growth rate of around 7.5% to reach the target over the period to March 2020. The growth over the last three financial years has exceeded that, averaging 10.5%, a remarkable rate of GDP growth, in particular given the political circumstances with which we have been required to deal.

585 As a result, Gibraltar continues to rank amongst the fastest growing economies in the world, and economic growth is often seen as indicating an increase in the average standard of living. As a result, I have therefore continued the tradition, started by my predecessor Sir Peter Caruana, of reporting to the House on the GDP per capita in our economy, as this was used by Members opposite when they were in Government as an indicator of the average standard of living of individuals in Gibraltar. It is used in this way in analysis around the world. It is not a strictly scientific measure, but it has been referred to every year since before we took over as the Government. It is therefore an established metric, of however doubtful value, which I shall once again provide to the House.

595 In this respect, as I have told the House, the latest forecast for 2017-18 estimates a GDP per capita capital growth of 8.6% from the previous year to £2.18 billion. On the IMF GDP per capita rankings the UK features in 34th position with a GDP per capita of \$45,566 and Spain in 40th position with a GDP per capita of \$40,290. Gibraltar's GDP per capita for 2017-18 is forecast at \$111,051, placing Gibraltar in third position, closely ahead of Luxembourg, which enjoys a GDP per capita of \$110,870 and behind Macao SAR with a GDP per capita of \$122,490. Qatar heads the list with a GDP per capita of \$128,703.

600 I have said before and must I ensure the record of the House reflects my own view that these measures are not scientific because of the differing methodologies and fluctuating exchange rates on which they are based. In our case, with such a large part of our working population not being relevant in the per capita aspect of the calculation, the numbers are, in my view, distorted. Nonetheless, they are the measures that the rest of the world relies on.

605 The important aspect of this exercise, however, is really only to appreciate that the Gibraltar economy is estimated to have grown by 8.6% in the 2016-17/2017-18 period, with average earnings going up by 3%, and this growth continues to place us ahead of other small countries in the world except Macao, but including Malta, Luxembourg, Singapore and Hong Kong.

610 Mr Speaker, I turn now to an analysis of the public finances of Gibraltar. The level of Aggregate Public Debt as at 31st March 2018 was marginally lower than last year at £439 million. This represents an Aggregate Debt to GDP ratio of 20% in 2017-18, down 2% from 22.1% in 2016-17. The level of Cash Reserves ended the financial year at around £115 million. As a result, this reflects Net Public Debt at £324 million or 14.86% of GDP in 2017-18. This is a decrease of just shy of 1% from the 15.7% at which it stood the year before in 2016-17. These ratios continued at lower rates than that of the UK and most other European nations.

615 Gross Public Debt remained unchanged at £447 million and the reduced level of Aggregate Public Debt reflects the balance held in the General Sinking Fund.

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

620 It is important for hon. Members and the general public to note that our nation's Public Debt continues to be low in relation to the growing size of our economy. As a percentage of GDP, our Net Public Debt is currently among the lowest of any country in the European Union. Indeed, overall borrowing is relatively low even if we were to include the borrowing by Government-owned companies, a practice which was commenced and established by the former administration, and which has never been, as hon. Members know, deemed to be part of the Public Debt by any reckoning.

625 It is important also to remind ourselves that the former administration established company borrowing in this way because borrowing by Government-owned companies is serviced directly from the income accruing to those companies and is secured against income-generating assets held by those companies and not against the Consolidated Fund or the general revenues of Government.

630 The Government continues, however, to be committed to reducing debt servicing costs and it is fully engaged in restructuring its borrowing in order to take advantage of the historically low levels of market interest rates. In this respect, as part of ongoing management of the Public Debt, opportunities to extend the maturity profile of the Public Debt are also being actively looked into. Indeed, just at the most recent Question Time in this House I was able to advise hon. Members that a Barclays facility via the Government company structure in the sum of £16 million – entered into by the party of Members opposite, the previous administration, at 6.8% – has been refinanced by us at 2.5%. And yes, Mr Speaker, they heard right: that was a loan via the Government company structure that they had entered into and which mortgaged some 17 properties, a large majority of which were released as a result of our refinancing.

635 Incidentally, I expect soon to be filing the accounts of all the Government companies, starting shortly after the summer – accounts that you will recall the former administration stopped filing.

640 Mr Speaker, for all the reasons that I have set out before, the past year has been politically challenging. Despite that, I am delighted to announce to this Parliament that during the last financial year 2017-18, we have once again achieved a recurrent Budget surplus which stands at £36.1 million. This is just about double the originally estimated surplus for the year – a demonstration once again that our estimates are conservative and can be relied upon by hon. Members. This also marks the prudent stewardship of our economy and shows that we continue to build on the good fortunes of our first term in office.

645 For those who have spent seven financial years criticising everything that we do and predicting that our actions would not be successful, this further surplus demonstrates once again that we can be trusted with the safe and successful administration of our public finances. Once again this year we are able to point to results to show that the naysayers are the ones who should not be believed, that those who have been crying wolf each year since December 2011 are the ones who are not credible.

650 Indeed, if we compare our economic performance by reference to the surplus, our average surplus for the six years after 2011 is larger than their average surpluses for the six years before our election. Indeed, our surplus this year is as large as their largest surplus ever. But we do not want to compare averages, because we do not want to discredit that period for which they were responsible and neither are the parameters exactly comparable anyway, in particular given the growth in our economy that we have delivered since then. Yet, given these results, hon. Members opposite should now find an elegant way to move away from their ridiculous annual mantra that we are somehow massaging figures. What we are doing is demonstrating

consistency in the successful management of our public finances: consistent growth and consistent surpluses.

Indeed, in respect of the politics of real consequences, one of the real consequences of the constant suggestion that things are somehow not going as well as the figures show, of crying
670 wolf every year, is that people will no longer give any credence to such posturing. Additionally, we are able to show that the flip side of that is that we are reliable and credible in our predictions in these estimates, as much as to revenue as we are to expenditure.

In that respect, Government revenue during the last financial year exceeded the original Budget by approximately £21 million. As a reflection of the continuing growth in our economy,
675 Income Tax receipts were up by around £11 million and Company Tax receipts were down by around £9 million arising from an overpayment in the earlier year. Departmental expenditure during the year, on the other hand, has been very effectively contained by the Government and this ended the year slightly under budget at £3.3 million or 0.7% under budget. And as I said earlier, our average growth in departmental expenditure is, in any event, half of the average
680 increase per year in the same period under hon. Members. That is a very creditable landing point which the Government is pleased indeed to report to the House.

Mr Speaker, as in previous Budgets and in line with our manifesto commitment to help Gibraltar Community Care Trust build up its reserves so that it can be totally independent of Government grants, I am delighted to inform the House that a further sum of £15 million has
685 been earmarked by the Government this year as a contribution to the charity. This contribution will be paid out from the Government's recurrent surplus for the year.

Also in line with my Government's commitment to transparency, we have prepared a presentation of the Budget to assist viewers to follow those essential numbers. The presentation will be available online at www.gibraltar.gov.gi. This presentation is not a substitute for
690 reviewing the Estimates Book but rather an attempt to connect taxpayers with where the money this Government raises from their taxes, duties etc. comes from and where and how it is spent.

Mr Speaker, I now move on to the recurrent revenue and expenditure budget for the current financial year. Estimated recurrent revenue for the year is budgeted at around £652 million. This represents an increase in revenue of over £37 million or 6% over the previous year's Estimate.
695 Nonetheless, as hon. Members will see when I get to the Budget measures that I will announce, this will be a prudent and conservative Budget: a Brexit Budget.

The overall recurrent expenditure budget for the year is £628 million, which reflects an increase of around 5.2% over the 2017-18 Estimate. The Government is therefore prudently and conservatively projecting a recurrent budget surplus for this financial year of around £24 million.

During the last financial year 2017-18 the Government invested around £63 million on capital projects funded from the Improvement and Development Fund. Over £18 million was invested
700 on works and equipment and over £44 million was invested in specific capital projects. That includes £5.75 million on the access road to the Frontier, including the resumption of works on the tunnel, and £18 million for the relocation of a number of MoD estates.

This has resulted in one of the largest tenders for property going on the market and being awarded. Over 100 ex-MoD properties have been tendered for by aspirational Gibraltarians looking to progress up the property ladder. We are therefore continuing to spend money building new homes for the MoD personnel, and that spending will release the ex-MoD properties which have already been tendered for by Gibraltarians in some of the most desirable
705 locations in our geography. The income side of this equation will not, however, be visible in this year's estimates. Completion of the sale of the ex-MoD housing will occur in the following year, that is to say financial year 2019-20.

There are also further capital projects funded through the Government-owned companies. These include a number of projects that have now been enjoyed by the community and have
715 been taken to as part of the daily life of our community as if they had been there for years, such

as the Midtown car park, Charles Bruzon House and Sea Master Lodge that have recently been handed over to tenants.

720 The expenditure budget of the Improvement and Development Fund for the current financial year 2018-19 is around £72 million. The capital investment in works and equipment is estimated at over £18 million and the provision for investments in other Government projects amounts to over £53 million. That includes an investment of £7.5 million in our roads and parking projects with the ongoing cost of the tunnel across the runway being a key feature; nearly £16 million more for the continued relocation of the MoD estate; £1 million for infrastructure works for new developments, including the new affordable housing projects; a further £14 million for our
725 ambitious programme of facilities to be ready for the Island Games that will leave an important legacy in sport and accommodation for many years to come; and further provision to complete other ongoing capital projects.

Mr Speaker, an important part of the revenue aspect for the year I am reporting on and the year we are estimating for comes from the collection of corporate and personal taxes from
730 economic operators in our economy. In that respect I think most taxpayers will agree and will have appreciated how in the financial year 2017-18 the Income Tax Office has continued to improve the processes for the assessment and collection of taxes in Gibraltar.

The total figure of taxes collected amounts to £277 million, broken down as £166 million in personal taxes and £111 million in corporate taxes for the year 2017-18 I am reporting to the
735 House on. This figure is anticipated to rise to £295 million in the current financial year 2018-19, breaking down to £165 million in personal taxation and £130 million in corporate taxation.

The more efficient assessment and collection of taxes also has an immediate plus side for individual taxpayers also. The Income Tax Office has in the past financial year paid out a historic and unprecedented amount of £15.3 million in refunds to individual taxpayers.

740 I am pleased to inform the House that the Income Tax Office is well on course to achieving the paramount objective of addressing the hugely important issue of cutting delays in issuing taxpayer final assessments and the payment of refunds which arise as a result. This is a significant accomplishment by the Income Tax Office and one that I am proud to report on. For the first time in 20 years a Chief Minister is able to announce that taxpayer assessments are
745 being brought right up to date. In fact, as I am making this speech some taxpayers will already have received assessments in relation to the 2016-17 tax year. That is to say we are now – in cases where there are no disputes – up to date in repayment within two financial years.

In the context of the revenue and expenditure estimates, it is particularly important to highlight this and to report to the House that since the refunds programme was implemented
750 the Government has already spent £25 million in addressing arrears catch-up. This year we have committed a further £15.5 million for financial year 2018-19 in order to take this project further to completion. Hon. Members can see that at head 7, subhead 1 of the Recurrent Consolidated Fund charges as required under section 14 of the Public Finance (Control and Audit) Act. It is on page 16 of the book, at the bottom. Indeed, such has been the impetus given to this exercise by
755 the Income Tax Office that in order not to hold up what is, after all, a catch-up process that had moved quicker than we expected we would be able to progress it, the Government spent an additional £5.5 million over the allocated amount in rebates in the last financial year 2017-18. That is to say we spent an extra 55% over the allocated amount for the last financial year, which we additionally allocated to this subhead in order to repay to taxpayers what is due to them.
760 Never has any Government ever allocated so much to this subhead and to this purpose. This I think will demonstrate to the taxpayers that this is not about holding on to their money but returning it in a structured and organised fashion to ensure the right and fair balance is maintained between repayment and carrying out the proper and correct assessments.

In this respect, we continue the e-government initiative also in the Income Tax Office and by
765 the end of this year we expect to see the implementation of online facilities for registration by PAYE and self-employed individuals, submission of tax returns and payments of tax and social

arrears. The completion of these initiatives will importantly finally result in a digital Tax Office offering a seamless and streamlined interface to the general public.

770 Mr Speaker, it is right that I should pause there to thank Tina Pitaluga for the work that she has done as Acting Commissioner for Income Taxes. The post of a new Commissioner has already been interviewed for by the Public Services Commission and the results of that interview process will no doubt soon be announced.

775 Also very important and as a key principle of basic fairness, the level of tax and Social Insurance arrears continues on a downward trend. This is a direct result of the effective strategy, co-ordination and significant efforts between the Central Arrears Unit and the Income Tax Office.

780 The Central Arrears Unit was set up and commenced its operations in August 2016 in order to recover debts owed to Government. It is important to note that an earlier incarnation of a Central Arrears Unit had been created by the first GSLP administration and had been in place until 1996, but it was dismantled by the party of hon. Members opposite when they were last in Government. Again, their actions in this respect had the obvious and immediate negative consequence that very considerable arrears built up. Their actions had the negative consequence also of creating the huge unfairness for those in business who paid their dues, that many of their competitors were not paying their legal liabilities. When that happens, businesses
785 that pay their dues are in effect subsidising businesses that do not pay their dues. The actions of the party of Members opposite therefore had the direct and negative consequence of unlevelling the playing field in favour of those who failed to pay their dues. The direct and positive consequence of our actions in once again creating the Central Arrears Unit – which is not popular, of course, with debtors – is to once again level the playing field. In that way we act
790 fairly to all taxpayers and to all businesses and do not allow those who do not pay to have their businesses subsidised by those who do. And the Central Arrears Unit does not just chase bad debt. In order to do a better job and also to assist businesses, it also aims to ensure that current payments are received on time. This also curbs escalation of debt and ensures an across-the-board fair debt-recovery policy is applied to all individuals and companies who owe moneys to
795 Government.

I am pleased to be able to state that arrears of taxes in Gibraltar have been reduced by £13.3 million in the past 18 months of operation of the Central Arrears Unit. Social Insurance debt has been reduced by £3.4 million in the same period. That is a total reduction of £16.7 million, all of which has been achieved in just a year and a half, just in 18 months. The
800 overall reduction in debts owed to Government, when comparing figures from 30th September 2016 to 31st March 2018, is actually £21 million. Additionally, not only do arrears show that significant reduction, but I must also highlight that the Central Arrears Unit are actively ensuring that current payments are received in a timely manner.

805 This success is due to the excellent work of the men and women of the Central Arrears Unit. They work closely with all Government Departments, all of whom now understand that we must strive to reduce arrears and ensure the timely collection of current payments due. All now understand that the laissez-faire attitude of the party of hon. Members opposite was bad for Gibraltar, it was bad for those who pay their due and it was not fair. The men and women of the Central Arrears Unit are sometimes insulted, they are sometimes threatened, they are on the
810 receiving end of unpleasantness from those who have failed to pay their dues; but, under the effective and unafraid leadership of Lizanne Dalli, they ensure that those who owe money pay because that is the fairness that we owe to those who do pay on time. I extend to the people of the Central Arrears Unit the sincere thanks and respect of the Cabinet that I lead and of the whole community.

815 I express the same sentiments for the work being done by the Minister for Housing and all the people of her Housing Ministry in respect of arrears of housing rents. The Housing Department has also very successfully implemented the arrears recovery strategy which it

820 commenced in 2015. The balance of the rent arrears at its highest in 2016 was just in excess of
£6 million. In the relatively short period of 36 months since recovery of arrears commenced, the
balance due is now £4,812,223. That figure reflects not just recovery of arrears but also a
reduction of accrual of arrears.

825 Recovering arrears of rent is not popular and it is not straightforward. In some instances
discretion has to be applied because of the circumstances of individuals who have fallen into
arrears. In some cases, calculations may be wrong and reliefs which are available have not been
factored in and have to be deducted from the headline liability. In all cases it takes a politician
with courage to do the right thing and to pursue unmeritorious cases of non-payment of rent.
Samantha Sacramento has shown that she has the gumption and the ability to pursue such a
policy and that she does so with the full support of the Cabinet, the Government and, I hope, the
whole of this House and indeed the whole of the community.

830 Mr Speaker, I am also delighted to report to the House that under the leadership of Sir Joe
Bossano the Gibraltar Savings Bank continues to flourish. The reserves of the Savings Bank have
continued to grow and these reserves stood at £37 million at the close of the last financial year.
The reserves of the bank are estimated to grow further to reach over £41 million by the end of
the current financial year. The deposit base of the Savings Bank remains at over £1.3 billion.

835 The Savings Bank continues to provide an excellent range of savings products for our
community, as indeed it has done since it was established over 130 years ago. The Gibraltar
Savings Bank will continue to provide savings products to serve our community and will continue
to offer special rates of interest to our pensioners.

840 The bank is also working on improving the services it offers to savers by making use of the
latest available developments in banking technologies. This complements the services that are
now being provided to the community by the Gibraltar International Bank, which include a full
range of retail banking services, including mortgage finance to prospective homeowners and
commercial lending to our local businesses. In fact, I am delighted to be able to report to the
House on the growing success of the Gibraltar International Bank. Operating at arm's length
845 from Government, the GIB has grown beyond our expectations and I would like to congratulate
and thank the Chairman, the Board, its CEO and all those that work there for shaping an
institution that has become an integral part of Gibraltar society and the Gibraltar proposition.

850 It is because of this growth that the Government took the view to invest a further amount of
£30 million in the capital of the bank over the last 12 months via the Gibraltar Development
Corporation. Given the objects of the GDC, it is quite an appropriate investment and the money
was sourced from the £300 million we raised through an institutional investment in Gibraltar.
The bank needed this capital to meet the stipulated regulatory financial ratios which arose given
its expanding portfolio of business. In other words, the bank needed an extra £30 million
because of the success of its business model, not because it lost money that we had to replace.

855 I am very happy to be able to tell the House that in a snapshot as at the end of last week the
bank had attained 20,897 accounts, year to date deposits of on average of £725 million and their
loan book now stands at £204 million. And most importantly of all, the bank has turned its first
monthly profit and has predicted it will turn a profit for the full year that will close in December
2018.

860 Mr Speaker, I trust you will agree that this is quite remarkable for a relatively small bank that
was no more than a manifesto commitment when we were first elected and which we created
also to deal with some of the retail banking challenges our community faced. And it is already
spreading its wings beyond our shores and helping provide banking support to some businesses
in the Falkland Islands that are struggling to obtain banking services and have approached the
865 GIB to assist.

The accounts for the year ended 31st December 2017 will shortly be made public. Those who
want, can then obtain a copy to study to their accounting hearts' content.

Mr Speaker, I now turn to the specific Budget measures for 2018. Before I start announcing some of the changes to import duties I want to inform the House that this year, in carrying out this exercise with the Collector of Customs and the Financial Secretary, we have realised that there remain a number of anomalies and inconsistencies within the structure of the present tariff. This has also been noted by the boards of the Gibraltar Federation of Small Business and the Chamber of Commerce, who have both raised the same issue with the Government. In the circumstances, I am asking for an exercise to be carried out with a view to seeing if the system can be rationalised. This may lead to there being a smaller number of tariffs that would apply. Products would then be aligned to those tariffs in more a consistent manner. My expectation would be that the outcome of this review can be announced during next year's Budget. In the meantime, the following changes in Import Duty will be introduced, with immediate effect or as otherwise indicated.

Mr Speaker, in support of this Government's continuing efforts to address the problems arising from tobacco and smoking generally, to further curb anti-social behaviour and to better collect, monitor and share information, and to better prevent the possibility of illicit tobacco activity arising, and in consultation with the Collector of Customs, I will be introducing further amendments to the Tobacco Act. These will be designed to ensure that the licensing, importation and exportation, storage and transportation of cigarettes, as well as penalties in connection with these activities, apply to all tobacco products generally rather than only or mainly to cigarettes, as at present. These will assist also in controlling the public order issues that can arise if the trade in this commodity is not properly regulated.

Tobacco licence fees were last partly increased some considerable years ago, in 2005. These will now be increased with immediate effect as follows: the fee for a new wholesale licence will increase, from £1,000 to £20,000; the fee for a renewal of a wholesale licence will increase, from £300 to £10,000; the fee for a new retail licence will increase, from £150 to £5,000; the fee for a renewal of retail licence will increase, from £5 to £200; the fee for a new retail store licence will increase, from £50 to £5,000; the fee for a renewal of retail store licence will increase, from £15 to £5,000; the fee for a new transportation licence will increase, from £50 to £250; the fee for a renewal of transport licence will increase, from £20 to £250; and the fee for a tobacco import permit will increase, from £150 to £1,000.

The last time duty on tobacco was raised was in April 2014. At that date we increased duty per carton of 200 cigarettes from £12 per carton to £13 per carton. That change had followed a series of changes starting in July 2011 when we increased duty from around £8.55 per carton. I say 'around' because at that time duty was assessed on a hybrid basis which included a calculation based on weight. Since that date, currency fluctuations have made duty increases in respect of cigarettes harder, as the effect of such increases on the market price of cigarettes has been harder to quantify with certainty because of the currency's volatility.

Today, I want to signal a deeper and wholesale change in our attitude to tobacco duty. The health of our nation requires that we should ensure that we are taking measures to dissuade people from smoking. Not only are we extending our Tobacco Act provisions beyond cigarettes to all tobacco products, we are considering implementation in Gibraltar of international conventions on the use of tobacco and we are looking at an escalator of duty which will make high-street retail tobacco prices, cigarette prices in particular, less and less attractive. For that reason, as from midnight last night, duty on cigarettes will go up by £1 from £13 per carton to £14 per carton. Additionally, the duty on rolling tobacco will also be increased from midnight last night by a third again, by £15, from £45 per kilo to £60 per kilo.

Also from midnight last night, I will triple again the import duty on waterpipe tobacco from the current £15 per kilo to £45 per kilo. This represents another consecutive increase in Import Duty on this particular tobacco-based commodity. Duty was based on an *ad valorem* formula until two years ago. I introduced duty at £3 per kilo in the 2016 Budget measure. Last year we upped that duty to £15 per kilo. This year it is tripled again to prevent Gibraltar being used as a

920 place to create an illegitimate market in this commodity. Given the size of the increase, to avoid
traders finding themselves with unsellable quantities of the product, the Collector of Customs
will have a discretion, if he is satisfied that merchandise has already been ordered and is in the
delivery stage or if there is a quantity already in Gibraltar in bond as at today's date, to levy duty
at £15 per kilo for that particular quantity only.

925 Mr Speaker, data shows that diesel can emit more toxic pollution than other fuels. That is the
main reason why we decided to pursue an LNG power station. That will considerably improve air
quality in Gibraltar as we shut down our existing diesel-fired stations and temporary facilities.
Diesel will, in coming months, become a fuel we use in the generation of electricity in our dual-
fired engines only *in extremis* in the unanticipated event of a failure of LNG supply. Additionally,
930 and in line with our policies to protect our environment and to improve our air quality, we have
exempted duty on electric cars to promote their importation. The other side of the equation
must be to increase duty on the most polluting diesel and petrol vehicles and their fuel.

We increased duty for diesel, the highest pollutant, last year. The increase we implemented
did not, however, affect the quantities sold. Additionally, we have not increased duty on
unleaded fuel since 2010. Accordingly, from midnight tonight duties on the importation of diesel
935 will be increased by 12p per litre, from 25p per litre to 37p per litre; duties on the importation of
diesel premium will be increased by 11p per litre, from 23p per litre to 34 per litre; duties on the
importation of Unleaded 95 will be increased by 6p per litre, from 29p per litre to 35p per litre;
and duties on the importation of Unleaded 98 will be increased by 5p per litre, from 29p per litre
to 34p per litre.

940 As the whole market of both hybrid and electric vehicles has evolved, I have over the years
provided several direct incentives, unrelated to fuel duty, to encourage people to move away
from vehicles that rely solely on the internal combustion engine to those that provide cleaner
alternatives. The Government has led by example and for over four years now the official G1
vehicle is the full electric TESLA Model S – which even Jimmy now approves of, Mr Speaker! I will
945 do more of this incentivising today, as follows: the Government will seek to improve on the UK's
ambition of seeking to phase out registration of new vehicles with internal combustion engines
by 2040. Some groups internationally have called for that deadline to be brought forward to
2030.

950 Already the Scandinavian car producer Volvo has announced that as from 2019 – that is to
say next year – it will stop producing vehicles that have only an internal combustion engine.
Between 2019 and 2021, the firm will introduce five 100% electric models and ensure that the
rest of its conventional petrol and diesel range have a hybrid engine of some form. It was the
first major manufacturer to make such a bold move. The same announcement has now been
made by Jaguar Land Rover, which will manufacture only electric or hybrid vehicles from 2020.
955 Toyota and Lexus will offer every single model it produces as an electric option from 2025. What
emerges is that every manufacturer is following suit and the electric technology will soon be the
mainstream. The internal combustion engine is not dead yet but it is dying as the propulsion
mechanism for private vehicles.

960 In the circumstances, the Government will implement the following measures. Vehicle
registrations for private vehicles powered solely by internal combustion engines will be
prohibited in Gibraltar by 1st July 2030. In other words, as from that date every vehicle
registered in Gibraltar will have to be at least a hybrid. Additionally, vehicle registrations for
private vehicles powered in any measure by an internal combustion engine fuelled by diesel will
be prohibited by the same date, 1st July 2030. That means that diesel hybrids will not be
965 registrable in Gibraltar as from that date in 2030. Only hybrids where the internal combustion
engine element is not fuelled by diesel will be registrable in Gibraltar as from that date. Both of
these measures apply as much to new vehicles as to second-hand vehicles being registered for
the first time in Gibraltar as from 1st July 2030. As from 1st July 2035, Gibraltar will only allow
the registration of fully electric vehicles where the propulsion of the vehicle does not in any way

970 rely on the internal combustion engine, whether fuelled by diesel or unleaded petrol. None of these measures will apply to classic vehicles, as already defined in our laws. Although these dates are far in the future, it is important that we legislate now so people understand the effect of the choices they are making for the future.

975 Additionally, for the next 36 months, any individual taxpayer who installs a mechanism for the electric charging of a vehicle in their home or in a parking space or garage owned by them will be able to deduct the first £2,000 of cost approved by the Commissioner of Income Tax of the installation of such mechanism against their tax liabilities.

980 With immediate effect, duty on diesel engines under 1495cc will be an additional 10% on top of the duty that would otherwise have been payable on importation. The Collector will ensure that any vehicles already bought or on order are not covered by this application of this provision.

At present, hybrid vehicles do not pay duty unless they are imported privately, where they attract 5% duty. Hybrids are presently also eligible for a cashback of £1,000. Full electric vehicles pay no duty, irrespective of how they are imported, and are eligible for a cashback now of £1,750. This also applies to electric forklifts. In order to further encourage the purchase and full use of electric vehicles, the cashback on hybrids is now reduced to £250 per vehicle, although the Import Duty will remain at zero; the cashback on full electric vehicles is increased to £2,500 and the Import Duty will remain at zero; a new cashback incentive of £150 is introduced for full electric motorbikes; and a new cashback incentive of £200 is introduced for electrically assisted bicycles without a throttle, where the electric engine cuts off at a speed of 25 kilometres per hour.

990 Finally in relation to motor vehicles, the importation of non-classic used cars into Gibraltar does not assist the object of seeking that the fleet of vehicles in Gibraltar should be the most modern and environmentally friendly possible. As a result, the importation of a used vehicle will attract the same duty whether it is imported by an individual or a dealer and will remain as it is today for individual importations, not dealer importations.

995 I want to thank the Hon. Paul Balban and former Member of this House Selwyn Figueras for their diligent work in the development of the measure relating to electrically powered bicycles, which is designed to make cycling attractive even for those in our community who have to negotiate hills in their use – a demonstration that bygone political differences need not prevent us from working together in future in the common interest of our community.

1000 Mr Speaker, the debate on paper versus plastic, or at least the legacy problems caused by recklessly using single-use plastics, is something that has rightly been brought to the fore by programmes like the BBC's excellent *Blue Planet* and Sky's *Ocean Rescue* campaign. This Government has always advocated renewables and concern for how our actions affect the planet that we will bequeath future generations. In that context, I note that disposable paper products are presently being charged at a higher duty of 12% than plastic disposable products, which are presently charged at 6%. Given what we now know about the effect of single-use plastics on our oceans and on our planet generally, this cannot be right. As a result, the Government will eliminate Import Duty on disposable paper products such as paper straws, plates, cups, disposable paper bags and sacks. We will, with immediate effect, also increase duty on their plastic disposable equivalents to 200%. The duty on biodegradable plastic bags at the same time will be halved.

1010 Mr Speaker, there have been no major revisions to duty on spirits, cider and other alcoholic beverages since 2010, some eight years ago. Indeed, in respect of some of these the last review has not occurred since 1997. In inflation terms alone this means that duty on these products is out of place with price rises. Accordingly, from midnight tonight, duty changes will apply in respect of different alcohols in different ways.

1015 Duty on cider, shandy and fermented beverages has not been increased since 1997. The duty rates are somewhat confused, with cider attracting 7p duty per litre whilst other drinks with less than 5% alcohol, such as shandy, attract duty at 14p per litre. I propose to rationalise all that at

one rate and catch up with inflation such that duty on these products increases to 21p per litre. This duty increase equates to a 53% increase, in keeping with inflation since the last increase.

1025 Duty on bottled mixtures of beverages of an alcoholic strength by volume not exceeding 15% will be increased by 17p per litre, from 33p per litre to 50p per litre. Duty on American whiskey and bourbon is increased to £2 per litre.

1030 And finally, no doubt to the disappointment of champagne socialists everywhere, the duty on sparkling wines and champagne will be increased by 31p per litre, from 69p per litre to £1 per litre. I said it was a Brexit Budget, Mr Speaker! These latter two increases will bring duty to £1 per litre, having the effect of equalising the duty on these alcoholic beverages and making them double the duty on wine at 50p per litre, which duty will remain static.

1035 Mr Speaker, continuing on the theme of our commitment to education and to deliver advances for every generation in our small nation, it strikes me as inconsistent that electronic equipment such as iPads and gaming equipment such as PlayStations etc. do not pay duty whereas products for our very youngest, such as educational electronic equipment, pay duty at 3%. As from today, duty on such products is eliminated.

1040 The Government considers that it is in the wider public interest to promote investment in private sector medical practices that serve many in our community. As a result, all instruments and appliances used in the medical, surgical, dental and veterinary sciences, including sight testing equipment, will no longer attract Import Duty.

1045 It is important for the continuing development of Gibraltar as an attractive retail centre for us to promote the sale from Gibraltar of high-end products that can be alluring to tourists and residents alike. We have done a lot of work already in the Import Duty reductions we have implemented to date. In the circumstances, and upon the representations of some highly reputable and established traders, the duty on handbags is eliminated.

1050 The Collector of Customs and his team carry out a large number of functions for this community and their volume of work has increased exponentially. There are quite a number of areas where this work is visible and others where it is less visible. I therefore propose allowing the Collector and his team to charge a fee for some of this work.

1055 Vehicle valuations are quite laborious and at present no fee is charged by Customs. I therefore now impose a fee of £50 per valuation, which will apply as from tomorrow.

1060 Landing certificates are presently charged for at the rate established some 30 years ago of £10 per certificate. Despite inflation for the period being higher, I propose to only increase the fee to £20 per certificate. That increase does not even catch up with the inflation for the period but makes the fee a more relevant one in today's money.

1065 I have received a number of representations to consider doing something about the duty we levy on bingos that are organised on behalf of a charity to help raise funds for a charity. These charities are exempt from most taxes and therefore feel the imposition of a duty on bingo hampers their ability to raise funds for those worthy causes in this way. I therefore propose to eliminate duty in respect of bingos where they are organised by a registered charity and the proceeds are to be used for the purposes of that charity. Duty on bingos is also abolished if organised for and by the residents on a not-for-profit basis in the common areas of Bishop Canilla House, Charles Bruzon House, Albert Risso House and Seamaster Lodge or at the Senior Citizens' Club in Town Range – its president will no doubt be delighted – or the South District Senior Citizens' Club at Naval Hospital Road.

1070 Mr Speaker, in order to assist with the cost of doing business in Gibraltar and in keeping with our manifesto commitment, electricity and water charges will not be increased this year. General rates payable by businesses will also remain unchanged and discounts for the early payment of rates will continue to apply. In the retail and distributive trades and in respect of catering establishments, the discount granted for early payment is increased from the 30% presently enjoyed to 50%.

1075 The Statutory Minimum Wage was increased to £6.45 with effect from 1st August 2017. The
Statutory Minimum Wage would increase only marginally by 16p to £6.61 in line with the latest
annual rate of inflation that stood at 2.5% in April 2018. This increase would do little to promote
economic growth and would unfairly keep the minimum wage below where we believe it should
1080 have settled given the GDP growth that is being experienced in this community. In the United
Kingdom this year the minimum wage for over-25s has gone up by 4.4%. In the circumstances, in
Gibraltar the National Minimum Wage will be increased by 4.5% or 30p an hour to £6.75. As a
result, the minimum wage will have increased by just shy of 25% in our seven years in office. I
can remember when I was a boy and the money sometimes was not as long as the week. I
therefore commend this increase in the minimum wage to the House and to the whole of our
community. We must walk in the shoes of those on the minimum wage as much as we must
factor other matters into our calculation of what this fundamental parameter of our economy
should be.

1085 Mr Speaker, each of the measures I have announced to date have been prepared with Brexit
in mind. These are measures which open us up more for more business or new business or
which have another reason I have explained behind a decrease or increase which is being
applied. We have to be ready if things go well and for our position to continue to be one of
growth and improved economic data. Additionally, we have to be prepared also in the event
that Brexit does not go well – not because we think it will not, but because we have to be ready
1090 for that eventuality.

As a result, the Government has to take certain steps to rebalance the economy in the light of
the imponderable aspects of what we could face from the next financial year on. For us, the
most important aspect of that rebalancing is the protection of the public sector, a sector in
which the Gibraltarians are the dominant nationality and which is dependent on the revenue
1095 yield from private sector activity and employment levels.

The sustainability aspect requires that to protect our public sector workers we contain the
cost of the public sector payroll and start reducing the gap between the higher and lower paid in
the public sector and between the public and private sectors generally. In order to do so, public
sector pay will go up this year by the lower of 2.5% of the individual's pay rate or 60p an hour. In
1100 effect, this 60p per hour cap on the pay rise will kick in on basic salaries over £46,000 per
annum. Even at those levels, the increase will considerably exceed average inflation.

Under the former administration we also saw the expansion of the public sector with the
creation of many companies, agencies and authorities outside of the pay structure of the Civil
Service and we saw many relativities between grades altered without any reasonable logic. To
1105 that effect, the Government will engage external reviewers to undertake an exercise to review
senior public sector salaries and relativities in Gibraltar. The last such review was carried out by
Bunkle and Roberts in 1983. All of the structural changes that have occurred since then have
created myriad distortions that altered differentials and a review is now once again required. For
the avoidance of doubt, whatever the recommendations of that review may be, no existing
1110 officers' salaries will be affected. All will continue to receive at least their existing salaries until
retirement, whatever the recommendations of the review are.

As I reminded the House last year, the Government is committed to reform of the Social
Insurance funds. However, amending these funds is not advisable at this point given the options
available to Government may be greater once the UK and Gibraltar have left the EU. It is
1115 nonetheless important and responsible to recognise the reality that the system needs to be
rebalanced. It is presently being balanced by relying on an annual advance from Government. It
is neither right nor prudent for the Government to absorb this ever-expanding gap between the
contributions received by the fund and the payments made. We therefore cannot ignore this
problem until the eventual reform.

1120 Mr Speaker, with your indulgence and in the interests of transparency that others keep
encouraging upon me, I will take a moment to explain to the House how the Statutory Benefits

1125 Fund works because it is a fund that sits in the background with few understanding it fully – save for my hon. colleague the Father of the House, who keeps a very watchful and keen eye over it. The fund, however, impacts on all of us, from those working to those in our community who have contributed to it over their working lives and are now retired, and to those who unfortunately, because of their circumstances, may need to rely on it.

1130 During the last year, after increasing contributions by 10%, the share of contributions collected, based on draft figures, was around £30 million and Government provided a further £7 million from the Consolidated Fund, which combined with other revenue received took the total contribution to the fund to £38.2 million. In the same period, old age pensions paid were £34.1 million with the balance of other payments of circa £4.1 million taking the total to £38.2 million. These £4 million represent payments of costs and other key benefits provided to those most vulnerable in our society, such as Disability Benefit, Unemployment Benefit, Widow's and Parent's Allowances etc.

1135 Hon. Members will therefore see that, despite that increase in contributions last year, the expense has kept increasing, despite Government's best endeavours. Just going back briefly to 2008-09, only nine years ago, the old age pensions paid amounted to £15.5 million, or half of what they are this year. Total benefits and costs paid were £19.1 million. That is literally exactly half of the £38.2 million we are dealing with this year when we have paid 100% more. And yet in that period in the increases in Social Insurance payments there have been no more than 10% increases. Whilst the increase in payments is staggering, it is to be expected. It is not of anyone's doing but reflects the care we provide for our elderly through the GHA and other social services and the fact that people are living longer. As an example of this, in 2009 there were 8,213 persons eligible to draw a pension and a widow's pension, whereas by March 2018 the figure has increased to 11,693 persons, and of course the amount of the pension payment has increased in line with inflation. It is a positive fact of life that people are living longer and successive Governments have tried to help those most vulnerable who need this assistance. Who in a civilised society would argue otherwise?

1150 The responsible thing to do is therefore to ensure this fund is properly funded. The irresponsible thing to do is to suggest we somehow cut payments or benefits to pensioners or the vulnerable or ask that we should not increase the contributions and that the wider taxpayer base should meet the expense. In order to pre-empt the proposition that Government or the wider taxpayer is not shouldering enough of the cost, it is clear that we are in fact already doing so. It is clear that the Government's direct contribution from the Consolidated Fund has remained static at £7 million over the last few years. It would not be true to say the Government has not put its shoulder to the wheel to meet the cost.

1160 In order to understand this, one needs to understand what happens to Social Insurance payments. When paid, these are split two ways, part going to fund healthcare – the GHA – with the balance going to the Statutory Benefits Fund. Last year when we increased contributions in Social Insurance payments we also moved the allocation from 70% to fund healthcare, to 65% to fund healthcare. This means that the decrease arising from this shift, of some £5 million, has been met by Government as it needs to find this shortfall in the additional contribution to the GHA. We therefore think it is equitable for employers and employees to also meet their share of funding this cost.

1165 It is therefore, of course, with some reluctance, but also with the burden of understanding that this is the right and responsible thing to do if we believe in universal healthcare and the welfare state, that I have to today announce an increase of 10% to Social Insurance contributions. I also announce a shift in contributions from 65% being ultimately directed to the GHA to 60% being directed to GHA, thereby having Government contributing further to the fund and absorbing some of the costs of the increase directly also.

1170 Mr Speaker, as you know, the Government continues to engage with the Chamber of Commerce and the Federation of Small Businesses to appraise them of these matters and

welcomes their understanding of the need for no doubt unwelcome but necessary increases in Social Insurance. In future, under the system that we expect to be able to implement, contributions will be expected to increase only by inflation each year.

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The effect of the changes announced is this: employee contributions will increase at a maximum by £2.75 per week, from £27.50 to £30.25; married women's contributions will increase by £1.45 per week, from £14.50 to £15.95; employers' contributions will increase at the maximum by £3.65 per week, from £36.50 to £40.15; and self-employed contributions will increase at a maximum by £3.35 per week, from £33.5 to £36.85.

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At the same time and in pursuance of the Government's continued commitment to reduce the level of personal taxation, especially for the lower paid members of our community, with effect from 1st July taxpayers with assessable income of £11,200 or less will be brought out of the taxation system altogether and will pay no Income Tax. This measure applies as much to taxpayers in both the Allowance Based System as it does to the Gross Income Based System and represents a further increase in this threshold which we have steadily increased since we were first elected, when it stood at £8,000. We have delivered increases in respect of this of £3,200, or 40% more, to bring more and more of the low paid out of the tax burden.

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Also in accordance with our manifesto commitment, taxpayers under the Allowance Based System will benefit from an increase in their Personal Allowances which is at least in line with inflation. As a result, with effect from 1st July the following allowances will increase: the Personal Allowance will increase from £3,300 to £3,385; the Spouse and Civil Partners Allowance will increase from £3,300 to £3,385; the One Parent Family Allowance will increase from £5,435 to £5,575; the Nursery Allowance will increase from £5,160 to £5,290; the Child Allowance will increase from £1,135 to £1,165; the Child Studying Abroad Allowance will increase from £1,290 to £1,325; the Dependant Relatives Allowance where the relative is resident in Gibraltar will increase from £301 to £325, and where the relative is resident outside Gibraltar will increase from £210 to £215; the Blind Allowance will increase from £5,155 to £5,285; and the Medical Insurance Allowance will increase from £5,155 to £5,285.

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Mr Speaker, last year, as a result of a confusion between the Disability Allowance and the Disability Benefit – where both ended up being called the same thing, an 'allowance' – the Disability Benefit was not increased. This year, to address that, the Disability Benefit reverts to its old nomenclature. A lump sum representing the annualised amount for last year's inflationary rise will be paid immediately to all who were in receipt of it last year, prorated for whatever portion of the year they were entitled to the payment. This year, the benefit will increase by the rate of inflation also.

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The old age pension will also increase in line with inflation.

Mr Speaker, at present, companies with tax losses are only able to use those losses against future profits. At present, these losses can be used within the business so long as there is no change of ownership and a change of business within a period of three years. The problems that some large groups are experiencing is that they cannot carry out restructures of their business, as once they transfer the business out to another group company the tax loss is effectively lost. In order to facilitate group restructures, which are increasingly common with some of the consolidations we are seeing across various sectors, I propose that the Finance Bill will include changes to allow the transfer of such losses on restructures so long as there is no change of ultimate ownership and a change of business within a period of three years. The changes will therefore allow losses to be carried forward against a business, even if the business is transferred to another company under the same ultimate ownership. The legislation will include a series of anti-abuse provisions so that such transfer is only allowed in the case of legitimate group restructures. It should specifically not allow for the use of accumulated losses of one type of business to be offset against future profits of a different type of business.

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Comments have been made erroneously suggesting that changes to the Damages Act may be unfair on the basis that awardees of damages may not be able to plan or provide for their long-

1225 term care. We do not consider these to be correct. In order, nonetheless, to provide support to
those in these very difficult and sometimes tragic situations, the Government will direct the
Gibraltar Savings Bank to create a product or bond to allow awardees of sums paid from
personal injury claims or death, including death in service payments and insurance payments
arising from the death of a spouse, the same interest rates as if they were retired persons and
therefore eligible to invest any such sum received in such a product, thereby availing themselves
1230 of the higher interest rates that are offered by the Gibraltar Savings Bank. This will be a special
bond for such a purpose only.

The conditions to be satisfied before moneys can be accepted by the Savings Bank for such
accounts to attract pensioner rates are as follows. The investment is to be limited to the amount
of the award from personal injury or death and interest thereon. The applicant for the account
1235 opening must be the awardee or next of kin in cases of death. In both cases the individuals must
be – including the deceased in cases of death, who must have been – Gibraltar residents to be
eligible for the treatment. Payments must be made by an insurance company or the employer or
must be amounts paid by a defendant in settlement of a claim awarded by the Supreme Court of
Gibraltar. Payments must be certified as complying with this criteria by the Commissioner of
1240 Income Tax.

Mr Speaker, the Government I lead developed affordable housing in keeping with the
principles set out by the first GSLP administration. The lease used, however, was modelled on
the lease created by the party of Members opposite whilst they were in power. That allows an
element of speculation which is not, in our view, in keeping with the objective of providing
1245 homes for our people which are not designed to be used for speculation but for owner
occupation. These affordable housing properties, at Beach View Terraces and Mons Calpe Mews,
have been sold to original purchasers at cost price – that is to say the cost to build the property
based on the area of each individual property without factoring in the value of the land or the
cost of relevant infrastructure. However, the cost has been well below the increase in the
1250 market values of these properties due to the rising values generally of residential property in
Gibraltar. This, amongst other factors, has enabled some original purchasers to market the sale
of these affordable homes for very large profits whilst the taxpayer would see almost no profit
from the resale of properties in these developments. That is not fair on the taxpayer at large, on
those on the waiting list for new homes or on those who have not been able to buy affordable
1255 properties.

Government is therefore considering all options available to it under the terms of the under-
lease for these estates in order to curtail the levels of profits which will be made on resales in
the early years of ownership of these properties. As a result, to catch those who may be seeking
to flip these properties, as from today the sale of any property sold as an affordable home for
1260 and on behalf of the Government in the last four years – that is to say properties at Beach View
Terraces and Mons Calpe Mews – will attract a new Special Stamp Duty for the period until
10 years have expired from the original purchase of the property by the original purchaser of
7.5% of the total sale price calculated with regard to the property sale price and any other
payment passing from the purchaser to the vendor, whether in respect of fixtures, fittings or any
1265 other payments whatsoever connected with the transfer of the property. This new Special
Stamp Duty is not deductible in arriving at the calculation of profit under the trust deed.

The Special Stamp Duty will not apply in circumstances of a forced sale, including in cases of
marriage or relationship breakdown, which circumstances will be certified by the Government's
Land Management Committee and administered by Land Property Services for the Government.
1270 The Special Stamp Duty will also not apply if a family moves to a larger property as a meritorious
upgrader to another, newer, Government affordable housing scheme. And the Special Stamp
Duty will not apply to the sale of any part of the Government's equity sold where the
Government has retained a share of the equity in the property.

1275 Mr Speaker, housing rents have gone up by 3% this year also. That is about 0.5% above
inflation and only the second time in 35 years that rents have gone up. The increase will provide
an additional about £90,000 to the Government in respect of income. As a result, anyone who
might have been foolish enough to suggest that this increase will in some way go to pay the
£300 million financing package we secured for Gibraltar would not be very good at mathematics.
1280 Indeed, they would have egg all over their face if they had been foolish enough to tweet such
nonsense. In fact, when we made provision for these increases, Members opposite said nothing
in this House other than the remarks of the current Leader of the Opposition. He remarked that
the rent increases proposed were too small or too little to have any effect. Action for Housing
welcomed the increases last time and the Ombudsman had actually called for them. So it would
be utter populism for Members opposite to now somehow try to create a bandwagon to ride on
1285 which sought to roll against small or modest or little increases which are outpaced by the hourly
increase in the minimum wage. That is to say the increases are on average in the region of the
increase in one hour of the minimum wage: more than proportionate and modest.

Finally, I am happy to announce that after considerable public consternation about the
availability of tickets last year, this year's Christmas Lottery first prize is going to be £1 million.
1290 Double the number of tickets available last year will go on general sale on Wednesday.

Mr Speaker, I want to take this opportunity on behalf of myself and all Members of the
Government, and I am sure the whole House, to thank you, the Clerk and all members of your
staff for your assistance this year in the discharge of my functions as Leader of the House. You
have all been your usual patient and kind selves. Thank you.

1295 I also want to take this moment to thank my Cabinet colleagues, all of them, for their support
throughout this year, and in addition record my thanks also to the Chief Secretary, the Attorney
General, the Financial Secretary and the Chief Technical Officer for their indefatigable hard work
in support of the Government's policy objectives. They are all truly indefatigable. These are
extraordinary times and they are the extraordinary people that I have been able to count on
1300 every minute of every day to deliver for Gibraltar in each of their areas when it has mattered
most. Team Gibraltar, Mr Speaker!

Behind this debate and the presentation of the numbers in a graphic and more intelligible
format are Ernest Tomsett, Susie Gonzalez, Nancy Reyes, Karl Lima and Charles Santos, as well as
many others who make it possible for us to account with such complete transparency and clarity
1305 to this House and to taxpayers generally. I do not think people realise how much care and
diligence they put into ensuring that the numbers we report are entirely accurate. I must also
extend similar thanks to all others at the Ministry of Finance and Her Majesty's Treasury. I thank
them on behalf of the whole nation for their precise and careful work.

And of course my team and the Press Office, the A-Team at No. 6 who serve the Chief
1310 Minister of the day and ensure that, whatever happens, I have a smile on my face every day and
we get Gibraltar's message out to the world – whether we are leaving the EU or joining it,
whoever is in power in Spain and whatever other challenges the world may throw in our political
direction, nothing phases my No. 6 team. Thanks to all of them for their genuine human support
to me in these Brexit days.

1315 Mr Speaker, I have political responsibility for other Departments which I have not gone
through in detail today. I have been required, because of the juncture in which we find
ourselves, to analyse some areas in greater depth than others. I do not want to keep the House
for longer than I have to. It is also unfair for me not to report on the excellent work which is
being done in Customs, in the Drug and Alcohol Services, in the Civil Status and Registration
1320 Office, in Industrial Relations and Public Sector HR and in the Borders and Coastguard Agency
and indeed to explain more deeply what is happening in the Income Tax Office and the Central
Arrears Unit. I will therefore leave a detailed paper before the House when I sit down that will
set out the progress in these departmental areas also. (*See Appendix 1*)

1325 I would highlight one thing, and that is the sad loss in one Department in service this year of a young customs officer, Neil Piñero, who passed away on active duty at the age of 30. The Government is considering with the Collector of Customs how best to ensure that he is adequately remembered.

1330 Well, Mr Speaker, as I said when I rose to speak some two hours ago, this is a Brexit Budget, and there are two ways of doing a Brexit Budget: one is sheer austerity; the other is the socialist way. Our way is investment to stimulate continued growth, investment in public services to ensure that the public services that our citizens and business require are there to be provided in health and care, in education, in the provision of welfare for the most vulnerable in our community, in sport and in housing. This is a Brexit Budget which will not rely on austerity measures. There are no cuts here. It will rely instead on investment as the necessary stimulus for
1335 our economy and it will also rely on personal responsibility to provide for ourselves and others by contributing more to Social Insurance; because Brexit is not a walk in the park – although thanks to the hard work of the Brexit team and the Government as a whole there have been no Brexit shocks for our economy – and because when it was our time, our responsibility, our opportunity, we took charge. We worked harder than ever. We took calm control and delivered
1340 an excellent result for generations to come. We were not found wanting and we did not fail Gibraltar. We did not put our personal interests or egos first. We have had no regard for our political interests at all. We have ceded nothing of our red lines. We will give nothing away on our sovereignty but we will continue to deliver the prosperous future that we must ensure is there for our children. To do that, to guarantee that and to have the peace of mind that we will
1345 not falter, we must take some measures to fine tune and rebalance. In doing so, we demonstrate that we were ready for the challenge and up to the demands of this historic moment in the affairs of our nation. Whilst keyboard warriors criticised from the comfort of their keyboards, we were out in the real world fighting Gibraltar’s corner.

1350 Mr Speaker, for Gibraltar Brexit may be almost over. In nine months we will have left the European Union, but in partnership with Britain, we have navigated these stormy waters carefully and successfully. We have trimmed our sails when we have had to and we have run our engines full steam ahead when we have deemed that we had to. This was the moment of our date with Brexit destiny and it was the moment when we looked destiny in the eye and we were equal to her task and challenge. Our time of reckoning came, but few reckon with the
1355 Gibraltarian!

This is a Brexit Budget, but a Budget for Brexit success: a careful four-way balance between caution and optimism, between prudence and investment, but a Brexit Budget that requires no cuts and no austerity thanks to the way we have delivered success and growth in the past seven years in office, just prudent measures to ensure that we are match fit for our departure from the
1360 European union – prudent measures because, despite our surpluses, we have to ensure we remain able to discharge all our responsibilities with surpluses to come in future too.

That is what is required of the modern, mature, post-colonial Gibraltar, building on the work of all the others who have come before us and 30 years after a Gibraltarian first took the financial reins. Thirty years after we moved from an economy of dependence we move to an age
1365 of self-awareness that sees us with the self-confidence to succeed in new markets in the digital economy – and our view is that greater success awaits, but it must be worked for because there will be no free ride, no space for freeloaders, nowhere to hide for those who want to skive their way out of pulling their weight, because the challenge of Brexit is there for all of us, not some of us, and as we leave the European Union that is the challenge for the future.

1370 And so today, Mr Speaker, I want to end my remarks exactly as another socialist Chief Minister did in 1989, when we faced other challenges, by telling the House that the Budget I am presenting today, the Estimates of Expenditure, the commitment to infrastructure, is an indication that we are meeting that challenge head on, with determination, with commitment, with hard work and with confidence of success.

1375 Thank you, Mr Speaker. I commend the Bill to the House. (*Banging on desks*)

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

Hon. E J Phillips: Mr Speaker, this is my third Budget contribution and my first as
1380 Parliamentary Leader of the Opposition. It is a privilege and a great honour to lead the
Opposition in this House on behalf of the people of Gibraltar.

Before I get on to the substance of my address we must, of course, recognise the work of the
Clerk of the House Paul Martinez, Frances, Kevin, Daniel and of course you, Mr Speaker.

I would also like to echo the words of the Chief Minister in his address in respect of the
1385 comments in relation to Calpe House. We also from this side of the House wish the trustees well.

Mr Speaker, if I may, and before setting out our stall, we have an initial observation as to the
description of this year's Budget. The Chief Minister describes the so-called Budget as a Brexit
Budget. I have to hand it to him. The Hon. Chief Minister, in our estimation, is a consummate
spin doctor, but the merry-go-round has finally halted and the music has stopped. People have
1390 stopped trusting him, the buzz words are falling on deaf ears, and whoever he pays to write his
speeches for him will soon be out of a job. The public are no fools. This is not a Brexit Budget;
this is a Big Lie Budget. The Chief Minister claims to be prudent, he claims to be cautious, he
claims to be a safe pair of hands. We have heard him say in his address that he spends wisely. He
even sets up a department for public efficiency to create the illusion that our money – the
1395 people's money – is safer in his hands. Mr Speaker, this is all part of the Big Lie Budget. The
direct evidence for this is the Chief Minister's so-called revolution in education. The fact of the
matter is that the £52 million contract for the two secondary schools at Waterport is not
included in this year's estimates. Why not? Let's not forget that the contract does not include
the fitting out of the two schools and therefore the costs of the new secondary schools are very
1400 likely to exceed £75 million. How can this be a Brexit Budget when trucks are hurtling down
Waterport laden with materials, the deafening sound of the thuds of the machinery operating
24/7 at enormous cost to the public? The project is devoid of any real consultation from those
who will actually use those schools. Embarrassingly then, he then jokes to anyone who would
care to listen, foreign MPs or whoever, that even the Opposition complain that they are moving
1405 too fast – and he repeated it again in his address this morning.

There is nothing remotely Brexit about this Budget, Mr Speaker. The Chief Minister, as we
well know, is a big spender and his Cabinet the biggest cheerleaders of spending our money. The
GSLP-Liberal Government are penny wise, pound foolish. It has finally dawned on the hon.
Gentleman that he has been reckless with our money. It took him seven years of spend, spend,
1410 spend, and now the public, the taxpayer, businesses and indeed future generations will be
saddled with debts, debts and more debts that he has created whilst he and his Government
attempt, in a desperate scramble, to spin this as a consequence of Brexit. We do not accept this
and neither do the people listening or watching this debate. He talked about in his contribution
of seven straight years of GDP growth at 10% year on year, unprecedented levels of growth. He
1415 forgets to mention unprecedented levels of debt.

Mr Speaker, in 2011 the GSLP-Liberal Alliance were elected on their now infamous 'Time for
Change' or 'New Dawn' manifesto, promising all things to all men. To their credit, and as anyone
who has been charged with the huge responsibility of administering the public affairs of
Gibraltar, there are several projects and initiatives which we ourselves, as servants of the people
1420 of our community, have welcomed. We have been constructive when we have needed to be and
we have been robustly critical in areas where we strongly hold the belief that this community
has been and is being taken in the wrong direction. One such striking example is the
management and administration of our public finances. Everyone understands the message: it is
your money and the Government must properly and transparently account for what they are
1425 doing with your money. The issue is even more acute now because it is clear to our community

that the Government is parking most of its debt off balance sheet and intentionally hiding the true level of our debt from the people.

1430 I now turn to make the position of Her Majesty's Opposition abundantly clear. Mr Speaker, we will not vote in favour of this Budget because it fails to present a clear, transparent, accurate and unambiguous reflection of the state of our public finances. We consider it a gross dereliction of our duty as representatives of this community to condone and support a Budget which is fundamentally opaque and which handcuffs elected representatives from properly and effectively scrutinising the public finances of this community.

1435 It will no doubt be said in reply that voting against the Budget is repugnant, wrong and we will suffer detriment by playing into the hands of Gibraltar's enemies. What utter nonsense, Mr Speaker. Nothing could be further from the truth. No one buys that juvenile, playground argument. It is true that parliamentary practice/convention has meant that the Opposition has traditionally voted in favour of the Budget, but as the Chief Minister was at pains to teach me last time we were in this House, practice or conventions change. It is not unusual in the slightest for oppositions to vote against budgets; it happens the world over. There are, in our view, very good reasons to depart from this perceived practice. Mr Speaker, the point is this: we, the Opposition, do not know how the public's money is being spent, and in any event we disagree with what they are spending it on.

1445 Mr Speaker, 2017-18 has been the Chief Minister's *annus horribilis*; 2018-19 is shaping up to be no better for him – oh, well, all good things must come to an end. The Chief Minister is living off borrowed time. I am not fond of quoting rappers in this House, but I could not resist this one. When the Chief Minister and his Ministers are all sat in the VVIP Government enclosure at the GMF this year, they should reflect very carefully to their headliner Stormzy's warning in his catchy lyrics: 'You're getting way too big for your boots... You're never too big for the boot.'

1450 The Chief Minister's so-called 2015 'Strongest Foundation' is suffering significant structural damage, resulting no doubt from the inherent weak foundations upon which it was built. Brexit is now becoming the excuse for our woes and we have been treated this morning to a Brexit Budget – or, as we like to call it, the Big Lie Budget.

1455 Mr Speaker, it is clear that the Chief Minister no longer has his finger on the pulse of this community and the day-to-day issues that affect hardworking families. Domestic issues have been, in the main, ignored using the Brexit excuse. I have heard it being said that the hon. Gentleman's focus must be on Brexit, but the world did not stop turning on 23rd June 2016 and we must carry on.

1460 The hon. Gentleman is haemorrhaging support and, although not yet on life support, the Government's condition is serious. The Government are failing to address the serious concerns of working families, the vulnerable and, importantly, young people. Last year the Chief Minister promised a Budget designed with prudence in mind to support working families, young people and the elderly and disabled. He has not achieved that objective.

1465 In the Opposition contributions to the debate on the Appropriation Bill each of us will deal with their respective shadow responsibilities. In particular, our Shadow Public Finance Minister, the Hon. Roy Clinton, will address and present in granular detail the numbers, whilst the Hon. Mr Feetham will chart the historic context which has led us to the current financial position that our community finds itself in.

1470 Mr Speaker, we have a duty to the people that elected us to hold the Government to account, particularly at Budget time. The debate on the Appropriation Bill fails entirely to provide the public with an accurate, comprehensive and transparent account of our public finances. The Government have, in seven years, consistently denigrated and destroyed any form of oversight of our public finances, hidden debt from public view, evaded answering detailed questions on public finances from the Opposition and created a system where this House is incapable of properly and effectively subjecting the management of our public finances by the Government to parliamentary scrutiny.

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To all those who will tune in across our community to listen or watch this debate from home or work, I am sorry to have to say to each one of them that there is very little we can do as your elected Opposition to uncover the mass of hidden debt which will hang round the necks of our children and grandchildren for generations to come. But there are some indicators, even from the slither of information that the Government has provided.

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From what we have been able to distil, despite the massaging of those figures referred to by the Hon. the Chief Minister himself, our recurrent expenditure is increasing, estimated at £627,815,000 for 31st March 2019; our net debt is rising to £339,900,000 in 2019; our revenue is lower, at £635,849,000 at March 2018; our cash balances are decreasing from £127,600,000 in 2017 to £96 million-odd in 2019.

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Mr Speaker, to our community money coming in is down, the cost of running Gibraltar is going up, debt is rising and our money at the bank is down. The Government is clearly not on target to honour their promise to the people to get net public debt below £300 million. The Hon. Roy Clinton will, in detail, assess the consequences of these startling figures, but it is clear that for the first time the GSLP-Liberal Government will be running a deficit and for the first time the donation to Community Care will be at its lowest. The headline figures I have presented show a critically worrying trend.

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Mr Speaker, it is important sometimes to actually reflect on what the Chief Minister said in the New Dawn Manifesto 2011. When we were in Government, the Hon. Fabian Picardo, Leader of the Opposition as he was then, said:

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On the GSD Government's own figures, we are already at least £480 million in debt in terms of Gross Debt. Gross Debt is the relevant figure for analysis of national debt that you would see referred to in any publication considering the national debt of any country. That works out to £16,000 per man, woman and child in Gibraltar. In 1996, the figure was £3,000 per man, woman and child. The GSD then referred to that level of debt (which it has now quintupled) as a 'millstone round the necks of future Gibraltarians'.

Fast forward to 2018-19: we have a situation where approximately 65% of indirect debt is now hidden from public scrutiny. The change to the legal debt limit and the overreliance on the debt-GDP ratio instead of linking debt with revenue coupled with hidden debt of massive proportions, indicates to all concerned that the picture being presented by the Government as to the true level of public debt is entirely false and misleading.

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Our analysis concludes that our total Gross Debt level is £1.248 billion. The community will remember in 2011 during the election campaign the Leader of the Opposition then castigated Sir Peter and the GSD by saying that the Gross National Debt meant that every man, woman and child were exposed to a millstone round their necks of £16,000 each. Well, Mr Speaker, pausing there and using the Chief Minister's own logic, namely the Gross National Debt, every man, woman and child of our community has a £37,000 reefy-style millstone round the necks of our children and grandchildren. The Chief Minister has almost doubled the level of exposure of this community from £16,000 – on his own figures of Gross National Debt in 2011 – to over £37,000 for every one of our people. When the Chief Minister finally gets the Stormzy boot, his legacy will be debt, debt and even more debt.

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Mr Speaker, moving from the debt position, the result of Spain's vote of no confidence motion has provided our community with a renewed hope that the new Spanish government will be more receptive to our position. Although the dust is settling on the formation of a new Spanish government, we remain hopeful that dialogue and co-operation for the benefit of our community and the wider Campo will prevail.

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We have been very clear as to what our vision is for Gibraltar and that we would be seeking to achieve: (1) A restoration of the trilateral process of discussion – bilateralism on matters that affect Gibraltar is unacceptable and in that process of discussion there would have to be a realistic discussion to seek to achieve Gibraltar's objectives without making any concessions on sovereignty, jurisdiction and control; (2) freedom of movement of the border; (3) single market access. We continue to press the Government for the restoration of the trilateral forum with the

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United Kingdom and the Kingdom of Spain to ensure that our rights, wishes and interests are fully protected in the context of Brexit.

1525 Mr Speaker, because it is in the interests of Gibraltar as a whole, we have consistently and regularly communicated our position in that we stand ready to assist. Briefings of the nature we have received do very little to persuade those on this side of the House that the Chief Minister is interested in seeking our views on the challenges that we face as a community. The public expects both Government and Opposition to work together in order to ensure the best possible outcome for the people of Gibraltar. Briefings to the Opposition are infrequent and contain limited information which soon is released in the public domain – hardly working together.

1530 Turning to my more specific responsibilities: industrial relations – it has been a year of industrial strife for the Chief Minister and his colleagues on that side of the House. The last 12 months have been a very low point for the Government in the handling of its industrial relations. The uncertainty of the future of the contract for municipal cleaning services continued until the end of last week, and who could forget the brandishing of signs calling for an end to uncertainty by the GGCA and its Master Services members? We have all heard the pre-Budget announcement of the award of the cleaning contract, Mr Speaker. We will closely follow this award and subject it to the closest possible scrutiny before comment.

1540 The last 12 months have also seen the GHA workforce of 400 strong staging a walkout over its longstanding concerns regarding the reliance on supply workers. Its ‘Enough is Enough’ campaign sent a clear and loud message that morale within the service was hitting an all-time low within the GHA. It is clear to many within our community that the use of supply workers is privatisation through the back door. It will be recalled that in the 2011 General Election the GSP-Liberal manifesto stated:

Government work and services will be carried out by direct labour which includes employees in related entities on Government pay and conditions. There will be no privatisation of Government departments.

Last month the Borders and Coastguards took industrial action on the Frontier over a similar issue and the use of supply labour. And the related Medoc/Grand Home saga is a story which keeps on giving. Concerns are now being raised in the community and highlighted in relation to Mount Alvernia and its relationship with Medoc.

1550 Mr Speaker, we have described the level of contract workers in the public service as unprecedented. The effect cannot be underestimated: 39% of the total labour force is employed via recruitment consultants or agencies.

1555 The Opposition has been asking questions of the Government in relation to the use of companies to recruit parallel labour or supply workers into different sectors of the public service for a long time now. The practice of recruiting parallel permanent labour or supply workers to work alongside permanent Civil Service or public service posts on different terms is pervasive and one which we say erodes workers’ rights as well as security of employment. Organising your labour force in this way can seriously affect the quality of the service provided to the public.

1560 We have also said that these practices raise serious question marks over accountability, transparency, quality and value for money in the procurement of public contracts. These are all issues that require serious examination and an overhaul of the way things are done by the Government.

1565 Moving to employment, training and skills, on apprenticeships last year the Chief Minister announced at Budget time the introduction of T-Levels: a year on and nothing further, despite our questions in this House as to the progress of this policy initiative. In fact, the Chief Minister again did not mention it today in his address. The Government has failed entirely in its commitment to young people and their families in developing a truly inspiring alternative for those who do not wish or are simply unable to take the higher education route. For too long the Government have ignored a loud call for the development of an apprenticeship programme. The

1570 Government continue to ignore the skills deficit and the cliff edge and are blinded to the calls from the unions, the Chamber of Commerce, business, young people and their families.

The failure of the Government's employment policy will have long-lasting consequences beyond their short time in office and we will have to pick up the pieces when the people of this community put them back in their natural habitat of Opposition. This community may forgive the hon. Members for much, but not for the abject failure of the young people of this community and their families. Almost daily we hear from disaffected young people without hope and opportunity because of the Government's failure to tackle skills training and the establishment of a fit-for-purpose apprenticeship programme. He talks about the jobs and lowest unemployment levels – he should speak to those young people stuck in dead-end jobs with no hope.

1580 The Hon. the Father of the House, Sir Joe, has attempted to denigrate our arguments by instructing his staff to write to employers in a desperate attempt to demonstrate that there is no interest in the business community for apprenticeships. I will never share that view of the Father of the House and I never will shy away from telling him that.

1585 The hon. Members Opposite will recall the statement by Playtech's Chief Operating Officer which clearly supports and reinforces our longstanding commitment to investing in our future generations so that they are the first choice for employers now and in the future. The absence of any response to this call by a senior member of our gaming industry demonstrates to those in our community and beyond that we are not serious about investing in our own people.

1590 If we want big business to set up in Gibraltar we need to ensure that our people are trained to do the skilled jobs required by those businesses. The Chief Minister talked about 35 Fintech companies starting in Gibraltar and the professional services that are provided in Gibraltar to support that underlying business, but ultimately we want our people to do those jobs that Fintech are going to bring here and the jobs that they are creating. This is why we have always pressed for an apprenticeship programme that trains young people to obtain those jobs. It requires foresight and it requires proper investment in people where the dividends will be reaped over a long period of time and not by the narrow confines of an electoral cycle.

1595 The Government's non-policy on skills training will leave a lost generation of young people without skills and our position within the global digital economy weakened. It is time for the Government to abandon its Future Job Strategy and adopt proactive policies which position our young people at the forefront of the digital economy.

1600 The Hon. Chief Minister talked about building a successful economy but he fails to understand that fundamentally the success of our community depends on creating better opportunities for young people. In fact, I think the Chief Minister talked about pillars and he said that young people human resources was one pillar. It cannot work by operating the 'plugging the skills gap' policy that the Government are determined in pursuing. Mr Speaker, we need to proactively shape our future by using the human resources available to us rather than reactively plugging the skills gap. We need to continue to focus on supporting start-ups in IT, gaming, software, development of Fintech, to name a few. I remain absolutely convinced that we need to do a lot more to truly harness the human resources we have available in our community.

1605 Many in our community will agree that creating a vibrant environment for Fintech to flourish is good for our economy, but we must ensure that when we encourage these type of start-ups or more evolved business to our shores that we do so safe in the knowledge that we can grow our own talent in partnership with business so that we can become a centre for excellence. Fintech is proving to be a highly competitive environment with many sophisticated jurisdictions moving quickly into that space. In the experience of our gaming industry the longstanding complaint from those companies has traditionally been the lack of skilled workforce – let us not expose ourselves to that type of criticism again, Mr Speaker.

1610 In my political clinics and those of my colleagues, housing is the number-one complaint area. This year we focused a large part of our outreach campaign on meeting with many

representatives of the so-called forgotten estates. It is fair to say that after seven years of GSLP administration they feel very disappointed. Laguna Estate is still waiting for 35 lifts to be installed, we have reports of problems at Moorish Castle last week and Varyl Begg has scaffolding erected with little or no work being done on the buildings. The main issue affects thousands and appears to be the never-ending refurbishment and security of our housing estates, which was clearly borne out by the Chief Minister's meeting with residents of Laguna and Glacis as recently as 22nd June.

Mr Speaker, our housing estates are the heart and soul of our community, and seven years on the Government continue to be plagued by inactivity, neglect and failing to get the job done. It is simply unacceptable for the Government to take seven years to complete works to our housing estates. I am sure that we will now have to endure all the excuses under the sun from the Minister and the Chief Minister, where they will no doubt play the blame game once again. The public are bored of their excuses and action must be taken to finish the job that they promised seven years ago.

Recent announcements by the Ministry in relation to the establishing of a Register of Residential Tenancies are in principle, and subject to a comprehensive review, welcomed by those on this side of the House. It is wrong and an abuse for anyone who has, based on the need, secured a Governmental rental, to rent out that property. The practice is abhorrent and should be stopped. It is equally wrong as a matter of principle that those who derive a rental income from their homes do not declare that income to the Income Tax Department, as it is from those who rent out their homes in breach of the terms of the under-lease.

This, Mr Speaker, is not the time for public statements on how we would deal with housing moving to the future. The GSD has developed a key policy document which, come the next General Election, will be open for the community to consider. For now, we believe that the system is not fit for purpose. We need a radical shake-up and rethink entirely the way in which we allocate Government homes and access to opportunity for Government co-ownership schemes. We will reflect on the Special Stamp Duty in respect of the affordable homes that were purchased over four years and make comment to the public in due course.

I have asked the Minister for Housing and the Chief Minister several times to explain why the Government have not announced the building of homes for rental and I have been treated to the usual non-reply: 'An announcement will be made in due course.' There is a real need which is not only expressed by Action for Housing but struggling families. What is the secret about, Mr Speaker? We need to give hope to those who are struggling.

In relation to rental arrears, in the last 12 months the Government's record on recovery is appalling. In March 2017, arrears were just over £5 million. At the Budget last year the Chief Minister stated that arrears stood at £4,995,042 and confirmed that the problem was clearly under control. At the end of April the hon. Lady told me that arrears stood at £4,829,692. In January, February, March and April of last year the figures gravitated around £4,879,000 to £4,835,000. Where is the success story in those figures? Nothing has changed.

It is clear for all those to see that the Government are failing to recover what is owed and the problem is stagnating under their leadership. The Government are failing to identify and address the root problem. Those in real social need are unable to access housing because the system is not fit for purpose. There is also systemic abuse in the housing system which must be urgently addressed by the Government. We need to revolutionise housing and only provide homes to those who need them.

Our policy on means testing must be implemented alongside a range of initiatives that make the system user friendly, accessible and, above all, fair. For instance, how is it right that when each of our children reach the age of 18, parents feel the need to put their names on the social housing list in order to slowly creep up an archaic system to have the opportunity to buy into the Government co-ownership or be allocated a Government flat in the future? I have heard of many many cases, when children leave for university, parents ensure that their children are on

the list so that when they finish full-time education they get a home. Mr Speaker, what on earth is going on with our system if that is the case?

1675 On housing lists there are currently a total of 1,350 applicants on the pre- and housing list as well as a small number of the social lists. Only 69 people have been allocated flats in 2018 so far. With a growing and aging population, how does the Government intend to cater for demand and evolving and changing circumstances? What contingencies are in place for a hard Brexit? Where is the investigatory or enforcement process to minimise abuse of Government housing?

1680 I know that the Hon. Minister does try and help, but we must recognise that the system is fundamentally broken. We need to operate a system based on real need. We need to provide for families small and large, young single parents, the elderly, key workers and those with disabilities. The system does need a degree of flexibility, but above all it must be fair and cater for the needs of those most in need.

1685 Mr Speaker, on 26th November 2015, some two and a half years ago, I made a promise to those who entrusted their vote to my colleagues and I that we would speak for those people in our community who felt distant from politics and politicians. I have promised that, where I can, I will help; if I cannot, I will say, but I am here to listen.

1690 It has become apparent to me, Mr Speaker, that the Chief Minister likes to use the opportunity of this debate of the Appropriation Bill not just to report to the House on the public finances of our community but the state of the economy generally and our political future facing all of us.

1695 Almost two years after my election I was asked by the leader of the party, Keith Azopardi QC, to lead the parliamentary party in this House after the Hon. Daniel Feetham stepped down. It is a great honour and privilege to be able to serve my community in whatever capacity I am asked to serve. It is, of course, right at this juncture that this House pays tribute to the crucial role played by the Hon. Daniel Feetham in driving the party forward in Opposition after 16 years in Government. Opposition politics, as everyone in this House will know, is a hard, difficult and isolating endeavour, but at the best of times it can be one of the best experiences that each of us will have. It can also be brutal, but it is also rewarding for each one of us on this side of this House. Serving our community in key domestic areas such as housing, employment, health, skills, social services and care and understanding the plight of our community has been a privilege and an honour.

1700 It has also been an eye-opener because, despite the constant spin from the benches that drive the New Dawn propaganda machine, there is an endemic and growing discontent from the public as to the Government's administration of our public affairs. Not one day goes past that each of us on this side of the House receives a complaint about this Government's mismanagement of the domestic agenda. The discontent, of course, is also coming from the Government's own supporters and they are becoming very vocal.

1705 As I believe we will demonstrate through our various contributions, that we are fundamentally at odds with the Government in respect of the substance, or lack thereof, and the form of the Appropriation Bill.

1715 To end my contribution, voting against the Budget is not a decision to be taken lightly but it stands as an important message to the public, for whose money we are responsible for, that you as your elected representatives genuinely believe that the financial underpinning of our public services is being threatened by the bad management of our public finances and we on this side of the House will not support the Big Lie Budget.

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

1720 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I... Thank you. Thank you. Had thought we were going to hear the Leader of the Opposition's speech, but now that Mr Phillips has ended his contribution can I propose that the House should now adjourn until three o'clock?

Mr Speaker: The House will now recess until three this afternoon.

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The House adjourned at 12.41p.m.

DEPARTMENTAL REVIEW

A PART OF

**THE CHIEF MINISTER'S
BUDGET ADDRESS
2018**



Her Majesty's Government of Gibraltar
6 Convent Place
Gibraltar

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DEPARTMENTAL REVIEW 2018

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This document provides further details of the departments and matters for which the Chief Minister has Ministerial responsibility. In order to reduce the length of the speech delivered in Parliament by the Chief Minister, these matters are highlighted in this document, in the form of a report by the Chief Minister. This document will be laid before Parliament on the day of the Chief Minister's Budget Address for 2018.

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THE INCOME TAX OFFICE

Mr Speaker an important part of the revenue aspect of the year I am reporting on, and the year we are estimating for, comes from the collection of corporate and personal taxes from economic operators in our economy. In that respect, I think most taxpayers will agree and will have appreciated how in the financial year 2017/18 the Income Tax Office has continued to improve the processes for the assessment and collection of taxes in Gibraltar.

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Mr Speaker, as you are aware, there is an increased global tax transparency drive regarding exchange of information. The Income Tax Office complies with all international obligations and has during the last financial year exchanged information, both automatically and on request, with treaty partners under the applicable conventions and directives emanating from the OECD and EU.

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The Income Tax Office has a progressive strategy to develop intelligent systems, provide bespoke suitable staff training and foster links with other tax authorities. In this respect reciprocal visits with HMRC have taken place in the last year and have proved extremely fruitful.

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And also very important and as a key principle of basic fairness, the level of Tax and Social Insurance arrears continue on a downward trend. This is a direct result of the effective strategy, co-ordination and significant efforts between the Central Arrears Unit and the Income Tax Office. Both these departments continue working closely together with the common aim of ensuring taxpayer compliance in all material aspects.

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The Income Tax Contributions has recently moved to modern fit for purpose facilities in a more centralised location with improved access for the general public.

INDUSTRIAL RELATIONS

Mr Speaker, HMGOG is justly proud of its record of accomplishment in respects to Industrial Relations within the Public Sector. A cornerstone in this administration's policy, the Industrial Relations Unit that this Government has established has been strengthened in order to better meet the needs of Public Sector Workers and their representative organisations.

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Through the work of the IRU, negotiations have concluded in areas such as the Borders and Coastguard Agency where a Collective Agreement was concluded in 2017 with Unite the Union inclusive of increases to allowances, enhancement of the Borders and Coastguard Officers pay structure and other terms and conditions.

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Through the work of the Industrial Relations Officer and his team, as Minister with responsibility for Industrial Relations I now have regular contact with the three principal Trade Unions in Gibraltar on a fortnightly basis. In this manner, HMGOG can better take the pulse of Industrial Relations matters in the workplace, noting the salient points of their concerns and addressing these before they become a real problem. That being said however, it is important to emphasise that unions and Government will not always see eye to eye but through the forum that has been created, a real commitment to finding the middle ground to concerns that are palatable to all parties can now commence.

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Vacancies in the Civil Service

Further to the commitment that I made during my 2018 May Day address, Mr Speaker, I reemphasise HMGOG's intention of permanently filling Civil Service vacancies that are currently

1790 filled by subcontracted staff. I am happy to report that we working with the GGCA towards a formula that will allow for phased intakes into the Civil Service that is not disadvantageous to incumbent subcontracted post holders whilst being sensitive and mindful of the posts' entry requirements.

1795 **Upper Rock, Beaches, GHA & Bus Company**

The fiscal prudence that HMGOG exhibits allows for continued growth, where necessary and appropriate, of Public Sector departments in order to better serve the interests of the community and Gibraltar PLC. My cabinet colleagues, Mr Speaker, will be able to go into greater depths of the recruitment of staff in the Departments under their Ministerial oversight, but I would like to highlight in passing some specific examples of the conservative recruitment that this Administration has pursued that is already paying dividends. At the Upper Rock and Beaches department and the Gibraltar Health Authority, a number of Craft Grade appointments have been made. Within the Gibraltar Health Authority, in this Administration's bid to repatriate services, Minister Neil Costa has overseen a significant expansion to clinical and medical cover through employment of additional staff, particularly through the localisation of posts of professionals working abroad and now returning to Gibraltar with the valuable skillsets that they have developed outside of Gibraltar. I would like to finish by commending Minister Paul Balban in his work with the Gibraltar Bus Company where over 15 employees were subject to indefinite variations in order to offer the fantastic, enviable and free bus service available to the community. Mr Speaker, what I have just described is by no means an exhaustive list of recruitment within the Public Sector but only a glimpse of the avenues where HMGOG engages in quality recruitment.

1815 **Sheltered Employees**

Finally, Mr Speaker, I would like to highlight an enhancement to the terms and conditions of sheltered employees working within the Public Sector who will now be able to enjoy sick leave and annual leave entitlements on par with the rest of the Public Sector employees. Dignified and quality employment for all our citizens is at the heart of the work that HMGOG engages in and it is hugely satisfying for us to stamp out discrepancies of this nature.

1820 **BORDERS & COASTGUARD**

The Borders and Coastguard Agency, under the Guidance of its temporary CEO, has progressed as an organisation over the past 12 months. It finds itself in full running compliance with the 'General Data Protection Regulation' and now has a qualified Data Protection Officer to ensure that our personal data is accurate, safe, secure and lawful. BCA uphold the rights of individuals and their privacy.

The BCA, together with its law enforcement partners, now has arrangements in place with a BCO Fully Qualified DRM (Designated Risk Manager) to collaborate with MAPP (Multi-agency public protection agency) to assess and manage the risks posed by sexual and violent offenders.

1830 Mr speaker, BCA has also taken on the issuance of Visas and Visa waivers and administration of applications for all entry visas into Gibraltar. It's proven to be a challenging yet successful year in accessing all applications referred by all the UK Visa application centres. The BCA has proven to be up to the challenge and performed an excellent job in issuing said visa waivers to our community, especially during the busy summer period where additional summer visa waivers are issued to allow our Moroccan community spouses and children who are still in full time education to visit their families working and residing in Gibraltar.

1835 The agency is continuously monitoring and reviewing to improving existing systems and relationships both internally and externally with our neighbours for the benefit of our Gibraltar. In conjunction with other law enforcement colleagues such as the RGP, HM Customs, GDP, Cuerpo Nacional Policia, UK Border Force, Home Office, Interpol, and other essential

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services the BCA have established excellent working relationships to keep Gibraltar safe and secure above all. Information provided by Interpol integrated in our IT systems play a major role in early detection leading to significant arrests of criminals issued with European arrest warrants.

1845 Our sophisticated border IT systems aids us to process in all our entry points; and the communication and good relationships between law enforcement colleagues across the globe is of up most importance.

1850 The BCA also undertake extensive House Checks throughout Gibraltar to assist the following departments; CSRO, GHA, Education department and the Housing department to ensure applications made to these departments are of persons residing in Gibraltar and complying with the rules and regulations to obtain such any other benefit.

1855 The Agency continuously support our locally registered shipping agents providing them assistance in movements of seafarers embarking and disembarking from Gibraltar. They support agents to ensure seafarers are able to transit to their destination. Their priority is to ensure movements of seafarers are done in a safe and secure manner through Gibraltar.

And in relation to the Extensive works carried out at the Eastgate commercial entrance with the erection of new buildings and the road works leading to our land frontier and part of the tunnel project we must praise our BCA Officers together with HM Custom officers who have managed to maintain a steady flow of inbound and outbound traffic.

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PUBLIC SECTOR HUMAN RESOURCES

Mr Speaker, the Public Sector HR Unit continues to assist all government agencies, authorities and government owned companies. The department has concentrated on a review of the GHA HR systems in order to update and modernise HR working practice, working in conjunction with Care Agency HR to streamline processes.

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They continue in their push to introduce change and have formed an integral part of the ERP team which is delivering latest technology for a modern approach to HR.

CSRO

1870 In respect of the Civil Status and Registration Office, I am happy to report that as a result of changes to existing practices and procedures, along with the relocation of tangible resources, a number of internal processes have been streamlined, bringing about a noticeable improvement to administrative efficiencies in the department. One such improvement is in respect of identity and civilian registration cards. By relocating the card printers to a site within Joshua Hassan House it has afforded the Civil Status and Registration Office the capability to make better use of its human resources and make the process faster and more efficient. Mr Speaker, the time taken to produce and issue an identity or civilian registration card has been reduced by fifty per cent.

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The department has also reviewed and re-drafted a number of its guidance notes and information booklets, providing up to date information on services relating to civil status, citizenship, registration of births, deaths and marriages. On the subject of marriages, the passing of the Conversion of Civil Partnership Rules in May this year has meant that couples can now covert their civil partnership into marriage. This important piece of legislation represents inclusion and acceptance and it attests my government's commitment to equality.

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1885 Gibraltar continues to be an attractive destination for weddings and civil partnerships as the number of ceremonies steadily increases every year. According to figures for this first quarter, along with the number of bookings confirmed at this stage, it is highly likely that this year we will surpass the 2017 figures, when a total of 1593 ceremonies were officiated by the Registry Office.

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CUSTOMS

1895 This last Financial Year saw the full launch of the paperless, electronic Asycuda customs data management system. The system handles manifests and customs declarations, accounting, transit and suspense procedures.

1900 It runs on the very latest 2017 Harmonised System World Customs Organisation tariff, based on the EU 8 digit code nomenclature. The HS system is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98 % of the merchandise in international trade is classified in terms of the HS tariff. Asycuda is used in over 90 countries worldwide, and HM Customs Gibraltar has contributed greatly by introducing new and unique modules to Asycuda which are now in use in some of those countries.

1905 HM Customs, in consultation with the Chamber of Commerce and the Federation of Small Businesses engaged in a training programme for all import and export stakeholders to ensure readiness before launch including presentations and question and answer sessions answered by the Collector of Customs.

In-house workshops were also delivered to customs staff.

1910 As at today, over 99% of all customs declaration forms are submitted via Asycuda which has reduced clearance times, facilitated trade and increased customs control capabilities and risk management whilst improving business efficiency by reducing paper use.

Following from the demolition of the old Custom House, this has now been relocated to Waterport Wharf in two separate buildings. These are fit for purpose buildings constructed using environmentally friendly fixtures. The new Drug Detector Dog Section will be housed in one of the buildings.

1915 A new enclosed holding area for commercial vehicles is well under construction in British Lines Road. It will enable Customs officers to carry out requisite checks on incoming and outgoing vehicles away from public view, in a safe environment and with appropriate equipment. It is expected to be completed shortly.

1920 The Customs Marine Section will shortly be relocated, with various alternative locations already identified and discussions are ongoing between the Collector of Customs and the Chief Technical Officer on the most appropriate venue and the designs of the new station.

Four new patrol vehicles will shortly be put into service as well as one already in place for the Dog Section. Other specialist equipment has already been provided to assist officers in the execution of their duties.

1925 A number of international seminars and workshops have been led by HM Customs both locally and abroad, including a recent one on modern Customs procedures for control of international trade in CITES listed species co-hosted with the UNCTAD Centre of Excellence and the Government of Switzerland with the support of the CITES Secretariat.

1930 The Government remains committed in the fight against illicit tobacco activity and is working closely with the Collector of Customs to amend the Tobacco Act even further to broaden the scope and penalties in the Act and such amendments will be made public shortly.

1935 Drugs and tobacco detections and seizures are up, a testament to the excellent work done by Customs officers both at land and at sea in what are challenging and sometimes dangerous situations. HMGOG remains committed in ensuring they receive the best training and equipment to service their needs and I thank them for their daily, sometimes unseen dedication to duty.

DRUG & ALCOHOL SERVICES

1940 Mr Speaker, I now move on to my portfolio responsibility in respect of Drug and Alcohol Services. This is an issue that we need to get right given the potential it has to make a positive difference on the lives of many within our community who suffer as a direct result of drug misuse. I have to declare a vested interest in this; not only as a politician, but as the father of three young children who wishes to protect them from the devastating consequences that

substance abuse can exact upon any family. I am very excited to be dealing with this important area of Government policy.

1945 One of the first issues we tackled on my taking over was to reinstate more regular meetings of the Advisory Council on the Misuse of Drugs. This has helped to give our work a more focussed and strategic steer and brings together experts and professionals across many fields. This is already yielding results, which will inform our future drug strategy.

1950 Our response to drug misuse needs to be evidence-based and has to meet the needs of our community. With this in mind, I have commissioned various research studies and have significantly enhanced the human resources needed to enable this to happen. We will be conducting a school-based survey among our secondary school students, which will be taking place early in the next academic year, as well as a wider drug prevalence survey. We are also working with all stakeholders in creating a National Drugs Database. We must acknowledge the
1955 important role the voluntary sector plays in minimising the harm that drugs and alcohol misuse causes. They will be widely consulted and their views will form part of any strategic responses.

I could not tackle the drugs issue without addressing the Cannabis debate head on. We all know this is a fast developing area and there are many emerging opinions on this subject which are, at times, challenging to keep abreast of. Our approach is one based on common sense. The
1960 medicinal uses of cannabis and its derivatives is quite distinct from its recreational use, as is the cultivation of cannabis plants which are engineered to have no narcotic properties for a variety of legitimate uses. We have embarked upon an exhaustive process of consultation and research into all these facets, which will allow us to develop clear unambiguous responses.

I am particularly proud to have under my responsibility, a dedicated and consummate group
1965 of professionals who work in Bruce's Farm Rehabilitation Centre and within the community providing an excellent level of care. Their dedication has turned around the lives of many individuals and families within our society. I intend to take this to another level. We will be expanding these services. This will make them even more responsive and accessible by developing a well-resourced team, in a purpose built facility within the community to augment
1970 the work done at Bruce's Farm, which de-stigmatises substance dependency. Our Drug Services are currently in contact with well-respected experts in this field, who are providing advice on how best to develop this service. It is testament to the success of our drug services that I recently had the privilege to meet an ex-patient of Bruce's Farm who is currently undertaking a degree in addictions counselling funded by the Government of Gibraltar. I am happy to say that
1975 a second person with a similar background will also be commencing this same course in September of this year.

We will be imminently launching a dedicated drug and alcohol website that my team has been working hard on for the past few months. This will provide an authoritative point of reference for anyone wanting to know more about this subject or who needs to access help. The
1980 drug and alcohol team has also been developing an awareness campaign that will be rolled out over the coming months. We are also working with our educators in the development of a programme that will deliver the drug awareness message in the most effective way possible. One of our Education Advisers recently attended a conference in the UK where the latest findings in this field were presented.

1985 As the largest employer in Gibraltar, we need to lead by example. I am therefore announcing that over the coming year we will be implementing a Drugs at Work policy throughout the public sector starting with the essential services. Our approach will not necessarily be a punitive one but rather will encourage those who may have a dependency to seek appropriate help. However, my Government is also clear that it intends to adopt a low tolerance approach to drug
1990 and alcohol misuse within the public sector as a whole.

Fabian Picardo QC MP
Chief Minister