



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

AFTERNOON SESSION: 4.07 p.m. – 9.28 p.m.

Gibraltar, Monday, 10th June 2019

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The Gibraltar Parliament

The Parliament met at 4 p.m.

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

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

Appropriation Bill 2019 – For Second Reading – Debate continued

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

5 **Hon. E J Phillips:** Mr Speaker, this is my fourth Budget address as a Member of this Parliament; it is my second as Her Majesty's 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.

10 Before I get to the substance of my address, on behalf of Her Majesty's Opposition and with your leave, may I wish the Father of the House, Sir Joe – if he were to be here, but we will wish him anyway – a very happy birthday. Sir Joe has reached a very significant milestone and, despite our political differences, he is doing what he loves the most and that is to be sat amongst us debating money and how we should spend it. Happy Birthday, Sir Joe. (*Banging on desks*) I was going to say to him personally thank you very much, Sir Joe, for your present to us,
15 namely your confirmation last week that you will be standing for election once again. Mr Speaker, we would not have it any other way. (*Banging on desks*)

To members of the Jewish community I extend a very warm festive appreciation for the feast today – I think it is Shavout; I apologise for my pronunciation.

20 Mr Speaker, I would also echo the comments made by the Chief Minister in relation to the Gibraltar Defence Force and we of course sit side by side with the Government in respect of the comments that he made there and echo the comments he made in relation to the 1969 Constitution and all those who contributed.

25 We must recognise the work of the Clerk of the House Paul Martinez, Frances, Kevin, Daniel and of course you, Mr Speaker. This has been a busy year for a number of reasons. Firstly, Parliament has been instrumental in bringing about the introduction of a rolling register and other changes which are intended to improve and modernise the way in which we organise our democracy at election time.

30 Secondly, Parliament had the unenviable task of ensuring that as many of our people as possible participated in elections to the European Parliament. I said on the day, in an interview with GBC, that we as a people fought for the right to vote and it was our duty to show up and exercise a vote which repeats and reflects the majority view of this community to remain within the European Union.

35 Thirdly, we are now looking at the issues that will arise in the context of enlargement of this House, which we will support. The task of enlarging this House is not straight forward, but it is an important first step in the right direction. It, like any issue that faces us, has its detractors, but I say to those who are not supportive of enlargement that we must look to improving our democracy by allowing in this House for the first time people who wish to participate in politics –

and importantly young people, who have so much to offer our political discourse – who may not necessarily want to form part of a front-bench Government or Opposition. The involvement and participation of the back bench of this House can only serve but to strengthen and enhance the quality of democracy in our community. Just to react to the Chief Minister's comments about our feedback in respect of the motion, I can confirm that that now has been sent to him. We have spent some time over the last week considering the implications of that document and our feedback has been provided, I believe, this morning.

Mr Speaker, we wish Paul, Frances, Kevin and Danny all the very best, and you, in a year that is now the General Election year.

I would also like to thank our frontline team in the House, comprising the Hon. learned Mr Feetham and the Hon. Mr Clinton, Mr Hammond, Mr Reyes and Mr Llamas, as well as our executive, members and our hardworking staff at College Lane, all of whom do excellent work in working closely with members of the community, irrespective of party allegiance, in serving Gibraltar; and the Leader of the party, Keith Azopardi QC, who has done excellent work in developing the grass roots and taking our party forward to the next General Election.

I would also like to extend a thank you to all members of our great community, who speak to us every day and who share their experiences, concerns, anxieties and frustrations. Without the support from members of the public we could not do this job. We are here to serve the people of this wonderful community, and rest assured that by speaking with us and sharing your experiences you are participating in opposition together with us to make improvements to the lives of many in our community.

Mr Speaker, the role of parliamentary Leader of the Opposition is not a role that I have embarked on a journey to achieve, it is not a role I have sought by competition or otherwise; it is a role that fate has delivered and I am acutely aware of the responsibilities of this office and my duty to the people of Gibraltar. It has been an absolute privilege to serve my community in this role. My role, along with hon. Members on this side of the House, is without fear or favour to challenge, scrutinise and hold to account the Government until such time as the people of this community place 10, or possibly 15, crosses next to our names on the ballot paper and restore the GSD to a position where it can administer the public affairs of our community once again.

The role of the Government at Budget time is to reflect on the state of the nation and debate how Gibraltar's finances are being managed and operated. It is for the hon. Members opposite to reassure our community that the public purse is being safely, wisely and securely administered for the benefit of our community and future generations of our people.

The role of the Chief Minister, particularly at Budget time, is multifaceted. Firstly, it is the Chief Minister's duty to reassure our community that our political development and economic independence/competence is protected and preserved at all costs for future generations of Gibraltarians by the introduction of measures that seek to strengthen Gibraltar's economic place in the world. In that regard we would join with the Chief Minister in thanking those who for over half a century, as he described, have contributed to making our community a success and we honour them in the same words that the Chief Minister used in his address and intervention.

Secondly, a Chief Minister should be mindful of his primary duty to the people and must reassure us all that the Budget and its measures are designed to support hardworking families, our senior citizens, our young people and our students both vocational and academic, as well as the most vulnerable in our community. The Chief Minister has suggested that this Budget is about working people and families, but we would argue that it does very little indeed to reassure people or families that they are at the top of the agenda. It does very little to deliver the security that our community is seeking in increasingly uncertain times.

Thirdly and specifically, given that we may leave the European Union on 31st October 2019, the Government should now exercise a high degree of caution and they should be circumspect in Budget announcements and about future spending pledges, particularly at election time. We are at a critical juncture in our economic and political separation from the continent of Europe and now more than ever we cannot turn the next election into an auction.

90 It is clear from the Hon. the Father of the House's pre-Budget party political broadcast at the
end of last week that he recognises that we are about to face very significant challenges. Sir
Joe's health warning coupled with a number of messages from him which have been drip fed
into our political discourse over the last 12 months clearly show that at the very least he
understands that we are expecting a decline in our recurrent revenue. Sir Joe talks in the
95 abstract about the risk of losing our way, what I take to mean our economic competence that I
have commented on in my contribution. Sir Joe talks about and warns our community about
caring more about one year's payroll than the quality of life for future generations of
Gibraltarians. Sir Joe offers a stark warning to those that sit with him and they should heed that
47 years of experience. It was also evident that Sir Joe was creating clear blue water between
100 him and the Chief Minister by saying that he was only responsible for economic development
and not industrial relations, the public service or indeed public finances. This was a clear side
swipe to the man sitting at the right hand side of the Father of the House, the Chief Minister.
Although a party political broadcast, the audience for Sir Joe's health warning last week was not
for our community at large but for one man alone: the Chief Minister. I commend the Hon.
105 Father of the House for his commitment to standing again, for if they are successful next time
round at least our community can count on him to be the handbrake to the champagne socialist
penchant for their addiction to spending.

Mr Speaker, the next election must be about who is best able to properly prioritise the
delivery of public services, particularly training, housing and care services amongst many others.
110 As many will understand, I have focused much of my time in politics on developing policies
which further opportunities for young people who do not necessarily wish to pursue higher
education. I have focused on the forgotten sector of our community that feels entirely
disconnected and ignored by the Government which is charged with the ultimate responsibility
of protecting it. There was not one mention in the Chief Minister's intervention this morning in
115 relation to apprentices. He did refer to T-Levels but not one mention in a four-hour contribution
to this House of that most important aspect of Government policy in relation to apprenticeships.
He did mention it last year, Mr Speaker, but mysteriously it disappears from his speech this
morning, clearly demonstrating the lack of commitment in relation to apprenticeships. I have
described the lost generation of our young people who have no skills and no aspiration. The
120 Government have failed our young people and that must change now. The future of our
community depends on not leaving one young person behind and on making them an integral
part of the engines of our economy. We will be nothing without a highly skilled workforce.

All of us in this place are servants of the people. The people put us here in these respective
roles because they believe, based on our commitments, that we are best equipped to represent
125 them. We are charged in this House with ensuring that the public obtain the best value for
money and that we transparently account for the money that is spent on behalf of the people.
The people must rest assured that their money is being spent in a prudent and efficient way
which maximises delivery to service users, i.e. our citizens and our businesses.

In the setting of priorities we must ensure that money is properly spent on delivering
130 education and training opportunities for future generations; ensuring that everyone who is
unable to buy on the open market is given an opportunity to own an affordable home within our
homeland, and if they cannot, provide social housing which will allow transition to affordable
housing when and if circumstances permit – Mr Speaker, I will have more to say about this
particular subject in due course, particularly the revelation in relation to the sale or otherwise of
135 the affordable housing estates; ensuring that we provide the best possible healthcare available;
ensuring that our citizens who have built the Gibraltar we live in today are given the support
they need to see out their latter years with a quality of life they deserve; ensure that the
vulnerable and those with disabilities are given the protection of the law and are provided
lifelong support; ensure that our land is used wisely to ensure that there is a balance between
140 the built environment and green areas, which enhance and enrich the quality of the place we
live in. I gather from the Chief Minister that he accepts that argument now and he accepted it in

his Direct Democracy contribution last week and here today, and that they accept, of course, that they have failed to get the balance right insofar as the proper use of our land in our community. Mr Speaker, we must also ensure that the private sector, the engine of our economy, is cutting edge at all times and never under-supported. We must ensure that our public service is given the tools and training to provide an excellent service to our community and support the private sector and ensure that Gibraltar continues to be promoted internationally in commerce and business to create wealth and prosperity for all of our citizens.

These are but a few examples of how the people's money should be focused. Having said that, the duty to administer the public purse is not, I suggest, an easy one and the demands on it are great. There are priorities in Government which mean from time to time people may need to wait and some projects may not arrive on time, but in a time where our future is looking increasingly uncertain given events unfolding 1,091 miles away from our shores, we need to ensure that we are prepared and focused on our resources and priorities.

Mr Speaker, the Chief Minister has on a number of occasions publicly described the resources available to Gibraltar as our land – and I think he repeated this again today – and our people. I agree with the hon. Gentleman, Gibraltar's assets are limited to our land and what we can produce as a people. Therefore it is critical that we invest properly in those pillars in order to maximise economic growth. Those investments in our land and our people must be open to scrutiny and public examination so when we come to a general election the people for themselves can decide whether or not the Government has properly and efficiently invested in our two resources. We cannot properly evaluate whether or not those investments are properly or efficiently made, because of the impenetrable web of companies and structures deployed by the Government in order to hide the mass of layered debt facing future generations of our people. How many times have we heard hon. Members opposite blatantly evade and refuse to answer questions put to them?

I recently watched an interesting speech delivered by the self-described capitalistic-minded socialist, the then Joe Bossano now Sir Joe, before the National Press Club on 9th July 1988, soon after the Hon. Father of the House became Chief Minister. Listening to a much younger Sir Joe it was certainly clear where the Hon. Chief Minister lifted his last year's contribution to the debate on the Appropriation Bill: from Sir Joe. I will resist the temptation to repeat the Chief Minister's mistake and plagiarise the Hon. Father of the House, but he said something in 1988 which resonates with what we have been saying for years. He said:

I believe in generating economic growth one needs to be able to capture individual dynamism.

Mr Speaker, Sir Joe in 1988 was right, and if that is something he continues to stand by 30 years on I whole heartedly support that. The takeaway from the Father of the House in his 1988 speech is that we must invest in one of the two primary sources, our people. A big part of that is apprenticeships and skills training, which we have passionately argued for, and presented and promoted a set of serious policies which put young people at the centre of what we have described as the digital economy. We believe that in uncertain times we must create a highly skilled workforce for the jobs of the future and not slowly react to what we have now. We must set our targets high.

The other pillar is our land. The Government have for many years been irresponsible with the proper use of this important pillar. Our land represents the jewel in our economic crown. Land use must be for the benefit of all of our people. The sovereignty of our land rests with our people and they must all retain an interest in it. Our land should not be for the benefit of the few – the rich – at the expense of hardworking people of our community, and I invite the Government to rethink land use completely and look to a 25-year plan which sets out a clear vision on how all in our community can obtain a stake in large-scale developments such as the now infamous Victoria Keys project, which serves the interest of a small group of developers rather than everyone in our community. This is our land and it must benefit all of our citizens.

The Government like to portray themselves as the most open and transparent administration to have ever occupied No. 6. Mr Speaker, not true. Development in our community is unplanned, unregulated and directionless. Gibraltar is now unrecognisable with horribly insensitively designed buildings which are destroying the physical fabric of our community for the sake of profit and without any real assessment or consideration for how our people wish our community to look in 25 years. Do you not think, Mr Speaker, that our people should have a say in what Gibraltar should look like?

The problem we see is that the Government have been and are being politically dishonest. They hide away everything behind a curtain and the refusing-to-answer-questions approach is doing a great disservice to the people who place their trust and confidence in the Government. The Government needs to be honest with the people who put them in office in the first place. People will understand and respect honesty. This community deserves a Government which is prepared to open its accounts for all to see. Our community deserves no less than political honesty in the way that the people's money is being spent. Last year we talked about the Big Lie Budget and I am afraid to say that nothing has changed. Do the Opposition know more about the way in which public money is being spent? The answer is plainly and emphatically no. Remarkably, each year we know less and less about the economic position of our community.

Mr Speaker, the Chief Minister says the Book has not changed and effectively says, 'You did it, so why shouldn't we?' That is not good enough. At a time when our community is reflecting on the slamming shut of the land frontier gates with Spain by General Franco 50 years ago and the unsuccessful economic siege and starvation – or economic strangulation, as described by the Chief Minister this morning – of our community during the 13 years of a closed border with the continent of Europe, our community arguably once again faces the real prospect of a closure of an economic gateway to the European Union. We can spin this until the cows come home and we will no doubt survive, as we have always done, but leaving Europe is not something anyone of us wanted and it will present us with a serious and significant set of issues moving forward. We have been told that over 90% of our care workers are crossing the land frontier each day, and we must ensure that our ability to respond to a severe curtailment at the land frontier is mitigated. I know, from my helpful briefing with the Deputy Chief Minister, that the Government continue to plan to lessen our very significant overreliance on the land frontier with Spain and I look forward to hearing his contribution on this topic during the Budget.

Mr Speaker, when we talk about duties and the role of Government, particularly when we talk about the Budget, we should be primarily focused on the detailed plans for improving the lives of people and families. It is worthwhile pausing and going back to the first meeting of the then first House of Assembly on 28th August 1969 to reflect on the words of the then Chief Minister, Sir Bob Peliza, who commented on the possibility of Britain joining Europe and the duty of all in this House to strengthen our economy and better the standard of living for all Gibraltarians. Sir Bob said:

We must not lose sight either of the possibility of Britain joining Europe and we must not find ourselves left out of this great venture.

We shall take good account of everything the Opposition has to say and I feel confident that, our political differences aside, we shall all work together for the good of Gibraltar.

We shall allow nothing to delay the completion of such tasks as are urgently necessary to strengthen the economy of Gibraltar and better the standard of living of all the Gibraltarians.

To achieve this we shall seek the full cooperation of employers and employees and of traders and workers alike, because only genuine understanding and mutual confidence can bring wealth and prosperity to Gibraltar for all to share and enjoy.

Budget measures must have one overarching principal – that is to say that the best interests of our community as a whole must prevail; or, to put it another way, as Sir Bob put it, the wealth and prosperity of Gibraltar for all to share and enjoy. Of course we do not live in a utopia and despite the attempts by the hon. Gentleman to pull the wool over the eyes with his rose-tinted presentation of everything he does, governing Gibraltar means making tough decisions, often

without popular support, but be taken they must for the betterment of every man, woman and child of this community. Decisions, particularly on spending, must be made fairly and openly for everyone to scrutinise, even more so when we face the most important challenge of our times: Brexit.

The Budget, therefore, is an important opportunity for the whole House and our community to reflect on our public finances in fine detail. The Budget must be the moment each year when the Government fully and transparently discloses in the clearest possible way for all to understand and to allow the people, through its elected Opposition, the real opportunity to test whether the Chief Minister is doing a good job of serving the people of our community and fulfilling the duties I have set out. The Budget should allow Her Majesty's Opposition to robustly test the strength of our economy and its forecast for the coming year. Every Chief Minister's primary duty is, to use the Chief Minister's own words, to safely and securely navigate our community. Therefore, a failure to be less than fully open and transparent on the state of our public finances is a betrayal of the rationale set out by Sir Bob in the first meeting of this House under our former constitutional arrangements and to betray the people of our community, which we all serve. People expect and deserve a Government that truly and without fear allows the public scrutiny of its books.

It is, Mr Speaker, with a deep sense of regret that I must inform this House that once again the Budget does very little at all to reassure the people of our community that our economic position in the world is being safeguarded or that hardworking families, our elderly, our young and the vulnerable are at the epicentre of this Budget or its measures. This Budget does very little for working people or families but does more to make the wealthy more prosperous. It is because of the abject failure of the Government to allow this House to have the slightest degree of oversight over the public finances of this community that Her Majesty's Opposition will vote against the Estimates of Revenue and Expenditure again, as it did under my predecessor, my learned and hon. Friend Mr Feetham. (*Banging on desks*) (**Several Members:** Hear, hear.)

Mr Speaker, as my learned and hon. Friend Mr Feetham said last year, the Government is undertaking extreme re-engineering of the way our public finances are managed, operated and presented. The position set out by the hon. Gentleman sadly remains entirely relevant and on point. We described the Chief Minister's Brexit Budget last year as the Big Lie Budget and nothing has changed, save that he now describes the Budget as a Budget for families and working people. We have said and continue to argue that the true debt position of Gibraltar is not reflected in the Book we are debating this week. The Government has intentionally and wilfully excluded the true level of debt from public gaze, and for that we hold them to account for their abysmal failure. The Chief Minister will attempt to argue that our position on the Budget is repugnant and wrong, that we are playing into the hands of our enemies and that civil servants will not be paid. Utter tripe, Mr Speaker! How on earth can we be playing into the hands of our enemies? Our civil servants will get paid, come what may, next week. The suggestion by the Chief Minister is entirely misleading and ridiculous. The people will not be fooled by his spin; in fact, it is clear that they are fed up with him.

Mr Speaker, we oppose the Budget not because of what it says but for what it does not say about our public finances. The numbers do not speak for themselves. That is the whole point. The Government has failed again to present a clear, transparent, accurate and unambiguous reflection of the state of our public finances. We cannot support a wholly opaque financial statement in the Budget which handcuffs the elected representatives of this community from properly and effectively scrutinising the public finances of this community. The annual debate on the public finances of our community is no such opportunity to examine the Government's books. Anyone watching or reading these contributions to the debate will quickly learn that it is simply a rubber-stamping exercise which allows no element of deep reflection or analysis of the true record of the state of our public finances.

The greatest example of how the Government hides debt beyond the scrutiny of this House is its complete failure to properly record the costs of the new schools. Last year, I made the point

that the £52 million schools – now £100 million schools, according to the Chief Minister’s letter to the Teachers’ Union – were not recorded in the Budget. Mr Speaker, the new schools are not even recorded in this year’s Estimates either. This represents an outrageous £100 million hole in the public account of our community. How can the Chief Minister, with a straight face, say that the Book he presents to our community is an accurate reflection of the true financial position of this community?

One only has to go to head 102 of the Book, which sets out the expenditure from the Improvement and Development Fund, to look at the extent to which the Government will go to avoid telling the people the truth about public finances. If we go to head 102, there is a list of projects that the Government has listed in their document. A number of examples: the first is infrastructure provision for the housing project, £1,000; urban waste water treatment plant, £1,000; the Jewish Home, £1,000 – and of course the Chief Minister said that work would be undertaken in August in relation to the Jewish Home, which we of course welcome, but he has listed £1,000 in the Book; Eastgate Customs search facility, £1,000; demolition of Waterport Power Station, £1,000; relocation of Aquajet facilities, £1,000; access road to the new power station LNG plant, £1,000; construction of car parks, £1,000; the Gibraltar Development Plan, £1,000; infrastructure works at the Frontier, £1,000; theatre, £1,000; new school projects, £1,000. How is that a reflection for many people in our community that reflects to the community ‘this is how much things cost, this is how much we want to spend’, when all the Chief Minister or the Government does is list each one of those £1,000 next to each one of those significant projects?

Mr Speaker, it is the complete absence of these items that I have referred to and how the Government can sit there and expect anyone listening to believe that they are being truthful with the public finances of this community. Absent a full account, the annual Budget debate defiles good governance and the proper administration of our community, and the people deserve better.

Our role, as I have said, is to respond to the so-called state of the nation address by the Chief Minister and his Government. The Chief Minister requires an immediate response, so I am grateful for the hour that he has allowed us to digest some of what the Chief Minister said in four hours, and we have had no real opportunity, particularly in the role that I am fulfilling, to thoroughly digest what the Chief Minister has said in order for hon. Members of this side of the House to formulate a well-considered response to the state of the nation address. Let’s try and do things differently – but no, we were given a very short time to digest, and I actually have not been provided with a copy of the Chief Minister’s address either. But in any event, Mr Speaker, we have been given a very limited opportunity to respond. We had no choice but to prepare for this debate in advance and reflect on how we see the state of the nation.

We fervently believe that the Chief Minister of the day should not be the Minister for Finance and therefore, true to that policy, the Hon. Mr Clinton will reflect in detail on the Book and the numbers in his contribution to the debate.

When the Chief Minister and his team were first charged with the responsibility of administering the public affairs of our community, the mantra or slogan that rang out during that campaign was ‘Time for Change’. People, by a small majority, felt that there was a need for change and to change the way we were governed. The GSD lost and we have been asked to be their Opposition.

Last year the Chief Minister asserted that the Government had demonstrated that they know how to spread the wealth and they know how to manage the redistribution of wealth in our community. The GSLP-Liberals do not know the meaning of those words, Mr Speaker. The Government, true to form, believe in a one-way distribution of wealth that profits the small select few and ignores the many. They profess to be socialists, but their policies are creating a divided society. The rich are getting richer and those at the bottom of the pile have no hope, no aspiration and no support to improve their lot. We in the Opposition see this every day.

They talk about helping those less better off in our community, but do they actually hear the concerns of parents worried about the lack of opportunities for their children?

Do they listen to single parents and young people who are struggling to find a home, with many having to wait, in many cases, in excess of eight years for an allocation? The Government's social housing policy, as we have said, is unworkable, cumbersome and cannot adequately provide for those most in need. They fail to listen to Action for Housing and the newly formed Landlords' Association to understand that both organisations, despite their differences, are looking to improve access to a good home.

They fail to listen to young people who cannot get a job, some of whom resort to the illicit tobacco trade to support their families.

Do they talk to those recovering from drug and alcohol addiction and truly understand what support is needed at secondary care/aftercare to deliver a more effective response to substance abuse in our community?

Do they talk to the victims of domestic violence and the Police and understand the response level required to deal with over 300 cases of domestic violence a year?

These are just a sprinkle of examples as to how out of touch the Government are with working people, and it is hard to fathom how they now come to this House and argue that the Budget is all about protecting working people. Mr Speaker, working people will not be bought; all they want is fairness.

On Friday, 25th November 2011, in a pre-election promise made eight years ago in that election campaign, education was made a top priority. Those opposite promised that by working in partnership with business they were able to guarantee a job on completion of vocational training. They set out their stall and their policies, which they said would create an expanded and, they believed, highly motivated body of teachers. Roll forward seven and a half years and we find a demotivated, largely ignored and dissatisfied teaching profession. Teachers have descended on our streets only to be insulted and undermined by the Government of the day. Last week, the Chief Minister conceded in his contribution on *Direct Democracy* that this was the first time in his lifetime that he recalled that teachers had marched on the streets to No. 6. The Government has mishandled the situation and it represents a significant earthquake in industrial relations and demonstrates that they care very little for the people who teach the future generations of our community.

The Government talk about a revolution in education, and what is left behind is a string of broken promises and a generation of lost, uninspired young people and a frustrated teaching profession, a profession who have all been at pains to tell that teaching is more than just a building and a pay claim, it is about respect. The Government talk about a revolution in education – perhaps they should start by listening and earning the respect of the educators of our children, instead of lambasting them in the public domain. Social media coverage of the Chief Minister's engagement at the demonstration outside No. 6 in which teachers expressed the depth of their feeling on this issue was met with arrogance and disrespect by the Chief Minister, not befitting the office which he holds so dear. The Chief Minister said today that teachers have not stayed in the classroom – true, Mr Speaker, I agree with him: they marched on No. 6.

Last year, I described the Government's low point as the Chief Minister's *annus horribilis*; 2019 demonstrates there is a wide fissure between the Government and the people. There is significant discontent on the domestic agenda, which I have alluded to, and foreign affairs in the context of Brexit, which I will come to in due course. What is clear now more than ever before is that the people of our community have lost trust and confidence in the Chief Minister and his Government. The Government fails to govern for the majority of the people of this community, choosing to favour the select few. Nowhere is the large scale of discontent more evident than in the Chief Minister's handling of industrial relations, which I will come to shortly.

Mr Speaker, it has been nearly three years since the British people decided in a referendum to leave the European Union. The Chief Minister reflected this time last year that 'it is now

390 increasingly likely that the United Kingdom will leave the European Union on 29th March this year'. That date, as we all are now familiar with, has been extended, by agreement with the 27 nations of the EU, to 31st October 2019. The clock is ticking and in the last 12 months we have held a collective breath on the events as they have unfolded in Westminster.

395 The political theatre being played out 1,091 miles away from our shores continues to wreak havoc and shake confidence in Britain. Our position on Europe could not be more different than the UK. None of us here or outside this place desired this outcome. All the peoples of the British family have the right to thoughtful and careful leadership from a PM at this time, but putting the same bad deal before the Commons time after time without putting it to the people was wrong. Now this has been left to a new PM to carve his or her initials into the withering Brexit tree. The Prime Minister's disregard for UK MPs in the context of putting again a bad deal before the
400 Commons is equal to the Chief Minister's circumventing parliamentary scrutiny of the agreement, the MoUs and the Tax Treaty, all of which were negotiated on behalf of the Government.

In March this year, with Adam Bolton on *Sky News*, the Chief Minister shifted his position yet again. It will be recalled that the Chief Minister described the Prime Minister's deal as good for the UK and therefore good for Gibraltar. The Chief Minister then said it is the wrong deal for the UK and not the best deal for Gibraltar. Today he tells us that we should add our grain of sand and seek a confirmatory vote. He talks about the tectonics or the movement; however, he is the ultimate shapeshifter and spin master, Mr Speaker. The Chief Minister refuses to accept that he has misjudged Brexit. On the one hand he wedded himself to the Prime Minister, being the only
410 cheerleader at the party dancing to her tune. *(Interjection)* Mr Speaker, the music has stopped, the PM is on her way out and it looks likely that a hardnosed Brexiteer will be the bandmaster. The Chief Minister of course continues to coyly dance to the tune, but is looking for someone else in the room to slow dance with. This at the same time as delivering a red, white and blue pro-remain and pro-people's vote with the mantra of 'Revoke, Referendum or Remain', no doubt penned by his friend Alastair Campbell or another second-rate spin doctor.
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Hon. Chief Minister: Yes, but I thought of that second-rate spin myself!

Hon. E J Phillips: Mr Speaker, the only people who know what is best for the people of
420 Gibraltar are the people themselves and their representatives, not a wounded Prime Minister of the United Kingdom.

We did not see him protesting with many hundreds of thousands of people on the streets of London with my learned and hon. Friend Mr Feetham for a people's vote.

425 **Hon. Chief Minister:** We didn't see you either!

Hon. E J Phillips: Because I was here, Mr Speaker. Anonymity in crowds with people is not for the Chief Minister. He of course prefers VVIP airport lounges and slipping in and out of black limos, destined No. 10 Downing Street, sycophantically supporting the then mortally wounded
430 Prime Minister. That is more his thing. We learnt as much from his *Direct Democracy* contribution last week, saying that apart from the late Sir Joshua Hassan he enjoyed the best relationship with the last two UK Prime Ministers.

The Chief Minister lacks leadership and strength of character in the battleground that is Brexit. He should say loudly and proudly, 'This is who we are as a people and this is what we want.' The Chief Minister has supported a reverse Greenland proposal, he has supported the three times rejected Withdrawal Agreement and he has suggested that the EU's response to Gibraltar has turned us all into Brexiteers, whilst he continues to court whoever is prepared to listen to him in London and completely misses the opportunity to recalibrate our relationship with the EU and the UK. Of course, as I said earlier on, no one will forget his grand *Sky News*

440 Adam Bolton Brexit U-turn. Don't worry, Mr Speaker, we will play it again at General Election time.

Her Majesty's Opposition has always been clear that if Brexit is inevitable we wish to see a relationship with the EU recalibrated on the basis of retention of freedom of movement and single market access. We have been saying so for a long time and urging Government to put its case to achieve that. Instead, the Government have been ambivalent and have not vigorously pursued achieving these objectives for three years, in part because they have been saying this debate is not for now – but the fact is that most of the debate that has been raging in the UK for months now is about the nature and quality of the kind of relationship the UK wants with the EU. We run the risk of missing the boat if our aspirations are not put strongly. The Government has already wasted a long time. It needs to make its voice heard by all sectors of political opinion in the United Kingdom. We need to be positive and speak loudly about how we see our future and be specific about the relationship we want with the EU.

All of us in the House are trying to do what we can in reassuring members of our community of the outcome, which is increasingly uncertain, but we must hold firm and as we approach the wire and hold a collective breath, and whilst our community reserves its judgement on the Government's handling of our negotiations in the context of a bad deal, we have to expect that our Government has secured all objectives and prepared us for all risks. We say 'expect' because the Opposition has had no meaningful participation in this process. We repeat: should the Government call upon us to assist in any way as the clock is run down on this most important moment in our history, we will do whatever we can in the national interest to protect our community.

Mr Speaker, I did have a number of things to say about the Tax Treaty and I will reserve most of our comments in relation to that for the appropriate time, when the motion is debated before the House, save to say this. The Chief Minister hails the so-called Tax Treaty – or, to give it its formal and proper name, the International Agreement on Taxation and the Protection of Financial Interests between the UK and Spain regarding Gibraltar – as a victory. This, of course, is no victory. It is a surrender by him of our fiscal sovereignty. The Chief Minister continues to speak to the benefits of the agreement in a superficial way without substantively addressing the real concerns of people and business. This agreement is yet another bad deal for the people of our community. The Chief Minister asserts that the agreement recognises the Gibraltar for the first time and he has suggested that there are even rumours in Madrid that Spain may renounce their claim over our homeland. Clearly, the Chief Minister has not read the recitals to the agreement, which repeats the reservation of the legal positions of the UK and Spain with regard to sovereignty and jurisdiction. Be that as it may, if the Chief Minister manages to secure a full renouncing by Spain of its claim to our homeland, we will be the first in the queue to shake his hand and congratulate him. It is, of course, the duty of every Chief Minister never to water down our community's red lines and to encourage and promote dialogue in order to advance our national interests.

Mr Speaker, the cost of Government, to the people, is astronomical. According to the Book, the estimated cost of running the Government is £676 million-odd, or put another way, £56 million a month, increasing by 8% this coming year alone. The cost of administering this community has gone up 76% since they were re-elected in 2015: £56 million a month and rising. The Hon. Mr Clinton, as Shadow Finance Minister, will have much to say about this, which in many ways chimes with the Hon. the Father of the House's health warnings of the past and present, and he will no doubt talk about the ratio of expenditure to revenue.

Since the Hon. Chief Minister has been in that chair he has stubbornly pursued a course of pushing all capital projects outside the scope of this House and beyond the scrutiny of those who put him in that chair. The £300 million loan secured against our housing estates – and now the revelation this morning about another potential mortgage that we will now review; a 'sale' he describes it as such, of £165 million minimum against our affordable-housing homes –

through a web of corporate structures is but one example of the Government circumventing and therefore hijacking Parliament.

In relation to debt, if you believe the Government, our gross debt position is £447.7 million, but that does not include the £300 million mortgage of our housing estates or £400 million hidden away in Credit Finance. Our true gross debt position we calculate is around £1.24 billion, or to put it another way, a £40,000 debt around the necks of each citizen, man, woman and child. With the latest revelation in relation to the sale or mortgage, we are yet to find out the true position in respect of that – I am sure Mr Clinton will be at Companies House first thing tomorrow morning assessing what the damage is; (**Hon. R M Clinton:** Done it already.) I am informed he has done it already, Mr Speaker – but that true debt position will have to increase to £1.4 billion, or indeed, or also, £48,000 around the necks of each man, woman and child of our community.

It is again worthwhile reminding ourselves and our community as to what the Chief Minister said when he was in this seat. He said:

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. The GSD then referred to that level of debt (which it has now quintupled) as a 'millstone round the necks of future Gibraltarians'.

Mr Speaker, I ask the Chief Minister: does he continue to put forward that analysis of national debt? And how does he rationalise that with what he has said in Opposition and the fact that he has created £40,000 debt around the neck of each man, woman and child in Gibraltar? The Chief Minister has doubled the level of exposure to each man, woman and child.

We now have a situation where the vast majority of our debt is hidden from public scrutiny. It will be recalled that the Government changed the legal debt limit and relied on the debt to GDP formula instead of linking debt with revenue. If you combine this hidden debt of massive proportion, it is clear to all that the presentation by the Government of the debt position is entirely false and misleading. This Government is debt ridden to the core. As I have said, the Hon. Roy Clinton as Shadow Finance Minister will delve into the detail and my learned and hon. Friend Mr Feetham will add the historical context, which will show how we have got ourselves to this very sorry state of affairs by spending over £750 million in the first four years of the GSLP-Liberal Alliance's administration of the public affairs of this community.

Mr Speaker, turning to industrial relations, if we thought 2018 was bad, nothing could have prepared the Chief Minister for the collapse in his so-called socialist Government's relationship with the three main unions, which lies in tatters. Last year, GHA workers staged a 400-strong walkout over longstanding concerns regarding supply workers. The Enough is Enough campaign sent a clear and loud message to the Government. Last year also saw discontent at Borders and Coastguards, the uncertainty over the municipal cleaning services contract – and who could forget the Medoc saga?

In the first six months of this year a staggering 1,500 people took to the streets to protest against the Government's mistreatment of agency workers, an issue which has been pressed consistently by Members of this side of the House and particularly the excellent work on the ground done by my hon. and learned Friend Mr Feetham, who has protected the rights of workers in Gibraltar wherever they come from. On behalf of Her Majesty's Opposition, I congratulate him on the excellent work he has done to support agency workers and increase awareness of this significant issue. That was, of course, a sign of things to come, worsening industrial relations with the main unions in Gibraltar having been the order of the day. The Chief Minister attended the May Day rally for no longer than a few minutes before being scurried off by his personal protection team after being heckled by a group of concerned workers. I suggest that he should get used to the heckling: it is fast, and sadly, becoming the norm.

The last 12 months have seen serious issues of mismanagement of the Government's industrial relations policy – or distinct lack of it, as I have said – in relation to agency workers, the introduction of a 10% responsibility uplift for certain favoured public employees, a social media policy that proposed to affect the ability of civil servants to exercise freedom of expression, the continuing failure to provide real and thorough vocational opportunities to people, the failure to properly engage with teachers on educational reforms or pay, and the proposed introduction of a digital authority, amongst other matters.

We are pleased to hear the Chief Minister's comments in relation to zero hours contracts and we welcome that commitment. We would like to see more of it, of course, and we will analyse that once that has been released.

In relation to skills and training, the Opposition is the only party with a clear vision in relation to the creation of real training, real skills, real jobs and real opportunities. (**Hon. D A Feetham:** Hear, hear.) (*Interjection*) Sir Joe, in 1988, talked about economic growth by capturing individual dynamism. You do not do that by being reactive about skills. The Government's failed Job Strategy has created a lost generation of untrained and unskilled young people without hope or aspiration, and that will be this Government's legacy. (**Hon. D A Feetham:** Hear, hear.) We have talked about the skills cliff edge for five years now; we are now talking about a skills abyss. The calls from the Opposition, the unions, the Chamber, business and, importantly, young people and their families are largely ignored.

If we are serious about the principle that one of our two main resources is our people and we are serious about attracting significant business from the Far East and Asia to set up and invest in Gibraltar, we need to ensure that our people are the best prepared to fill those jobs. Apprentices are not workers; they are students. We need a state-of-the-art, bespoke, industry-orientated apprenticeship programme that works in partnership with education to deliver a world-class apprenticeship degree. We support the introduction of the T-Levels; in fact, we promoted it even before the Chief Minister decided to include it in his Budget last year. He again now repeats his own commitment to T-Levels, but this does not go far enough. I know he wants to ignore the point, but he does not go far enough in relation to the training of our young people. We support T-Levels, as we have said, but there needs to be a joined-up approach with the University of Gibraltar. Not everyone seeks a university education and we need to ensure that we leave no stone unturned in creating opportunities and developing world-class and globally recognised skill programmes. He talked in his intervention today about those who feel neglected, abandoned and forgotten. I put it to him, Mr Speaker, that there are many young people in our community without skills and without the hope of training, who feel neglected, feel abandoned and feel forgotten – but no mention of them in this Budget; no mention of what the Chief Minister and the Government will be doing to help our young people in acquiring those skills for the future. Sir Joe understands this, but the populist Chief Minister does not and it is certain that his cheerleaders do not either.

What Gibraltar so desperately needs are proactive policies which position our young people at the forefront of the digital economy. We have said that encouraging the digital economy to establish in Gibraltar is a good thing and we commend the efforts made in the FinTech sphere. We must do what we all can to encourage business of this type to our shores. Important as encouraging in business is, the investment we make in growing our own talent to service that business so that we can become the centre for excellence is critical. As the Chief Minister said in his intervention and I am sure will be repeated by the Minister for Commerce, Gibraltar is currently operating in a highly competitive environment in which we have branded ourselves as market leaders having first mover advantage. Many sophisticated jurisdictions have moved into that space very quickly indeed. We take the view that we need to harness the opportunity of ensuring that when operators in Gibraltar are pursued we ensure that our people are the first for employment.

One of the concerns that is consistently raised with us in the context of the gaming industry is the lack of a skilled workforce, with many of our gaming employees crossing over the land

border each day because we simply do not have the people to service that industry. We are conscious that if we are marketing ourselves as leaders in the space we should also create the training opportunities for our own people to occupy the employment opportunities which arise from that development. The Chief Minister talked in his intervention about recruiting from abroad to fill those opportunities instead of training our own people. What a mistake, Mr Speaker, to compound the lost generation of young people whom we can train to do those jobs.

Mr Speaker, the number-one complaint area in my political clinics – and certainly other Members on this side of the House, in their clinics – is housing. The housing needs of our community are significant and the demands on the system are complex. Gibraltar has changed beyond all recognition and our people's expectations have changed. We want an highly aspirational community but our Government needs to be fair and responsible. The Government ruling out our commitment to means testing is completely unacceptable and demonstrates that they have no intention of changing the way we house the members of our community who need support. The affordable housing model, or co-ownership model, must change and we tentatively welcome the small changes announced by the Hon. the Minister for Housing last week and today those that have been mentioned by the Chief Minister in respect of housing, which we will all now reflect on.

The demand for affordable housing is massive, with over two and a half thousand people seeking affordable homes. That is a staggering statistic by any measure. Perhaps they will all move into the luxurious Victoria Keys. Affordable housing must be truly affordable and, importantly, accessible. It must do what it says on the tin and it must not be abused – as has been mentioned, I believe, by the Chief Minister and the Housing Minister a number of times – abused for profit. We are hearing significant complaints about the affordability of homes and I look forward to the Housing Minister in her intervention directly alleviating the concerns of many in our community who will struggle to pay the deposits, down payments and secure finance. I do note, however, that the Chief Minister talked about bridging loan finance and we hope that the Minister for Housing will meet those concerns of our community. We hope that she will provide that reassurance by way of her contribution.

Mr Speaker, we believe that everyone who cannot afford to buy on the open market should be given the opportunity to buy into the affordable housing scheme. We cannot forget that affordable housing is subsidised housing, subsidised by the taxpayer. The policy by successful governments is to encourage home ownership and it serves an important social need, but as we develop into a bustling metropolis we need to rethink affordable housing whilst never forgetting the purpose of this type of housing provision. I do know that the Chief Minister has made a very significant announcement today in relation to the selling off of another crown jewel, another asset. He is not happy –

A Member: What did he say? [Inaudible]

Hon. E J Phillips: – with mortgaging our housing estates; now he is selling off the 50% Government equity in affordable housing schemes. We are not too sure of the exact structure, or the mysterious structure, but I am sure Mr Clinton, who has now obtained copies of the structure involved, will delve into that and add his comment. But what I would say is the Government seems to be selling off the precious assets of our community.

We fully support getting as many people as possible into co-ownership, in time, and alleviate the burden on the social housing list and housing stock in order to direct social housing to the most needy in our community.

I have said it before and I will say it again, that our social housing system is broken and it has been broken for a long time. It is time to face facts. Those most in need in our society experience too much red tape and excuse after excuse, delay after delay. Last year, the Housing Minister stated that she would build homes for rental. Their plan is to effectively build homes for the

640 elderly in order that those homes which are vacated are provided to those on the list. Whilst I understand that this may be a good idea, it seriously misses the mark and underestimates the scale of the housing crisis. The rationale also sits completely at odds with their previous commitments.

645 In their 2011 Time for Change manifesto they promised everyone on the housing lists a home. They failed in this commitment and in 2015, in the recast of their promises, they said that they recognised they had not been able to house those on the 1RKB list. Of the 1RKB list they said the following:

On that list there is a large number of young people who wish to buy in the next round of affordable housing to be made available. In addition there is a number of pensioners who will be able to move into the new homes for the elderly being developed or as such homes become vacant. These types of applicants prefer to stay on the list and wait for the new homes that are about to come on stream. We will continue to build such homes and a half-way house, for men, that is already at an advanced planning stage. This will greatly reduce the number of applicants on this list.

Mr Speaker, how does the hon. Lady opposite seriously reconcile what she said a few weeks ago and in her Statement of 11th April 2019 with her manifesto commitments? How can anyone
650 take the hon. Lady opposite seriously? Under her leadership she has overseen the biggest crisis in housing – and particularly social housing – in decades. All I hear is negative comments about the lack of empathy afforded to real people with real housing issues. People are amazed when I tell them that when we reach out to the Housing Minister to help our constituents we get very little in terms of substantive response.

655 Statistically there is huge demand on 1RKBs and there is very little or no plan from the Government on how they seek to address the problem. When people wait for a 1RKB for eight years, allocation of a 1RKB generally is completely incompatible with their needs as they have entered into relationships and/or their circumstances have changed. The current housing crisis means that at any one point thousands of people are looking for homes. It is also true that many
660 homes lie vacant or void, according to the Principal Auditor's Report laid in Parliament two weeks ago. According to the Principal Auditor, as of 14th August 2017 there were 192 vacant/void properties and the average time a property remains void before it is allocated is nearly six years. The Chief Minister talks about delivering homes safely and on time. This is nonsense. Look at the statistics and hear the complaints of people on the ground. This again is a
665 staggering statistic and illustrates the crisis in housing. No doubt in her contribution to the debate the Housing Minister will reflect on this appalling statistic, which I am sure is not one she is proud of. In her Budget address I also hope she updates this House on the number of vacant/void properties and the average time that the property has remained unallocated, so that everyone in this community understands. Come the election, Mr Speaker, we will lay out
670 our exciting radical plans to shake up the provision of social homes and the delivery of homes to those most in need. No more red tape and no more waiting for years for an allocation for the most vulnerable in our community.

Mr Speaker, in relation to Government rental arrears we seem to have hit a brick wall with recovery. In 2011 arrears stood at just over £3.7 million, whilst in 2016 arrears peaked at
675 £5.6 million, an increase of just under £2 million during their tenure. It appears to have levelled off and stagnated over the last 12 months, oscillating around the £4.6 million to £4.7 million mark with no real visibility from the Government on how they intend to recover very significant moneys owed in rent. Whatever the Government say about our time in office, the reality of housing arrears is that recovery under their administration has been appalling.

680 I have said that our housing need is complex in that there are single mums and dads, those with serious physical and mental health issues, growing families, single people, young people, our senior citizens and those returning families from abroad. We cannot continue to make people wait between five and eight years to find a home.

We have all said that our housing estates are the heart and soul of our community and eight years on the Government continue to have scaffolding and ongoing works. The Chief Minister tries to placate people by saying that people understand the inconvenience to them in respect of scaffolding and ongoing works, but it has been eight years of misery for people living in housing estates with dust, noise and constant works. The public will not be fooled by their excuses, particularly when they turn around and blame the GSD for what they did in their time in office: it has been eight years, Mr Speaker.

The GSLP-Liberal Government are, we have said, penny wise, pound foolish. They have had eight years of spending without really considering how a downturn in recurrent revenue will truly affect our community. He calls us inconsistent in what we say about public finances, but what we ultimately say about public finances ... This is about prioritising services, Mr Speaker. Our community's finances are – from the very limited information we have and what we have gleaned from public statements – on a cliff edge. Just read between the lines of Sir Joe's latest comments. If you include all the off balance sheet borrowing, our economy appears to be on life support. The Government is parking most, if not all, of the debt off balance sheet and intentionally hiding the true level of debt from the people.

Mr Speaker, we will not vote in favour of this Budget because it fails to present a clear, accurate and unambiguous reflection of the state of our public finances. We consider it a gross dereliction of our duty as the people's representatives of this community to support a Budget which is fundamentally opaque and flawed and does not allow those of us in the House to properly and effectively scrutinise the public finances of this community.

It is clear that the Government no longer has a handle on the day-to-day issues that affect hardworking families. This is not a Budget for working people and families. Domestic issues have been ignored, with Brexit being cited as the excuse for everything. The Government are failing to manage the two pillars of our economy, namely our people and our land. 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 young working families, young people, the elderly and the disabled. He has failed to achieve that objective. This year, his promises will no doubt fall on deaf ears, once again demonstrating that the Government is losing grip on the domestic agenda.

In the Opposition contributions to the debate on the Appropriation Bill each of us will deal with our 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. Daniel Feetham, as I have said, will chart the historic context. To all those who will tune in across our community to listen and watch this debate from home or work, I am sorry to have to say to each one of you that your elected Opposition has been intentionally blindfolded and prevented from uncovering the mass of hidden debt which will hang round the necks of our children and grandchildren for generations to come, and now even more so with the announcement by the Chief Minister that he has now sold or mortgaged – we have yet to find out – Government's equity in the affordable housing estates. If you take away anything from this debate, just look at the new schools at a cost of £100 million, and it is not even in the Book.

On 26th November 2015, some three and half years ago, we made a promise to those who entrusted their vote to us that we would speak for those 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'.

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 we as your elected representatives form the view, based on the information that we have, that the underpinning of our public services is being threatened by bad management of our public finances and we on this side of the House, will not support it.

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

Mr Speaker: The Hon. Dr Joseph Garcia.

Deputy Chief Minister (Hon. Dr J J Garcia): Thank you, Mr Speaker.

My friend and colleague the Chief Minister will be answering, obviously, the more colourful
740 elements of the address that the hon. Member has just delivered.

In February 1999 I was elected to this House for the first time. It was then still the Gibraltar
House of Assembly. This means I have served as a Member for exactly 20 years this past
February. Today is therefore my 21st Budget address overall and my eighth as a Member of the
Government. I propose to cover the areas over which I have ministerial responsibility and also to
745 comment on others of particular interest.

Mr Speaker, my time over the last financial year has been dominated by Brexit. That is true of
the Government in general, in particular the Chief Minister, the Attorney General and the
Financial Secretary, who have formed the core of the Brexit team. I started with one Brexit file
on my desk and have ended up with some 60 and still counting. The House knows that the
750 volume of work generated by the United Kingdom and Gibraltar's proposed departure from the
EU has been, and continues to be, voluminous. I use the words 'proposed departure'
deliberately, given the uncertainty that continues to surround this very issue.

Opinions in the UK have sharpened and hardened. We should not forget that Europe has
always been a divisive question in the United Kingdom. This division is nothing new. The
755 argument about the UK's relationship with Europe has destroyed Prime Ministers. It brought
down Margaret Thatcher. It haunted John Major. It brought about David Cameron's resignation.
Theresa May went too. The question of Europe has ruined political careers in the UK, so I think it
is relevant to dwell on this background for a few minutes.

It is obvious that the UK's exit from Europe is proving to be as controversial now as its entry
760 proved to be at the time, because Europe has dominated and divided UK politics since 1972.
Indeed, already by 1975 the first UK-wide referendum was held on continued membership of
the European Economic Community. This was only three years after going in. The Heath
government was replaced by a Labour administration in 1974. Upon taking power Harold Wilson
made two clear promises. The first was to renegotiate the UK's terms of membership of the
765 European Economic Community, and secondly to put those terms to the people in a
referendum. All this sounds very familiar: it was a process that David Cameron was to repeat in
2016. The result of the 1975 referendum was a landslide. On a 64.5% turnout, more than two-
thirds of voters opted to stay in. In the 2016 referendum, as hon. Members know, the outcome
was sadly a very different one. That is why we find ourselves where we are today. Nonetheless,
770 it is important to reflect on the point that 1975 and 2016 impacted very differently on Gibraltar:
first because Gibraltar did not vote in 1975, and second because Spain was not even in the EEC
in 1975. Through the ups and downs and the twists and turns of the Brexit saga, there are some
factors that we often overlook. The fact that the Government secured Gibraltar's participation in
the 2016 referendum at the very outset was an achievement in itself. We were quite literally
775 able to put Gibraltar on the map. And Gibraltar made an impact: we were the first area to
report – the outcome here left no room for doubt.

The House knows that there have been plenty of challenges along the way. Opposition
Members of the Brexit Select Committee have been informed in detail in over 20 briefings as the
negotiations have progressed. The first challenge was called Jose Manuel Garcia Margallo. He
780 served as Foreign Minister of Spain between December 2011 and until November 2016. Mr
Margallo laid the markers early on. First, he said, all options were open to Spain when we left
the European Union, including closing the border completely. Second, he added, if Gibraltar
wanted a relationship with the European Union, then shared sovereignty would be a pre-
condition.

785 The EU, at that stage, refused to open negotiations with the United Kingdom until they
received a formal notification to leave: the Article 50 letter. This was delivered on 29th March

2017. The clock then started ticking. The challenges then mounted. The negotiating guidelines of the European Council were published on 29th April 2017. Clause 24 read:

After the United Kingdom leaves the Union, no agreement between the EU and the United Kingdom may apply to the territory of Gibraltar without the agreement between the Kingdom of Spain and the United Kingdom.

This set the scene for Spain's infamous second veto. That is to say all the member states had a veto on the outcome of the UK-EU exit negotiations. Spain had a second veto on how or whether that deal or that outcome would apply to Gibraltar. That is the background against which the exit negotiations took place. Again, it is easy to forget.

Both the UK and Gibraltar rejected clause 24. Indeed, the United Kingdom repeatedly made it clear that it was negotiating for the whole UK family, including Gibraltar. The then Secretary of State for Exiting the European Union, David Davis, went as far as to personally assure my hon. Friend the Chief Minister that there would be no deal without Gibraltar. Even then it was possible to argue that the wording of clause 24 set the position after the United Kingdom left the Union and that therefore it really set the scene for the future only. However, on 15th December 2017, following a meeting of the European Council, Spanish Prime Minister Rajoy declared that Spain's agreement was necessary for withdrawal and transitional arrangements to apply to Gibraltar as well.

So, the challenges continued to mount. It was not only the future that was an issue but our orderly exit as well. A situation where Gibraltar exited the EU abruptly on 31st March 2019, as was then envisaged, while the UK stood to benefit from the cushion provided by a transition was clearly not where we wanted to be. The United Kingdom and Gibraltar engaged separately with all the member states of the European Union in order to put forward our point of view. We engaged with Spain also, a Spain where the Partido Popular was still the government but where Mr Dastis had replaced Mr Margallo at the Spanish Foreign Ministry. A new condition was added in public at around this time in respect of Gibraltar Airport: an Airport deal or no deal at all. A number of direct discussions between the Spanish government and the Gibraltar Government took place. There were also meetings which included the United Kingdom and further meetings with the European Union as well.

The political background then changed further in June 2018 when the PSOE came to power on the back of a motion of no confidence. The context was joint sovereignty, possible Frontier closure, exclusion from the Withdrawal Agreement, exclusion from the transition and Airport, or nothing. And we turned it around. It was not easy. I want to pay tribute to my hon. Friend and colleague the Chief Minister, who led those discussions ably, wisely and intelligently from the front, and whose contacts within the Spanish political system proved to be vital as those discussions progressed. I take my hat off also to the core of the Brexit team, in particular the Attorney General and the Financial Secretary. Thank you also to the many officials across the Government involved in this detailed work. History will show the measure of the challenge that we faced: the constant volume of work that we had to churn around; the skill with which we had to negotiate past the many obstacles which were thrust in our path; the delicate balancing act that we had to perform in order to preserve the best interests of our country. History will show, Mr Speaker. And we owe a debt of gratitude to our wives and our families also for their support. The intensity of the Brexit process has indeed taken control over our lives. We have missed key moments in the schooling of our children. The Chief Minister said recently it was hell. I agree, it has been brutal at every level and there is more to come.

More than 500 meetings on Brexit have taken their toll. Importantly, though, those meetings produced results. The inclusion of Gibraltar in the Withdrawal Treaty and therefore in its transitional provisions was a considerable achievement. I think that the House agrees that the worst-case scenario would have been for the UK to have enjoyed the benefit of a transition while Gibraltar was left out. In the event, it is far from clear whether the Withdrawal Agreement will come into effect. If it does, Gibraltar will be a part of it

Mr Speaker, almost since the referendum, two parallel workstreams have ensued. One of those has centred on planning for a no-deal Brexit. The other has focused on the work to deliver the Withdrawal Agreement. I want to pay tribute once again to the many public servants who have been involved in this exercise. Most of the Members opposite have been briefed on the details of the contingency planning for a no-deal Brexit. This planning has also involved the private sector. I do not propose to go into this in any detail in public, for obvious reasons.

The course of events now remains to be seen. Theresa May has resigned. The Conservative Party is involved in a leadership race. The pendulum continues to swing back and forth between deal and no deal; it has done so for months. There are, at one end of the spectrum, those who doubt whether we will leave the European Union at all, and then at the other end leaving without a deal becomes closer with a possible new Brexiteer Prime Minister.

The view of the Government is that it is in the best interests of Gibraltar to remain in the European Union together with the United Kingdom. The preferred option would be for the UK to revoke Article 50 and stay in; failing that, to hold a referendum. This is our clear and unequivocal message. It was a message delivered by the electorate of Gibraltar in June 2016 with a massive 96% support. It was echoed by our voters once more during the European elections last month. The outcome in Gibraltar, with 77% Liberal Democrat and 5% Green, already adds up to 82% for clearly remain options. The Government will continue to prepare, whatever the way forward might be.

Mr Speaker, I move on now to Gibraltar House in London. Before I run through the political and other activities of that office, can I pause to pay tribute to someone who worked there until recently. Some Members will recall Mr Ian Leyde. Sadly, after two decades employed at the London office, on the tourism front in particular, he passed away suddenly and without warning while working. He was a highly professional marketing man for Gibraltar Tourism and a veteran of Gibraltar roadshows and exhibitions. In particular, he was an enthusiastic ambassador for Gibraltar at the many UK political conferences where he helped to man the Gibraltar stand; this is how I knew him. May he rest in peace. Our condolences go to his family, friends and colleagues. (*Banging on desks*)

Mr Speaker, the Brexit saga has meant that the office in London has continued to be a hub of activity. This is where the Chief Minister, the Attorney General, the Financial Secretary and I, together with other officials, are based during our time in London. Gibraltar House has been involved in work dealing with Whitehall departments across the board. Since the 2016 referendum the office has almost evolved into a natural extension of No. 6. Gibraltar House facilitates support for the numerous meetings that have taken place at ministerial and official level. Our engagement with the UK over the past three years has shown that to build relationships and trust it is important to have regular personal contact between those involved. This has been critical in the sensitive discussions that have taken place. Working groups from both Governments have met at Whitehall and in Gibraltar House in order to consider plans for a no-deal Brexit. Our own Government Departments and authorities have enjoyed fluid access to our facilities in London. There has also been close preliminary work on the future UK-EU relationship. We must be ready just in case such a relationship were ever to materialise.

Of course, Gibraltar House in London serves as much more than a mere physical platform for the Government's work. Our representative, Dominique Searle, and his team are very active in lobbying the Westminster Parliament. They collect and collate information relevant to the Government's efforts in order to protect and promote Gibraltar's interests across the board. The All Party Gibraltar Group in Parliament continues to go from strength to strength under the presidency of Lindsay Hoyle MP and the chairmanship of Bob Neill MP. The Group has consistently put its support for Gibraltar above the argument between remainers and leavers. This has allowed Gibraltar to harness support both sides of the divide, across the political parties in the House of Commons and the House of Lords. Our United Kingdom representative has fully briefed the All Party Group on Gibraltar and also the All Party Group on the Overseas Territories. Indeed, the Chief Minister and I have had the opportunity on several occasions to address

special meetings of the Gibraltar group. There continues to be a considerable amount of interest, sympathy and support for Gibraltar in Westminster. We have, throughout, held numerous individual meetings with key MPs and peers who are influential in the Brexit debate, Members from both sides of the argument. The aim has been to ensure that the nuances of Gibraltar's concerns are not lost in the wider discussion affecting the United Kingdom itself. Many of those meetings have been reported in the media. I should add that another important aspect to the work at Gibraltar House is to monitor the UK Parliament. That work has resulted in us engaging widely and formally with parliamentary committees and with committee chairs. This contact has included the EU committees in both Houses, the Foreign Affairs Committee, the Scrutiny Committee and others of relevance to Gibraltar. Therefore, the House can rest assured that MPs and peers are regularly briefed about Gibraltar.

In addition to National Day, the London office organised a very useful visit by senior-level MPs and peers last spring. In May 2018, for example, a select group of five MPs visited Gibraltar in order to learn more about the status of the Brexit negotiations. That group included Liz McInnes MP, Labour Shadow Foreign Affairs Minister; and the Rt Hon. Tom Brake MP, Liberal Democrat Spokesperson for Exiting the European Union. The programme included a briefing from me on Brexit as well as from my friend and colleague the Minister for the Environment, Prof. John Cortes. Members will recall that the group also met with the Brexit Select Committee in the Gibraltar Parliament and with representatives of the Chamber of Commerce.

Gibraltar hosted 26 MPs and peers from the UK Parliament on National Day 2018. In addition to this, there were four members from the European Parliament present. It was also a pleasure to welcome Arlene Foster MLA, the Leader of the DUP in Northern Ireland and former First Minister. Her presence and the strong support from the DUP sent a powerful message. Their programme included briefings from the Chief Minister and myself, a visit to the Frontier, a briefing on finance and gaming from my colleague the Minister for Commerce, Albert Isola, and a call on His Excellency the Governor. Members were also able to attend the annual National Day rally and associated events. Mr Speaker, we always say that there is no better way to understand Gibraltar than to visit Gibraltar.

The annual Gibraltar Day reception was again hosted at the Gherkin on Monday, 22nd October. The event was attended by 11 Ambassadors and High Commissioners along with 10 Deputy Ambassadors. There was further diplomatic representation of lower rank. There were 26 Members of the House of Commons and House of Lords present. Over 100 members of the Gibraltar community in the UK were hosted for a Thanksgiving mass and reception in Fulham on the preceding day. Three hundred members of the financial services industry attended a lunch in the City of London. We continue to keep these events and their focus constantly under review. However, I am sure hon. Members will appreciate the importance of keeping all UK political parties informed and on side. Gibraltar's interests transcend the Brexit debate, as does the importance of maintaining our close relationship with the United Kingdom. It has been a priority that our position is understood more widely by countries with which we may trade in the future, by members of the Commonwealth and indeed by existing member states of the European Union too. They heard that message clearly and categorically in London during Gibraltar Day.

Mr Speaker, our representative in the United Kingdom is included with other Overseas Territories' representatives as part of Her Majesty's Government's Diplomatic List. This means he has attended a number of Royal Household functions and embassy events, representing Gibraltar. The Overseas Territories are now collectively pressing for direct representation at the Remembrance Day ceremony in London. I would add that each year Gibraltar is formally represented at the Commonwealth Day Mass in the presence of Her Majesty the Queen. This year, two young Gibraltarians who won an essay competition were also present. It continues to be an important policy to keep our friends fully informed, including former Governors, as they have proven to be, time and again, true allies of Gibraltar and its people.

The Friends of Gibraltar too remains a bastion of support from the United Kingdom. They continue to make good use of the facilities at Gibraltar House. This year the office helped to

organise several of their talks. In this context may I pay tribute to the late Tim Lawson Cruttenden, one of the most active of the Friends, who sadly passed away here in Gibraltar just a few weeks ago. His family continue to have ties with the Rock and our condolences go out to them.

Mr Speaker, I would like to expand further on our relations with the Commonwealth. Members will recall that High Commissioners of Australia and Canada visited Gibraltar this last year. The Government continues its engagement with the different organisations and countries of the Commonwealth. These Commonwealth themes came together very well in a seminar organised by the Government and the Royal Commonwealth Society in March. The event was entitled 'Changing times: Brexit, the Commonwealth and opportunities for Gibraltar'. It brought together a distinguished panel from outside Gibraltar. These were Lord Marland, the Chairman of the Commonwealth Enterprise and Investment Council; Mr Abkar Khan, the Secretary General of the Commonwealth Parliamentary Association; and the Hon. Alexander Downer, who was Foreign Minister of Australia from 1996 until 2007 and who retired as High Commissioner to the United Kingdom only last year. This seminar served as a catalyst for further interaction with the Commonwealth. My colleague the Minister for Economic Development, the Hon. Sir Joe Bossano, has since had a preliminary discussion in London with Lord Marland on business opportunities and I am pleased to announce that the Executive Committee of the Commonwealth Parliamentary Association at its last meeting in Ottawa has confirmed Gibraltar as the venue for 2021.

The Commonwealth remains an organisation that we value and with which we want to build closer ties. As a result of Brexit, those ties are now more important than ever. On that basis, we have decided that this year the educational visit of Gibraltar students to Brussels will switch to London instead. There will be interaction with United Kingdom institutions, Parliament and with Commonwealth organisations as well.

Gibraltar continues to be a member of the Commonwealth Enterprise and Investment Council. We participate in events organised by the Commonwealth Parliamentary Association, the Commonwealth Telecommunications Union and the Commonwealth Local Government Association. Gibraltar also participates in the Commonwealth Games. We have built up a relationship with the Commonwealth Secretariat and with allied institutions.

Mr Speaker, the London office once again organised Gibraltar's participation at the different UK political party conferences. The participation of Gibraltar covered all the main parties. Last year, we were present at the Conservative, Labour, Liberal Democrat, Scottish National Party and Democratic Unionist conferences. The Gibraltar receptions at those conferences were all a great success. The support was truly overwhelming. The Prime Minister herself shared a platform with the Chief Minister at the Gibraltar reception during the Conservative Party conference, the Shadow Foreign Secretary, Emily Thornberry, spoke at the Labour Party conference and the Leader of the Liberal Democrats, Sir Vince Cable, shared the stage with me at the Liberal Democrat conference. The high-ranking speakers at these events is a reflection of the considerable effort that our team in London have put into keeping Gibraltar visible where it matters. It remains a priority to ensure that the various parties, their politicians, members and policymakers all understand our issues properly.

I should mention that our UK representative and his deputy meet regularly, often at Gibraltar House, with the other UK Overseas Territories. This happens often, under the umbrella of the UK Overseas Territories Association (UKOTA). In this forum the UK Overseas Territories, including Gibraltar, discuss issues in common and interact with the Foreign and Commonwealth Office on a monthly basis.

Mr Speaker, the bulk of the work of our London office is centred on Westminster. Brexit has devoured our and their time and energy. However, Gibraltar House in London also monitors the foreign and security policies of Spain and the United Kingdom, including their bilateral relationship. We do this to try and assess how these may affect Gibraltar's political and economic security in the future. This is particularly relevant as the UK tries to reconfigure its

overall global posture. I do not need to remind the House that defence and security issues are a UK responsibility. Nonetheless, the Government of Gibraltar does have a view on these matters.

Mr Speaker, it is widely expected that there will be a reshaping of existing alliances and a building of new ones as the UK leaves the European Union. We want to ensure that, whilst we
995 always remain supportive of the UK's strategic objectives, we never become a tradeable commodity in a wider game. Our aim is to protect our sovereignty and our interests. An overview of the situation will help in understanding the complexities we face beyond Brexit and beyond the political crisis in the United Kingdom.

Britain has relied on NATO and the EU, as the two key Euro-Atlantic alliances, to protect itself
1000 and its global interests. Gibraltar has benefitted from both the UK's membership and leadership in NATO and in the European Union, but the Euro-Atlantic alliances are under stress as European powers try to find a balance within themselves, and between themselves, and their place in the new world order. It is not yet clear how states will align with each other within the EU to fill the void being left by the United Kingdom. We know that Spain is keen to be at the top table and will
1005 strive to bend European policy towards its interests. Indeed, we have experienced this already. This was probably a mere taster of what to expect when we leave. When it comes to NATO, we find that it is routinely under the spotlight, especially because of political developments in the United States. There is regular criticism of Europe's commitment to its own security. In contrast, the United Kingdom continues to perform its NATO duties and Gibraltar too plays a role. The
1010 most obvious visible sign of this role are the regular visitors to our port.

The one positive aspect is that the Euro-Atlantic space remains rules based, with the overarching structures of the EU and NATO still in place. However, beyond our immediate geopolitical space the world order is changing. The UK has an eye on these changes, particularly in the Indo-Pacific region. Importantly, the Royal Navy has conducted freedom of navigation
1015 patrols in the South China Sea. From Gibraltar's point of view, the Royal Navy's activities here demonstrate that the UK is meticulously keeping within the terms of UNCLOS. It is important that the UK acts with the same resolve and determination in British Gibraltar Territorial Waters, where there are similar UNCLOS issues. In a sense, Brexit is a rehashing of the centuries-old British policy debate about the balance that Britain should strike between its European interests
1020 and its interests in the wider world. The indications are that it could take a long time to find this balance. It will logically involve, at some point, a modus vivendi with Europe.

Mr Speaker, some may be wondering what this global tour has to do with Gibraltar. It seems obvious that political and financial realities will shape the policy choices that the United Kingdom makes going forward. The UK will have to make compromises and trade-offs. Gibraltar
1025 must ensure it retains a high profile among those who matter as the UK makes those policy choices.

Spain sees Brexit as an opportunity to enhance its standing in Europe. Their national security strategy is firmly directed towards this part of the World. We see regularly how it attempts to exert control over the Straits and over British Gibraltar Territorial Waters as part of its national
1030 maritime security strategy, now using larger and more capable vessels. Furthermore, Spain is striving to expand and strengthen the EU's security remit, particularly in the Straits and in West Africa. In addition to EU activities, Spain remains committed to NATO. Our own bottom line is as it always has been. It is right and proper that allies should co-operate on security matters, particularly on major global issues. Moreover, it is good that the UK and Spain enjoy a positive
1035 and fruitful relationship. However, that positive and fruitful relationship should be reflected in the way in which Spain operates in this area and in the way they behave towards Gibraltar generally. We will continue to encourage our friends in the UK to be strong in our neighbourhood and strong in other theatres. We will do our bit to ensure that this is so. Gibraltar has, after all, been a military base for over 300 years. We know who our friends are.

Mr Speaker, it is too early to tell what the effect of the local, regional and national elections
1040 in Spain will be. One thing is certain: it could have been worse, given the changing political landscape. Gibraltar continues to invest considerable time and effort in putting across our point

of view to those parts of the political classes in Spain who are willing to listen. The hon. Members opposite have been briefed on the extent of those contacts privately. The Government will continue to develop this further in the best interests of Gibraltar as we move forward.

I thank our Head and Deputy Head of Mission in London and all the staff at Gibraltar House. Gibraltar House in London can be found at head 12, subhead 2(2)(a) in the Estimates.

I now turn to report on the work carried out by our office in Brussels. On 9th July 2014, the Government announced that it would be laying the foundations for an expansion of Gibraltar's representation to the European Union in Brussels. Suitable premises were acquired within walking distance of the three main institutions of the EU. Staffing arrangements were made. Our representation at 17 Square Ambiorix was officially inaugurated by the Chief Minister on 27th May 2015. I know that this was a source of pride for him, and also for me personally. We had set ourselves the challenge of promoting Gibraltar in Brussels long before we were first elected. A little over four years have elapsed since the office opened for business. At the same time, a Parliament and Commission was elected and appointed following on from the European elections of 2014. It was an exciting time to kick-start our expanded operation in the heart of the European Union. Now, as the sun sets on this EU legislature and as a new legislative term starts, it is a good moment to reflect on what has been achieved by Gibraltar House in Brussels over those four years.

Mr Speaker, it is fair to say that the European panorama looked rather different in May 2015. So too did we look different. Looking back at the photographs of the Chief Minister and I at the inauguration event, it is also evident that I had a little more black hair back then than I do now! Clearly a lot must have happened in the intervening period. When we proudly set up our new representation, the possibility of a UK and Gibraltar exit was a mere spectre on the horizon – a distant, unlikely event. In a little over a year from its inauguration the office would be thrown in at the deep end, a baptism of fire. A young operation programmed to achieve more inside the EU was instead called upon to assist the Government in its preparations to leave the EU. I am proud to say that the office has resolutely defended Gibraltar's interests in Brussels with professionalism, with vigour and with competence. They have done so despite the challenges, despite the obstacles and despite having to compete with the vast diplomatic corps and resources of one particular member state. Our work in Brussels will have to continue, even if it is from a position outside the EU. Indeed, Bermuda have recently opened an office there as well.

I said last year that our activity in Brussels had not escaped the attention of Madrid. Only a couple of weeks ago in statements made to *El Mundo*, Partido Popular MEP Esteban Gonzalez Pons said the following:

Gibraltar, with an official population of less than 35,000 people, with a small office operating from a normal Brussels address, has a lobbying apparatus that I would love to have here for Valencia or any other Spanish region.

(Banging on desks) So, Mr Speaker, we must be doing something right.

Over the last year, I have visited Brussels two times. Both visits took place in October 2018 as we worked on the final package of measures agreed with the EU as part of the Gibraltar Protocol in the draft Withdrawal Agreement. At the invitation of the Greens/EFA Group of the European Parliament, I also visited Strasbourg in October to address its members who were specifically working on Brexit. As usual, the Attorney General has made several other visits to Brussels throughout the year.

Mr Speaker, the work of the European Parliament is fundamental in shaping EU policy, not just in relation to Brexit but in relation to EU affairs in general. Our permanent assets in Brussels continue to lobby its Members. They have secured for Gibraltar a level of access that we have never enjoyed previously. Their records indicate that a total number of 74 MEPs were formally seen in the 2018 calendar year. Engagement with the European Parliament does not end with MEPs. Day-to-day contact proceeds with advisers, co-ordinators, researchers and with staff.

1090 Numbers are similarly high for the current year, not least because the office was pivotal in its front-footed defence of Gibraltar's position on being labelled a colony of the British Crown by the European Council at the request of the Spanish government. This is one episode which I would like to highlight in order to demonstrate the importance of our presence in Brussels. Our representation during this time was heavily involved in influencing MEPs and educating

1095 policymakers on Gibraltar's status in international law. The office was also able to gather vital intelligence, keeping the Government apprised with developments on a daily basis. The vote in the European Parliament plenary was, eventually, to adopt the relevant measure with the offensive Gibraltar language. This happened under pressure of a possible Brexit on 12th April. Even then, the European Parliament had to take the unprecedented step of unjustifiably ousting

1100 its appointed rapporteur, Labour MEP Claude Moraes. They also proceeded against the wishes of 230 MEPs who had voted to reopen the language specifically because of the Gibraltar text – 230 MEPs from different countries and from different political groups. I want to pay tribute here to Claude Moraes and welcome his re-election to the European Parliament last month. He stood up for the Parliament against the Council. He resisted and exposed the unfair bullying tactics of

1105 Spain until virtually the last minute. Even MEPs under pressure from a looming Brexit deadline who finally ended up on the other side of the argument were appalled at the behaviour of their Spanish counterparts. Therefore, the vote I have referred to was, in some ways, a considerable achievement. On behalf of the Government, and I am sure of the whole House, I want to thank Sir Graham Watson, Daniel D'Amato and the team in Gibraltar House, Brussels. (*Banging on desks*)

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While it was the drama linked to this particular affair which took all of the headlines, I need to stress that the work of our office is constant and persistent. Much of it takes place away from the spotlight because the office have successfully, in the context of other dossiers, managed to influence language on Gibraltar. The result has been to divert support away from hostile Spanish amendments.

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I would also like to underline that we do more than simply take our arguments to Brussels. There is no better place to make those arguments than here in Gibraltar. A total number of 17 different MEPs have visited Gibraltar to see for themselves since the referendum. When they visit, they learn the reality of the situation on the ground. The office has also organised visits to

1120 Gibraltar for the ever influential MEP assistants. Two such visits have taken place in the last financial year. A total of 12 programmes have been organised so far. This has seen up to 65 MEP assistants, Commission officials and diplomats visit Gibraltar.

The branches of our informal Friends of Gibraltar Group in Brussels continue to grow at the same time. Our office actively participates in countless events in Brussels, whether they are organised by governmental representations, NGOs, consultancies, think tanks or other entities. One particular example I would like to mention is that of an informal group made up of Brussels-based UK offices and organisations. The group started meeting this year with a view to sharing information and perspectives ahead of the UK's departure from the European Union. The group is made up of government representatives of all the British family of nations. It includes UK

1125 regional and city representations as well as trade associations and representatives of British industry. The group is conducting essential work in co-ordinating to properly position British interests in the EU post Brexit. Gibraltar has been an active participant in all the working groups and discussions so far. This is yet a further example of the versatility of Gibraltar House in Brussels. They do interact with EU actors but also with those from the United Kingdom as well.

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Mr Speaker, not all of the work that the office engages in is political; some of it has a more commercial angle. In particular, the office has energetically worked to present Gibraltar in Brussels as a cutting-edge jurisdiction in the cryptocurrency space. Gibraltar, for example, participated in the Blockchain for Europe Summit organised by APCO Brussels in the European Parliament. That event saw Paul Astengo from our Finance Centre department on a panel alongside Pēteris Zilgalvis, the Co-Chair of the European Commission Task Force on FinTech, and other key influencers. It raised a significant amount of positive interest in Gibraltar.

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Mr Speaker, looking ahead and following on from the elections to the European Parliament of 23rd May, a new legislature will take up their seats. New relationships will need to be forged; good relationships already formed will need to be maintained. I want to pause for a moment and thank Labour's Claire Moody and Conservative Ashley Fox for their support of Gibraltar. They were not re-elected. Thank you too to Julie Girling, Julia Reid and William Dartmouth. All three have now left the European Parliament also. I wrote to our six MEPs – five new ones and Molly Scott Cato, the Green MEP who was re-elected – straight after they were elected. We will work with them where this is in the best interests of Gibraltar. Our office has already mapped out the changing landscape of faces. In so doing, they have identified obvious personalities who will create difficulties and also new Members who will bring about new opportunities. A new President of the Commission and a new College of Commissioners is also to be appointed. Come what may, and whilst at this moment in time the Brexit process remains in a state of flux, let me assure the House that we are well equipped in Brussels to continue to fight our corner in Europe.

Again, I want to thank Sir Graham Watson, Daniel D'Amato and the staff of our office in Brussels. Gibraltar House can be found at head 12, subhead 2(2)(b).

Mr Speaker, the Government has continued to promote and advance the interests of Gibraltar in Washington. I was there at the end of May. Here too we are up against the negative actions of Spain. Their motivation can only be to prevent Members of Congress from learning about Gibraltar directly from Gibraltarians themselves. The truth is that there is no better way for them to understand what this is all about. Spain would rather subject them to their own distorted version of reality unchallenged. That is not going to happen. We will continue to challenge every distortion of the truth.

I am pleased to report to the House that, despite these goings-on, 34 Members of Congress, including several subcommittee chairs, have already signed up to a resolution which backs self-determination for Gibraltar. It also honours the role that Gibraltar has played in support of the United States over hundreds of years. The last session saw a record of 54 co-sponsors, some of whom have now left Congress. Members have signed up now on a bipartisan basis with supporters from both the Democratic and the Republican parties. The Government intends to continue with our information campaign in Washington. We will also put across our position twice a year at the United Nations in New York, and once at the annual UN seminar.

Mr Speaker, I move on now to civil aviation. In this area too the Government has been busy preparing for Brexit. The Director of Civil Aviation has amended all of the directly applicable EU regulations in order that these can be promulgated as domestic legislation on the day that the UK and Gibraltar leave the EU.

The EU is in the process of adopting a measure that will allow carriers from the UK to fly across EU territory after the UK leaves the EU in the event of a no-deal Brexit. It is disappointing, but not surprising, that at Spain's insistence Gibraltar has been excluded from the geographic scope of this legislation. However, the proposed legislation does permit UK air carriers to fly across the territory of the EU en route to Gibraltar as normal, in the same way as they would be able to fly across the territory of the EU to any other third country. Similarly, we have been assured that UK aircraft needing to divert to Malaga Airport because they are unable to land at Gibraltar will be able to continue to do so. The principle of the right to overfly and the right to divert are further enshrined in the International Air Services Transit Agreement.

In preparation for the UK and Gibraltar leaving the EU, the UK has negotiated an Air Service Agreement with Morocco. The Agreement will come into effect on the date of the UK's exit from the EU. It has been extended to include all flights to and from Gibraltar Airport. Flights operated between Gibraltar and Morocco would therefore be able to continue as normal in the event of a no-deal Brexit.

Mr Speaker, as part of the preparations for a no-deal Brexit, the Government has ensured that EU security regulations will be retained in Gibraltar law. Therefore, passengers using Gibraltar Airport will not notice any change to existing security arrangements. The current

1195 security arrangements will continue to apply to mail, cargo, live animals or courier mail carried in the hold of an aircraft. The same air passenger rights as apply today will continue to apply after the UK leaves the EU for air passengers on flights between the UK and Gibraltar. This will be so because EU passenger rights legislation will be retained in UK law for passengers travelling on UK airlines.

1200 The drafting of Brexit-related legislation has taken priority across the whole Government. Nonetheless, the Civil Aviation (Investigation of Air Accidents and Incidents) Regulations 2018 have now been published. These update EU regulations on the subject. The UK have recently issued a revised State Safety Programme, which sets out the basis through which aviation safety is managed in the UK, the Crown Dependencies and the Overseas Territories. As a consequence, the Director of Civil Aviation has updated the Gibraltar element of the plan.

1205 Mr Speaker, local interest in the operation of drones continues to rise and there are now a total of five local operators recognised by the Director of Civil Aviation. The disruption suffered by Gatwick Airport shortly before Christmas brought into sharp focus the problems that unauthorised drone flying close to airfields can cause. As a result, the Government has reviewed its procedures for controlling the use of drones. Like the UK, we intend to introduce new drone-related legislation. In addition, the Director is working with the Government IT Department to develop a drone activity reporting system. The system will require authorised drone operators to register their flying activity on a publicly available website prior to take-off. This means that if the public or the emergency services see a drone flying, they will be able to check quickly if the activity is authorised. In this way, swift action can be taken by the emergency services to detain anyone found to be flying without authorisation.

1215 The Airport has exercised different areas of their emergency procedures during the year. As always, each exercise helps identify useful lessons to improve the response effectiveness of the myriad organisations that play a part in the Emergency Orders. In addition, this year saw the UK Air Accident and Investigation Branch, supported by their military counterparts, send out a training team to instruct on the assistance they will require should the need ever come for them to investigate an aviation accident in Gibraltar. The training was well supported and over 50 members of the Airport, military and emergency service staff attended the two-day training course.

1220 I would like to thank the Director of Civil Aviation for his support throughout the year. Civil Aviation can be found at head 13 of the Estimates of Revenue and Expenditure.

1225 Mr Speaker, I hold ministerial responsibility for the Gibraltar Government National Archives. There were 1,295 visitors to the archives over the last financial year. These were people who physically consulted digital or original material in person at the archives. The archives website enjoyed nearly 26,000 hits from 94 countries in that time.

1230 The Archivist, Mr Anthony Pitaluga, has attended a number of training conferences and meetings abroad. In April 2018 he went to digital preservation workshops at Merton College, Oxford University. He was asked to give a presentation to a global audience regarding the ongoing digitisation and digital preservation programme in Gibraltar. In August, the Archivist attended the conference in Glasgow of the Archives and Records Association of the United Kingdom and Ireland. This covered archival science best practices, conservation, digitisation and digital preservation.

1235 A number of very popular film nights have been held by the Archives at the University on the last Wednesday of every month and these have been very well attended.

1240 Last week, it was a pleasure to open an exhibition at the John Mackintosh Hall in order to mark the 50th anniversary of the closure of the border. This was organised by the Archives together with my office. The exhibition contains photographs, press cuttings and footage from that traumatic time. There were also several displays of relevant memorabilia, including the actual Spanish Frontier gates themselves. The border closure was an important stepping stone on our road to greater self-government and in the forging of our distinct identity as a people.

1245 Franco predicted that Gibraltar would fall like a ripe fruit. He could not have been more wrong.

That fruit did not ripen; instead, it hardened further still in our determination to resist the Spanish claim on the part of the generation that lived the years of closure and on the part of those who followed them. The exhibition continues to be open until 14th June and I urge those who have not had a chance to visit it to do so.

1250 Mr Speaker, the House will recall that booklets were distributed to our schools which cover key moments in our history. The first, in 2015, followed on from the 75th anniversary of the wartime evacuation of civilians. The second, in 2017, served to commemorate the 50th anniversary of the 1967 referendum. A further book, to mark the closure of the border, is already at an advanced stage of preparation; this will be distributed to all our schools during the

1255 new academic year.

I take the opportunity once again to thank the Archivist, Anthony Pitaluga, and his staff, who carry out their task with pride, passion and professionalism. The Gibraltar National Archives can be found at head 12 of the Estimates book.

Mr Speaker, I would also like to say a brief word about the project to recover and restore the Northern Defences. The area continues its transformation from a jungle into a jewel. Spanning hundreds of metres, this series of tunnels, paths, bastions, towers and military fortifications is second to none. Having witnessed the site at first hand recently, I am convinced that we have uncovered not only another world-class tourist product but also a much needed outdoor space for our community. The Government will enter its fifth year of clearing-out works to expose the remaining elements of a unique and formidable defensive network. Particularly interesting has been our latest find, which seems to have exposed a military line of defence which dates back to the early 1600s or even the late 1500s. This wall was curiously referred to as *el Muro de San Joseph* and later as the Hanover Line. The defensive structure appears in plans which go back to 1627 and appears to extend from Hanover Battery all the way up to outside the Tower of

1260 Homage itself. Clearing-out works have revealed its staggered arrangement, length and remarkably good condition. It is relevant to note that already the site has become the source of much international academic interest from institutions and from journalists. It will not only become a world-class heritage attraction but its potential for outdoor activities cannot be ignored and will be maximised. Given the location of the site and access by foot from Casemates

1265 Square, the Northern Defences will become an area to be enjoyed by all. It had been closed off for decades. I want to take the opportunity to thank the Project Director, Carl Viagas, and his team working on the site. The Government is also very grateful to the Royal Engineers, who continue to work there on a regular basis; also to the Heritage Trust, who conduct tours of the area.

1270 Mr Speaker, hon. Members will see that there is provision in the Improvement and Development Fund for the Northern Defences. There is also specific provision to commence restoration works at the Grand Battery.

Whilst on the general subject of lands, I wish to thank the staff of the Lands Office in Convent Place and the directors and staff of Land Property Services Ltd for their support throughout the

1280 year.

Mr Speaker, there will be a General Election at some point this year. The Estimates of Revenue and Expenditure before this House show a record surplus. This reflects the Government's prudent management of the economy, despite the all-consuming challenge posed by Brexit. We are delivering on our commitments with regard to new sporting facilities. The investment in education, and through this the future of our children, is unprecedented. The construction of new schools and the refurbishment of others is well under way. A new Primary Care Centre will soon be delivered. Hundreds of homes for our people are in the pipeline. We have delivered what we promised, all this regardless of Brexit work that has consumed the time of Ministers and countless officials. Later this year, we will urge the people of Gibraltar to support us once again. We will urge them to put their trust in us, to let us continue to make use of the political relationships that we have built abroad, to let us navigate Brexit with the

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knowledge and the experience that we have already gained, to allow us to continue to defend the best interests of our country.

1300 Mr Speaker, I close by thanking my personal staff at No. 6 Convent Place for their support in what has been an intense and sometimes stressful year.

Thanks also to the Clerk, to the staff of the Parliament and to you too, Mr Speaker.

Thank you. *(Banging on desks)*

Mr Speaker: This is an appropriate time to have a recess until 6.30.

*The House recessed at 6.07 p.m.
and resumed at 6.34 p.m.*

**Appropriation Bill 2019 –
For Second Reading –
Debate continued**

1305 **Mr Speaker:** The Hon. Sir Joe Bossano. *(Banging on desks)*

Hon. Sir J J Bossano: Mr Speaker, can I just thank Members for their warm response to the fact that I am celebrating my 80th birthday with them. Having spent 47 years in this Chamber, as the Chief Minister speculated, I can think of no better place to be at on this date.

1310 Last year, I started my Budget contribution by stating that it was our last Budget as members of the European Union and that at the end of the financial year Gibraltar would no longer be part of the territory of the EU, which would terminate at the international frontier between the Kingdom of Spain and our country. Like everybody else in UK and elsewhere, I was basing my prediction on the fact that the UK's law, introduced by their government, provided a deadline for leaving the EU on 29th March this year. On this basis, I said that until this happened and we
1315 knew on what terms the UK was leaving – whether there was to be a transition period, how long such a period would be, and most important of all whether Gibraltar was to be included in the transition or not – until then, it was not possible to make an estimate of the impact on our economy. However, I have said that if there is a departure from the EU by the UK without a
1320 transition and without a new relationship negotiated, then my prediction was a mild recession in the UK, a bigger recession in the EU and a slowdown in Gibraltar's rate of economic growth but with growth still continuing.

Whilst it should have been a source of reassurance to everyone that we could survive Brexit and still grow, I am astonished that there are people who by their conduct appear to think that we are immune to whatever happens outside our five square miles. It is possible for us to fare better than others but it is not possible to be totally unaffected, whoever is in government.

The position is, if anything, less clear than last year. However, the result of the European Parliament election is considered by many in the EU, including Spain, to have increased the probability of a no-deal Brexit in October.

1330 Last year, in the face of such uncertainties, the executive committee of the GSLP took a policy decision that there should be a limit placed on the pay rise of Ministers and public sector workers so that their pay went up by not more than 60p, twice the increase in the national minimum wage, which was set at 30p. This proposal was accepted by the Cabinet as Government policy. The introduction of the cap does not mean that those on higher incomes –
1335 under 10% of the public sector – are less well off than they were in 2011 in real terms, since previous-year increases were above inflation.

The numbers employed have increased by 948, from 4,574 to 5,522, as shown in the Employment Survey reports of October 2011 and October 2018. However, a more accurate

figure would be about 800, as the numbers in training in 2011 did not feature in the Employment Survey, as Members will remember that in 2011 trainees did not have employment contracts, were not considered to be employees and were on an allowance of around £400 a month. The pay scales of all grades, including those affected by the 60p an hour limit, are still higher than the 2011 pay scales plus intervening inflation, which has been 13.1% from October 2011 to October 2018. This is also the case with the salaries of Government Ministers, who were also subjected to the 60p cap last year.

We have been accused of breaking our manifesto commitment of 2015 in respect of the pay rise for 2018. Well, no one knew, when that manifesto was written, that there would be a referendum in 2016 that would take us out of the EU. Other competing territories, such as Guernsey, have reacted to the Brexit challenge by imposing a 1% limit on all salaries in the public sector. Let me say that when we write the manifesto as to what we plan to do if the party gets elected into government, we do not have a crystal ball that tells us what changes will take place 12 months later. The manifesto is written on the premise of the state of the Gibraltar economy and in the context of the global economy at the time it is written.

In spite of this, we usually manage to deliver our projected rate of economic growth consistently. In spite of these facts, which reflect the biggest levels of employment in the public sector and the highest increases in average earnings in any seven-year period in Gibraltar history since the introduction of parity, we have had some Opposition Members saying that what we want to implement is austerity and call it efficiency. If this is austerity, then I ask myself: where were these critics in the period of 15 years before 2011?

We need to understand that if we find ourselves facing financial difficulties once we are out of the EU, those who are on the highest salaries have to expect to be affected rather than those on the minimum wage. I cannot see how anyone who believes in social justice can expect it to be any other way.

It appears to me, from the statements made by others about the growth of the economy and Government spending, that there is little understanding of how the economy works and of the difference between fiscal variables and economic ones. Or maybe I am wrong – maybe it is not true that those who make such statements do not understand but, on the contrary, they could not care less.

I am not sure whether such views are shared by any of the Members opposite or not. However, I assume there are some who do not understand that the GDP is not the revenue of the Government. The relationship between the GDP and Government revenue is not the same everywhere because it is a function of the structure of the economy which is not the same in every country. Nor is it the same all the time, because the passage of time within any given country changes the economic structure, which has an effect on the GDP relationship with Government recurrent revenue. So I will try to explain what these issues entail in the hope that they will be better understood.

The GDP measures the value of the output of the economy and it is not a measure of the recurrent revenue of the Government. The way we measure the output is by the income method, which takes the income from work, from company profits and from rents on property to arrive at the value of the output. These three are the main elements of the calculation. This measures the size of our economy. The bigger our economy is, as a general rule the higher we expect the Government recurrent revenue to be. However, it does not mean that it is always so and it does not mean that the size of the increase in GDP is the same as the size of the increase in Government revenue. So, statements that we can afford to spend more money in any given year because the GDP has grown are not correct. The following figures for the different years show conclusive evidence of this. In 2007, when the GSD was in government – we are not talking about now – the GDP went down £93 million and the Government revenue by £13.9 million. The years that followed are totally different relationships.

The Appropriation Bill that we bring to the House shows what the Departments estimate they need to spend on the provision of recurrent public service. This is currently affordable, since we

project a surplus at the end of the year based on an estimate of revenue that is sufficient to cover the expenditure. However, the fact that we are able to meet an increase in expenditure in a particular year does not mean we are going to be able to keep on increasing recurrent spending at the same pace in the future, given that we are not able to project the revenue figures into the future. This would have been true, especially this year if had we left the EU in March and could still be true after October if we leave then.

I believe that the nature of the structure of the economy is such that it is not capable of producing increases in revenue indefinitely to meet the kind of increases in expenditure that we have been experiencing over the last few years and that therefore we should be thinking of how we can develop a different economic profile that will provide greater security of income, or we will have to introduce effective measures that will secure greater efficiency to enable us to continue to meet the rising level of expenditure in one area through savings in another. Both are difficult to achieve and it will probably have to be a combination of the two.

Affordability in one year does not imply sustainability in the medium term, and therefore I issued last year what was a health warning which applies equally to this year's Estimates of Revenue and Expenditure – like the health warning on a packet of cigarettes, which many choose to ignore but some take heed of. I do not expect my health warning will be as effective and produce a change of direction, but it is my duty to give the health warning because if I see the danger signs and I say nothing and then things go badly wrong, I will have failed to do my duty. Let me make clear that I am not saying that because the danger signs are there it means that the indications are that the results are inevitable. Predicting the weather is an uncertain science and predicting economic and fiscal results months or years ahead even more inexact. We can say if A happens B will follow, we can say what the probability is that A will happen, but what we cannot say is that it is 100% certain to happen.

If we look at our GDP and our revenue streams, we can say that in the last seven years heads 1/1, 1/2 and 2/1 have produced 85% of the increase in Government revenue. These are Income Tax, Company Tax and Import Duty. The share of each within the 85% of the increase in revenue has been 23%, 50% and 27%. The last one is not growing anymore and unlikely to grow in future. It was £174 million in 2018, £176 million in 2017 and £167 million in 2016, and being the size it is, it is not easily replaceable by a new source of income. The first two, Income Tax and Company Tax yields, are not evenly spread throughout the economy. The biggest contributor in the private sector to both is the gaming sector and within that there are a few large companies that account for a big chunk of it. These are some of the factors that constrain our ability to deliver large Budget surpluses to be able to put money in the rainy day funds. The bigger our annual recurrent expenditure gets, the bigger the rainy day fund has to be in order to provide the required protection.

For these reasons, that are scientific analytical tools, I feel concern and the need to express it. Given the analysis and the reasons that I am providing, why do I say it will not be heeded? Experience has taught me something about human behaviour. As a general rule, people do not take heed of things they do not want to hear. When I was in the union and members would not listen to me when I was advising them that the route they wanted to follow could finish up very badly for them, I would give my members the following example. I would say to them, 'If you feel unwell and you go to the Health Centre and the GP gives you lots of tests and comes back with bad news, what do you do? He tells you that you have a serious condition that is potentially terminal unless you go into surgery, which is never risk free, and you have to decide quickly. You go home, you don't sleep that night, you don't know what to do. So then you say to yourself, "Suppose he's wrong. I want a second opinion. I'll go private and get a better analysis of what's wrong with me." You do that. The result is that the private sector doctor says you are ok and puts your mind at rest. He tells you you have nothing to worry about, it's just indigestion, and gives you some tablets. You are over the moon. You say to yourself, "What a good thing I didn't listen to that guy in the Health Centre." But of course, if he was right, six months later you're dead.' But most people still tend to believe what they like to hear and not especially what they

consider to be unpalatable news. Let me say that the moral of the story is that I had a good success rate when I was doing it in the context of union members, but obviously it is a success rate that is not transferable to the political arena. So why did I issue a warning last year and repeat the same this time? Because the reaction I have had indicates to me that those who disagree with me are not analysing the validity of the arguments but simply reacting because they do not want to hear them. My most fierce critic has more than once said that my speech is like a broken record repeating the same theme.

There are some people who ask how can my analysis be right when we are one of the top four economies in the world on a per capita income basis, that is GDP per capita; why can't we just keep on spending more money if that is the case and we are in the top four? What is the reason why we are in the top four? The explanation is very simple. What do we share with two of the other three, especially with the one that is in the EU? It is the use of frontier workers. Singapore, Luxembourg and Gibraltar all have large numbers of frontier workers compared to their resident worker populations. In the case of Luxembourg the numbers are as follows. It has a population of 591,000 and a workforce of 449,000. This consists of 257,000 resident workers, 57.7%, and 192,000 frontier workers, 42.3%. The value of their output, which is the output of the economy, is US\$62 billion. In the case of Gibraltar we have an estimated population of 34,000 and a workforce of 30,000 with resident workers accounting for 16,340, 55.5%, and frontier workers 13,650, 45.5%. The value of the output is US\$2.7 billion.

One can see the similarity in the proportions of these variables. Why should the fact that we have this similarity put us both in the top of the world in GDP per capita? The explanation is straightforward: it is the way everyone in the world measures GDP per capita and uses that result as a comparator indicative of standards of living. But it is distorted when the ratio of frontier workers to resident workers is very high, as it is the case in the top three that I have mentioned. So, for example, the distortion does not apply to the economies of Jersey, Guernsey and the Isle of Man, our nearest competitors, because their imported workforce do not commute to the islands but become residents, and that is the key. If we added the frontier workers as residents to the calculations in Luxembourg and Gibraltar, the results would be that Luxembourg would fall to seventh place on the list, after Ireland, and Gibraltar would drop to 17th place on the list, after Iceland; still a very respectable ranking but not applicable, as the calculation that I have just done is not the one that is required by the international criteria.

The GDP includes the earnings of all workers, including the public sector employees and the frontier workers, so it is not the case that if the GDP goes up there is money to increase the pay of the public sector; it is the other way round. If the public sector pay goes up, that pushes the GDP up. Well, clearly if people were looking to the GDP to ask for a pay claim the cycle would be infinite because their claim would raise the GDP, they would then put in a claim and the claim provides the GDP. So they need to understand that the mechanism works in the opposite direction to the one they assume.

If we look at the GDP of £2.1 billion, the value is that of the whole workforce, including frontier workers who come into Gibraltar. This product is then divided by the number of residents and that is what has given us the GDP per capita which we quote and the previous Government quoted every year at Budget time. It includes the contribution of frontier workers as if it was available to the residents. It happens in all three, in Singapore, Luxembourg and Gibraltar. If we compare the results of Luxembourg, however, there is an important difference which I think is worth highlighting. The value of the output per person employed, including frontier workers, is 40% higher in Luxembourg than in Gibraltar and this is where we need to be. This is how efficiency creates value and protects living standards, and that should be our target.

Until 1988, Gibraltar Budgets were principally about distributing income. That is, in general terms, the Government identified what services it needed to provide, and since most Government services are not funded by charging users at the point of consumption, the cost would need to be met by taxing the community as a whole. This was particularly true when we had a closed Frontier. In case this is not clear, let me explain that there is no such thing as a free

1495 service. Education is free because, unlike the private sector, the state does not charge the family
of the pupil in school, but to the extent that the cost is met from taxation on income, since all
such taxes are to some extent progressive, the higher incomes pay higher taxes but the children
in the school all receive the same education irrespective of the taxes paid by their families, or
even if none is payable. It is free to the consumer of the service but not cost free because it has
1500 to be paid by somebody else. What is true of education is true of the bus service, where we do
not charge the passenger but we charge the taxpayer even if they do not use the buses.
However, housing, electricity, water and health are examples of partly funded services, where
the user pays a proportion of the cost and the balance is paid from Government taxation. The
Budgets were therefore a balancing act between who paid for what. Clearly, to the extent that
1505 the services are funded from taxes and the biggest share of taxes comes from those with higher
incomes, there is a transfer from those who are better off to those who are worse off as far as
their incomes are concerned. All budgets by governments everywhere have an element of this
and in addition there can be fiscal measures designed to encourage economic activities that can
increase the revenue streams of the government.

1510 The GSLP in 1988 set out to achieve specific economic targets and that is still the philosophy
of a party. The GSLP has always been committed to a high rate of economic growth and
delivering a healthy economy. We have also always been committed to a fiscal policy of not
borrowing to pay for recurrent expenditure, a policy that we introduced in government for the
first time in 1988. As a Government we are given a limited level of income in a given year and
1515 that is the most that we can spend. Our policy is not to spend it all but to have a surplus, part of
which we dedicate to meeting capital investment and part of which we put in separate
reserves – the rainy day funds – to provide a safety net for future unexpected economic events
that may drastically reduce our revenues.

Economics is a zero sum game, and so is public finance. It can grow over the years but in any
1520 one year there is a fixed amount of money available, and if we spend more in one area then
there is less available to spend on something else. There is a concept in economics which
measures the logic of the distribution of expenditure by looking at the opportunity cost. That is
to say when you spend in one area you are foregoing the alternative on which that money could
be spent. In the final analysis these are the choices that are reflected in the Estimates of
1525 Expenditure before the Parliament.

This is not the same for capital spending because different products will have different rates
of return, and then there are projects where an asset is created that yields a profit compared to
those where the asset created will require additional running costs in order to meet the
maintenance cost of the asset. This requires a different approach, which is often not taken into
1530 account. We have created additional assets since 2011 and some of the extra running costs
resulting from such assets are now reflected in our recurrent expenditure, part of the reason for
the rise.

The National Economic Plan is designed to generate higher income growth on the premise
that such growth, as a general rule, will produce higher incomes either from taxpayers or from
1535 greater numbers of taxpayers by generating employment and therefore yield increased general
revenues to meet the cost of public services. I have already set out the GDP comparison with
Government revenue and shown therefore that the GDP growth is the incorrect metric to quote
in respect of financing public sector increased expenditure.

Mr Speaker, last year I went to a great deal of trouble to provide a detailed analysis to hon.
1540 Members opposite, and in particular the Hon. Mr Feetham showing why his premises were false
and therefore, by the rules of logic, his conclusions incorrect. It was, of course, a complete waste
of time since his contributions to the Budget debate, if they can be called that, remained
unchanged. In fact, he first accused me of attacking him in my speech, which I had not done. He
then changed his mind and decided I was attacking the Chief Minister, which I had not done
1545 either. And then, of course, the GSD came out saying that I was attacking the Civil Service, which
I was not doing either. I was not attacking anybody, I was not even making a policy statement; I

was simply explaining the facts as I saw them. I find it difficult to understand why explaining facts about numbers that we are dealing with in relation to the economy, the public finances and the cost of providing public services can be interpreted as an attack on anyone. Either the explanations that I provide are accurate or they are not, and I am happy to stand corrected if someone can come along and show me that my numbers are wrong. It has not happened so far.

The debate we were supposed to be having at that meeting was whether the Parliament would approve the withdrawal of £512 million from the Consolidated Fund last year to meet departmental operating costs until March 2019. It also sought approval for a grant of £25 million to Government companies, which I do not normally include in my calculations when comparing with pre-2012 Budgets, because under the GSD – which the Hon. Mr Clinton and the Hon. Mr Phillips were not a part of but Mr Feetham was – no such payments were made.

We have two sets of books, Mr Clinton claims, as if it were some backstreet trader fiddling his tax returns – something no one does anymore because Company Tax is now only 10%. It is not worth doing. They have been voting against the budget of the Departments because they do not know what the £25 million for the companies is for. Well, they should ask the Hon. Mr Feetham how is it that he is so incensed by not knowing this when, as a GSD Government Minister, he did not provide a grant to Government companies to cover their losses. Their losses were covered by Consolidated Fund advances, which were not part of the Budget, did not require the approval of Parliament and no information was provided. How is it that what Mr Feetham was doing as a GSD Minister was more transparent and giving Parliament more control?

They complain that there is insufficient information on the companies. Well, they know that the GSD simply failed to compile company accounts and that in 2011 the last accounts that had been closed and audited were those of the GSLP from 1996. It seems to me that the GSD's view of parliamentary accountability is that when they were the Government they could do what they liked and be accountable to no one, and when they are in opposition they expect to have the level of information they had in government but never provided to anyone else.

This year they are being asked to support the appropriation of an even higher figure, £549 million, from the Consolidated Fund. Let me say that this is not because there were costs in providing services which were hidden in a second book of accounts last year and have now been included this year; it is just that the cost of everything has gone up. Last year the revenue was estimated at £652 million and Mr Clinton suggested that this showed we were heading for a deficit. Of course there was no such risk. The revenue is calculated by the Treasury cautiously, deliberately to minimise the probability of a shortfall. The expenditure is calculated on the basis that controlling officers are expected to keep to the approved estimates of expenditure and avoid supplementary funding and higher expenditure.

These two policies are designed to reduce the risk of a recurrent Budget deficit, which is one of the red lines of the GSLP economic and fiscal policies which operated between 1988 and 1996 and have operated from 2011 until now.

The forecast for expenditure shows an outturn which is below the estimate figures, as the Chief Minister has pointed out. At the same time, the revenue received has been higher than estimated by £55 million. The £55 million is entirely the result of the principal sources that I have identified earlier – heads 1/1, 1/2 and 2/1 – which provides further evidence of how important those three heads are to the level of revenue of the Government. The whole of the £55 million came from those three.

How did the Leader of the Opposition, the Hon. Mr Phillips, evaluate the fiscal situation last year – and, I think, how he evaluated it this year? (**Hon. Chief Minister:** He didn't!) (*Laughter*) I will quote his words. I am not sure he did last year either, but he was supposed to be doing it, anyway. He said:

But there are some indicators, even from the slither of information that the Government has provided. 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;

1595 A 'slither of information', Mr Speaker: it is the same information that has been there since we took over in December 2011 and has been there in the previous 15 years that Estimates of Revenue and Expenditure have been presented in the Appropriation Bill for the approval of this Parliament; the same slither, not one molecule more or one molecule less than the slither of the previous 22 years; the same slither that is in this year's estimates. However, I have never heard anybody else before call it a 'slither' in the 22 years, and I never did as Leader of the Opposition when the GSD Government presented their Budget 'slither' here.

1600 He then told us and the listening public that from that slither he had been able to distil that the recurrent expenditure was increasing and estimated to be £627,849,000. Great detection work, worthy of Sherlock Holmes. The Leader of the Opposition discovered last year, by distillation of the slither, as if he had found a fingerprint, that the recurrent expenditure was increasing. Well, I have got news for him, Mr Speaker: it has increased every year I have been here since 1972. Let's take a closer look at the alchemy of the distillation of the slither that led to the discovery. What a disappointment! All that effort to discover the figure, and there it was in plain sight where it has always been, on page 1. Or maybe the Leader of the Opposition never got past page 1 of the Book and that is why he thought there was only a slither of information.

1610 I have already mentioned the Hon. Mr Feetham's reaction to my speech last year was that I was attacking him. He told us last year he was extremely hurt – I do not want to hurt him this year, it is my birthday, but I have to say what I have to say.

1615 **Hon. D A Feetham:** It's called irony.

Hon. Sir J J Bossano: He was extremely hurt by the venom of my criticisms about the content of his speech of 2017, and as evidence of the venom he claimed to have received a text which he said came from a former Minister, and the text was: 'Are you the only Member in opposition? *Va a gasta el nombre!*' That is the text he got. Well, obviously the text message, if it existed, came from a GSD former Minister – I do not think it was a GSLP former Minister – so I do not think we should put much store by a comment from such a source.

1620 However, it is true that the Hon. Member was a Minister from the GSD administration of 2007-11 and he is still here and claims to have been closest to the Chief Minister, being just a few yards down the corridors of No. 6 – close enough to him to have come to the conclusion that he was the greatest living Gibraltarian. *(Interjections)* I am going to give him an opportunity to put that right today. *(Laughter)* This is a serious matter, Mr Speaker. Of course the judgement of the hon. Member is highly suspect when one analyses the decisions that he has taken at several junctures in his short political trajectory. So, if what he heard from me was venom last year, then what he must have been exposed to in the corridors of No. 6 from 2007 to 2011, so close to the greatest living Gibraltarian, must have been pure, undiluted, rattlesnake poison by comparison, *(Interjection and laughter)* as evidenced, if nothing else, by the treatment my Budget contributions used to get in this Parliament as well as the anecdotal evidence that we have of the treatment meted out to other residents of that building. **(A Member: Hear, hear.)**

1630 Of course he should realise that he carries a certain responsibility for the nonsense that he applies in his analysis of the public finances, which others on the Opposition benches do not. He has justified his decision to vote against the recurrent expenditure, which pays for all the public services, on the grounds that the capital spending of the Government and the companies is too high and he does not know how high. Other Members may think that the two are linked, but he knows full well that they are not. He is carrying the lower borrowing banner which he had when he left the GSLP and started the so-called Labour Party. He will, I am sure, recall that in the 2003 General Election, in a radio debate with the then Mr Caruana, he attacked me for defending the fact that maturing Government debt was being rolled over and because in my view it was not too high. He was then converted to the bad ways of the GSD in 2007 and presided over the biggest increase in Government debt that Gibraltar had ever seen, to the extent that the newly introduced legislation in one year was breached and had to be put right in the first year by

making the relevant law apply to net instead of gross debt. The GSD way was to say that the economically correct thing to do was to control gross debt, and then they found they could not do it, and when they could not deliver they changed the law and changed their philosophy and now said the correct thing to do economically is the net debt.

However, they soon found themselves in trouble again and they had to manipulate the Estimates Book by changing the accounts retrospectively and inflating the revenue figures so that the breach of the ceiling would disappear, doing this after the close of the financial year in question. (*Interjection by Hon. Chief Minister*) Having done this, they were ready in 2011 to bring a motion approving exceeding the ceiling of the legal limit, something they conveniently failed to mention during the 2011 election campaign, as the Hon Member knows only too well but other Members of the Opposition may not. This was revealed in the opening of Parliament by the greatest living Gibraltarian when he was the Leader of the Opposition, but he had not revealed it when he was in government or defended it in the election or put it in the manifesto or made any mention of it in the Parliament. We, of course, refused to proceed with what the GSD was planning when we came in, in January 2012. Nor did he tell the public in the General Election that there was a roadshow planned – which was due to be carried out before the election and then it was put off until after the election – to raise money in the US to pay for the diesel generating station on the Upper Rock, an insane proposition which would have saddled us with a useless, polluting, expensive generating station in breach of EU law, incurring penalties and, at the same time, a level of company debt that was to be funded by raising electricity prices by 5% per annum.

All this baggage is something that he carries, which makes his present concern for debt levels sound hollow. (**A Member:** Hear, hear.) But it does not end there – no, don't applaud yet (*Laughter and interjections*) – because there is the fact that there was a programme of capital works which would have cost £1.5 billion in respect of which Mr Nigel Pardo's company was project manager and which could only have been funded by company loans, since there was no way the Government revenues of 2011 could have permitted this level of debt, given, as I have already mentioned, that the existing public debt already needed a motion for approval to exceed the limit, even without the £1.5 million. The American roadshow, organised via a UK bank, clearly indicated that this loan was to be serviced not by Government revenues, not Government debt, but by sales of electricity with a 5% annual increase over I believe it was a period of 20 years.

We did not know any of this in opposition and the people of Gibraltar in the 2011 election did not know any of it either; nor did they know that this was what was going to happen if they had voted the GSD back into government. The hon. Member, having been a Government Minister and a candidate in the election, was part of this electorate deception. I imagine that Mr Clinton would have been very critical if he had known of this. But the Hon. Mr Feetham was based in No. 6 and must have known this, unless the greatest living Gibraltarian did not trust him enough to tell him about it, in which case he would have been a victim of the deception instead of a perpetrator and in which case – this is where he is going to get the opportunity – he might now wish to review the accolade with which he rewarded the former leader of the GSD when he was handed by him the leadership of the party on a plate.

So, now maybe he can text back the explanation to the GSD former Minister who texted him last year, or maybe the individual concerned is listening to me again this year and does not need texting now that I have given him the explanation that was puzzling him a year ago.

Whilst on the topic of public debt, let me enlighten Members opposite about the direction in which orthodoxy on debt is moving, which they may not be aware of. Since the 2007 financial crisis which led to the great recession in 2008, the western world resorted to Keynesian pump-priming to stop the recession dropping into shrinking economies of the sort that led to the 1930s Great Depression. It has proved very difficult to bring about a recovery and it is only after a decade that output started to go back to pre-2008 levels, 10 years.

The policy of quantitative easing drove a coach and horses through the Eurozone limits on debt to GDP ratios, which had been set at 60%. At the same time a similar situation was occurring in Japan, where the stagnation of the economy lasted longer and the debt to GDP ratio reached 250% – still there today – putting it at the top of the list in the world. Greece finished up with 180% and currently Italy is 130% and likely to go up if their budget deficit stimulus is not stopped by the EU. The UK is on an 85% ratio. Many developing and poorer countries have much lower debt to GDP ratios, so there appears to be no correlation between debt level and the performance of the economy.

A revision of the orthodoxy on the ratios in academic circles, primarily in the US, is taking place, although the new formulation has its roots based on the work of Keynes on money in the 1930s. The level of debt financing recurrent spending in the advanced economies has sparked the revision. Let me just add for the sake of completeness that all these countries that I have quoted are financing recurrent expenditure by borrowing, whereas in Gibraltar since 1988 under the previous Government and in this Government we only use loans to purchase assets. The developing approach is that it is not the size of the debt that matters in relation to the GDP or otherwise, but whether it is raised within the country and in the national currency. The argument is that as long as the US or Japan borrow from within the country and in their own currencies the size of the debt is not a threat to economic stability. The top borrower, Japan, at 250% of GDP, seems to provide evidence that the theory works. The US currently stands at 105% of GDP, well below many European Union states.

The GSD seem to have developed a theory since they went into opposition, or perhaps since the Hon. Mr Clinton became the spokesman on public finance, that the central Government debt should include the debt of state-owned enterprises. Indeed, they say this is what they would do in government. Well, we all know from past experience, 15 years of it, that what they say they would do in government when they are in opposition and what they actually do when they form the Government are two totally different things (**Two Members:** Hear, hear.) and occasionally diametrically both things. What they now raise their hands in horror about is what they actually introduced in government, with borrowing by the GHA disguised as rent and borrowing by carparks explicitly reflected as such in the accounts of the company. As I have told the hon. Members opposite, the policy was justified in this Parliament as paying a small premium in the rate of interest because the loans were secured on identified assets, mainly Government buildings, and there was no recourse to the assets of the Consolidated Fund, as Government debt has. So, if the Members were to be in government and convert all the company loans on which more interest is being paid by making them Government loans, they would then convert them into something that should be paid less interest without recourse to the Consolidated Fund assets. They would also, of course, have considerably more problems in raising money after that because that percentage would be somewhere in the stratosphere.

The servicing and repayment of the public debt is a direct charge on the Consolidated Fund and does not require the appropriation approval of this Parliament. We, before 1996 and since 2011, have provided a General Sinking Fund, which provides an additional layer. The Hon. Mr Clinton questions why the size, where is it topped up from, and says it should be linked to a debt repayment schedule. Well, Mr Speaker, this is what the whole problem is about the conduct of the GSD in terms of consistency and even of political integrity. In government they did two things: they scrapped the Sinking Fund and all other areas where we had reserves – my piggy banks, as the then Chief Minister used to describe them in order to belittle the policy. Fine, they do not believe in rainy day funds; they do not believe in general sinking funds; they do not believe in Community Care reserves – indeed, they do not believe in retaining Community Care; they do not believe in retaining Savings Bank profits in the Savings Bank Fund or even in making profits for the Savings Bank. These are all the things they did not believe in in the 15 years of government.

They also used to tell us in opposition, when they were the government, that we were not entitled to question their policies if we had not included the same policies in our manifesto.

1750 Well, what they do not do is practise what they preach, because when in opposition not only do
they question the things that they do not have in their manifesto but they claim to be entitled to
have the level of information they had previously when they were in government. They used to
1755 argue that there was no legitimacy in seeking information or pressing for action on
implementation of things that we in the Opposition had not committed ourselves to do at an
election because by definition none of that would be happening had we won the election and
therefore they felt under no obligation to provide answers. Well, if that is their view of how
things should be done when they are in government, those are the rules they should apply to
themselves now that they are in opposition.

Mr Speaker, the labour market is a very important factor in the structure of our economy and
1760 there has been a dispute about the labour market between us and the GSD for some time. In
government they argued in 2010 that the supply of resident labour, and in particular
Gibraltarians, had been exhausted; the economy could not grow unless there were more
frontier workers, which they welcomed. It was, Parliament was told, a problem of procreation.
Not enough Gibraltarians were being conceived, we were told by the Chief Minister to keep up
1765 supply in the labour market – it takes a bit of time after conception to get to the labour market,
but there you are, *(Laughter)* – to replace those who were retiring. We were told that this was
evident in the male component of the labour market and that in fact increases in previous years
had been in females because more females were entering the labour market but there were no
males. A year later, on the eve of the elections, the GSD introduced a policy requiring
1770 Government contractors to give priority to Gibraltarians who were suitable candidates for
vacancies and seeking employment. I welcomed this in the 2011 Budget and have continued to
apply the policy to this day in my responsibility in the field of procurement and also engaging ESF
funding in support of private sector recruitment of local people. I believe to this day that the
policy has played an important part in supporting employment, in the private sector, of local
1775 people. I have no problem in acknowledging that this was a GSD initiative just before the 2011
election, but it has influenced the results that we have been able to deliver.

So, here we are in 2019 and the present Leader of the Opposition told us last year, not for
the first time and I expect not for the last time, that the failures of the Government employment
strategy would have a long-lasting consequence beyond our short term of office and that they
1780 would pick up the pieces when the people of this community put us back in our natural habitat
in Opposition. It is my natural habitat – I spent 36 years there! *(Laughter)* He did not tell us how
long he expected to have to wait for this to happen.

Since he is talking about going back to picking up pieces, I will remind him of what the record
of the GSD in employing local people was, now that we have the result of the labour market in
1785 2018. There were 10,222 Gibraltarians in employment in October 2011; in October 1996, 15
years earlier, there were 9,390 – an increase of 830 in 15 years, an average of 55 a year. October
2018 shows 11,228 Gibraltarians in employment, an increase of 1,018 in seven years – more in
seven years than they managed in 15 – an average of 144 a year, more than double the previous
GSD results. So is this what he is promising to take our community back to – the pieces that he is
1790 going to put back? Apparently not, because he says that those Gibraltarians are now very
unhappy because they are in dead-end jobs. Presumably they were employed in the GSD's time
in very good jobs, or out of work but happier.

Let us examine the rationale of the dead-end jobs. There were 800 more Gibraltarians
employed in the public sector in 2018, according to the survey tabled today, than there were in
1795 2011. I do not know whether the Hon. Mr Phillips considers jobs in the public sector to be dead-
end jobs, but there are 800 more there. I can tell him that it is very frequently the case now, and
was the same before 2011, that many people in the private sector will apply for jobs in the
public sector even though they are in management positions and are entering the Government
in junior positions. This is because of the pay differential, the conditions of employment and the
1800 greater job security. The aspiration for the children of almost all Gibraltarian parents that I know
is, for self-evident reasons, to do that – to get a job in the public sector. So Gibraltarian

employment in the private sector has gone up because those previous employees successfully applying for Government jobs have been replaced by Gibraltarians who previously were without work. The private sector has grown from 16,960 to 23,969, the result of the economic growth producing over 7,000 new jobs, with Gibraltarians taking up 397 of the new jobs, and of course 800 of the ones who moved from the private to the public.

I am assuming that the hon. Member is not worried about frontier workers being in dead-end jobs. Let me say that if anybody is going to campaign on the basis that if they get into government they will guarantee that there will be no dead-end jobs, then this is the acme of creating an entitlement culture, incapable of being fulfilled. In any organisation, public or private, there are more people in the lower grades than in the more senior positions. Not everyone will get promotion, however able, because the structure would have to be flat for everybody to be promoted and not pyramidal. The dead end is a mantra that we are not doing, like the mantra of the gold-plated training schemes that they did not do in 15 years and we still do not know what they are because he never tells us and, I suspect, neither does he know.

He said that I tried to denigrate his argument by my Department writing to all employers in a desperate attempt to show that there was no interest in the business community to take on apprentices. I totally reject that the letter by my Head of Department of March 2017 to the business community was in any way denigrating him or his arguments. To denigrate is to unfairly criticise or attack someone's reputation. I will therefore read the letter that was sent in March 2017, which simply contained a factual account of events, and let Members judge for themselves if the Leader of the Opposition was being denigrated by it. The Head of Department wrote:

I have been requested by the Minister of Economic Development, the Hon Joe Bossano, MP, who is responsible for Training for Employment, to enquire as to your training needs.

It has been said in the last election that there was a huge demand from private sector employers who were crying out for apprentices.

Immediately after the general election, I wrote to Mr Phillips, the Opposition Member of Parliament who stated this and asked for a list of the businesses in question in order to engage with them and set up the apprenticeships. Mr Phillips felt he could not provide their names but offered to inform them so that they could get in touch with me.

To date, no one has contacted me. However, Mr Philips claimed recently in Parliament that these businesses that he knew had attempted to contact the Department but had not been given a response. We have no record of any such contact in the Department. I am therefore writing to each business in Gibraltar that is registered as trading to enquire a) if they have attempted to contact us to obtain apprentices and if not b) whether notwithstanding the fact that they haven't approached us they are interested in creating job vacancies for apprentices, in which case we would be only too happy to engage with them and offer them our support.

I would be grateful for your cooperation and for a reply to this letter to the effect that you are interested in engaging apprentices or that you do not wish to avail yourself of the opportunity at this time so that we can place this information in our records.

Given our commitment to provide apprenticeships, the door will always be open if you wish to avail yourself of the facilities, at some future date.

Thank you for your cooperation in this matter.

Well, Mr Speaker, he was right that it was a desperate attempt, but not a desperate attempt to denigrate him; it was a desperate attempt to find out where were the people who were interested in apprenticeships. And it did not work, we did not find anybody – it seemed nobody was willing to take the apprentices. He says they are crying out, but only he can hear their crying and he will not tell us who they are. What I am saying is from the players that actually said anything about apprentices when we contacted everybody who had five or more employees – something like 900 employers – the only response we had was from people who were interested in running the training; that is to say in us contracting out the training to them and they would then do the apprenticeships and expect somebody else to employ them. Well, that is not what we were looking for.

For example, we had two years ago somebody who came and said they were interested in setting up a training school here for divers and we agreed that we would fund that – actually, it

never materialised, he did not come back with proposals – because we would have nobody within our system who would be able to provide the skills that are needed to get a diver and this particular person was somebody who had contacts in Scotland, where people would be sent to be tested and certificated and somebody who has an entire line professionally in that area. So, if somebody comes with a specific skill ... It looked a very promising thing because he was talking about having a training school for divers here and bringing a lot of work here to Gibraltar, but we get a lot of proposals that never materialise because other factors affect the person's ability to raise capital, or something else.

That is the kind of thing that we can support, but if it is a question of somebody coming to us and saying, 'Well, look, I am prepared to do the training that is now being done in Gibdock for electricians,' the answer is that we already employ people to do that. What I am saying is that if we are not offering the kind of apprenticeships that he says he knows about and he says he knows the people who are willing to supply us with a placement ... Nowadays the apprenticeships for NVQs are very limited in terms of classroom learning and are predominantly learning hands-on in the real world, in the market. The people who are learning to be car mechanics are working in private sector workshops, repairing cars as part of their NVQ training to become motor car mechanics. We pay their wages but we put them in a place where there are real cars and not just a car that they can dismantle and put together again. That is what is required. I am quite happy to go down that route, but I have not been able to find willing takers. It is as simple as that. All I can say to him is if he says that ... I am not saying he is lying; I am saying I have difficulty believing how it is that he gets people to go to him and tell him something which he cannot deliver and they will not come to tell me – and the Government is the one that can deliver the training. I have invited employers to get in touch with the Department to open vacancies for apprenticeships. I have also sent the same message to the Chamber and the Federation of Small Businesses. So far, what I have had, as I have said, is only people who are interested in taking over the role of training that the Government is already doing.

The policy of the GSLP, approved at a general meeting, is that we continue to provide apprenticeships and training to get all the people into employment, and that is why the Government's policy is training for employment. What we do not do is train people and then put them back on the dole. I know that happens elsewhere, but that is because elsewhere people move from one part of the country to the other; so somebody can be trained in La Linea and finish up working in Barcelona, but here people do not want to go to Barcelona or anywhere else – they want to train for the jobs that are here in Gibraltar.

Meanwhile, we continue with the existing training schemes and we will look at anything new that comes up in terms of skills that we have not considered in the past. At the moment, we have got the apprenticeships in electrical and mechanical skills in Gibdock, on which I give updates whenever I get asked, mainly by the Member opposite who has asked me for the figures in the two training centres; and there is also ongoing training in the transport, tourism and construction sectors for drivers of buses, coaches, lorries, forklifts and plant operation. In the care and health sectors, we are running courses for apprentice nursing and apprentice care assistants.

The labour market in Gibraltar is increasingly supplied from the hinterland in Spain. Clearly we cannot be increasing jobs at the rate we have been doing in the last seven years without relying on frontier workers. The reliance on frontier workers is something I will be taking into account in the structural changes I feel the economy needs to undergo after we leave the EU in October if there is no transition period, as seems increasingly likely at this moment – to me, anyway.

The problems of the labour market in Gibraltar that distort the structure are not new. I discovered, thanks to the Hon. Mr Clinton – my good friend Roy, if I may call him that, Mr Speaker, (**A Member:** Hear, hear.) – who gave me a present on the occasion of my knighthood, which I treasure. It is a copy of a report on the structure of the Gibraltar economy of 1944 commissioned from Prof. Frederick Hayek, an eminent Austrian economist, an eminent

authority on economics whose views I do not share, since Prof. Hayek is a defender of the theories of Adam Smith and I was brought up, as it were on the thinking of John Maynard Keynes. The two were contemporaries with opposing theories. However, the empirical facts of the labour market in the survey that he did in 1944 were identified by the report and make interesting reading. Two issues were highlighted: one was the disparity – I would say discrimination – between the UK-based workers in the MoD known in later years as agreement workers recruited from the UK, and the much lower wages paid to local workers. The first issue was put right in the parity battles of the 1970s, in the middle of which the GSLP was born. The other issue was dependence on frontier workers in the hinterland and in particular the share of the size of the labour market that was held by cross-border workers. The second is still with us and I have described how it distorts the GDP per capita computation, creating a sense of entitlement amongst some of our people who want a share of the money they think is there but does not exist.

Mr Speaker, Community Care came into existence to meet a particular need to supplement the incomes of our senior citizens. It was one of the many initiatives undertaken by the socialist Government from 1988 onwards. The GSD has been no friend of Community Care historically. Having promised both in the Parliament and in general elections that they would maintain the annual grants so that the charity would not need to dip into the reserves built up between 1988 and 1996, it did not just fail to honour this promise, it actually engaged in a policy of withholding grants so that the reserves would be exhausted. At the time this was going on, in this Parliament we were being told the opposite of what was taking place. In spite of this totally indefensible behaviour by the GSD in the past, today it feels that it has the right to call to account the charity to explain how it uses its resources, when if the GSD had been re-elected into Government in 2011 the charity would have ceased to exist. This is not an opinion or a political view; this is what the Chief Minister of the time told the media and told me in answer to my Questions in Parliament. Just prior to the General Election of 2011, the Government confirmed it still intended to close down Community Care but that there had been some slippage in the timescale and it would happen in 2012 after the General Election.

In 1996, at the start of the GSD term of office when they were still providing support, I asked Questions about the charity and the reply from the Chief Minister was that as an independent charity we should not be doing things that might give others the impression that it was an extension of the Government or under Government control. That was enough to stop me asking any more Questions, since the interests of the charity came first and its protection as well. Indeed, I reminded the then Chief Minister that I had only asked the Questions because it was something in opposition he had said he would do if he came into government and he was not doing it – and he was not doing it because once in government he realised that what he was asking for in the Opposition was not a good idea. I regret it is not enough to stop the Hon. Mr Clinton wanting to have more information about this charity.

The charity receives grants from us because that has been our policy since it was set up, because it is in our election manifesto and because when people vote for us they know that this is what we are going to do. Indeed, the Chief Minister has just announced that if we get a windfall payment of Company Tax, rather than have it disappearing in recurrent expenditure we hope to have the opportunity to get closer to the target for Community Care. We keep the promises we make. They make promises to do likewise but then do the opposite. The money we provide belongs to the charity and the charity uses it in accordance with its constitution. It does not have to give explanations to the Government and even less to an Opposition that would have closed it down.

Last year Mr Clinton was concerned by the reduction in the grant of £15 million, which has been made up this year by providing £25 million. I do not think he was doing this because he was worried about the survival of the charity but to use it as evidence that we were heading for a deficit. Well, what we were heading for was a Brexit, not a deficit. The two decisions – to curtail spending on the payroll of the top salaries and the salaries of Ministers, and on the grant

1940 to Community Care – were taken in the context of a possible contraction of revenue in the last financial year as we reached Brexit.

As I have explained, the results this year produced a higher income of £55 million and all of it from the three revenue heads that I have suggested are the chunk of the 85% of Government revenue. My advice to the Government is the advice that I got from the GSD Chief Minister in 1996: that it is not in Gibraltar's national interest to engage in providing information to Parliament on the affairs of an independent charity. It was enough to stop me asking Questions and I hope that the Hon. Mr Clinton will reconsider the position.

The position of the Government on the reserves of Community Care is that we are still committed to build them up. At £100 million, the reserves are at the equivalent in today's money of the £60 million we left in 1996, but this level of revenue of reserves is now much lower as a multiple of the running costs and therefore we are still committed to come as close as possible to the £230 million as quickly as we can.

I also want to make clear my total opposition to the policy being adopted by the GSD in respect of state-owned enterprises – SOEs, as they call them in the People's Republic of China. (Laughter and interjection) I have already described how they had one policy in 1996 in opposition, the opposite policy between 1996 and 2011 in government, and now they are back in opposition they are reverting to the pre-1996 position as if their conduct over the intervening 15 years counted for nothing and could be airbrushed aside. They did not just fail to give information which we accepted, they did not even comply with the law to have up-to-date accounts for 15 years, so how do they have the gall to question anything now? As socialists, we believe in the public ownership of companies that engage in commercial activities. We believe that such companies have to be allowed to conduct their affairs under the rules that apply in the market. So why does the Hon. Mr Clinton think that Gibtelecom should be debated in Parliament as if it was a Government Department because the Savings Bank has invested in its shares? Does he think this because it is Gibraltarian and that it should be handicapped? Or does he think that if the Savings Bank bought BT shares we should debate the activities of BT in this Parliament? The Gibraltar Savings Bank has the role of a development bank. It was the Hon. Mr Clinton himself who defined it as such in one of his earlier contributions. This was the GSLP policy in 1988. They were against this role and stopped it in 1996. Why does the GSD think in opposition that we have won the election to abandon our policies and implement theirs? This is not a question of secrecy; it is a question of protecting the rights of entities in which we invest to have a level playing field and not be handicapped because the shares are publicly owned.

In the comparative tables by the World Bank and the IMF, the ratio used, debt to GDP, is the one that we are using here simply because no one uses any other measurement. The UK has requested a ratio of reserves from its Overseas Territories linking it to revenue which it does not apply to itself, as I have explained previously to the Members opposite, and they certainly have not attempted to require it from us – they have done it to other Overseas Territories. When they were in government the GSD discovered that it was impossible to fund capital projects using the ratio of debt to revenue – it can only mean a declining level of debt, believe me, Mr Speaker – and therefore this is one of the reasons why they had to have a motion to breach the ceiling, and eventually, when that was not enough, they had to resort to raising funds through Government companies.

The important thing, in my judgement, is how the money is used. We never questioned how much money they were raising as long as the money was being used on something that was either delivering infrastructure which would produce not just economic activity while it was happening but longer-term benefits in economic growth and revenue, or they were actually investing on something that produced a return which was more than the servicing cost of what they were borrowing. All this has been explained ad nauseam, but the Members opposite do not care about the explanation because their strategy is not about accountability, transparency or anything else; it is about finding something to attack the Government with in order to seem to be an effective Opposition. The things they say they would do but never did are the things they

say we should now do, and we will not because we are not going to do things that we do not think are in the best interest of Gibraltar and because they are only saying it in the hope that it might undermine confidence in the Government.

1995 On the question of the Savings Bank and in accordance with the provisions of the Act and the policy of the Government, I will continue to give priority to reinvesting the funds on deposit in Gibraltar projects which will promote Gibraltar's economic development and provide a better return than is currently available from the investments with the Crown Agents. I have made sure in the reports that I distribute to depositors that they are all fully aware of this policy, and they
2000 still keep on putting their money in there.

I have demonstrated that I have defended the same policy on Government debt since I joined the Parliament in 1972, in government or in opposition, and what goes for Government debt goes for company debt too. If Gibtel borrows money as part of its business strategy, is that going to be included as Government debt? And if we invest in BT shares, are we going to include their
2005 debt as Government debt as well? The only relevant issue in borrowing, irrespective of who is doing the borrowing, is whether the money is employed so that it produces a higher return than the servicing cost.

The Opposition says the level of borrowing by companies is what stops them being able to vote for Government recurrent expenditure. There is absolutely no connection between one thing and the other. Nothing that they get told will change their mind because having decided
2010 not to vote in favour of the Appropriation Bill once, they are now stuck with the policy.

One particular company which the GSD has hated since its inception is Credit Finance, which they claim is paying Civil Service pensions and therefore reducing the cost of the annual Budget to produce fictitious surpluses – the £55 million this year, presumably. The fact that I have explained why this is not so is not going to stop them saying it, so I will just limit myself to pointing Members to where the cost of the Civil Service pension is in the Consolidated Fund charges as a direct debit not requiring their vote. The cost of these pensions in 2011-12 came to
2015 £27.6 million a year, before Credit Finance existed and when they were in Government; in the year just ended, that the Hon. Mr Feetham says the Government is no longer paying the pensions, the pensions came to £41.3 million; and the estimated cost for the current year is £45.2 million.

In closing, Mr Speaker, I would like to deviate from what I normally include in my speeches for the Budget. I have been talking about financial sustainability and how we can ensure that we will be able to continue to pay for the public sector services going into the future. However,
2025 there is a deeper and more urgent issue, which is the sustainability of the planet to support life, **(Two Members: Hear, hear.)** which is even more real a challenge *(Banging on desks)* than fiscal sustainability, which in the final analysis is about balancing the books so that we can pay our way. I was not able to be here to take part in the debate on the motion 'Declaration of Climate Emergency', so I would like to take this opportunity to put my views on record because there is a
2030 dimension, which is related to what the Budget debate is about, that was not reflected in the debate on that other motion.

Having read the *Hansard* of the debate, I have to say that I disagree with the analysis of what needs to be done to avoid the catastrophe to which humanity is heading. It is clear to all of us that nothing that we do in Gibraltar can have a perceptible impact on where the climate is heading to or the continuing degradation of the environment. However, that is no excuse for not
2035 doing our share or even wanting to do more than most, since we are committed to the cause of environmental protection. The point I want to make is that this should also apply to the analysis I am about to make, which is not happening elsewhere and which in my view is the true cause of the problem.

2040 When Dr Cortes introduced the motion, he stated that the receding ice sheets, glaciers and other climate changes had been part of the history of our planet, but until the last 200 years all these changes had been due to natural processes and not the activity of just one species: ours. I do not agree with him. I think this focus is part of the problem that humanity has. Our species

did not suddenly materialise 200 years ago; it evolved 200,000 years ago. So what is it that happened 200 years ago: the first and second industrial revolutions and Adam Smith, the father of the theory of the classical school of economics, leading to factory production, international trade and even the GDP as a measure of a nation's health, when previously it was based on gold and silver reserves. This was not being done by the species but by a small section of the species: western civilization. (**A Member:** Yes.) They are the real culprits. The process that this started has led us to where we are now, with a globalised economy and mass production on a level never imagined before. The problem is not CO₂ but what I call CCD, compulsive consumption disorder, the western world's lifestyle and values that define what we call the standard of living and what the rest of mankind aspires to achieve. Globalisation is turning this disorder into a world epidemic. It is killing some of us in the west and it is killing the rest of the planet in the process.

I agree with the approach suggested by my hon. Friend Mr Feetham – I am saying something nice and this time he is not listening (*Laughter*) –

Hon. L F Llamas: He doesn't expect it!

Hon. D A Feetham: Always listening!

Hon. Sir J J Bossano: I agree with the approach suggested by the Hon. Mr Feetham on changing our lifestyles by eating less meat, for example, or what my colleague Minister Balban suggested, that we should make less use of cars and make more use of buses – although I do neither as a general rule because I walk; I have never owned a car and I do not know how to drive. But these individual changes in lifestyle are not going to be sufficient in making an impact, even if everybody in the west adopted them. Something much more radical is required and it is not going to happen.

As the Chief Minister pointed out, we have to be proportionate. There has to be a balance for what can be done. This is what all governments are committed to – doing something – and what we are prepared to do: a balanced approach. Unfortunately, a balanced approach is not universal – there are those who do not want to do even that – and in any event, in my view a balanced approach will not save us; it is already too late for that.

Whichever way we look, we see what is happening. There are the developing countries, as the Chief Minister mentioned, and these are wanting to catch up with us, live like us and pollute like us. And then there are those in the advanced economies who do not care and are not prepared to do anything. The US Secretary of State, Mike Pompeo, for example, told members of the Arctic Council in May:

The Arctic is at the forefront of opportunity and abundance. It houses 13 percent of the world's undiscovered oil, 30 percent of its undiscovered gas, and an abundance of uranium, rare earth minerals, gold, diamonds, and millions of square miles of untapped resources.

Fisheries galore! So much for stopping global warming so the poles do not melt. Forget the melting ice caps – just look at the opportunity for making more money. More money for whom? More money for those who already have more than they need? More money for those who have more than most?

The United Nations has as one of its targets eliminating poverty in respect of the 700 million people who live on £1 a day or less. The least polluting countries are in the developing countries and in these countries the least polluting people are indigenous tribal people retaining their traditional culture, who continue to be exterminated so that more virgin land is released and its resources used to feed the consumerism of the west, make multinationals richer and the environmental damage greater. This is the cause of the problem. The CO₂ causes the global warming and the consumption-led model of the west causes the CO₂. The west tries to reduce its CO₂ emissions so as not to have to give up its consumption-led economic model. It is

understandable: if the musical chairs of the global economy stopped, we would not know how to handle it.

2095 India produced 6% of carbon-dioxide emissions from fuel combustion in 2015 and the US 15%. In 2015, India had a population of 1.3 billion and the US 321 million. China, which was more industrialised than India with a population of 1.3 billion in that year, was the source of 28%. Are the people in India not entitled to live like those of the United States? Does anybody really believe that it is possible for the rest of the planet to enjoy the income, lifestyle and consumption levels of the western advanced economies? I do not believe it is possible without making the environmental problems we now have a hundred times worse.

2100 The real challenge in delivering environmental sustainability is that it has to be an integral part of economic sustainability. The magnitude of the problem lies in that the whole drive for economic growth is in order to increase wealth by increasing human use of natural resources. There is no acceptance of the fact that the capacity of the planet is finite.

2105 The Hon. Mr Feetham was the first one to raise the issue of the culture of entitlement in Gibraltar. It is not limited to Gibraltar and it is insatiable, so I honestly think that this is a fundamental philosophical issue which transcends politics.

2110 My job is to make our economy grow and at the same time participate in going green in Gibraltar, but the greenness in Gibraltar will not affect the greenness in the rest of the planet, so growing faster will not dramatically damage the prospect of survival for the planet. We are too small to count. But we are not too small to set out to be an example to others to follow, even if few do.

2115 In my view, the only hope for mankind lies in a dramatic breakthrough in technology, in particular in harnessing fusion energy; alternatively, for as long as the western economic model of compulsive consumption continues to spread, it is difficult to see a solution happening anytime soon.

2120 I will give an example of a dilemma that western society faces when consumption is reduced, a very small example. Two weeks ago, the figures for retail sales in the UK for the month of May were published. They showed a drop of 3% from May 2018, the worst figure for sales since the British Retail Consortium began compiling this data in 1995. Nor was it a question of a shift to online sales, which is affecting the retail trade everywhere – online sales were up 1.5% in May compared with May 2018 when the increase was 11.5%. Should we be worried by these results or celebrating? It depends. Given the western economic system is driven by ever-increasing consumption, a slowdown of sales or even worse a drop in sales indicates a possible recession, lower consumer spending, more unemployment and less profits. It also means less production, which means less pollution, less plastic, less use of raw materials and natural resources. This is the real dilemma that the western world has with its conflict of mutually incompatible values and objectives. This is the connection between a sustainable economy and a sustainable environment. I hope, Mr Speaker, that in the new economic structure that I need to plan for post Brexit the environment will play a bigger part in it. (**Two Members:** Hear, hear.)

2130 I commend the – (*Banging on desks*)

2135 **Mr Speaker:** Before I call on the Hon. Roy Clinton, we are going to recess for a few minutes, as the Chief Minister has been asked to record an interview for GBC, which he has not been able to do earlier today, for the news bulletin and he would like to be here present since Mr Clinton shadows him as Finance Minister. It will be a short recess.

*The House recessed at 7.55 p.m.
and resumed at 8.11 p.m.*

**Appropriation Bill 2019 –
For Second Reading –
Debate continued**

Mr Speaker: The Hon. Roy Clinton.

2140 **Hon. R M Clinton:** Thank you, Mr Speaker.

It is always an honour to follow the Father of the House, certainly in the Budget debate – although it is, of course, my aspiration one day that the order should be reversed and maybe next year he will reply to me!

2145 I was very interested to hear his analogy when he spoke about how he would explain unpleasant truths to his trade union members and I regret it may be my duty today to provide that second opinion, but I think in my case the political patients may not like the message or the prognosis.

2150 This Budget and the Estimates Book for 2019-20 has all the characteristics of a mirage. We are asked to believe what our eyes perceive to be a shimmering land of plenty, an oasis in which our financial thirst will be quenched and satisfied; and yet on closer examination of this miraculous mirage which his GSLP-Liberal Government has produced we find out, perhaps too late, that our minds have been deceived by what is no more than an optical illusion that we have been only too quick to believe. We are invited to believe a record surplus of £82.8 million – or £85 million, as the Chief Minister has amended earlier today – we are being asked to believe net
2155 debt down to £314 million, and we are being asked to believe bumper revenues of £706.6 million in the year ended 2018-19. This pre-election Budget has been purposely designed to create just that: an illusion of plenty when in fact the truth is the opposite, and we should not allow ourselves as a community to be so cruelly deceived.

2160 Mr Speaker, the truth is simply that, as I have said before, the Government is running two sets of books and we are only being shown a fraction of the financial reality in the Estimates Book that is before us for 2019-20. We need not go much further than look at the expenditure line for the new schools in the Improvement and Development Fund. In the last year's Budget, 2018-19, the Government put in a token £1,000, which I said then was obviously nonsense and not enough given that the contract for the new comprehensives had already been awarded for
2165 £52.2 million, and yet they showed £1,000. I really could not believe my eyes when the outturn expenditure for 2018-19 is not reported as tens upon tens of millions of pounds in excess of £1,000, but instead zero. Yes, Mr Speaker, zero! Page 163 clearly shows zero, nothing, zilch. Her Majesty's Government of Gibraltar, according to this Book, has officially spent nothing on new schools – absolutely nothing, not even £1,000 according to this. Yet in a letter to the Gibraltar
2170 NASUWT dated 9th May 2019, the Chief Minister boasted that the investment in educational infrastructure will be 'well in excess of £100 million'. Well, Mr Speaker, where is it? Did he spend it, or did he not? We can see the schools are indeed being built, but at what cost? The Estimates Book would have us believe they appeared by magic at no cost – or perhaps our eyes are deceiving us and it is indeed all a mirage, some sort of an optical illusion. Which is it? Do the
2175 schools exist or not? According to the Book, they do not. Where is the expense? Or are we to believe that the mysterious Gibraltar Development Corporation owned GEP Limited, that signed the construction contract for the new comprehensives, is going to gift them to us like some fairy godmother?

2180 We are being asked to believe in the realms of financial fantasy and fiction. If we took into account the Chief Minister's number of say £100 million, which I assume has already been spent on the schools so far, he would not have a record surplus of £82.8 million in 2018-19 but in fact a deficit of £17.2 million and we would only have £20.7 million left in the Consolidated Fund, and the net direct debt would then be the highest ever at £414 million. That is the plain truth, not the fantasy the Chief Minister is trying to peddle. This fantasy Budget we are presented with is
2185 the delusions of a Finance Minister who behaves like a Roman Emperor with a fiddle. As this

financial mirage evaporates in the glaring light of truth, let me set out a deeper analysis as to what I believe has gone wrong and why I cannot vote for this Budget, which in my view makes a mockery of both this Parliament and our Constitution. (**A Member:** Yes.)

2190 Mr Speaker, over the last three years I have conducted an in-depth review of this Parliament's Budget process and the Budget presentation, and I have come to the conclusion that it is not fit for purpose. There are three main reasons for this conclusion: firstly, the lack of a Finance Bill; secondly, delays in approving and debating supplementary appropriations; and finally, the undermining of the integrity of the Budget numbers themselves.

2195 Last year, I tried and failed to convince the Government to reintroduce the practice of having a Finance Bill as well as the Appropriation Bill. Without a Finance Bill, taxation measures are not being debated in this Parliament and are being mostly introduced by regulation. There continues to be a need to bring Bills that are backdating measures to previous Budget announcements. For example, the Public Health (Amendment) Bill, which we have on our Order Paper, is in respect of rates changes announced in the 2013 and 2014 Budgets. This does not even relate to the life of
2200 this Parliament nor even to the Members present. A Finance Bill would allow a meaningful recess also, to allow the Opposition to digest the measures announced and prepare a considered response.

Again, I drew attention last year to the delays in presenting the Supplementary Appropriation Bills. As at the beginning of June 2019, i.e. earlier this month, we had two years' worth of
2205 Supplementary Appropriation Bills outstanding. Yes, Mr Speaker, two years' worth! The Supplementary Appropriation Bill for 2016-17 was published on 12th January 2018 and we have still to debate it in this House. The Supplementary Appropriation Bill for 2017-18 was published on 8th March 2019 and we have still to debate it in this House. The Minister for the Environment has more success in bringing forward legislation on everything from banning ivory sales to
2210 circuses, and yet so-called 'money' Bills are totally unimportant to the Minister for Finance – regardless of Brexit. I can only conclude that the Finance Minister's tardiness is deliberate so as to delay the presentation of the Principal Auditor's report. The report for the year ended 2015-16 was only tabled at our meeting in May.

But the biggest failure of the Budget process is that we in this House can no longer have any
2215 faith in the completeness of the financial picture presented to us by way of the Appropriation Bill. Since coming into Government in 2011 there has been a deliberate policy by the GSLP-Liberals to divert capital projects into Government companies outside the Improvement and Development Fund. This included the raising of a £300 million loan by the mortgage of six housing estates, which was done through a corporate vehicle. The Father of the House talked
2220 about electoral deception when he talked about the proposed financing of the power station under the GSD, but where was the £300 million in his manifesto? Was that electoral deception as well? It certainly was not in this Book – and if it is in this Book, I would like to know where. So it is a bit rich for the Father of the House to accuse us of electoral deception when he failed to tell the electorate that within six months of the day of the General Election he was going to
2225 borrow £300 million. That, Mr Speaker, is electoral deception. Perversely, he complains of a 5% increase in electricity charges, but having a 3% annual increase in rents and rates is not a problem. And this money, this £300 million, appears to be being passed around Government companies for various purposes with no explicit legal authority from this Parliament. None of it is reflected in the Estimates Book. This is surely contrary to the spirit of our Constitution, which
2230 assumes that this Parliament will approve all major recurrent and capital expenditure, and of course borrowing.

In addition, transactions between the Government and Government-owned companies have in the past distorted income – reporting on stamp duty and property sales, for example. I estimated, in the detailed analysis I presented in the 2017 Budget debate, that the flattering
2235 effect to the Government's financial position of related party transactions had been as much as £246 million, and this included the sale of the air terminal for £90 million to Gibraltar Land Holdings in 2013.

Major capital expenditure should be reflected in the Improvement and Development Fund so that we know what our current and future commitments are. The much talked about construction of the new Airport terminal was fully reflected in the Estimates Book within the Improvement and Development Fund's project expenditure. It was there in 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14, and despite the GSLP-Liberal criticisms of the costs they voted in favour of it in successive Budgets. Yes, Mr Speaker, they voted in favour of the expenditure on the Airport six times as the project progressed, but importantly – and this is the difference with their approach as regards the schools – they knew the cost year by year. It was in the Book. As it stands today, the Chief Minister claims to be spending over £100 million on new schools but not a penny of expenditure for 2018-19 is shown. We in this place do not know how much it is costing. This is not right. This is not how it is supposed to work. We should not allow the use of corporate structures to avoid the scrutiny of this Parliament, which is what is happening.

Mr Speaker, in the period from 1st January 2012 to 31st December 2017 the Government incorporated or acquired 37 companies. Some of these are better known to us as Credit Finance Company Limited, the Gibraltar International Bank, Gibraltar Capital Assets Limited or the University of Gibraltar Limited, and they have a clear function or purpose. Recently, the trend has been to set up companies with cryptic names such as GBIC, GEP, GSTR and GEWP, and the only clue as to purpose is that the 'G' in each probably represents 'Gibraltar'. This has to stop and Parliament needs to know what are the activities of these companies. We have to have transparency not just of finance but also of purpose.

Last Saturday I undertook an exercise on the filing records of these 37 companies. Of the 37 companies only 12 have filed any financial information at Companies House. As to the financial activities of the other 25 companies we have no information whatsoever, nothing. During last year's Budget session the Chief Minister announced:

I expect to be filing the accounts of all of the Government companies, starting shortly after summer.

Well, Mr Speaker, I would gratefully accept a list from the Chief Minister as to those that have been filed; and in fact obviously, as he announced today he expects to file all of them by the end of the year, I would not mind if I had a list that included all those that he intends to file. We can only guess sometimes because, as I have already pointed out, in many cases information is filed in an abbreviated form which limits the information that is available for useful analysis. We can only thus guess at the financial activities of the Government-owned companies and what their assets and liabilities are. For example, we know that the Economic Development and Employment Company, which was incorporated on 11th June 2012 and which I believe is owned by the Gibraltar Development Corporation, receives annually £11.8 million from the Gibraltar Development Corporation. But that is all we know. No financial information has ever been filed at Companies House. We do not know what this company does with its money. There are major Government companies – such as Gibraltar Investment (Holdings) Limited, Gibraltar Joinery and Building Services Limited, GAR Limited, Gibraltar Residential Properties Limited and Gibraltar Car Parks Limited – about which no current financial information is available. I appreciate that if the Chief Minister is giving an undertaking that all these will be filed by December I will be the first one to thank him for it.

Mr Speaker, he deploys rather a bizarre argument as to why property is somehow better off in a corporate structure as opposed to the Improvement and Development Fund. He seems to argue that if somehow the properties are in the Improvement and Development Fund and not within a corporate structure they are not going to be maintained. What sort of argument is that when the Government owns the company? It is ridiculous and it is not an argument for using corporate vehicles. I note that this coming year, 2019-20, the Government intends to increase the contribution to Government-owned companies by 20%, or £5 million, to £30 million. We still do not know the names of the recipient companies; nor indeed have we heard a reason for the

increase. This is really an impossible situation and again undermines the ability of this Parliament to scrutinise Government, which is what we are here to do after all. When he says, 'Oh, and all these Government companies will be on the website,' why can't he bring it to this place? Why does he put it on his website? Why can't he bring it in here, then we can have a proper debate on it? What is the Sports Complex doing in a corporate structure anyway, when I thought it was in the Improvement and Development Fund? It makes no sense. But he admits that these entities do not need any votes in this place, this place is redundant, he can do everything from the corporate structure – he can put £1 in the Consolidated Fund and not bother turning up to have a Budget debate. We really have to stop this.

Mr Speaker, last year the Chief Minister treated us to a fantastic overview of Sir Joe Bossano's principles on managing the economy, obviously because the Chief Minister has none of his own. None of Joe Bossano's principles do I disagree with. Those principles were, namely: sustainable development of our people and land; not to borrow to repay recurrent expenditure; borrowing needs to be properly financed and invested in capital projects that are self-sustaining; and lastly, we should accumulate funds in pots where they are available to Government in the event of a rainy day. I find those principles entirely agreeable; I have no problem with them whatsoever. However, we shall see that the Chief Minister has actually breached at least two of those principles.

Turning to the Estimates Book and the Appropriation Bill itself, my colleagues will speak in detail as regards their respective areas but I will talk about general trends. Last year, I pointed out that recurrent expenditure as a proportion of income was on an upwards trend. The outturn for income for the year past, 2018-19, rose by 11% compared to the previous year and I think sets a new record for the highest level of income, and so the ratio of expenditure to revenue was only 88% although it was originally forecast at 96%. And last year the Chief Minister stated that revenue was nearly always under-forecast to provide some headroom, and he has repeated that assertion this year. But the revenue forecast for 2019-20 is only 1.4% less than last year's, which was in fact a high water mark. Recurrent expenditure for 2019-20 is set to increase by 8%, or £52.6 million, to £676.4 million, which as the Hon. Leader of the Opposition has said already, represents £56.4 million per month. That would represent a ratio of expenditure to revenue of 97%.

We never want to find ourselves in a Budget deficit where we spend more than we earn in revenue. I think the Father of the House is pretty clear on that point. Other territories, such as Bermuda, fell into that trap and are still trying to extract themselves from the consequences. To avoid that, what we need – and I think the Father of the House has already alluded to this – are sustainable revenue streams and good management of our expenditure.

The Government this last year, 2018-19, benefited from extra Company Tax revenue of £33½ million and Income Tax of £16½ million, bringing in an extra £50 million over the original Budget. As the Father of the House has already pointed out – and I must say I did not copy this – Company Tax is obviously dependent on profits and Income Tax on employment levels. Both of these reflect the state of the economy and are obviously not guaranteed. Sir Joe has already eloquently explained this point and also that GDP does not necessarily translate directly into Government revenue. I sincerely hope the Government in its Brexit planning has included the effects on this Budget should there be a negative shock to the economy come October. Sir Joe Bossano I believe has just given us his prognosis and his health warning. I can only concur.

Mr Speaker, given Sir Joe was expressing misgivings about expenditure running at £50 million a month, I hope he is satisfied that £56.4 million a month for 2019-20 is sustainable. If he is not, then I would invite him to do a Mintoff and vote against his Government's Budget, or at least abstain, otherwise he will forever be an accomplice to it. We are voting against this Budget because we have no ability to assess the true financial position, given the incomplete picture in these Estimates. Sir Joe, on the other hand, will have access to the true picture and can form his own view as to what is realistic and what is fantasy. Sir Joe's party political broadcast last Friday was a call for caution in the way we manage our public finance and I endorse that view

wholeheartedly. We all know that Sir Joe should have been appointed Finance Minister in this Government and not his erstwhile unworthy former apprentice. Gibraltar deserves better and would be served better by Sir Joe.

And so, Mr Speaker, in announcing a record surplus of £82.8 million in the Consolidated Fund by excluding the £100 million or more cost of the schools, the Chief Minister is creating an unrealistic picture of its financial performance.

Last year, I noted that the Community Care contribution for 2018 was not the usual £20 million but had been cut by 25% to £15 million. At the time I only had information available to me showing the annual cost in 2014 was £16 million. I now know that at June 2017 it was running more at £20 million per annum and thus the 2018 contribution did not cover its annual cost by £5 million. This year the Government is contributing £25 million, which in effect is just making up the shortfall for 2018 and covering its costs for 2019. There will thus be no significant increase in Community Care's reserves, other than the windfall announced this morning, as I will discuss later.

Of concern is the 30% increase in the contribution to the Improvement and Development Fund from a forecast £43 million to £56.5 million. It is just as well that we had extra income in 2018-19, because capital commitments cannot just be avoided.

After all expenditure and despite the record announced surplus, the Consolidated Fund in 2018-19 in reality only increased by £1.3 million, which I think is the figure to focus on, representing a minimal increase in cash reserves.

The Improvement and Development Fund had to have an extra £13.5 million contribution from the Consolidated Fund in 2018-19. The reason for this was a shortfall of £1.1 million in revenue and around £12.4 million in extra project and equipment expenditure. I am concerned that for 2019-20 the Government is estimating revenue of £75 million from the sale of Government property and other premia in the Improvement and Development Fund. This would represent 92% of the revenue of the fund for 2019-20, which of course reduces the need for a significant contribution from the Consolidated Fund. But of this amount £54 million represents the sale of old MoD housing stock and I am slightly concerned because I am already hearing that, although probably they have all been tendered for and allocated, some purchasers might have problems completing, given they are probably in a property chain. Again, we do not know what will happen with Brexit or how the property market may or may not be affected, but if these sales do not generate the cash that is anticipated then obviously the Consolidated Fund will have to make up the shortfall in what may be a difficult period for Gibraltar.

Mr Speaker, I have already pointed out that, according to the figures, no money was spent on the new schools in 2018-19 and again we have a token number of £1,000 for 2019-20, which we all know is, frankly, nonsense. I would like the Government to explain exactly how the schools are being paid for. Where is the money coming from for the schools? In the Improvement and Development Fund there is no provision for the £20 million waste water treatment plant, other than £1,000. The one project that is recorded in the Improvement and Development Fund is the 2019 Island Games, which is unsurprisingly already significantly over budget. There is nothing about the Grand Parade car park and nothing in respect of the theatre, and nothing in respect of the Chief Minister's cryptic comment about demolishing the Queen's Cinema for car parking on the *Direct Democracy* programme. I cannot actually see anything in respect of the affordable housing projects announced for Hassan Centenary Terraces or Bob Peliza Mews, other than £5.5 million for infrastructure and £4.5 million for Eastside revetment works. What are these projects going to cost? Just one of them I estimate could cost some £200 million. My other question was: where is the money coming from? Well, the Chief Minister may have given us part of the answer to that question this morning. I will speak more about that later on.

I asked last year about Brexit contingency funds, and other than an amount of some £200,000 under the office of the Deputy Chief Minister for 2019-20 I do not see any substantial provisions. Where is our buffer for Brexit? Sir Joe is correct in saying that now is the time to build up our rainy day funds. He admits that the Savings Bank will not reach its manifesto target

of £70 million by 2019-20. It is now estimated to reach £48.7 million, which will be short by £21.6 million, or 30%. As I said last year, I do accept that this is truly a rainy day fund and it is accessible by the Government at any time.

Turning to Community Care – and I do apologise if I have upset anyone with my persistent questions but they were important for me to establish the amount of reserves held, the annual costs and the availability to Government ahead of Brexit – I am pleased to see that the trustees have now filed accounts to 30th June 2017 with the Charities Commission, for which I thank them. From these accounts I was able to establish firstly that the reserves in 2015 were in fact closer to £80 million than the £100 million reported in the GSLP-Liberal manifesto. Sir Joe I think has conceded that his numbers were an estimate at the time, given that he did not have the accounts available to him then, an explanation I fully accept. But in addition, as at 30th June 2017, the annual costs were running at £20 million. This has meant that the annual contribution made by the Government in the last four years has not really resulted in the accumulation or build-up of a large surplus. In fact, its reserves in 2017 are around £89 million and are thus unlikely to be anywhere near the GSLP-Liberal manifesto commitment of £230 million by 2019-20. However, given the Chief Minister's comments this morning, it may be that due to his windfall they might actually get closer to that number than I had originally anticipated based on purely Consolidated Fund surpluses.

Mr Speaker, I know the Chief Minister will want to listen to this. GCC Investments has, as we know, made a loan of £85 million or some similar type of investment subsequently of which neither the trustees nor the Chief Minister are willing to disclose the beneficiary. I will accept the Chief Minister's word that it is deployed on some matter of national importance or sensitivity which will in due course and at the right time be disclosed. I do not and have not doubted the trustees' handling of the funds of Community Care, despite the Chief Minister trying to put false words in my mouth in respect of my correspondence with the Principal Auditor. But if the reserves of Community Care are deployed on some matter of national importance, then it cannot logically be available as a rainy day fund, unless of course it is highly liquid and can be converted into cash. In any case, in theory this is not money available to the Government on demand, or rather available to the trustees to meet future expenditure of the trust. And so, Mr Speaker, Sir Joe's fourth principle, in respect of rainy day funds, is not truly being respected.

When the GSD left office in 2011 the Government had £234 million in official reserves and a net direct debt of £285 million. This Government, for 2020, is predicting official reserves of £136 million and a net debt of £296 million, not including all the indirect debt they have been piling up. Mr Speaker, we really need to be in a stronger financial position.

Talking about debt, the official gross debt of the Government of Gibraltar is £447.7 million, which is made up of £247.7 million of debentures held by the Savings Bank which have no fixed maturity, and £200 million of bank borrowing of which we have heard this morning. The bank borrowing, from the last information available to me, is provided £50 million by NatWest which matures in March 2020, and £150 million by Barclays maturing in a tranche of £100 million in October 2019 and a further £50 million in June 2020. I was pleased to hear from Sir Joe in answer to Questions that Barclays have indicated that they will consider renewing the £100 million in October, but I was at the same time somewhat ... I will not say the word 'perturbed', maybe 'concerned' that if for any reason this financing cannot be replaced then effectively the Savings Bank would be underwriting it and effectively increasing their exposure to the Government. But of course this is in line with the Government policy, or Sir Joe's policy, that the moneys in the Savings Bank should be employed in matters of national interest.

Every year, I try to quantify the indirect debt and this year I came up with some calculation which I will have to amend following the Chief Minister's announcement this morning about what he has done with the 50% of the Government equity interest in the affordable housing schemes.

We know about Credit Finance's £400 million by way of preference shares from the Savings Bank. We know – I think, unless it has changed – that GCP Investments had £16 million

borrowed from Gibraltar International Bank secured on Government property. We know that ES Ltd has liabilities of £78 million, despite the Chief Minister saying the facility had only increased by £3 million, from £55 million to £58 million; there is obviously something else there that the company has borrowed and therefore I will use £78 million secured on the power station. Gibraltar Capital Assets Limited: £300 million loan notes secured on six housing estates. That adds up to £794 million in addition to the official gross debt of £447.7 million, which would take us to a gross debt level of £1,241.7 million at 31st March 2019.

Mr Speaker, I have made this calculation on a best-estimates basis and in good faith. I was promised by the Government an analysis of all external debt held by Government companies only a couple of weeks ago, but that has not been provided to me so I do not know if any other company has borrowed any more money; so, subject to what was announced today, I have no other ideas as to what the level of Government borrowing through corporate vehicles is and I am going to have to ad-lib a bit here, given the announcement that was made this morning.

The Government has announced this morning that it has put together a new scheme. I use the word 'scheme' as some general term because I do not really know what this is yet, because I have not really got sufficient detail. I asked the Chief Minister a direct question on 30th May 2019. I said:

Mr Speaker, can the Government advise if it is seeking to raise new borrowing via either a securitisation programme or mortgages of property held by Government-owned or Gibraltar Development Corporation owned companies?

And the answer was:

Mr Speaker, no, sir.

I thought I was quite clear in my Question. It may be that we have got to play *Animal, Vegetable, Mineral* to the *n*th degree to get a straight answer, but on 30th May the Chief Minister was telling this House that he had no intention of borrowing anything. In his usual attempt at financial magic – which he fails miserably at most times – he is calling this the sale of the 50% to a company. Mr Speaker, again I regret I do not have a whiteboard with me. It is a pretty complicated structure and I commend the financial minds that put this together because it is certainly impressive. (**Hon. D A Feetham:** Fiendish minds.) Very fiendish, Mr Speaker. (*Interjection*) Only the best, Mr Speaker! (*Interjection by Hon. Chief Minister*) I have questions about this structure, and I know the Chief Minister has offered a briefing for Members of the Opposition in the future, which I am sure we will discuss and probably take up, but I would be grateful in his response when he replies at the end of this week if he could explain a couple of things for me.

First of all, he talks about the loan notes that have been issued, but nowhere has he actually said what is the monetary value of those loan notes. He talks about £165 million of 50% interest in the affordable housing projects – Waterport, Cumberland, Bay View, Nelson's View and Beach View – being sold into this new company, GIC Limited, which incidentally, in case he forgets, was incorporated on 25th May 2018. I think he could have given me a straight answer to my Question at the end of May because this structure has obviously been in the pipeline for some time.

The way this structure works is the 50% interest ends up in GIC, which issues redeemable preference shares up to this other entity, Eruca Investments Limited – who dreamt up the name I do not know, but they could have come up with something a bit more simple – which in turn is owned by another entity, Eruca Holdings Limited, which in turn is owned by a UK company, Prudential Trustee Company Limited. Mr Speaker, I have come across that company before. That is the same trustee company used for the mortgaging of the six housing estates, as I am sure the Chief Minister will acknowledge.

But whereas the Chief Minister says, 'Don't worry, there is no security or mortgage of any real estate interest in Gibraltar, nor has the Government given any guarantees,' can he answer me this: are there any option agreements, the same as last time? Is there an option agreement on the loan notes, where they can put them back to the Government if anything goes wrong? Can he answer that?

Can he also tell us what the term of this loan is? Is this a 30-year facility? What is it? How long do these loan notes go out for?

Are the loan notes fixed rates for an indefinite period or will they change after three years? He says this rate is fixed for the construction period but then that begs the question: what happens after the construction period? Is there any change? I do not know.

He talks about the wider deal: what is the wider deal? He has been very clever in saying, 'Oh, I put in £165 million of assets,' and automatically people think of the last number they heard and they say, 'Oh, it's only £165 million of borrowing,' but it is not, because if he borrowed £300 million last time I would be tempted to bet he has borrowed £300 million again. He says, 'It's great, we are releasing all this liquidity' – well, Mr Speaker, it is a bit of alchemy because he has turned an illiquid asset by his own admission into a liquid one. But how? How has he done this? We all know that people will buy their 50 per cents when they want to. There is no set redemption schedule for people to buy their 50%, so where is the cashflow coming from? How are they going to pay the interest on these loan notes? They are not going to be getting it for free. They are not going to wait forever for people to buy out their 50%. Something is missing, Mr Speaker. What is it? What is it that we are not being told?

He may be right, there may be no security or mortgage or any real estate, but when I did the search over lunchtime there is in fact a mortgage, a debenture and a charge over Eruca Investments, which owns redeemable shares in GIC Limited, so there is. This is a lending structure, a borrowing. This is not a simple sale of property, this is a borrowing structure, and as he said this morning, this is something they will be using in future to finance other 50/50 schemes. But Mr Speaker, can he not be honest with the people of Gibraltar and with this House and just say, 'Look guys, we've borrowed another £300 million because that is the only way we can pay for what everybody wants'? Everybody wants affordable housing, but how are you going to pay for it?

It is very easy – as the Father of the House said this morning, economics is a serious sum game if you spend what you bring in and you spend what you borrow. But it is very easy to borrow and spend if you do not have to pay the bill later. The Father of the House this morning was saying we have to be cautious, we have to responsible, but this morning the Chief Minister stood up and said, 'Well, hey, guys, you know what? I've borrowed some more money. Don't worry about it.' Mr Speaker, that is not good enough. What I would like to hear from the Chief Minister is: how much has he actually borrowed from whom, what is the term of the loan and how are they providing liquidity into this structure? Has he got another mysterious housing allowance such as was invented for Gibraltar Capital Assets Limited so it could pay the interest on its loan notes? Very clever, Mr Speaker; I am sure it is. Again, when he says 'Oh, no, we sold it,' well, I am sure there are a lot of people out there who may be pretty upset at the fact that their 50% has been sold without so much as a by the way – because this was not in their manifesto either. Where did they say, 'Oh, by the way, we are going to sell your 50% as well'? Is that not deception?

This Government is short of money because they think it grows on trees. The Father of the House knows it does not; others think it does. Mr Speaker, this is a debt of this community and this community deserves financial honesty, it deserves the truth. I can see part of how this works, because Gibraltar Residential Property keeps a £1 non-redeemable share in GIC Limited, so once you have paid off all the redeemable shares you get your property back because you are going to be the only shareholder left. Very clever, Mr Speaker, excellent. But what are we trying to do? What is the object of all this? And for the Chief Minister and others to say, 'Debt levels

are down: look at this wonderful chart I'm publishing' ... But what about this? What about the £300 million? This is not good enough.

2540 If this is the way they want to run Government, frankly we may as well all go home because there is nothing in this Parliament that we are required to do. Mr Speaker, don't you find it perverse that if they have to enter into a loan agreement they are meant to present it to this House and if they have to get an overdraft facility they have to come to this House, but 'No, it's not a problem, we'll set up an SPV, we'll borrow £300 million, we don't have to go to
2545 Parliament'? Is that really what our Constitution envisaged? Is that really what we are here to do, basically just listen to whatever the Chief Minister announces because he feels like it? And where does he think he gets the authority from to do those things? This House has not even voted on it. He may have a Government majority, but he has not even bothered to put it to a vote. There may be Members on his side who would not do it.

2550 This is, frankly, incredible, and it just gets worse because he still has not told us – despite, how long is it now, almost three years – what he did with the £300 million he borrowed in the first place. We know he only got £275 million of it net, he gave £13 million of it to the Gibraltar International Bank – (**Hon. Chief Minister:** Not 'gave'.) well, invested, okay, I will grant him that – through the Gibraltar Development Corporation, and he is now proposing a £50 million loan
2555 for the Victoria Keys reclamation. But when you deduct those from the net £275 million, that still leaves 195 million quid, so what did he do with it? He must have spent it, because otherwise why go out and do something as clever as this? If that money was still lying around, surely the first call would be, 'Look here, let's not do something more, because this is going to be expensive, let's use what we've already got.' He has to answer these questions. He cannot just
2560 keep on avoiding them. What has he done with the remaining £195 million? If he is going out to borrow more, logically he has spent it. Doesn't he think we are entitled to know what he is doing with the people's money? Or does he really think that nobody really cares?

I was really interested to hear, coming on to the £50 million they are going to lend for the reclamation, that he has given an option for the developer to buy his bit for 25 million quid. I
2565 sincerely hope that the developer paid a premium for that option. I am sure lots of people would love to have the option to buy that amount of land at that price. To have an option at zero cost frankly I think would be ridiculous and I would like to hear what he has to say about it.

The Sinking Fund only had £15.4 million in it, and again, as in prior years, the Government really does not seem to have a debt management plan.

2570 Returning to the famous £300 million, one of Sir Joe's principles was that borrowing needs to be properly financed and invested in capital projects that are self-sustaining. Since borrowing that *huge* amount of money, the interest over those three years is around £34 million which has been incurred and has had to be paid. So, according to Sir Joe's principle, the money borrowed should have or will have generated at least £34 million in income to make it self-sustaining.
2575 Where are these projects? We have only heard of, as I said, the £30 million one in the Gibraltar International Bank and now the Coaling Island one, but what about the rest? What did he do with the rest to meet Sir Joe's principle? I think, on that score, without giving any explanation he has failed.

Mr Speaker, it is difficult to preach efficiency to the public sector when the Government is
2580 being so reckless in the rental of private office accommodation. I mentioned last year that there were examples of, or at least one example I know of, empty office space which was available while Government Departments were being moved into the World Trade Centre. Now I hear the Attorney General's office may be set to move to the recently vacated former offices of his law firm and of course I will be asking for more information about this in the future. There does not
2585 seem to be a coherent plan for the management of Government offices. Instead of moving into expensive private sector accommodation, the Government's existing office stock should be renovated, improved and, where possible, consolidated.

The Gibraltar Health Authority is the largest expenditure item again this year and no doubt will continue to be. We need to do what we can to maximise value for money being efficiency,

2590 economy and effectiveness, although of course I appreciate this is never going to be easy in respect of healthcare. *(Interjection)* Yes.

The Minister for Culture would feel neglected if I did not at least give him a mention. I am happy – yes, Mr Speaker, I am actually happy – to see that the 2018 Music Festival is estimated at a net cost of £2.3 million, only £1.6 million over budget as opposed to the 2017 Music Festival
2595 where the net cost was £3.1 million and £2.6 million over budget. I guess that is an improvement of sorts. The cumulative cost of the GMF is now at least £11½ million and counting, which is more than the initial set up cost of the University – just to put it in perspective.

Linked to efficiency is investment in IT and the recently published Principal Auditor's report for 2015-16, in what was a value for money audit, has, from my reading of it at least, been highly
2600 critical of the rebranding of the Government service, development of the Gibraltar Government website and other IT projects. I trust that the Government will have taken on board the Principal Auditor's findings and recommendations.

Talking about the Principal Auditor, his report for 2015-16 was only just tabled on 30th May 2019, last month. This is no fault of the Principal Auditor but that of this House. This House has
2605 not passed the supplementary appropriations in time and the blame for that must be with the Chief Minister wearing his hat as Finance Minister. The Principal Auditor's report informs our understanding of financial issues which we need to be made aware of well in advance of Budget debates. For example, as regards the Sinking Fund, he writes that it received £5 million from the sale of a Government property at 7 Mons Calpe Road to Gibraltar Land Holdings, a transaction I
2610 might have wished to examine more closely ahead of the Budget debate.

More worryingly, the creation of a Government Insurance Fund is discussed following what is said to be a Government decision in 2014-15 to self-insure. Moneys were transferred to a deposit account pending the establishment of a special fund entitled Government Insurance Fund – which to date has not been established. Two and a half million pounds has been paid in
2615 and £1.3 million paid out. The Principal Auditor wrote the following:

I informed the acting Accountant General that I considered the way these transactions had been accounted for, via a deposit account, to be improper, as evidently these transactions are not fully disclosed in the public accounts of Gibraltar. At the close of this report the Accountant General had not replied to the queries raised.

How can that be, Mr Speaker? I will certainly be following this up and I will be asking about it at the Committee Stage. There is a provision for 2019-20 for a further payment of £½ million within the Treasury head under other charges. I am, frankly, shocked that this is not being done properly in accordance with the Public Finance (Control and Audit) Act and sincerely would like
2620 an explanation.

The Principal Auditor also draws significant attention to the depletion of the Statutory Benefits Fund, which the Chief Minister this morning said would now have a £4.3 million surplus, but the Statutory Benefits Fund is not included in our Estimates Book, even though in the past contributions have been made to it by the Consolidated Fund under the Social Security head.
2625 This last year £7 million was paid and for 2019-20 it is expected we are going to pay another £7 million. I do not see why we cannot have similar information as, for example, for the Social Assistance Fund, to see where we stand. The Principal Auditor was really quite concerned about the rundown in the Statutory Benefits Fund and I think it should only be right when we come to the Budget debate that we know what the financial position is of the Statutory Benefits Fund and what expenses it is paying out. I appreciate fully, and the Father of the House would
2630 probably point this out to me, that it includes the direct contribution of social insurance that does not go technically into the Consolidated Fund. I fully accept that, but the fact is that it is a liability, in the end, of the Consolidated Fund and I think we should at least have that included in the Estimates Book so we know where we stand.

2635 Finally as regards the Principal Auditor, on his new website – which I really must congratulate and recommend to members of the public – he lists a whole series of financial audits that have been completed but have not been published. And why haven't they been published? Because

they have not been tabled in this House. He lists the Borders and Coastguards Agency for 2011-12 and 2012-13; the Care Agency for 2010-11, 2011-12 and 2012-13; the Gibraltar Health Authority for 2009-10, 2010-11 and 2011-12; and the Housing Works Agency for 2011-12, 2012-13, 2013-14 and 2014-15. These accounts might contain information that would inform us in our Budget debates. I do not understand why there is a delay in tabling these reports and I really would like to know who is responsible for withholding them from Parliament. Who is sitting on them? The Principal Auditor has a very important role to play. We must ensure that he has the resources that are necessary to undertake his work and we do not hinder his work by delaying supplementary appropriations or tabling completed accounts.

Mr Speaker, on an aside, when we talk about accounts – and I know the Father of the House will be issuing his statement to depositors in which he says, ‘Look: I always make it very clear, every year, what I am doing with your money’ ... Well, then, I am sure he will have no problem including the statement of investments with it this year, which has always been missing in previous years, and in fact the way to do it is to use exactly the same accounts as the Principal Auditor publishes on his website, which has all the information available. And so I do not see why he cannot include that with his nice, glossy brochure. Since the Principal Auditor is going to publish it anyway eventually, he may as well provide the public with all the information. Just to say, ‘They know what I am doing’. ‘What’s the problem? They know what I’m doing with their money,’ well, just give them the statement of investments and they can see it for themselves as well.

Mr Speaker, ‘Inwards Investment’. It is understandable that attracting any significant inwards investment is going to be difficult until we get some clarity on Brexit. As last year, I again commend the Father of the House for his continuing efforts in engaging with Chinese banks, construction groups and investors. The China Belt and Road initiative has, I think we have all read, faced some criticism recently, but frankly, if Italy is willing to participate I do not see why Gibraltar cannot, (**A Member:** Hear, hear.) provided of course we put in the appropriate safeguards, especially in regard to 5G. I do not know which contractor the Father of the House is thinking of, but there is obviously controversy with certain suppliers.

Mr Speaker, we know now that the rock storage pile at Coaling Island is being given a new name and is to be called Victoria Keys, and we now know that the financing is going to be somewhere in the order of £50 million provided through the Government through some Government company which he has not identified, and we do not exactly know what the commercial terms are either. I ask myself: why didn’t the Government do this reclamation itself? He said it has been done before from corporate structures, but if you are going to be providing the financing of £50 million, you may as well just do it yourself and employ a contractor and then keep all the land for yourself. Why are you doing it in this strange way? What investment is the developer making at this stage? It is all very well to say it is fully secured, but how do you secure on something that does not exist? Until the reclamation is finished you do not have an asset and if they cannot finish the reclamation work, what are you going to do? You would have security of water – fantastic! (*Interjection*)

Mr Speaker, it would appear there would only be two major sites left for development, which are the old Rooke site and the land underneath the rubble mound on the Eastside. I know my colleague the Hon. Trevor Hammond will talk more about this, but we need to ensure that these sites are developed sensitively and, from an economic point of view, generate sustainable activity for the enjoyment of future generations.

The announcement about the cannabis ... I do not know what to describe it as: cannabis farm or cannabis production facility – cannabis proposal, shall we say. I would also like to know more about exactly what is involved and how much money is going to come into Gibraltar as a result of this proposal. There will be members of the public who will raise their eyebrows as to the suggestion of Gibraltar producing some kind of cannabis product. It may well all be commercially sensible, there may be good rationale for it, but I think the people of Gibraltar may want to know more about what is intended because it does beg the question as to what is actually the

2690 proposal. I am sure not just the Opposition but the general public will want to know more about what it is that is planned.

Mr Speaker, talking about the growth in jobs, what a fantastic result the Government has had in growing jobs. It happened last year when they made the same kind of announcement. They said, 'Fantastic, great, growth in jobs' – 1,966, according to the Employment Survey, which we obviously only get on the day of the Budget, but of those 1,966, 98 are Gibraltarians and 1,226 are Spanish and presumably cross-frontier workers. I think the Government should be a little more careful before they pat themselves on the back when it comes to growing employment in Gibraltar.

Turning now to some of my other portfolios, being small business, telecoms and heritage, as mentioned, for the last two years business licensing continues to be an issue needing simplification as regards business premises requirements and other things. I am pleased to note the announcement this morning that there will be a new Fair Trading Act, which has been discussed and seems to have the support of the Federation and the Chamber. We need to reduce obstacles to business and of course provide encouragements and not disincentives, and so, certainly from this side of the House I can only welcome such a measure.

The introduction of private sector pensions is now a Bill, but it has been altered significantly from the original consultation paper. The Chamber of Commerce has recently expressed its disappointment that its recommendation appears to have been ignored by the Government. I have reached out to the Chamber, the Federation and Unite, and hopefully with their feedback I will make some constructive contribution when the Bill is debated in this House so that we can balance interests while meeting the desirable objective of introducing pension requirements in the private sector. *(Interjection)* Have you? Shame! Damn! *(Interjection)* All I have been doing ... Okay, well ...

Telecoms, Mr Speaker. Mr Speaker, we saw the retirement of Tim Bristow as CEO of Gibtelecom last year and, as the Chief Minister did this morning, we wish him well, as does the whole House, I am sure.

Gibtelecom's December 2016 annual report was only finalised in March this year and I have now had an opportunity to read it. The company, in a substantial subsequent events note to the accounts, describes the creation of a data centre hosting business and the expansion into Spain via a company called Zinnia, trading as Lobster Mobile. I understand that this may involve an investment of as much as £5 million. It is stated in the accounts that they were delayed due to a technical question as to the treatment of annuities purchased by the GNC Pension Scheme. I note that this has now been resolved satisfactorily and I trust that the 2017 and 2018 accounts will be audited and released soon. The financial performance of Gibtelecom is not just important to us as a community, but of course it is very important because the Savings Bank owns its entire share capital and it is thus a significant investment and a source of dividends.

Mr Speaker, talking about heritage, last year I was very happy to work with the Minister for Heritage, along with my colleague the Hon. Trevor Hammond, on tweaks to the Heritage and Antiquities Act and to see that passed in this House unanimously last year. There is still some work to be done, as the Minister is aware, as to the publication of the listed sites website. I understand that is a work in progress and that it will be imminent. There is still much to do on heritage and in that respect, as last year, I would like to learn more about works planned for the Moorish Castle as well as perhaps for the Mount. We heard from the Deputy Chief Minister as to the investment on and cleaning up of the Northern Defences and I can only agree with him – I think it is an asset which we have been sat on for too many years without it being given proper recognition or investment and I think, having walked around there myself on a guided tour with the Heritage Trust, it is a remarkable place. I think few in Gibraltar fully appreciate the history and the potential of the place and obviously I can only welcome anything that enhances the development of that site in a sensitive way.

2740 It seems you have all lost your bets, Mr Speaker! *(Laughter)* In conclusion.

Hon. A Member: You were longer than me, basically.

Hon. A Member: I will take longer than you.

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Hon. R M Clinton: Well, at least the feeling is mutual, although I always bet on Sir Joe.

Mr Speaker, in conclusion – *(Interjection and laughter)* *Game of Thrones!* *(Laughter)* The White Walker! *(Laughter)*

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Hon. D A Feetham: Stranger things have happened!

Hon. R M Clinton: Sorry, Mr Speaker, I think we are all conscious of the time.

Hon. D A Feetham: The grand alliance! *(Laughter)*

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Hon. R M Clinton: It has been a long day, Mr Speaker, but in conclusion, after participating in three years of Budget debates in this House it is evident to me that, frankly, the financial information presented is insufficient to form a view and thus it would be irresponsible to approve any Appropriation Bill without full and frank information. As I said last year, the lights are not going to go out, the schools will not close and people will not die just because we in the Opposition have exercised our right to vote against the Appropriation Bill.

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This is an election year and I pledge that if the GSD is elected into government – *(Interjection)* I wonder if he would like to take bets on that – we will review the Budget process and the information provided and we will introduce a proper Finance Bill, as I have advocated. This House needs to be responsible and manage taxpayers' money in an open, transparent and honest manner – words, frankly, that this GSLP-Liberal Government simply does not understand.

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Mr Speaker, I am now even more resolute in my position given Sir Joe Bossano's warnings about what may lie ahead and thus I have no hesitation in voting against this Budget.

Thank you, Mr Speaker. **(A Member: Hear, hear.)** *(Banging on desks)*

2770

Hon. Chief Minister: Mr Speaker, it has been a long day and the Force awakens to adjourn to tomorrow at 10 o'clock.

Mr Speaker: The House will now adjourn to tomorrow morning at 10.

The House adjourned at 9.28 p.m.