



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 10.01 a.m. – 2.11 p.m.

Gibraltar, Monday, 10th June 2019

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The Gibraltar Parliament

The Parliament met at 10.01 a.m.

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

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

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

Clerk: Meeting of Parliament, Monday, 10th June 2019. Order of Proceedings.
Suspension of Standing Orders. The Hon. the Chief Minister.

5

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

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

PAPERS TO BE LAID

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

Minister for Tourism, Employment, Commercial Aviation and the Port (Hon. G H Licudi):
Mr Speaker, I have the honour to lay on the table the Tourist Survey Report 2018, the Hotel
Occupancy Survey 2018, the Air Traffic Survey Report 2018 and the Employment Survey
Report 2018.

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Mr Speaker: Ordered to lie.

Suspension of Standing Order 7(1) to proceed with Government Bills

Clerk: Suspension of Standing Orders. The Hon. the Chief Minister.

20

Chief Minister (Hon. F R Picardo): Mr Speaker, I beg to move, under Standing Order 7(3), to suspend Standing Order 7(1) in order to proceed with Government Bills.

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

GOVERNMENT BILLS

FIRST AND SECOND READING

**Appropriation Bill 2019 –
First Reading approved**

Clerk: Bills – First and Second Reading.

25 A Bill for an Act to appropriate sums of money to the service of the year ending on the
31st day of March 2020. The Hon. the Chief Minister.

Chief Minister (Hon. F R Picardo): Mr Speaker, I have the honour to move that a Bill for an
Act to appropriate sums of money to the service of the year ending on the 31st day of March
30 2020 be read a first time.

Mr Speaker: I now put the question, which is that a Bill for an Act to appropriate sums of
money to the service of the year ended the 31st day of March 2020 be read a first time. Those in
favour? (**Members:** Aye.) Those against? Carried.

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Clerk: The Appropriate Act 2019.

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

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

This is my 16th Budget address as a Member of this Parliament. It is my eighth Budget
40 address as Chief Minister. As part of my address on this Second Reading of the Appropriation
Bill, I have the honour to present the estimates of Government's revenue and expenditure for
the year ending 31st March 2020. I also have the honour to present the outturn for
Government's revenue and expenditure for the year ended 31st March 2019, which was the
seventh full financial year of a Socialist Liberal Government since we took office in December
45 2011.

The House is having to meet today on a Jewish feast day, the day of Shavout. I wish all
members of that important religion a happy feast and apologise to the hon. Lady for having to
meet today. She and I discussed options for adjournment, which she knows we would have
pursued if it had been possible.

50 Mr Speaker, this address will be the last of this Government in the lifetime of this Parliament
and before a General Election. It also comes some 36 months after the decision of the British
people, in a referendum, to leave the European Union. Additionally, I rise to address the House
this year on some other significant anniversaries which have a bearing on who we are today and
our enduring security.

55 It is 80 years since the formation of the Gibraltar Defence Force.

Indeed, perhaps most apposite is the fact that the Father of the House is 80 years old today.
(*Banging on desks*) For most people, having a birthday on the day of the Budget might be a drag.
(*Laughter*) For Sir Joe Bossano, I do not think he would prefer to be anywhere else. I think it is
fair to wish Sir Joe a very happy birthday and a very happy Budget debate on behalf of the nation
60 he has given most of his life to.

It is 75 years since D-Day, and it is 50 years almost exactly to the day since perhaps the most defining post-wartime evacuation event in our history, the closure of the Frontier, and indeed the 1969 Constitution.

65 I shall have more to say about each of those relevant anniversaries later on in this address, especially about the last of the ones I have just mentioned.

Mr Speaker, as you know and as we all know, the UK should have left the European Union by now, at the end of March this year. Instead, it has been granted an extension until 31st October this year. Again, if the UK leaves on that date this will, sadly, be the last Budget address that will ever be delivered in this House by a Chief Minister whilst we are members of the European
70 Union. We will all no doubt, however, agree that we hope that it might be possible for the United Kingdom, and with it Gibraltar, to stay in the European Union.

One way or another, the position of my Government will be to continue to navigate the months ahead with the same political tact and strategic care that have enabled us to reach today with no materially adverse shocks affecting our economy since the date of the Brexit
75 referendum.

We will also seek to contribute our grain of sand in persuading whoever is the next Prime Minister of the United Kingdom in coming weeks and months that a confirmatory referendum should now be held before any type of Brexit is finalised.

80 What is certainly true is that history will show that none of my 2016, 2017 or indeed 2018 Budgets turned out to be Brexit Budgets after all – although we were right to be prudent and careful in crafting them as such at the time that they were delivered. I will be no less careful and no less prudent today.

In the context of the developing situation in London – with the Prime Minister officially now resigned as leader of her party and awaiting the outcome of the leadership election in the
85 Conservative Party – as is now traditional, my Budget address to this House will be very much a state of the nation address. I will also, of course, report to the House on the state of our public finances as well as on our nation's economic outlook.

This year, regrettably, I will also, during the course of this main address, deal with certain innuendoes and aspersions cast wildly by some of the Members opposite whose deep political
90 frustrations at their repeated political failures have led them to make even more outlandish attacks on the integrity of Members of the Government.

Hon. R M Clinton: Mr Speaker –

95 **Mr Speaker:** I am very sorry, Mr Clinton, please sit down. (*Interjection*) This is the opening of the debate on the Appropriation Bill. I think it is not appropriate, without a real need, that any points of order should be addressed. Whatever the Chief Minister may or may not say on that issue you will have an opportunity, when you contribute to the debate, to have your say. He has not even said anything yet in detail and you are already on your feet on a point of order.
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Hon. R M Clinton: But, Mr Speaker –

Mr Speaker: Yes, Mr Clinton, please.

105 **Hon. R M Clinton:** – you will accept that there will be a point of order anticipation if he does raise anything that is not already on the Order Paper by way of motion?

Hon. Chief Minister: Mr Speaker, I am afraid I do not want to be accused of having said something which is not in context, so I think I should read that part of my address again. It is
110 important that people get the flavour of what it is that I need to say.

This year, regrettably, I will also, during the course of this main address, deal with certain innuendoes and aspersions cast wildly by some of the Members opposite whose deep political

frustrations at their repeated political failures have led them to make evermore outlandish attacks on the integrity of Members of the Government, including some officials. It is a pity that at this time in our history I will have no alternative but to set the record straight on some such wild allegations, but it is necessary that the reputations of good men should not be sullied by the allegations of ruthless men, (*Banging on desks*) and I shall endeavour to do that as part of this address. I shall no doubt also have to do so when I address my reply to the House, as it appears to have become commonplace in some quarters to raise the spectre of impropriety where there is none as a shield for some people's own political incompetence.

More of that anon, Mr Speaker. For now, I would just wish to start by reflecting on the fact that this is really the 31st Budget of the modern era and the 50th Budget delivered in a Gibraltarian Parliament since the creation of the House of Assembly under the 1969 Constitution. I want to trace the economic development of our people in that half century which ironically coincides almost to the day with the closure of the Frontier.

Last year, I reminded the House that it was in 1988 when Sir Joe Bossano delivered his first Budget address as Chief Minister to this House and that the then Financial and Development Secretary said in his address on the Second Reading of the Appropriation Bill that 'el giri', as he referred to himself, was giving way to 'el jefe'. That was really the moment when we took control of Gibraltar's economic and political future in a way that had previously been unheard of. That was when we really started to push the boundaries of the 1969 Constitution and started to rewrite for ourselves how we would be governed. That was the beginning of the modern economic era in our political history.

But this year it is perhaps more important, in setting this moment in our history into its proper context, to look back even further than 1988 or 1989. It is incumbent on all of us to look back to those two key events that happened within weeks of each other in late May and early June 1969.

The first key event is the grant to Gibraltar of the 1969 Constitution. For many of us this was the Constitution under which we were brought up, and for all of us the Constitution that carried on it the preamble which set out then, for the first time in our history, that:

Whereas Gibraltar is part of Her Majesty's dominions and Her Majesty's Government have given assurances to the people of Gibraltar that Gibraltar will remain part of Her Majesty's dominions unless and until an Act of Parliament otherwise provides, and furthermore that Her Majesty's Government will never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another state against their freely and democratically expressed wishes.

Especially given the context of the United Nations resolutions of the 1960s, these were hugely important words in cementing the relationship between the people of Gibraltar and the United Kingdom.

It is particularly important to note that the Constitution was made on 23rd May 1969. It came into effect on 30th May 1969. The connection between that Constitution and its preamble coming into effect and the events of the following week, on 8th June 1969, are obvious and unquestionable.

Both our decision as a people in the referendum of 10th September 1967 and the Constitution of 1969 were to determine our course for the next half century and we as a people have lived with the consequences of those decisions since then. When we look at the state of those around us and we look at the state of our own development and prosperity, I think it is clear that we made the right choices – and not *just* in economic terms but *also* in economic terms. It was from under even that Constitution that we would later start to emerge from 1988, as the economic lifeblood of colonialism was expunged from the veins of our public finances and our economy as we moved away from dependence on MoD spending as a result of the economic planning and vision of one man and the GSLP Government.

This year, in that context, it is worth also perhaps considering why it was that some said that Sir Joe Bossano had a 'secret economic plan' behind the economic rebirth of which we are now

160 all so proud, which even the former Chief Minister in his final address to this House praised Sir Joe for.

As we have seen in the recently released papers from the National Archives in the UK, in 1988 the Foreign and Commonwealth Office were not impressed by the fact that Joe Bossano, as he then was, did not accept the established conventions: he was holding meetings with foreign officials, he was going out to do business with other nations, he was not accepting any controls on his activity. Little has changed about Joe Bossano, Mr Speaker.

165 So why was Joe Bossano not sharing more of his economic plan? It was not secret to be kept secret from the electorate, Mr Speaker. It was not secret in order to avoid national scrutiny. It was not secret in order to avoid transparency. No, it was secret because, at a different time in our history, the FCO wanted to stop it. They wanted to stop Joe Bossano, the man they have since knighted. The UK was uncomfortable with it. Cables suggest they were not happy Sir Joe was meeting foreign dignitaries and they were certainly not happy that he was going to the United Nations in New York in order to defend Gibraltar in the Committee of 24, and they sought, through subterfuge and deception, to stop him from attending.

170 That is not what our relationship with the FCO is like today. It is not the Britain of today, but it was the Britain of 1988. Britain has moved on. We have a different relationship with Britain today. I will be going to the United Nations in New York next Monday with the full support of the United Kingdom, but it is not safe to say that Spain's attitude to us has yet appreciably changed from what it was in 1988.

175 So, today, when we talk about having to keep things confidential we are not seeking confidentiality from you, Mr Speaker, or from our fellow Gibraltarians. In fact, we are so proud of what we are doing that we would happily tell you all of the things that we are doing, and if we could meet every one of our citizens one on one, we would. But it is sometimes necessary to keep things not secret but confidential, as every nation does, even now, in order to keep our community safe and to continue the growth of our community.

180 There will be an appropriate point later in this debate, no doubt, where the baseless accusations of some Members of this House against charitable institutions and their trustees, and indeed allegations of my trying to co-opt some Members of the House into the offence of collusion – that is to say conspiracy by the simple device of following the convention of sharing information confidentially behind your chair – will be addressed.

185 Mr Speaker, Joe Bossano built a new economic reality, a new normal, both in terms of constitutional conventions and economic growth that delivered surpluses and prosperity. A new constitutional convention emerged where the political leaders of Gibraltar had the political and economic reigns and had control. A new Gibraltarian economy became a reality. In fact, the secret economic plan delivered a new economic miracle of the type never seen before.

190 Today, we continue to reap the benefits of that revolution that we all contributed to in different ways. It was Joe's plan but seven other Ministers helped to implement it. The public sector saw it through, including delivering services via commercialised joint ventures in the utilities, which today provide services that allow us to boast telecommunications infrastructure and related businesses that we could not have delivered without those sometimes uncomfortable changes. Each and every one of the people who worked in our economy made it a reality. They reclaimed land for civilian use on a scale like never before. They paid for our studies. They paid the mortgages of their new 50/50 homes. We all built a new Gibraltar, truly an economically freestanding nation. So, if economic self-sufficiency is the baseline of the ability to determine our own political future, this was the plan that delivered that new and necessary economic reality.

195 200 205 Mr Speaker, this week is an important week and this year is an important year in many other respects – and I must weave all of these anniversaries together for the House today, as all are part of the rich tapestry which delivers our economic success as a people, especially when set in its proper historic context.

210 We are 80 years out from the formation of the Gibraltar Defence Force. I am hugely proud
that my father was one of the men who volunteered to take on the Nazis in that war. Every
family in Gibraltar will have felt the same pride, as every able man was volunteering in those
215 days. For all of us in this community it was hugely emotive to see the serving men and women,
and the veterans in particular, of the Royal Gibraltar Regiment exercising their Freedom of the
City some weeks ago. We were the scene for the launch of Operation Torch, and the home of
President Eisenhower for some time. As our men volunteered to stand and fight, our women
and children were torn from this place and evacuated. Seventy five years ago, the world was still
220 at war and there were Gibraltarians in the D-Day operations. Theirs was the generation that was
evacuated and that fought a war. Theirs was the generation that won a war. They voted in a
referendum. They endured a closed Frontier. They stood and fought at every turn with a
remarkable dignity that knows no equal. Boy, do we owe them! We are not fit to wipe the mud
off their boots. And what we owe them the most is the obligation not to squander what they
have bequeathed us. That is how we best honour them.

225 The second key event that we must look back on now to set the debate on these Estimates in
its proper context is the human and economic tragedy that arose from the closure of the
Frontier: the last siege of Gibraltar. And so it is important that we, as the Parliament that meets
half a century later, should note that we can only understand the significance of the figures I am
presenting today by seeing them in their proper historic context – and that means our historic
230 context – and in that context we are rightly analysing our economic performance looking
backwards in time through the prism of economics and understanding that we are now firmly in
a positive balance. We have left behind the negative spectrum, the darkness of deficit, forever –
as long as we adhere to the principles that got us here, as long as we respect the sacrifice of
those who got us here, as long as we are ready to make our own sacrifices if the time comes.

235 The debate on the Second Reading of the Appropriation Bill for 1969 was the first ever
Budget debate in a Gibraltarian House of Assembly, no longer a Legislative Council. With the
clang of the closing Frontier gates still ringing in their collective ears, the House then had before
it Consolidated Fund revenue for 1969 of just £2,480,000. Consolidated Fund expenditure for
1969 was £2,832,000. Gibraltar was running a deficit that year of £352,000. That was the
240 position when the Frontier closed, and we were predicted to soon fall like a ripe fruit. In fact,
one newspaper report of the time said this:

Gibraltarians must, on no account, underestimate the forces arrayed against them and the British Government in
this so-called war for decolonisation. Señor Castiella the Spanish Foreign Minister is making victory in his war the
supreme objective of his career before the term of General Franco's life expires ... He is prepared to trade in the
greater part of Spanish commercial and military interests in North Africa in order to gain his sole objective –
Gibraltar.

Well, as we all know, things did not quite go according to plan.

I will, of course, do a fuller analysis of the numbers later on in my intervention, but it is
hugely important this year, 50 years almost to the day after the closure of the Frontier by the
evil fascist dictator, that we analyse how successful his policy of economic strangulation was. We
245 were closed in. That malevolent dictator left us to ripen and to rot. The economic strangulation
was to be the key to our surrender. Yet, instead, we all worked, we all sacrificed. We found the
friendship and support of our good, kind and noble neighbours, the humble people of the great
nation of Morocco. We enjoyed the fulsome support of Great Britain. And we worked some
more and we sacrificed some more. For 13 years that Frontier stayed closed, even after the little
250 dictator was dead.

Through it all, under successive Governments of different political complexions, we thrived –
a little more under some than under others, but we thrived. Half a century passed and we did
not fall, and we did not surrender or succumb. And this year, Consolidated Fund revenue for
2019 has increased from £2,480,000, 50 years ago, to a record-breaking, massive £706 million.
255 That represents a huge and gravity-defying percentage increase of 28,393% in 50 years in

Consolidated Fund revenue growth. Everyone in this community should be proud of that. What is more important even than that is that we have seen the social spending and the investment of successive Governments in Gibraltar grow to the benefit of working people in particular. Expenditure has gone from £2.8 million in 1969 to £623 million last year. That is the part Sir Joe is not so impressed with. It is an increase of just shy of 22,000%. The fascinating thing is that our income has grown by almost 6,500% more than our expenditure. And so, Mr Speaker, locked in and condemned to ripen and rot and fall, this great nation of ours turned a deficit of £352,000 into this year's record-breaking, all-time-high, unquestionable surplus of £83 million.

Mr Speaker, can I ask the House before we descend necessarily into the partisan fray, can I ask the whole community before they don their own personal partisan political colours, and can I ask the whole of our nation before we each descend into our personal cynicisms, to just pause for a moment – pause and declare this past half century a massive success for all of Gibraltar and all Gibraltarians as a collective, for the IWBP, the ISOLA Group, the AACR, the GDM, the DPBG, the GSLP, the GSD, the Liberal Party and even Together Gibraltar.

Thank you to Sir Bob, Sir Joshua, to you, to Sir Joe in particular for the economic revolution, and to Sir Peter for the work that they did and their respective teams did, however much I may also have disagreed with some of them on some of what they did. But this is not a moment for detail, it is a moment of macroeconomic analysis of our economic development as a people in the last 50 years. Thank you to Financial Secretaries since Mr Davis in 1969 through to the last UK appointee Mr Bristow, to the first Gibraltarian holder of the post, Mr Dilip Dayaram Tirathdas, and the current, brilliant and unimpeachable Albert Mena. Thank you. Few people, other than Chief Ministers and Ministers, appreciate the burden of hard work that incumbents of the post of Financial Secretary carry, together with their teams and the Accountant General and their team. Thank you.

And thank you also to every worker, to every person of every nationality who works in this economy, including the Spanish persons who work in this economy, to every good man and woman who has gone to work in Gibraltar in the last 50 years, to all workers as well as our great entrepreneurs. What a massive success you have made of your hard work, of your hard graft and of your common enterprise as a people. What a massive failure the last half century has been for those – starting but unfortunately not ending with Franco and Castiella – who sought to subjugate the people of Gibraltar.

Franco, you failed, mate. The only thing your steel gates attracted was rust. Castiella, you failed too. Your many plans garnered no support. You formed up against the Gibraltarians and you lost. Everyone who has come after you has failed. Everyone who comes after you and pursues your policies of aggression, of attempted strangulation and of attempted subjugation will fail. We will never turn down friendship or co-operation, but we will always stand up for our rights in this our homeland and we will always defeat any foe, however mighty they may see themselves, who seeks to remove us from our homeland. Fifty years on, we are not just still standing: we are growing, we are thriving and we are prosperous. And where are you, Generalissimo? About to be turfed out of your own grave. Good riddance, and not just for what you tried to do to the Gibraltarians.

How true, Mr Speaker, Dr King's poignant remark that 'the arc of the moral universe is long, but it bends toward justice'. In fact, another Franco, Juan Franco, the excellent Mayor of La Linea, had cause to tell the media last week that Gibraltar will never be Spanish. He is, of course absolutely right. I take this opportunity to congratulate Juan Franco on having taken 21 of the 25 seats in the La Linea municipality. I must say I never expected to be fodder for the headline 'Picardo congratulates Franco', but Juan is a good man and a good friend of our nation. With almost 15,000 cross-frontier workers, the majority of them Spanish and the lion's share of these from La Linea, we have a commercial and human relationship between our cities that is almost symbiotic and mutually beneficial.

We, in this House today, will honour the many generations who have brought us to this by never squandering a penny, by never risking this prosperity and by continuing to grow this

economy and nurture and grow our public finances. In that respect, Mr Speaker, I very much now look forward to starting my annual analysis of the state of the economy more generally and the public finances of Gibraltar in particular.

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This year, as in every year, I will of course also today be outlining the Budget measures that this Socialist Liberal Government will introduce this financial year, the last of the lifetime of this Parliament, in pursuit of our manifesto commitments, in pursuit of the potentially still approaching – indeed, still impending – departure from the European Union and in pursuit of the key parallel and twin tracks of the social and business needs of our small nation. As has been the case with all the GSLP Liberal Government’s Budgets since we were elected in 2011, this Budget is designed chiefly to support our hardworking families and to strengthen our community’s future. The best way for us to do that is by supporting our youth, our students and our children. The best way to illustrate our humanity, empathy and solidarity as a people and deliver social justice is to provide much needed and deeply deserved support for our senior citizens, many of whom are the ones that have made the sacrifices of the evacuation, referendum and closed Frontier generations, as well as those who are disabled. As in every year since we were elected in 2011, all of that is factored into what I will tell the House today.

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Additionally, in my address last year I was keen to ensure that the measures contained in the Bill were designed to encourage established businesses to grow and to encourage new businesses to establish themselves in Gibraltar despite the then impending Brexit. The figures I will disclose to the House today demonstrate that we have achieved that in the measure that it was realistically possible to achieve. This year will be no different. In that respect, what we need to ensure that we deliver in this Bill is the right environment for the private sector to continue to flourish. That is what will continue to drive the increases in employment that I will shortly disclose to this House. That is what will drive the continued increase in Government revenues. That is what will continue to deliver strong and sound public finances, as ours undoubtedly are. That is what will deliver the wealth of this nation.

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We have continued to work with the organisations that represent businesses in Gibraltar, to deliver a pro-business environment that continues to set a climate ripe for investment and the growth of the private sector. As I have said repeatedly, we mean business in our support of our businesses large and small and this Budget will once again demonstrate that.

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I want to add that one of the best ways to create a pro-business environment is to have a highly regulated workplace where both employers and employees know what their respective rights and obligations are. That is why we have also continued to work very closely with employee representative organisations in setting the pace for the socio-economic relationships that make up the workplace in Gibraltar and the regulation of the increasingly developed and sophisticated job market that we have in Gibraltar.

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I do not believe that this is a zero sum game either. Government is not called upon to choose the Chamber and the Federation over the unions or vice versa – it is not a world of black and white, and neither of those sides would win if the Government were to choose one over the other. The modern world has transformed itself and today’s Chamber or Federation may be populated by the children of working people and not just families of owners of means of production, and today’s unions represent, in the main, a responsible partner for business that is as invested in growing a sustainable business as a good, long-term employer that provides the best employment. Bankrupt companies and bankrupt nations are not good employers. So I have worked as closely with unions as I have with the Chamber and the Federation in some instances, although I acknowledge and recognise that this has not been the year when I have been able to give those relationships as much time as I have before or as much time as I would have liked, for reasons related to the Brexit reality which has engaged so much of our time. But this Budget, as so many before, is therefore also the product of consultation with unions, the Chamber and the Federation.

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We talk about using a Budget to create a great environment for business. What about using the Budget to create a great business for the environment? That is one of the things I will also do

360 as I deliver what I hope will be a great Budget for the environment, a Budget to recognise and
redress the climate emergency that this House has identified, has certified in a unanimous
motion, and which our young people are clamouring for us to deal with. And to deliver that
excellent environment for businesses to thrive and grow, we must nurture the best possible
public services and the strongest possible public sector. We need to improve constantly and
365 every year the way in which Government does business, we need to be more efficient and we
need to be more digital in our approach, and that means continuing to invest in infrastructure
and continuing to invest in our people. We are doing that already and must and will continue to
do so. The combination of support to our private sector business community and investment in
our public sector will be what delivers the continued and sustainable growth in our economy.

370 And so, Mr Speaker, this Budget reflects my Government's deep and ongoing commitment to
use all of the resources of the state to continue to improve the quality of life and standard of
living of all our citizens, from every walk of life and of every single generation.

Mr Speaker, now for eight straight years my Government has been able to report GDP
average growth of over 10% per year. I will report in detail on GDP later in this address, but I
375 want to make the point now that this unprecedented run of economic growth has demonstrated
in an undeniable and objectively measured manner our success in these past two terms in the
administration of our country's affairs and the management of our economy. And whatever
arguments we hear today, whatever excuses we hear to avoid supporting this Bill, whatever
inventive method of calculation we are made to sit through, the numbers speak for themselves
380 and they are clear beyond peradventure.

Additionally, we have not sat on the benefits of that economic growth and the prosperity
that we have created. We have worked hard to ensure that we have percolated through into the
lives of our citizens the success of their economy whilst at the same time we have put moneys
aside also into the rainy day funds that we invented between 1988 and 1996 and which we have
385 been the only parties to maintain, as these same funds had been run down to zero at the time
that the party of the Official Opposition opposite was in power. That is one of the points that
hon. Members opposite never deal with in their replies.

And so, Mr Speaker, on this side of the House we have again this year adhered to the
founding principles which Joe Bossano set out in his first Budget address as Chief Minister in
390 1988. I enumerated those principles in detail for the House last year; I will only summarise them
this year. The first principle is that the two most important pillars of our economy in Gibraltar
are the land that we own and the people that we have. The second principle is that we do not
borrow to repay recurrent expenditure. The third principle relates to borrowing generally and
the need to ensure it is properly financed and invested in capital projects which are self-
395 sustaining or required for the social needs of the community. The fourth principle is that we
should accumulate funds in pots, or rainy day funds, where they will be accessible to
Government to discharge liabilities of the Government in the event that there might be periods
of lower recurrent income.

And so, by sticking closely to those principles, I am very happy that we can now look back on
400 the past eight years in Government and prove, demonstrate, show, that we have not just
delivered sporadic or ad hoc economic growth, we have not just had one good year followed by
another bad year, we have not been hit and miss in our approach; we can now legitimately
boast that we have made growth sustainable even with the toughest headwinds against us.

For this second term in office we have predicated our programme for Government on the
405 basis of achieving 7.5% annual economic growth in GDP terms. We have exceeded that. I will
proudly report later on the exact figures reported to me by the Ministry of Finance and the
Government Statistics Office which demonstrate this.

To add insult to the injury of those beyond our shores – and, perhaps, some in this very
room – who want to see us fail, we have also achieved record annual surpluses. This year's
410 surplus is the highest in our history.

Mr Speaker, the data I will disclose today will also show that we have delivered and continue to deliver a significant increase in our employment levels in numbers never seen before in our economy. At the same time, we have delivered and continue to deliver record low unemployment. Where are the unemployables now that hon. Members used to refer to when they had 400 unemployed and another 1,000 on the Government training scheme on half the minimum wage? Indeed, no one who kept young and not-so-young workers on half the minimum wage has the right to call us 'unsocialist' or to pontificate to us about the meaning of socialism. Our people will not forget that this is what hon. Members opposite really represent and what they really did when they held the reins of power. They are the party of half the minimum wage.

And yet at the same time, whilst we will not tolerate the payment of half the minimum wage to anyone, we are also a Government that has delivered and continues to deliver an overall reduction in the cost of doing business in Gibraltar in order to maintain our attraction as a jurisdiction. I have no doubt that I may hear some suggestion from Members opposite that this balance is not quite right. They have said so in other years, yet they have an insurmountable problem in this respect. As I will demonstrate, the numbers of employees in our economy is up, and it is not just slightly up, it is considerably up, and that measure is one which they cannot challenge in terms of our success in getting the cost of doing business in Gibraltar broadly right – although we will continue to talk to the Chamber and the Federation to ensure that we are keeping the balance and the calibration right.

Additionally, it is clear and clearer that these are very positive numbers and they are no flash in the pan. We cannot make up these numbers year on year. There is no veneer here; there is no hidden debt, there is no flattery of figures. The mechanisms we are using are exactly the same as the ones that they used. The roles are now reversed. Hon. Members opposite have been saying now for eight years that we would soon see surpluses fall, that we could not sustain the growth, that great disasters were looming and about to befall us. Mr Clinton specifically said in 2016 that there was a gathering financial storm, but Storm Roy was little more than an irritating breeze. It is clear now for everyone to see that they were the ones making it up; they were the ones keeping their fingers crossed and praying for a disaster to befall our nation so that they might be blown into Government by the storm that never came.

In fact, Mr Speaker, I know that I am expected to now embark on another futile process of trying to persuade the Official Opposition to approve the Estimates of Income and Expenditure for 2019-20 and reflect on the year that has recently closed – 2018-19 – as every other Official Opposition has since 1969. I am also aware that we will face the same tired and tested position from the Opposition, adopted on Mr Clinton's arrival in this House, that they will vote against the Appropriation Bill because the Estimates Book does not, to use their words, contain all of the Government's expenditure.

Mr Speaker, I have considered my job to be, for the past two years, to seek to persuade hon. Members opposite – not the independent Member, who does not need persuading – why I think that they are wrong. This year I am not going to follow that pattern again. It is clear that they are committed to voting against our spending. They are committed to voting against the money to pay teachers their existing salaries, let alone any uplifts, although they then pretend the opposite when it is convenient to them. They are committed to not voting the money to pay nurses and law enforcement officers, or doctors or refuse collectors. All the people they pretend to champion are in fact paid in this financial year, and no doubt in the next financial year, only as a result of our votes on this side of the House and the vote of the hon. Lady.

The Hon. Mr Llamas, to be fair, has made more of a dog's dinner of his voting record and has voted once already not to pay his colleagues in the Civil Service and is likely to take that position again. Interestingly, as it is an election year, if Mr Llamas were not to stand for election – his choice – or if he were to stand but not be elected – he would be a much better choice than some others, Mr Speaker – apart from being free to visit as many dog shows as he likes without having

to miss Parliament, he may also find that he returns to the Civil Service to receive a salary he himself has sought to vote down. How ironic!

465 But this year I will not seek to persuade them to support this Bill. In fact, I want them *not* to support the Bill, because I want to visit every public sector workplace, every estate in Gibraltar, every area in which we are spending, and I want to say, 'You are open for business, this service is happening, these events are happening, you are being paid *despite* the GSD and thanks to the vote of the GSLP Liberals and the hon. Lady.'

470 That is Roy Clinton's big idea. That is what the Official Opposition in Gibraltar now stands for. And why: because he does not like the layout of a book that has not changed since his party was in Government; because he wants to change the application of principles of public finance which have not changed under my Government since the time that the party that he represents was in office. What a big idea, Mr Speaker.

475 Talking of conflicts of interest, isn't that a massive one? How can Mr Clinton nonchalantly sit there and argue against the principles established by his own party when they were in office? Indeed, Mr Feetham voted for Budgets organised around these principles when he sat here as a Minister. He voted for even my Budgets when he sat there as Leader of the Opposition – and then, on Mr Clinton's arrival, he started voting against. Consistency is what I think they call it, Mr Speaker. In fact, I do recall the time that Mr Feetham had toyed with voting against the Budget in 2015 and Sir Peter prevailed upon him not to do so. What a pity that the GSD's
480 counsel on these and other matters is now not as wise. Who would have said we on this side of the House would miss Sir Peter's counsel?

Whether the Opposition like it or not, this Book is the product of months and months of hard work by Government officials. It involves all Departments, agencies and authorities providing an
485 estimate of their costs for the year to come and their best estimate of income for the next year. This is no mean feat for an economy the size of Gibraltar where we are projecting revenue of close to £700 million and expenditure of just over £676 million for the current financial year. Preparing this book is an exercise that involves all strands of Government from around November each year. Countless civil servants, controlling officers, agency and authority heads,
490 all of them collating information and submitting bids for their budgets for the following year. It involves numerous meetings with countless individuals, including my finance team and all departmental finance teams, to seek to arrive at estimates that are credible and deliverable. It involves not just delivering Government policy, but, as I see many times, the personal aspirations of heads of Departments, agencies and authorities who want to make a difference to this
495 community and deliver more to the public. They want to provide a better service and be more responsive, and they seek the investment from the Ministry of Finance in their areas of expenditure in order to be able to do so. This is a side of Government I see as Minister for Finance that perhaps others in our community do not see. These public servants put forward their ideas and their views and work hard at determining the costs for this. Some of these
500 proposals make it through to the Estimates Book; many do not, for a variety of different reasons. And all of this work is filtered out to come up with this Book, the Estimates of Expenditure, and all of that work building to the debate in this House this week.

And all for the Opposition to skim through it and dismiss it because, according to one of them, everything is not accounted for in this Book. But what about what is accounted for? What
505 about the £676 million of recurrent expenditure that is going through this Book? There is plenty for us to dig our teeth into, I can assure you. The Opposition may say that the Book is incomplete, it does not have all of the Government's projects, but look at the detail of what there is there – all of it produced within 20 days of the year end – and it is really quite remarkable.

510 The production of the Estimates Book is also a process that is done with relative success despite the level of detail and the disparate nature of Government. Mr Speaker, as you well know, a Government is not a simple company that has a sole objective; it is a fluid organ of the people, for the people and by the people, reacting to everyday events, sometimes incurring

515 costs a company would never contemplate because of circumstances, or indeed, at times,
political pressures. And all of those civil servants involved do a fine job of it. You only need to
look at the last year. They projected expenditure of £628 million – or £621 million as adjusted
for the Community Care contribution. The forecast outturn for the year was actually
£624 million. Some Departments are over and some are under, but by and large and overall we
have controlled Government expenditure to within Budget – this year to below Budget, in fact.

520 In his 2015-16 address Mr Feetham said this:

In the year ending 2014, the Government had overspent by £50 million across Government Departments, and this
year it has overspent by £28 million.

His finest hour, Mr Speaker. Well, this year we have kept things within trim and underspent
overall by well over £4 million – almost £5 million. You will agree, Mr Speaker – and I dare say
even Mr Feetham might agree – that this level of control over recurrent expenditure, within 1%
of Budget, is something any Government ought to be congratulated over. I look forward to
525 seeing the mental and linguistic gymnastics necessary for Mr Feetham and Mr Clinton to justify
not congratulating us on this underspend in recurrent expenditure.

And this in the final year before an election. No one can therefore accuse me this year of
having thrown money around like confetti, surely – I spent less than the House voted. I have got
more confetti than I used, Mr Speaker. Or is it that this year they are going to accuse me of the
530 opposite, despite having urged prudence and caution upon me as if it were a lotion or a balm to
soothe the Brexit wound?

The Opposition may say that there is Government activity that is outside the Book. They are
right, we have never suggested the opposite, but what is outside the Book in recurring
expenditure terms is exactly what they put there. This is hugely important because it illustrates
535 their unmatched political hypocrisy. What we have put outside the Book in companies are
capital projects which relate to investments in Gibraltar and are therefore transparent in their
obvious and freestanding construction and existence. Perhaps they are blind and they do not see
them, Mr Speaker.

Later today a presentation will go up on the Government website which will include all of this
540 information, showing completed capital projects and ongoing capital projects. It will show those
being funded through the I&DF and those being funded through the company structure. It
collects in one place the information already disclosed. It allows any citizen to go on a
metaphorical stroll through Gibraltar and see our projects and see the costs and how we have
funded them. So what is hidden, Mr Speaker? Nothing. What legitimate reason is there to
545 withhold support to this Bill? None. For our two terms in government to date the presentation
will show the capital projects, the costs of which I have disclosed every year and the
construction of which they must be aware of. This is what we have put in some instances in
companies, like they did, and in some instances in the I&DF, like they did.

No one will not know we have built schools and are in the process of building
550 comprehensives through the company structure. I have already told the House, so what is being
hidden? It was in our manifesto that we would build these new schools, so what is being
hidden? And wasn't Mr Feetham urging us anyway to deal with the state of Bayside and Bishop
Fitzgerald Schools in his 2015 address? One minute they are urging us to act, the next they cry
that we are doing everything too quickly. Well, Mr Speaker which is it to be?

555 Does he really think the public care for the distinction of how we have structured these
capital projects, as long as it is done in a proper way that is properly structured and financed in a
way that is affordable? What our people want is new schools expeditiously built for our children,
providing the best possible value for the taxpayer. In that respect, Mr Feetham's argument is not
that the schools are costing too much; it is that they are costing too little. He could not believe
560 how much we would build the comprehensives for. As a result, when we tell them what our
projects cost, their reaction is not to tell us that we are spending too much, it is to tell us that

the contractor is charging us too little – and they give encouragement to contractors to charge us more.

565 So what is the issue? What are they really quibbling about? How we have chosen to structure these projects is no different to the construction of the 50/50 housing schemes which they undertook, so if they detect any admissions in what I am saying they are admissions that we have acted in entirely the same way as they acted. If it made sense for the GSD to build houses through the companies and car parks through the companies, and to mortgage those car parks as the hon. Members opposite did, why does it not make sense to build schools, a power plant or 570 sports projects through the company structure? What makes it right when they do it and wrong when we do? Is it scale? Is it our level of ambition for our community? Is it the time of delivery? It is actually probably no more than scale, ambition and delivery that Members opposite were pressing us for in the 2015 General Election.

575 There really needs to be more consistency of messaging from hon. Members opposite – or do they think that they are like an Etch-a-Sketch device, so that every time they change their leader, which happens so frequently that I am starting to lose count, there is a shake up and all their previous messages are erased? Perhaps it is wishful thinking that they might be able to erase some of their past dealings. We go from ‘You must build schools quickly’ to ‘There is too much construction’. We go from ‘We must curb Government recurrent expenditure’ to ‘But why 580 haven’t you already settled the 46% pay claim?’ We go from ‘The Government is spending too much’ to ‘Have you seen the shabby state of the Parliament building? Why aren’t you spending more and fixing it?’ I could go on, Mr Speaker, because such is the political schizophrenia on the Opposition benches – and they were the ones who coined the phrase of me that I am ‘trying to be all things to all men’. Well, I guess imitation is the greatest form of flattery.

585 Turning once again to the question of the companies, I will try to use a rationale that Members opposite may understand. Putting things in companies is far from the easy way out, as they seem to be suggesting by their newfound and almost evangelical zeal against it. Putting a project through a company requires the value of property in the company in question to be maintained. That is not the case with projects developed under the I&DF expenditure part of the 590 Estimates Book. In turn, the properties that are in companies need to be maintained and produce an income if they are to retain value and pass the scrutiny of an audit. All too often we have allowed property which is socially and economically valuable to us to fall into disrepair simply because it is obscured from view, as once it is constructed and paid for via the I&DF it simply disappears into the wider pool of Government property. The terrible state in which we 595 found the rental housing estates is testament to that – indeed, the terrible state in which we found the schools. We have invested millions to put this right. Mr Speaker, do you think those tenants care how we structure the refurbishment of the estates, as long as it is done properly, safely, transparently and securely? What tenants rightly care about is having homes that do not have damp, that keep out the cold and the wet and that are inviting homes to live in, as opposed 600 to neglected estates that are in the I&DF. Similarly, most property that can produce an income to maintain value has been structured through the companies because the GSD started that process. The new schools are an example of that.

All of this does not detract from the incredible detail provided in this Book of income and expenditure, which includes all the recurrent expenditure of the Government, its agencies and 605 authorities. Notable exceptions to this are the Bus Company, the company that runs the Airport, the companies that manage the car parks, King’s Bastion Leisure Centre and – the only one for which we are responsible – GJBS. GJBS was created by the first GSLP administration and is a huge success story. The others were all companies created by the GSD, and there, before our time. In any event, we do provide a figure in this book for each of these. It is not hidden; it is 610 there for all to see.

We introduced, in the first Budget after we were elected, the transfer of £25 million to the companies to meet recurrent expenditure. For next year we have increased this sum and it is now set at £30 million to top up the companies and ensure they do not have unsustainable

615 losses year after year, as we found when we were first elected and happened under hon. Members opposite. This is not the position we inherited, when no provision had been made for years for the company and they were carrying accumulated losses to the tune of £100 million of GSD debt. We have redressed this by our annual contributions, which have the effect, of course, of reducing our surpluses when compared with those declared by them when they were in office.

620 Redressing the effect of their failure to properly manage the Government companies is what we are also having to do with the exercise to finalise all the company accounts. By the end of this calendar year we expect the vast majority of companies to be audited and complete to the end of the year, December 2018. Mr Clinton will protest that this is taking so long – indeed, it is not fast enough – but as he will well know, putting things up to date in accounting terms and then having these audited all takes time if it is to be done properly, especially when we are
625 having to deal with a catch-up of 16 years of failure to file accounts. I can assure you, Mr Speaker, we are the most up to date we have ever been with all of the accounting work. Having done so, the audit process can begin where this has not started already. In many cases a lot of this work is underway and almost completed.

630 For the new companies that my own Government has set up we have produced and are producing the accounts on a timely basis. Mr Clinton kept pressing me for the Credit Finance accounts, almost doubting my repeated statements that these would be filed. Yes, there were challenges to getting this done, which he would have understood when he saw those accounts, but I said last year that he would have them, and he has: box ticked. He has since made some
635 minor comments on these, but they are now largely forgotten. He seems to want accounts for the purpose of saying they exist, as if his task were some sort of completeness registrar with just boxes to tick. We are the builders on this side of the House, the workers, the deliverers. He is the box ticker.

Similarly, the accounts of other companies like ES Limited are up to date. GIB accounts have
640 recently been filed and we are making good progress with GJBS's accounts, with 2016 audited and the 2017 audit well underway. GCP Investments is also quite up to date, to 2017. The Bus Company is up to date to 2017 and the 2018 accounts will be filed shortly. And the list goes on.

Mr Speaker, as you will appreciate, the audits for the main parent companies cannot be completed until all the subsidiaries are completed, but we are getting there. If they had not
645 failed to file the accounts in the time that they were in office we would have got there already. I expect that by the end of the calendar year we will have virtually everything up to date. The idea is to emulate what we have achieved with PAYE, namely to commence next year with only the current year of accounts outstanding. If Mr Clinton is still a Member of the House next year, he can then look at the accounts at his leisure and we will see where he focuses his questions then.

650 But the fact that we are now almost up to date with the accounts of the companies that they failed to file should, *please*, not stop them from voting against this Budget Bill. I implore them not to support it, or they will stand in the way of my strategy of telling every single public servant that the GSD voted against their pay packet and telling every single citizen that the GSD voted against the spending on each one of the new projects.

655 The fact is that in the time we have been in office the Government which I lead has provided support for all of our working families and not just public servants, with Income Tax already abolished for those on income levels of below £11,200. There has been a significant reduction in Income Tax across the board for all taxpayers and many of our working families have benefited from an increase in the national minimum wage to date of over 25%, or over a quarter since we
660 were first re-elected. A lot of that work I have done in collusion – and I use that word advisedly, Mr Speaker – with Unite the Union, in particular Victor Ochello and Albert Hewitt, both of whom have recently retired from their roles, and with their colleagues. We have enjoyed a fruitful relationship that has produced excellent results for working people. We will continue that work with their successors in the union and, I hope, with them in retirement too.

665 Our public servants have also benefited, with public sector pay increases, since we were first
elected, by a total of 20.4% to date, which averages to 2.9% over the last seven years, during
which period inflation has averaged 1.95% per annum. That means there has been an average
annual increase of 1% above inflation. These are above inflation average increases every year
670 any reduction attributable to the cap on salaries for those earning more than £46,000. I will deal
with the pay cap in more detail later in this speech. Additionally, we have radically changed the
working hours of civil servants in keeping with their longstanding request in this respect.

Of course our senior citizens, who are the ones more likely to have been from the evacuation,
referendum and closed Frontier generation, have also shared in our nation's economic successes
675 year on year. Each year there have been annual increases in old age pensions and the minimum
income guarantee. Importantly, in order to address concerns put to us by pensioners who have
worked all their lives in the private sector and who did not have pensions, we have implemented
a system that ensures that every pensioner in our society will have at least the minimum wage
per couple, or two thirds thereof for an individual. That is a massive step forward for many
680 people, although of course I do realise that many people want more – but there is a difference
between poverty and wanting more; those are two very different things. I nonetheless look
forward to hearing what the Action On Poverty Group will want to tell me about what they
perceive to be their concerns and how these might be addressed. Additionally, the rates offered
by the Savings Bank have been revised to reflect the reality of continuing low interest rates, but
685 pensioners continue to have products available which offer them above market interest rates on
their savings with the Gibraltar Savings Bank.

For our children we are investing capital expenditure and recurrent expenditure in the new
Children's Primary Care Centre. This is a dream come true for many parents. No longer will our
children have to attend the same primary care facility as adults. No longer will we have adults
690 with potentially infectious illnesses sharing the same space as those of our children who need
primary medical attention. Our children will, in coming weeks, have the benefit of their own
Primary Care Centre. This will include the area for dentists and all the facilities required. I cannot
wait for this facility, which is one of our key manifesto commitments, to be opened in coming
weeks. It is really a state-of-the-art facility. So, when we are accused of spending money I am
695 delighted to plead guilty to spending the money we have available on those who most deserve it
and on the most important causes.

Additionally, all adults on the Group Practice Medical Scheme will enjoy a new Primary Care
Centre to be opened at the eastern end of the St Bernard's Hospital site. This is really also going
to be a huge step forward for healthcare in Gibraltar. Primary care is going to be truly first class
700 in Gibraltar, and not just in terms of buildings: all systems will be revamped. The experience will
really be superb for all patients and it will also help us to decongest A&E next door at
St Bernard's Hospital.

Ironically, the Budget debate of 1969 also included an appropriation to create Gibraltar's first
health centre on Line Wall Road and Casemates. Ms Rose Suissa, who has been in the GHA since
705 those days and opened the first files for the patients who saw the three GPs available there, was
responsible also for showing me around the new Children's PCC and the new PCC two weeks
ago. It is fascinating to hear her tell the story of how we have developed since then and to see
the excitement and enthusiasm she betrays as she talks of the new facilities which we will be
opening in coming weeks. Good people like Rose make all the difference in the public sector. (**A**
710 **Member:** Hear, hear.)

This year we will be starting work at last also on the Jewish Home for the Elderly. This is one
of the projects which has not progressed because we have been working with the Jewish
community representatives, and we have chopped and changed the ideas so often to make the
best of the space for the community that we have instead made no progress. I welcome the
715 petition sent to me by members of that community and presented to me by Mr and
Mrs Benggio. I have since met also with the President of the Jewish Community, James Levy QC,

and agreed that we will start the stripping-out works in August. The laser-like focus of Minister Costa is now fully trained on starting the process of delivering this project. Good luck to anyone who wants to stand in the way!

720 But of course these investments, these services, cost money – millions – but it is money well spent because it is right and proper that we should be spending on these new services. I should also just point out, before hon. Members opposite pounce, that departmental expenditure has increased in the past seven years since we were elected by an average of 7.5% per annum, or 6.2% year on year taken on a compound basis. Ironically, recurrent expenditure grew by an
725 average of 17.8% per annum in the five years before we took over, and the GSD, who were allegedly prudent, presided over that huge annual recurrent increase in cost, with capital expenditure also in companies. It really does prove that hon. Members opposite say one thing when they are in opposition and they do another when they are in government. The old Latin maxim of *in vino veritas* is more like *en poder veras como haremos lo opuesto* when it comes to
730 everything Members opposite say.

It is right, as I told the House last year, for a socialist Government to spend money in all areas of services and to have a view across the spectrum of generations. Infants, children, young people, young adults, adults, the elderly, the sick and the infirm, those in work and those out of work – each and every one of them is the beneficiary of programmes or benefits which this
735 Government has rightly introduced, because the Socialist Labour Party that Joe Bossano, a legend in his own lifetime, founded and that I have the honour to lead today, in association also with our colleagues from the Liberal Party, is a party for all generations of Gibraltarians.

Mr Speaker, given those remarks, the next think to say that might roll off the tongue would be that we are a party that supports our nation from the cradle to the grave, but that would be
740 inaccurate because one of the things we have done that we are proudest of was the introduction of state-funded IVF treatment for couples – when I say ‘couples’ I mean couples of any gender combination, as we have also ensured that we have ended all discrimination on the grounds of sexual orientation – so ‘from the cradle to the grave’ does not do justice or cover the scope of the GSLP Liberals’ reach. Literally from the fertilisation of the egg we have been there
745 to provide support. And so, when I am told that we have not delivered our much vaunted New Dawn of 2011 I am able to laugh off such cheap and unimaginative criticism so poorly expressed. You see, Mr Speaker, I have met the boys and girls who would never have been born if it were not for the New Dawn. I am saying these things in the knowledge of the fact that we have a Bill on the Order Paper that will deal with similar issues because we are there as a party to provide
750 investment – because all of this is money that we are spending for good reason – from conception to the grave. That is the spread of our support. Additionally, the Government has already published a Command Paper on Surrogacy to properly regulate this practice also, and we are also in the process of seeking an agreement to introduce for all our citizens a service for the extraction and maintenance of stem cells at birth from the umbilical cord.

755 From conception and birth, through schooling and further education – also something which Joe Bossano’s Governments introduced as a right: the opportunity to go to study tertiary education in the United Kingdom – through to fairer taxation and remuneration in our working lives, when and how we buy our homes and build and nurture our families, into retirement and into our old age and dotage, we are investing in all those stages of life in Gibraltar, we are
760 investing in all generations in Gibraltar and we are honouring, in that way, each of the outstanding generations that have got us to this moment in our success as a people, as well as planning for our future generations and protecting their interests too.

This week I met with representatives of the Chamber of Commerce and the Federation of Small Businesses to consider how they can work with us, with the Department of Education in
765 their ongoing work on the introduction of T-Levels in Gibraltar. Alongside our support for students of more academic courses and subjects, this demonstrates our full support for the coming generations of Gibraltarians.

770 That is how we are laying the strongest foundations for our future, for our nation and for our
people: supporting every generation from conception to the grave; maximising investment in
our key resource, our people, just as we have done since 1988 when we first had the chance to
change the course of our nation's history and we did so immediately in a way that has
percolated through the decades and produced the economic growth that we can boast of today.

775 In the Gibraltar of 1969, in that Budget debate then before the newly minted House of
Assembly, there were three scholarships available. After 1988, the number was unlimited for
first degrees. Anyone who found a place at university had the right, as a result of the first
socialist Government, to attend a university course of their choice. There are now around 852
Gibraltarian students on Government scholarships studying away from Gibraltar at any one time,
and they will be very pleased with one of the Budget measures I will announce later in this
780 speech. And now we have the comfort of knowing also that we have agreed with the United
Kingdom that we will be able to continue to pay home student tuition fee rates even post Brexit
to be able us to continue to afford this investment.

I will not tire of using that great policy as an example, not just of a great socialist investment
in our people but of how wrong our opponents usually are on the macro-economic issues they
raise against us. The introduction of scholarships for all is one of the many times that our
785 opponents have said that we would bankrupt Gibraltar: that, the loan to the *Sunborn*, the
£400 million investment of Savings Bank moneys in Credit Finance and the payment of
commutations to civil servants, the £300 million investment in Gibraltar ahead of Brexit. Every
time our opponents question an important economic decision taken by the GSLP, now the GSLP
Liberals, they have got it wrong. Under Peter Caruana, under Daniel Feetham, under Roy Clinton
790 for a few minutes, and now under I do not know who anymore, the GSD get their criticisms and
claims of impending disaster and bankruptcy wrong. Isn't it time, Mr Speaker, that they changed
the record?

The fact is that our children and young people represent our future, the future that Franco
would have denied us and which we improve every day by investing in every level of their
795 education. This is why we have continued to invest record sums each year in education – the
best possible investment in future generations. Since our re-election in 2011 our spending on
scholarships has increased fourfold from £4.4 million to a forecast outturn spend of
£16.5 million. The estimate for the current year is also £16.7 million. This has been a product of
the combination of the addition by us of the right to study for a second degree, the increase in
800 tuition fees and the increases to date in the maintenance grant element of the scholarships.
There will be more today. If there are political changes in the United Kingdom, the cost of tuition
fees may be reduced for home students. Our agreement with the UK would then lead to a
reduction in the cost of tuition fees.

805 Since our election in 2011 we have not just invested in grants and tertiary education; we have
invested also in our schools. What a state they were in! I do not think that any Member opposite
has anything to be proud of when it comes to their defence of the GSD's record in respect of
investment in our schools. Indeed, no sooner were they out of Government and Mr Feetham
was on the opposite benches than he was telling us what a bad state the schools were in. The
state of our schools resembled the state of our estates: neglected, abandoned and forgotten.
810 This is what hon. Members called the golden legacy of the GSD, I guess: bone-dry rainy day
funds, £200 million in the current account but utter squalor for our children and our tenants.
Yes, there is a lot still to do, but my goodness by any measure we have already done so much.

In less than two and a half months we will be moving our two largest schools, Bayside and
Westside, into the most impressive secondary school facility I have ever seen. This will
815 undoubtedly be more than just progress. This will be no small step. This will be a giant leap
forward for education in Gibraltar and for every single student who has the good fortune to be
moving into these schools. Already we have seen the excellent standard of St Bernard's First and
Middle Schools. The words of a child at that new school, now four years ago, will stay with me
always, on the date of the inauguration: 'Chief Minister, you are an angel. Thank you for our new

820 school.' Mr Speaker, I am no angel, but out of the mouths of babes we hear an unvarnished, untarnished truth about the level of transformation which we have delivered in respect of that school, from Victorian to modern.

Since then, we have also opened the new Notre Dame. What a brilliant new school that is too, and we are now literally just months away from completing the new St Anne's. Work has
825 already started on the new St Martin's. Work starts the day after term ends on the new Bishop Fitzgerald and the new Governor's Meadow, with those schools moving out for a year to the St Anne's and Bayside complex to deconflict the children from the building work. Work is also ongoing at St Joseph's Middle and First Schools, which were developed by the GSLP in 1988 when that facility was returned to the Government by the MoD.

830 But that is not all. We are also going to start work now on plans for a new St Mary's and a new Jewish School, as well as the development of the new College of Further Education, which is to be relocated and rebuilt. This is a genuinely exciting project. Additionally, Mr Speaker, we are talking also to the Jewish community about the potential relocation of the Jewish Primary School happening in the next two to three years.

835 Mr Speaker, remarkably, when we have finished all that, every single school in Gibraltar will have been built by the GSLP Liberals. What better tribute to our commitment to education? What better legacy? That physical reality will demonstrate in bricks and mortar the depth of our commitment for generations.

I want to thank Gilbert Licudi and John Cortes for having delivered these magnificent new
840 facilities in their respective stints as Ministers for Education. They are finally, at last, world class schools. A recent visit by NASUWT officials confirmed their own praise for these new facilities, in particular the inclusion of workshops etc for T-Levels. When the cameras are finally able to step into these new comprehensives the public will see what we have built for two thirds of the cost of the Airport. The public will see what we have done for our future generations. The public will
845 see that we put our nation's money to good use – the best possible investment – and all of that will kick into touch any and all criticisms as to spending which may be levelled against us by Members opposite. And despite Mr Feetham's doubts, we have built these schools on budget. Incredibly, Mr Feetham's complaint – after everything that he has said in successive debates about how much we spend, his complaint in this instance was that we were going to spend too
850 little building the new comprehensives, as I reminded the House earlier. He thought we should be spending closer to £5,000 per square metre instead of £1,000 per square metre. Thank goodness he was not leading the negotiations!

The fact is that I am clear that the GSD would not have made these investments. They had
855 16 years to do so and they failed to open any new schools. At the last election the GSD was not even prepared to commit to a new St Martin's, let alone all the rest of the schools that we are committed to. Indeed, I will not tire of reminding the House that at the time of the Brexit referendum the Hon. Mr Feetham was trying to get me to abandon the GSLP Liberal manifesto.

We, conversely, have been clear from the start: we *would* invest in new schools, we *would* prioritise this investment; we *would* commit where the GSD would not. And we have been
860 prepared to carry the criticism from them on spending because we are doing the right sort of spending, the spending we were elected to deliver, the spending the electorate voted for, using the mechanisms that they had established for the funding of similar projects, the spending our community expected us to deliver.

We will also now deliver another aspect of the modernisation of our schools and education
865 by the introduction of hot school lunches. This will be an important additional step forward as we move towards providing a better diet for our children as well as making life easier for families so that parents do not have to provide lunch themselves each day. As we do so, we should also see a reduction in the use of single-use plastic of the type that is prevalent in most packed-lunch bags.

870 Additionally, in the same way as we are investing in the building fabric of education in our schools, we have also invested in the human capital in our schools. We have added to the

875 complement of teachers by more than 10%, and we have added to the support available to teachers in schools. We have already equalised pay within the primary sector, adjusted senior teachers' pay to school sizes, regularised a number of pending TLRs with more to go, provided additional aides in classrooms, improved facilities and provided a full maternity leave allowance to teachers on supply for over a year. We will continue that investment because we recognise the huge contribution that teachers make to our community. I will deal also, later in my address, with the pay claim made by the GTA and NASUWT, when I come to address public sector pay generally.

880 Additionally, of course, we have also developed the University of Gibraltar, and that is now already progressing very well. I want to thank Lord Luce for the work he has done with us in building the University and Minister Gilbert Licudi for his dedication and commitment to the success of that institution, as well as the staff and the newly appointed Vice-Chancellor.

885 Additionally, we have continued our massive investment in sport. We have worked very hard to deliver transformational facilities for our athletes. These arise in the context of the sale to the Gibraltar Football Association of the Victoria Stadium for £16.5 million. I can confirm to the House today that the GFA has paid the second tranche of the money due to the Government in respect of that purchase. Ten million had been paid in the financial year 2018-19 and I can confirm to the House that the balance of £6.5 million has now been paid in this financial year.

890 As all hon. Members know, we were keen also to combine the opportunity to create these new facilities with the arrival in Gibraltar of the 2019 Island Games. I want to be clear that the facilities we are building are not for the Island Games, they are for our national athletes and sports men and women, but they are being delivered in time and on a scale designed with those Games in mind. I can today confirm to the House that we will be ready with the new facilities for the Island Games. The works being done do not require us to pay any extra over costs for acceleration, as the date when the facilities were due to be delivered by the contractors was in time for the Island Games.

900 It is important to note that these are not just sporting facilities; they are also new constant and event venues. The Music Festival will this year be at Europa. They are also facilities that will produce potential new income streams for Gibraltar as they will attract teams for training, teams for competing with Gibraltar teams and their consequent spending – another further diversification of the economy of which we can be proud – as well as facilities for businesses to grow and for the expansion of our existing industries. When they come on stream the community will see also in relation to these facilities that we spend their money wisely. They will like what they see. They will understand that the principles that have driven our spending are safe, sound and secure.

905 I think it is also important to note that the facilities may require some additional finishing off and snagging post Island Games, of course, but I want to thank the great men and women of GJBS for their work on these projects and indeed on the schools also. Their work is always of the highest quality and their commitment is unquestionable. I was very sorry to hear that quality and commitment called into question earlier this year, Mr Speaker.

915 Also completed is the student accommodation for the University, which has been delivered in time to be the residential facility for some of the athletes coming to the Games. For this project – also on time and on Budget, as for the other two new comprehensives – it is also right that we should thank Casais, who have also done magnificent work and a tremendous job alongside Steven Linares, who has ensured that we will be ready for the Games.

920 These facilities that we are developing – sports facilities, new homes, new homes for MoD personnel agreed by the GSD – all of these, are projects where our financial outlay is over a number of financial years but the return will come in the following financial years. That means that we see the cost or part of the cost in this financial year but the benefit and income is not seen until later.

Mr Speaker, the works we are also going to see start in coming weeks are the works on the new affordable homes on the Eastside, Hassan Centenary Terraces. Sales of those homes have

925 already begun and are going very well. New bridging loan products are also soon to come on to the market to assist those who need to fund rents at the same time as they make interim monthly payments.

We have also announced now the final configuration of Bob Peliza Mews. Works there will start with the dismantlement of the now old Gibelec power station. We will announce the prices for this new development in the first half of July. We also expect to be able to announce the final configuration and details of the third of our estates, on the site of the existing Westside School, in coming weeks.

935 Mr Speaker, we have often criticised the GSD for the limited number of affordable homes that they built during their 16-year tenure. When we came into Government we were able to build a greater number of affordable homes in less than half the time that they had done. In delivering these homes, we used the more relaxed underleases that the GSD had introduced and implemented our 50/50 model in Beach View Terraces and Mons Calpe, developments that have since set the benchmark for affordable housing quality. These developments are now buzzing with life, full of Gibraltarian families growing and nurturing our young and thoroughly enjoying their homes. The co-ownership trend has continued. The majority of first-time buyers opt to purchase on a 50/50 basis. Indeed, unlike the GSD, we have not prioritised 100% purchasers over those who might be more deserving, as they did – very ‘unsocialist’. This would have been grossly unfair and indeed it is the type of measure which means that every time they criticise us as ‘unsocialist’ they are failing to recognise the reality of their own record on issues like this and the payment of half the minimum wage.

945 The result of the success of the concept of the 50/50 schemes is that the capital value to the Government of the residual co-ownership interest across these developments is locked in until a sale crystallises or a co-owner buys out their remaining share. Put simply, the Government funds the entirety of the construction costs but only receives half of the sale proceeds when the flats are sold. In order to ensure that we can continue to build more co-ownership estates for future generations, we have rethought this model, and the thinking of the brilliant Financial Secretary, Albert Mena, and his team has smartly figured out how to put these assets to good use for future generations of Gibraltarians. Instead of co-owning people’s homes without having any access to that equity, or unfairly giving preference to 100% purchasers *à la* GSD, we have sold the Government’s remaining 50% interest in the equity of the properties in the newest co-ownership estates for £165 million of value in a manner that has unlocked that capital value of illiquid residual co-ownership equity interest and made it available to build new co-ownership estates. This sale is also linked to a wider deal that also provides the funding platform and framework for the financing of the construction and development of Hassan Centenary Terraces and potentially other affordable housing schemes in Gibraltar such as Bob Peliza Mews and Europort Avenue. The deal is one that has allowed us to fix our cost of the financing element for the construction period at a rate of 3.29%.

965 The investment deal involves the sale of co-ownership interests by Gibraltar Residential Properties Limited in the following six affordable housing estates: Waterport Terraces, Cumberland Terraces, Bayview Terraces, Nelson’s View, Beach View Terraces and Mons Calpe Mews. Owners who own on a co-ownership basis can rest assured that their co-ownership terms cannot be altered and will be honoured by the company that has acquired these co-ownership interests. That company is called GIC Limited, a newly incorporated Gibraltar company. GIC Limited will act as a holding company for the subsidiaries established for the construction and development of Hassan Centenary Terraces. The directors of GIC Limited are the Chief Secretary Darren Grech, the acting Accountant General Charles Santos and the Managing Director of Land Property Services Limited Kevin de los Santos, all of whom have my full confidence and are well qualified and experienced to manage this company throughout the deal term.

975 GIC Limited has been funded through a subscription of shares by Eruca Investments Limited, another newly incorporated Gibraltar company. Eruca also has a strong board of local directors:

Jose Julio Pisharello, a senior and highly respected accountant; Brian Francis, a veteran of the local property scene; and Chris Cavilla, whose banking experience will ensure a smooth operation. Eruca has in turn raised funds through the issue of notes to various institutional investors, all or in part managed by M&G or Barings.

980 The deal is one that realises what would otherwise have been an illiquid residual interest into liquid cash for the development and construction of Hassan Centenary Terraces, as well as unlocking their construction financing.

I reiterate that this sale of the Government's 50% interest will have no practical impact whatsoever on homeowners. Co-owners will just deal with GIC Limited instead of Gibraltar
985 Residential Properties Limited should they choose to sell their property or to buy any or all of their remaining co-ownership share. The terms and valuation for these co-ownership shares will continue to be determined exactly in accordance with the underlease and trust deeds. Nothing will change.

One thing that the House will recall also is the litigation to which GRP is presently subjected
990 in Madrid as a result of the dispute between the GSD and a Spanish construction company called Bruesa. That claim by the liquidator of Bruesa for many millions of pounds is against GRP. I will say no more, Mr Speaker, but it is obviously important to keep that litigation in mind when understanding how the Government has structured this transaction.

In order to finalise the post-completion aspects of the sale, I will shortly be publishing
995 legislation for approval by Parliament in the form of the Gibraltar Residential Properties Limited (Assignment, Transfer, Vesting, Registration and Notice) Bill 2019. That Act will make provision for the assignment, transfer and vesting of certain rights from GRP to GIC Limited, the exemption of the assignment and transfer from registration requirements under the Land Titles Act 2011 and for the notice of the assignment and transfer to relevant parties and financing
1000 institutions. I am offering a meeting to the Opposition and to the independent Member to talk them through the operative parts of the sale deal in the coming weeks before the Bill comes to Parliament.

Mr Speaker, I would just clarify now that there is no security or mortgage over any real estate
1005 interest in Gibraltar, nor has the Government provided a guarantee in connection with this transaction in any way. Equally, the structure is flexible and iterative. It allows for a programme to ensure we can always afford to construct homes for our people on a 50/50 basis. The 50% that is retained by Government on the older estates is used to develop the construction of new estates and, in turn, when this new 50% is added to the pool of assets this will provide the foundation for construction of future estates – and so it goes on, generation after generation.

1010 Once again, we have been able to secure a massive foreign investment in Gibraltar with a tremendous amount of planning and effort and I want to thank each and every investor, financial institution and adviser that brought about this investment and the Gibraltar teams that have delivered it. The timing is all the more remarkable given the deal was completed days before Britain's scheduled departure from the EU on 29th March. This transaction yet again
1015 serves to highlight the highly positive confidence that international investors have in the strength and resilience of Gibraltar. And all of this despite the repeated suggestions from some Members opposite – Mr Clinton in particular – that the fundamentals of the Gibraltar economy are not as strong as we suggest. Well, Mr Speaker, when we are X-rayed and analysed by international investors who are experts in assessing the strength of the covenants that they
1020 invest in, we pass with flying colours, despite the repeated statements from Mr Clinton that would put off any investor who decided that what he was saying was true.

I want to specifically thank Charles Santos, the Acting Accountant General; John Paul Fa, Legal
1025 Counsel to the Financial Secretary's Office; and Kevin de los Santos, CEO of LPS. We have truly gifted individuals working for Government, who together can achieve great things. I also want to thank Peter Montegriffo QC, a former Member of the House and the founder of the GSD; Nick Howard, Gemma Vasquez and their legal team; as well as the Minister for Housing, Samantha Sacramento, and Gerry Reading, and her hardworking team at the Ministry of Housing. Their

work has enabled us to put in place a mechanism to continue to deliver affordable housing on a 50/50 basis for generation after generation – self-funding, self-financing.

1030 Once again, Mr Speaker, we deliver for all generations: from the generation in 1988 that embraced Joe Bossano’s housing revolution, which alleviated the problem of overcrowding and lack of homes and which has made most of them hundreds of thousands of pounds, to the generation-building families today in the estates we have just delivered, to the generations buying today at the estates we are now selling and to the generations of the future who now
1035 know that we are not going to short-change them and tell them that we cannot afford to build for them in the future.

Whilst still on the subject of housing construction, we have ploughed ahead whilst also correcting the legacy defects at Bayview, Cumberland and Nelson’s View. We are committed to repairing the problems with the Bruesa construction of the Mid Harbour Estate. There is some
1040 real political amnesia on behalf of hon. Members opposite, Mr Speaker. They have criticised the deals we have done for Victoria Keys, saying we are investing in homes for the rich; yet in this last term we have already delivered more houses for those who need affordable homes – and with no immediate defects that result in serious exposure to the taxpayer – than they ever did. The issue involving flooring at Beach View Terraces is not major at all and we are totally
1045 committed to fixing it for those tenants who are experiencing it. For Bayview, Cumberland and Nelson’s View not only did we finish the job that they left unfinished, but we needed to address the litigation that flowed from their own rotten property deals, which meant we had to face and settle with Barclays and we had to account for the loss of the loans of taxpayers’ money which they granted and lost. They do not want to forget that, do they – they do not want to forget that
1050 they gave loans using taxpayers’ money and the money was lost? We even have people in those GSD estates who want to hand us back their keys.

I should also inform the House, whilst on the issue of rotten deals, that the Government is in receipt of a claim for a right to light brought by one party supporter of Members opposite in respect of an infringement of light arising from the development by the GSD of affordable
1055 homes. I am advised and must inform the House that the right to light claim made against the Government as a result of the GSD developments is of many millions of pounds. Initial advice on quantum suggests that the claim as drafted is in the region of £5 million to £9.5 million. The Government considers this claim must be defended but we are trying to assess whether in fact the GSD compromised it and accepted this claim without defending it and whether this will have
1060 a negative consequence for the taxpayer. Of course, this claim against the actions of the GSD in office is in addition to the Barclays claim which we dealt with, and the claim I have just referred to in the courts of Madrid also which is outstanding with a claim for over £20 million from the liquidator of Bruesa in respect of Waterport Terraces.

The legacy of claims against the GSD and the potential cost to the taxpayer is unprecedented.
1065 I can imagine that this is a subject that Members opposite will not want to deal with and will want to ignore, but the community cannot ignore this legacy of almost £50 million of taxpayers’ money at risk and not available for other worthy purposes because of GSD failures and claims against the GSD and money lost on loans granted with taxpayers’ money by the GSD. Yet we get on and we deal with this. We clean up their mess. We continue to invest in our economy and they just sit back and criticise without the slightest hint of shame or irony. As we say in Gibraltar:
1070 what a face and little shame.

I am delighted nonetheless that Gibraltar now has a new power station. It is built and running. Additionally, we have an LNG storage and regasification plant. Establishing it was not without controversy, of course. We will all remember to what extent this debate has in the past
1075 been dominated by issues relating to that source of energy for our community and the location of the new power station. Well, already today anything between 45% and 50% at least of our electricity is being supplied by that new power station from gas. There are times when we are ramping up and up to 75% of our power is coming already from gas. Some nights already, when

consumption is lower, we are enjoying the benefit of 90% of our electricity being supplied from gas.

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We took our first consignment of LNG in early January and testing has continued in a methodical manner: first with diesel, then with LNG, then fully on LNG, then swapping between fuels to ensure everything works, then at full capacity for given periods of time. The testing programme is extensive and necessarily takes time to ensure that, when we sign off, Gibraltar has a reliable and safe power supply for many years to come – new, cleaner generating capacity for generations to come.

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We are now on our fourth commissioning cargo of LNG, so we know the process works. Clearly we are learning as the testing of the power plant progresses and we increase output to take 100% of our power needs from LNG. Our strategy has been methodical and not to rush. We expect to take full handover of the plant later this summer and as we become confident in our output we will begin to decommission the temporary, expensive but necessary power plant we had to hire to cover and provide supply given our formerly ailing and very poor generating capacity.

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Mr Speaker, as you know, we also recently inaugurated the LNG plant itself in partnership with Royal Dutch Shell plc. This represents a revolution in the way power is delivered with next to no noxious gasses and with a reduced level of noise. Whilst LNG plants on a larger scale are common, a small plant like the one developed to meet Gibraltar's power needs is relatively unique. This has attracted attention from Bermuda, and their energy Minister came over for the inauguration as they are also going to invest in a similar albeit slightly larger plant.

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It has also positioned us well in this sector as we rekindled our relationship with Shell, an international company that had unfortunately left Gibraltar some years ago. This is also an important example of foreign direct investment, as Shell is not just selling us the LNG – they are our partners in the ownership of the storage and regasification facility. Being on the Shell worldwide map is crucial as cruise ships and other merchant vessels move to LNG power. Shell are strategically placing themselves to deliver LNG across the globe and it would have been a huge and historic mistake to have pursued the GSD line and to have allowed our neighbours to monopolise our unique location for the supply of LNG to vessels in the future. These are the positive consequences of our careful and considered decisions for the investment of our nation's money wisely and to create a new aspect for our bunkering industry at the same time as we are investing in safe and secure power generation. Two birds, one stone: good investment decisions, Mr Speaker.

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The new power station will transform Gibraltar's power generating capacity from both a stability and an emissions perspective. We will provide a surer source of power in a better location and in a manner that will improve our air quality dramatically. Mr Hammond talks about air quality: will he now welcome this facility he was so fixated against? Not only will the new power plant not emit dangerous NOx particulates; it will also enable us to shut down four other generating facilities, the generating technology of which is now far from optimum. Indeed, the new facility provides the best available technology, which is what the Government committed itself to do, and the investment has also included the distribution system.

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As will later be explained in greater detail by the Minister for the Environment and Climate Change, I am delighted to also be able to report that, for the first time ever, recorded air quality in Gibraltar in 2018 was at its best ever, with all pollutants falling within EU target levels for the first time since records began. This includes nitrogen dioxide, for which the previous Government had to seek a derogation from the EU due to its inability to reach the necessary levels. The trend for the first six months of 2019 shows that air quality continues to improve. We will continue to work to improve air quality further, as the Minister for the Environment will explain in his contribution.

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The power station and LNG plant coexist at the end of the Port in a truly symbiotic relationship and in the understated way intended. From there – out of the way and nowhere near our Nature Reserve, where the GSD were going to place their diesel-burning power

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monstrosity – this new facility will produce the cleaner and less polluting power that we need to drive this economy. I am reminded that one of the key issues at the last election was that the GSD were saying in their pamphlet that people should vote for them so that they could start the building of the power station in the area of access to the Upper Rock, so that they could start the chimneys burning the diesel in the area of the Upper Rock. People’s white dogs would have ended up black with soot! (*Laughter*) Mr Speaker, it is now out of the way. This new facility will produce the clean and less polluting energy that we need to drive this economy.

The Official Opposition recently asked that we advise on the total revised lending amount agreed by ES Limited with Lombard plc. During the development of the plant, the switchgear that is used to distribute energy was also upgraded. It made sense commercially for this to be undertaken by Bouygues given that it needs to interact with the power plant. We therefore were able to agree additional finance with Lombard plc for the equipment involved and this increased the facility that they are able to provide from £55 million to £58 million. ES Limited has not yet drawn down fully on the facility, as this cannot happen until the plant is completed and handed over. In respect of this facility, the Government’s thanks must go to Michael Caetano and his team, and his predecessor Manolo Alecio, as well as Hector Montado and his predecessor, Michael Gil.

The negotiations with Shell have been run primarily by the Financial Secretary, Albert Mena, who as usual has been an exemplary servant of the taxpayer in his dedication to getting the best deal for the public purse at every turn. No one, however ill-motivated, will ever be able to fault the way that Mr Mena has run his negotiations or indeed any other single one of his dealings with any aspect of the public finances. Anyone who knows him knows that, and anyone who suggests the contrary will damage their own reputations and credibility in doing so, not Mr Mena’s, because any suggestion that attempts to bring Mr Mena into disrepute will immediately be known to be fantastical by anyone with the slightest knowledge of the man, the slightest shred of objectivity and the slightest ounce of human decency.

Additionally, the community must be reminded that it was Sir Joe Bossano who was clear eight years ago that we had to abandon diesel. John Cortes agreed with him. Together they were a formidable force to stop the GSD’s power station spewing diesel at the entrance of the Upper Rock Nature Reserve. The costs were greater and the funding required an agreement to increase the cost of electricity to every subscriber by 100% if we had pursued the GSD’s power station. It is important that no one in this community, whether residential subscribers of electricity or business subscribers of electricity, forgets that this is what the GSD would have delivered. For all their talk of prudence, the GSD would have added 100% to the cost of electricity for every home and every business in our community, and that is before we start looking at the pollution that the GSD’s power station would have been responsible for. They would have created an additional pollution emergency just with that project, and additionally the diesel power station would have attracted fines for the pollution it would have emitted from the word go. They were planning a new station that they knew would be fined from the moment that they turned on the first engine. Well, no 100% increases in utilities from us, Mr Speaker; no fines to us. This was one of the big arguments of the last 10 years and we were right. We were right again on this, as we were on scholarships, as we were on the Airport agreement and on the Brussels process and on the cherry-picking argument on the Cordoba agreements. You name it, we have been right on all the big arguments.

Mr Speaker, when Mr Hammond rises to address us on the environment, can I ask him to please tell us how he reconciles his alleged concern for the environment and air quality with his support for this diesel monstrosity that they were going to erect? I will look forward to hearing what he has to say. When Mr Clinton rises to address us on book keeping, can I ask him to please tell us how he reconciles his alleged concern for costs to taxpayers and prudence with the need to increase the cost of electricity by 100% to every consumer and the fines that would be applied for the pollution immediately once the plant opened; how he feels about the losses of loans made by taxpayers’ money by the GSD, the losses in the claims against the GSD and the

1185 outstanding liabilities on claims against the GSD, including the claim from one of their supporters for millions of pounds arising from a GSD development? How does he feel about that? Question Time is about hon. Members asking questions of the Government, but this is a debate about the Estimates. Surely they must tell us how they feel about those losses arising from the GSD's management of our economy in the time they were in office and the manifesto that he defended at the General Election which proposed that power station that would attract that greater cost. I will not hold my breath for an answer.

1190 I know that attack is the best form of defence, but Mr Clinton might helpfully just park some of his other subjects of attack and descend into dealing with the issues that the GSD is responsible for before seeking to cast the first stone against us. In fact, it is clear to me that they have no answers to the huge liabilities that we have uncovered that they are responsible for. For that reason, the Government will consider convening select committees to further investigate
1195 each one of these expensive debacles that have resulted in huge losses of taxpayers' funds as a result of the actions of Mr Clinton's party.

Mr Speaker, moving on and with all these very positive numbers in our possession on the performance of the economy and the public finances, all of them so positive, it is also fair to ask questions about quality of life and about our environment and surroundings.

1200 Is there too much development in Gibraltar? Yes. It drives GDP and average earnings and employment, but there is probably too much now going on.

Is there a choice? Well, there is some choice, but if we want the schools to be done we have to build them, and if we want the schools to be paid for we have to have income.

1205 Can we do things more slowly? Yes, but then the schools will be in a worse state for longer, and when we do things more slowly, does it resolve matters? We did the estates refurbishment a little more slowly and it has not felt better for the people who live on the estates; it has felt as if the estates were suffering the effects of the works for longer.

1210 So, in our book it is time to also concentrate on another approach. We want to develop also in a different way, not just economically. That is why we invested in Commonwealth Park, although we were roundly criticised for doing so by the GSD. And that is why we have taken the decision to open the Nuffield Pool and not proceed with the GSD project to build a hotel tower on that site. In fact, one of the worst aspects of the plans of hon. Members opposite for that site was that they were ceding the Nuffield Pool site for no premium to the developer. Yes, Mr Speaker, you heard right: they were ceding that site for no premium. So we are going to keep
1215 that site accessible for our people. After all, we were denied entry to it for years, and we will now be the users of it. Indeed, the site is a little like that of the Garrison Library but for bathing. This will be a safe site for our people to enjoy leisure and open spaces. This year it will also be a site for part of the Island Games activity.

1220 We are also going to see even more positive developments in the area of the Northern Defences and the development into part of the area south of the Midtown development. This will come on stream very quickly now. Yes, it was part of the original design of that area by the GSD, but hon. Members will recall that this was to be the only open area they would provide, with more towers to be built where Commonwealth Park is now. We reduced the size of what they had ceded at Midtown, we took back one third of the site for the taxpayer and the public,
1225 we kept their small area of park and we added Commonwealth Park and stopped the development on Commonwealth Park of the towers that they were going to build. We legislated, in fact, to protect Commonwealth Park and they did not support our Bill in that respect. Well, we have re-engineered the whole of this area and we are going to make this Midtown Park now complementary to Commonwealth Park.

1230 But there is to be one key new development and reclamation, and I really no longer understand what the position of Members opposite for the Official Opposition is. I am of course referring to the new reclamation at Coaling Island, Victoria Keys. Mr Clinton said in his speech in 2016 that he welcomed the announcement of the Coaling Island reclamation project, yet a year later, in 2017, he had changed his tune, suggesting it was not so exciting a project because we

1235 were going to be involved in the reclamation. It seems the only bit he does not like is that we
have found someone else to pay for it, paying us interest for lending them the money to carry
out the reclamation and give us half the reclaimed land for free. This is really quite a remarkable
1240 position for Mr Clinton to take, given that in all our modern history all reclamations have been
carried out by the Government itself at our own cost and under our own risk. It is not to say that
there have been any reclamations that they or anybody else was responsible for where a third
party took the risk of the reclamation, funded the reclamation and did the reclamation. It has
never happened. This is the first time that we have been able, having proven the model, to pass
1245 the risk of the reclaiming to a third party – a good thing too. Additionally, instead of them going
to Barclays or HSBC to obtain the funding for the work on the reclamation, we have agreed that
they must borrow from us. That is a very good thing. Why is it a very good thing? Because it
means that we also get the interest that arises from the lending, and at no risk as we will be fully
secured over that reclaimed land. So very good news indeed, Mr Speaker.

As ever, one of the issues we hear is that the Opposition say they want to know more and
more about the deal. On 8th April 2019 we announced that we had agreed commercial terms for
1250 Victoria Keys, the creation of that new reclamation and the subsequent development within the
harbour. We released the names of the companies involved. The names of the directors who
stand behind these companies are publicly available, as reported by GBC. The directors are well
known: Jimmy Garbarino represents the Montagu Group, responsible for developing Europlaza,
Europa Mews, Genista House, Harbour Views, Kings Bastion, Midtown, Montagu Crescent,
1255 Montagu Gardens, Northview Terraces, King's Wharf, Sunset Close, Sunrise Court, the
Anchorage and Vineyards – that is to say they have developed projects under all administrations,
the majority for the 16 years that they were in power; Isaac Levy, who represents his family's
company, a family that has developed the ICC, Both Worlds, Leanse Place, NatWest House and
Midtown, amongst others – that is to say they have developed properties under all
1260 administrations that Gibraltar has enjoyed; Paul Butler, who has a long track record in Gibraltar
from his days at Marina Bay and he has developed the Island and the Sails – that is to say he has
developed projects under all administrations; and lastly, Lawrence Isola, for his family interests,
who play a key role within the Atlantic Suites, King's Wharf, Europlaza, Portland House and
Europort developments, and yes he has a brother in the Government – that is to say they have
1265 developed projects under all administrations. So, the most established Gibraltar developers,
who have worked with all the administrations, brought together in a club to develop the
reclamation for the Government. I find it difficult to understand that the GSD might think that
there is anything unusual about a consortium of people who have a long trajectory of
development under successive administrations. They are all well known to them and to the
1270 leaders of their party.

What is more, we have announced the funding mechanisms that have been agreed in
principle with the developers. We also have announced the minimum cost for which we will sell
our share of the site. Short of sharing the commercial agreements we have entered into – which
are obviously, by their nature, commercially sensitive in nature, at least at this stage – what
1275 exactly is it that have we not been transparent with? Perhaps what is lost to the GSD is the
potential that lies behind a project of this magnitude – or maybe they appreciate it and that is
why they are criticising it.

I am sure that most of our people will see the value in large-scale projects like this. It is
resoundingly positive for our economy, especially given the undeniable uncertainty that Brexit
1280 has shrouded us in. One only needs to follow the media reports in the UK to see that the only
decisions being taken in the UK are by investors who want to leave the jurisdiction. This
morning's *Financial Times* suggests that £300 billion is being invested in Europe rather than in
the United Kingdom as a result of Brexit. Yet here we do not have developers who are deferring
their investment decisions; here we have local developers, with proven track records under all
1285 administrations, prepared to make long-term, large-scale investments. What is wrong with that?
These are not people who are here today and gone tomorrow; they have roots in our

community. Perhaps the GSD would have preferred that we hand over these opportunities to external investors instead?

1290 The development will, in particular, be designed to be carbon positive, green and a garden
city. This is a development that is going to improve our environment and give people more
access to the sea front. In terms of the type of property to be developed, we can see in Victoria
Keys an opportunity for those who can and want to move up the property ladder. This provides
opportunities for those Gibraltarians at the same time as we are putting about 1,500 more
affordable 50/50 homes on the market also, so we are providing for all strata of property in the
1295 market. The fact is that homes of the type we will see at Victoria Keys are not for what I hear
people refer to as 'rich foreigners'. Testament to this is the popularity of new and similar
developments that have been oversubscribed by Gibraltar residents. Take Quay 31, for example:
a development with a total of 84 residential properties, of which 62 have been purchased by
Gibraltarian owner-occupiers. That is a Gibraltarian owner-occupancy rate of 74%. That is hardly
1300 the picture of empty flats for Cat-2s that some set out to portray. At Midtown and at Quay 29
the rate is also well over 50% owned by Gibraltarians. Victoria Keys will be a mixed-use
development. The developer is taking interest from the market. The developer is even keen on
exploring a new type of private accommodation, also for first-time home buyers. All of this is
untapped potential that we are in the process of unlocking. It would be far easier to aim low or
1305 to do nothing, but that is not what people deserve and it is not our style. Instead, this is a
development that can produce 100,000 square metres of floor space. That means more jobs for
hotels, more business for furniture retailers, carpenters, plumbers, estate agents, surveyors,
gardeners, maintenance personnel, lawyers – the list goes on. This is an important part of how
we keep this economy going.

1310 Threats of Gibraltar becoming like Monaco with descriptions of local residents being priced
out of their homes ring hollow in Gibraltar. Firstly, the level of affordable homes that has been
delivered to date and which is planned for delivery – if we are re-elected – is of an
unprecedented scale. We, as a nation, have grown and homeowner levels have never been
higher. We are on track to exceed even the number of homes built by the first GSLP
1315 administration. As the old Chinese proverb says, growth is a rising tide that lifts all boats – never
more apt than for a reclamation like this one that will rise from the sea. If anything, we have
implemented the Monaco trend in reverse: locals who have previously lived in nearby Spain and
commuted to Gibraltar on weekdays are now making Gibraltar their primary residence. I
welcome the opportunities we are creating for these Gibraltarians to come back home and pay
1320 tax in Gibraltar. In Gibraltar, it is undeniable that Gibraltarians have participated in the growth of
our economy. Pay packets have increased and home values have increased steadily. Job
opportunities for Gibraltarians are greater than ever. We are not Monaco, Mr Speaker: we are
better, we are Gibraltar, and it is developments like this that play to our continued success for us
and for future generations in decades to come.

1325 Sir Joe had the foresight of growth when he reclaimed Westside with Pepe Baldachino for
new homes and when he reclaimed, to develop, Europort with Michael Feetham. At first it was a
ghost town and the subject of perennial criticism. I remember when the young Med and Calpe
members would play football on Europort Avenue, such was the lack of cars in that area at the
time. Yet Europort paved the way for the gaming companies to set up and over time
1330 demonstrated its key role in Gibraltar's offering as a financial services hub. It is this same
foresight that Sir Joe had that sees us take on the bold decision to develop Coaling Island and
the reclamation in unison and for the improvement and growth of our community and our
people.

1335 Additionally, we have been criticised on the costs involved. That would seem to me,
Mr Speaker, the most misplaced of all the criticisms. Let me be clear in this House. The
northernmost half of the reclaimed plot is to be sold for the total cost of the reclamation. The
Government sells it. The price is the cost of the reclamation. This is a cost that HMGoG would
have otherwise had to incur itself before being in a position to be able to sell the land in any

1340 event. We are therefore making double our money straight away, as we are paid back the full
amount of the reclamation but the developer gets to keep only half of it and we take the other
half – and that is before and in addition to the interest we earn on the money lent for the
creation of the reclamation. And once the plot is sold, the developer has an option to purchase
the remaining half – that is the southernmost half that we have kept – for a minimum of
1345 £25 million. Not only that, but should a third party come in and offer the Government a price
higher than £25 million, the developer will need to match this upper price or lose their option.

If this is not a total win-win for the Government, I do not know what is. We have the land
reclaimed at no cost to us, we earn the interest on the loan to create it, we keep half the land
and we can sell it for a minimum of an additional £25 million, and we get back the money lent
for the reclamation. Additionally, we are given a 20% interest in the developers' own company,
1350 so that the taxpayer has a share in the profits that the developers make – something the GSD
was never able to negotiate in its own transactions and which I have no problem telling the
House we obtained as a result of Sir Joe suggesting we should include this requirement as part of
our negotiation.

Mr Speaker, the deal puts the Government in a position where it can make money for the
1355 entire community. Let me give the House a worked example. If, for example, the reclamation
costs £50 million, it costs us zero. We lend the developer the £50 million reclamation costs, they
carry out the works, we get repaid the £50 million and an additional about £2.5 million in
interest. We then get half of the plot reclaimed, which is initially valued at £25 million. Using
those figures as examples, we would have made an immediate profit of £27.5 million and spent
1360 nothing: one of the best deals the Government of Gibraltar has ever done – and 20% of the
company to boot.

The reclamation costs will be financed by a Government-owned company on a fully secured
basis using funds raised from the £300 million institutional investment in Gibraltar, our Brexit
war chest, just like £30 million was invested in the capital of Gibraltar International Bank to
1365 support its continued growth. This does not mean that the cost of the reclamation will be
£300 million, as some are keen to suggest or imply; it means that a part of that £300 million will
be applied towards financing the reclamation costs. The sum is likely to be about £50 million –
the sum I had given in the worked example – of that Brexit war chest. Once the reclamation is
complete, the Government-owned company will be repaid in full with interest. Using this model,
1370 every single taxpayer has a stake in the development and shares in 20% of the return on the
development. The GSLP Liberal Government that I lead deserve all of the credit for this excellent
deal for the taxpayer.

But we perhaps should also compare apples with apples. The GSD awarded the tender for
Gun Wharf in 2001. Then they recalled that tender – for good reason, related to the MoD – and
1375 in settlement agreed to sell Coaling Island for a paltry £1,500,000. The developer paid £650,000,
not in cash but in kind, with the allocation of parking spaces in Europlaza for the Hospital and
the balance deferred to be paid when they took possession of Coaling Island. By the way, the
developer is one of the developers I mentioned that they now seem to not recognise. A sale
price of £1,536,700 and a plot size of approximately 11,500 square metres gives a sale price per
1380 square metre of £133. That is what they sold Coaling Island for, £133 per square metre – cheap
at the price even in 2001. Even with inflation at 53% compounded over the period – which I will
give them the benefit of – this works out to £204 per square metre. That is the deal that they
did.

Now let's apply the same ratios to Victoria Keys. The southernmost plot, of approximately
1385 30,000 square metres, with a guaranteed minimum sale price of £25 million, for which we pay
nothing and we get given having been repaid the loan, works out to £833 per square metre. The
difference, even when generously adapted to £204 per square metre, which is what I did a
moment ago for inflation, is over four times the rate at which the GSD previously sold this
seafront land – and, to boot, what we have sold is land that does not exist, land that the
1390 developer has to reclaim. The GSD did not strike a good deal on Coaling Island, far from it. I think

they were taken for a ride. Commercial negotiation obviously does not come naturally to them. Mr Feetham negotiating the price of the comprehensives would have been an absolute disaster, almost as much of a disaster as if they had been in charge of negotiating for the Victoria Keys deal. In stark contrast, we have brought Coaling Island back into our negotiation by using the fact and threat that we would reclaim in front of it in order to force the developers – that they gave the property to – back to the table, and we have secured an outstanding deal for the community. I guess that in fact the GSD’s criticisms are just an attempt to obfuscate the reality of this excellent deal – the ‘dead cat’ strategy that I am told is sometimes deployed in politics: if your opponent is doing very well, say something outrageous and turn attention away from his success.

The Victoria Keys project will also be applauded for the significant open and recreational areas that it will provide for our community. There will be public access, as I have said before, magnificent pedestrianised areas, access to the seafront, etc. With the guidance of the DPC, the project is also key to clearing part of the rubble mountain on the east side that is being cleared to make way for coastal and revetment protection and improvement works at Hassan Centenary Terraces.

Mr Speaker, the hon. Lady, Ms Hassan Nahon, has been a little more constructive in her approach to Victoria Keys and has asked to meet us for an explanation after an exchange of press releases, as she did in relation to the Tax Treaty before shooting from the hip like others do. I will look forward to meeting her and her team on this and to explaining why we think this is a brilliant investment that we have secured for Gibraltar by a consortium of almost all local developers.

Mr Speaker, my colleagues across the way comment sometimes that we do not give them sufficient information about things that are not in the Estimates Book. I have no doubt that our information presentation on the Budget this year will not be enough for them; it never is. What they want is to be in Government and nothing else will satisfy them. That is the truth.

As you know, Mr Speaker, the accounts of Credit Finance were produced and audited to 31st December 2017 and made public last year. We are presently working on closing the accounts for 2018. One fact no one can get away from is the sheer brilliance of the Father of the House when he came up with his concept of commuting pensions. This makes sense on so many levels, but it is only deliverable if, and only if, we can afford to make the capital payments. When we proposed it, the man some of them refer to as the greatest Gibraltarian of all time agreed. He said it was sensible as long as it could be paid for; he insisted, however, it was not affordable for the Government in capital terms. Sir Joe had a better plan. The scheme, connected to Credit Finance, is cleverly crafted, as it will grow over time and, after a tipping point, begin to retract. It is still in the growth phase. As you will know, Mr Speaker, the availability of commutations has been very well received by retirees. It is not affordable out of the Government Consolidated Fund. Since 2012 to 31st March 2019, and subject to audit adjustments, around £108 million has been paid by way of commutation by Credit Finance. During that time, Credit Finance has been paid by Government over the period, £28 million in assigned pensions. Credit Finance has treated this as £21 million in interest earned and £7 million in capital reduction. This policy was indeed a sensible one and could only have been achieved through the use of a company or some other separate body corporate with distinct legal personality to the Government. The arrangement requires the pensioner to effectively have a contract with a third party that will pay the capitalised, commuted pension. This party receives further pension amounts from the Government in exchange for paying a commutation to Government. So, if I may say so, this is another one on which hon. Members opposite have got it wrong, and some of those who have sat alongside them obviously agree, having signed on the dotted line themselves to have moneys paid to them by Credit Finance Company Limited by way of commutations! *Como se te queda el cuerpo!*

Mr Speaker, one of the ways in which Gibraltar is succeeding today is our state-of-the-art telecommunications. Those arise also from Sir Joe’s foresight in 1988 in creating the joint

1445 venture with Nynex of New York. Our economy today – whether the aspects that relate to online
gambling or the DLT Blockchain – would not be possible without that brave move that was not
without controversy at the time. And progress continues. Gibtelecom will this month be
1450 announcing, this summer, a 5G trial which is expected to be underway before the end of the
year. This is in line with 5G trials happening around Europe and some of the major nations
throughout 2019, including the UK, Spain and Germany. In fact, this morning, Vodaphone has
announced a similar trial in Spain. 5G technology has not yet been fully ratified in Europe and
1455 final specifications will come from the ongoing trials. Indeed, 5G devices in Europe are not yet
commercially available, with very limited devices being made available for trial use in
Gibtelecom's 5G trial. It will be focused on particular use cases where meaningful data can be
obtained and fed back as part of ongoing trials. I am very pleased, however, that we will be
keeping in time with the developments in this field and that we will be in the first tranche of
trials and early adoption of this high-speed, wireless data-transfer technology. To set it in
context, this step will increase wireless download speeds by 100 times.

In relation to Gibtelecom, as my colleagues will be aware, Mr Tim Bristow recently retired
from the company. This House should recognise the contribution he made to the company and
in his role before that as Financial Secretary, where his approach was always more collegiate
1460 than the then Leader of the House might have wished, something for which I was always very
grateful in my early days in this place. Mr Speaker, I am sure my colleagues and the Parliament
will wish him all the best on his well-earned retirement in Gibraltar. Following Mr Bristow's
departure, we commenced a process of looking for a successor. Mr Noel Burrows was selected
1465 from a field of very experienced candidates. I would also like to thank Adrian Moreno, who
remains COO but ably stepped up to the role of CEO during the transition. We are sure that
together they will make a phenomenal team, taking the company to new heights. We wish them
the best in their endeavours.

I am delighted to be in a position also to inform the Parliament that the pensioners of
Gibtelecom and Aquagib – comprising those individuals who were originally in the service of
1470 Government and transferred to those companies when they were formed – and the
Government are very close to finalising an amicable financial settlement at last. After a lengthy
and at times tough negotiation, the Government and the former pensioners have now come
very close to an arrangement to settle those claims. Their claims assumed that they ended up
worse off having left the Government service and going to the utilities. I confirmed to them that
1475 if this was demonstrated, we would make up any shortfall. The exercise of determining whether
such shortfalls existed has been long and drawn out. We have had disagreements about
assumptions and a tough negotiation on the figures. You do not expect to go into a room to
negotiate with people trained as shop stewards by Joe Bossano and forged in the febrile
industrial relations atmosphere in the 1970s and 1980s in Gibraltar and have a walk in the park,
1480 but I do guess it is a good thing that the negotiations were not being conducted by hon.
Members opposite: they talk about prudence and control of expenditure, only to get themselves
spooked when they see a resolute trade unionist wielding a deadly whistle. The settlement will
obviously represent a compromise on both sides between the original amounts claimed and the
amounts that Government felt might be due to a number of individuals. Negotiations leading up
1485 to this settlement have been ongoing for a number of years with the claims dating back to
before the GSLP was elected in 2011. I am therefore delighted to be able to confirm that I expect
this matter to be closed very soon and certainly in the lifetime of this Parliament, subject to final
agreement and finalising paperwork and settling the agreed-upon amounts.

Negotiations are also moving apace on the contract for the new wastewater treatment plant,
1490 which we have been pursuing since we were elected. These negotiations are not easy either and
we have to get them right. We need to have the guarantees we need that the plant will be able
to deal with the saltwater element in our brackish water. For that reason, although I had hoped
that we would have seen more progress before today, we have not yet seen ground broken.

1495 Another important and progressing infrastructure project is the Airport tunnel. This is becoming increasingly important. The latest dates we have for completion suggest that it is now realistic to think of the tunnel being open by spring next year. Delays here are totally unrelated to any aspect of Government decision making and relate only to the complex engineering issues that we have experienced with the contractor, OHL.

1500 I am also very happy to report that I hear only good things about the new facility that Calpe House is operating in London for those Gibraltarians who are sponsored patients receiving treatment in the United Kingdom.

1505 Mr Speaker, when the results of the Brexit referendum came in three years ago, there were many rubbing their hands with glee. I will never forget Snr Margallo's uncontained happiness when he identified the potential difficulties for Gibraltar as the only silver lining in Brexit. He was immediately saying, and I quote: 'The formula of co-sovereignty, to be clear, the Spanish flag on the Rock, is much closer than ever before.' Snr Margallo got even more carried away and at one point started saying that the Spanish flag would be flying over Gibraltar within four years of 2016. He said that three years ago. We worked, on this side of the House, every day to deny Snr Margallo and his ilk any progress whatsoever. Today, no one in any serious political party in Spain is talking about Spanish flags flying over Gibraltar.

1510 In this process, we have held our nerve, and in doing so we have been able to see Gibraltar continue to succeed economically. We have held our red lines and we have been able to advance our cause to form part of any Withdrawal Agreement and transitional period that might have been agreed. And that is why there was no flight of businesses from Gibraltar. We held our reasonable positions, and that is why we supported the Withdrawal Agreement – not because we want to leave the EU, not because it is the deal we would like, but because it is a darn sight better for Gibraltar than no deal and it is even better for Gibraltar than the option of the Withdrawal Agreement applying to the UK and no deal for Gibraltar. Some do not appear to understand that those were the choices that we had to deal with. We had to play the cards we were dealt, not the cards we would like to have received.

1520 The Hon. the Deputy Chief Minister will report more fully to the House, in the course of his address in this debate, on the work we have done with the United Kingdom and on our contact with other European partners, given his portfolio responsibilities both for Europe and for leaving the European Union. Suffice for me to say that we both remain, of course, fully engaged in the politics of Brexit and in daily contact with colleagues and officials in the United Kingdom as the tectonic plates are moving, as the race to become the next Conservative leader is under way. I will also just add that I have been honoured to work with Theresa May in the past three years. For Gibraltar, she has been a sensitive, committed and stalwart support, and I can just tell the Hon. Leader of the Opposition, who is not known for his original thinking, that I do hope that in his reply he is going to repeat the remarks that he makes constantly that I have been Mrs May's cheerleader ... I thought as much. I make no apology for supporting, defending and cheerleading those who support and defend Gibraltar. He would do well to better analyse why I do it.

1530 What is clearly a huge success has been our cementing of the single market between Gibraltar and the UK, despite Members opposite and those in their party who were not elected seeking to denigrate the importance of that. This is what has secured our continued success in online gambling and financial services, in particular insurance. It has been critical in steadying the ship after the referendum and continuing to attract new business.

1540 Last year in this debate I told the House that our view was that there would be some loss of existing business but that there would be some new business also. That prediction has come true. I must tell the House that the way that we have worked with Bet365 on their reluctant announcement to relocate some of their business out of Gibraltar has been exemplary. I sincerely hope and believe we will continue to have a long and successful association with that company going forward and the very honourable principles behind it.

1545 Albert Isola's work in the online gambling space, in financial services and in the DLT Blockchain development and promotion has been remarkable also. Albert has travelled the

world incessantly in order to promote Gibraltar and attract some of the world's biggest businesses in these sectors to do business here, Brexit or no Brexit, and he has achieved exactly that. The Corporate Tax collections and the levels of employment in all these sectors is up, and even if we do lose some jobs – and we may not lose as many as people think – we consider it is likely we will not see any major reductions in any area. Indeed, I should just point out to the House that in the online gaming industry the number of jobs is up in the Employment Survey by 210 to 3,800 jobs in that sector. In 2010, the figure was 2,200, so the growth we have delivered in this sector has been remarkable and will not be undone by the reduction in one operator's numbers – although we can never welcome that or sit idly by as it is happening. To be clear, in 10 years the number of people employed in the online gaming industry in Gibraltar has literally doubled from 1,900 in 2008 to 3,800 in 2018, the year on which I am reporting, and it has gone down in some years as it has then rallied and grown again. So, again and as ever, the key thing here is to hold our nerve. And in financial services jobs are up 37% since the Employment Survey of 2011, from 2,977 to 4,068. That is real growth that Brexit is not breaking, thanks to the work we have done with the United Kingdom. That is the reality and it would be helpful for Gibraltar and those industries in particular if hon. Members opposite recognised that. When the history books are written they will show that Albert Isola was ready to go the extra air mile and spend week after week away from home to keep business coming to Gibraltar. He deserves all of our recognition and all of our respect for the work that he has done.

We have worked and we are therefore continuing to grow. We have attracted new business to Gibraltar and at the same time the Brexit team – the Deputy Chief Minister, the Attorney General, the Financial Secretary and me – have been working also on the core and pure Brexit issues. As I have reported constantly in Statements to the House on this subject I will not be repeating myself, Mr Speaker, but I will say this: the pace at which we have been required to work has been remarkable and it says a lot that the Gibraltar team at discussions and negotiations have never been found wanting – we were never the last to comment on a document and there was no one who knew the Gibraltar issues and had analysed them better than we had. The team have really done Gibraltar proud, and despite the preening and peacock-style show of feathers I have seen from others, no one could have better defended Gibraltar than the team that I have had the honour of working with and leading. In the most testing times we have ensured our people's rights, wishes and interests have been at the forefront of discussions and negotiations. Gibraltarian grit, graft and gumption have got us over the line to this end of the beginning of the Brexit drama and the effect of this work is what has delivered the economic growth we are now to analyse sector by sector. But let's be clear: these excellent results that I am about to report would not have been a reality with Ministers who do not turn up to the office or just hang around in bars and cafés, as was the case of some when the GSD was in power – not the hon. Gentleman. These are not results from walking around Main Street gossiping and sipping coffee, as some of the retired Members on the opposite benches do. This is the result of less gossip and rumour and more hard graft and more graft and more graft, and there is no getting away from that.

And so, Mr Speaker, I move on to my annual analysis of the key economic indicators of the performance of our economy. As usual, I remind the House that these are annually reported metrics and have been applied to our economy by successive Governments. It is also worth remembering that the figures I now report on are provided to the Government by the Treasury and the Statistics Office. They are based on the figures that are audited by the Principal Auditor. So, if any hon. Member opposite is tempted to question the validity of any of the figures, it should be clear that they are not questioning me or any politician on this side of the House: in fact, they would be calling into question the civil servants in each of the Departments in question.

In tourism, Mr Speaker, the total number of visitor arrivals increased by 4.4%, just shy of half a million people, to a total of just over 11 million in 2018. The figure for total arrivals, excluding non-Gibraltarian frontier workers, increased by 1.3% over the year. The arrivals by land in 2018

was 10.4 million, up year on year by over 5%. The largest increase came from visitor arrivals crossing by motor vehicle, which were up by 7% or half a million people, from 6.8 million to 7.3 million in 2018. The number of pedestrians also increased over the year from 2.7 million to 2.8 million, up by 1.5%. The number of cruise calls and passengers also hit a record high in 2018 and the number of cruise calls increased by 3.4% to 243 in 2018. Hotel arrivals also hit a record high for the third year in a row last year. The overall number of arrivals increased year on year by almost 6.4%. The largest gains came from other arrivals that grew by almost 8.8%. Room nights sold also grew. As a result, tourist expenditure for 2018 has been estimated at over £¼ billion, namely £273.58 million, a very creditable year-on-year increase of 8.6%.

Mr Speaker, the fact that the growth we are seeing is real is best illustrated by the fact that we are seeing more and more people and more and more jobs in our economy, and those jobs are for people near and far beyond our frontiers. As is reflected in the last Employment Survey, the number of employee jobs in our economy in October 2018 has gone up to 29,995 – that is to say five short, in October, of 30,000. That represents an increase of 7%, or 1,966 extra jobs in our economy in one year. That is almost 2,000 extra jobs when compared with the October 2017 survey, the date of the previous Employment Survey – and all of this with Brexit bubbling in the background. So, with Brexit looming at the end of March this year, there were still more and more jobs in our economy. So, when I hear Members opposite somehow suggest that our growth is not real and some suchlike nonsense, I look at these numbers and I see that the growth we have in GDP demonstrates that these realities of increases are manifesting themselves.

The majority of the job gains came from the private sector, where jobs grew by 1,940 or almost 8.8% over the period. Public sector jobs actually decreased for the year by 29 or 0.5% over the same period. As I repeatedly remind the House, the engine of our economy is the private sector, and this growth in jobs demonstrates that. And the engine continues to fire on all cylinders, even when Brexit was looming. You see, Mr Speaker, these figures represent the snapshot of the position as at the end of October, a quarter before a hard Brexit might have happened. That is why, although we cannot take anything for granted and we have to be totally match fit and careful in preparing for Brexit, we can say with some confidence that we can be optimistic about our prospects in Brexit. The jobs will be there.

Naysayers may refer to the notification given by Bet365 of its intention to relocate certain functionality to Malta. I would say that the work we have done with Bet365 is of the exemplary nature that I have referred to before and I am confident we will continue to enjoy a long-term relationship with that outstanding company and the professionals who lead it. Additionally, I would point to the fact that we have had a number of other entrants to the market in online gaming in Gibraltar since the Brexit referendum and despite the possibility even of an impending no-deal Brexit. My preferred approach is that of Sir Joe Bossano, who set it out perfectly when he said he predicted continued growth but that we could not be clear about whether it would be at the rates we have seen to date, and that we need to be able to cut our cloth so that our expenditure can be met in future from our income. I am confident that we will therefore continue to see growth, even in the sector of employment in online gaming.

Employee jobs in respect of Gibraltarians increased to a record 11,228 over the last year, representing just short of 37.4% of all employee jobs. The growth in full-time Gibraltarians was mainly in the private sector with a net increase of 26 employee jobs, up about 0.5%. In these circumstances, the House will be pleased to hear that the number of Gibraltarians unemployed for the last day of May is a remarkable low of 33 – yes, 33, although the only figure that we report and rely on is the quarterly figure.

If we just pause for a moment to think a little about this, these numbers mean that the number of people unemployed in Gibraltar is less than double the current number of Members of this House. There are 17 of us, double would be 34, so if you will allow me a quick reference in jest, Mr Speaker – if the hon. Lady were to be more supportive of expanding the House by eight we might be able to reduce unemployment down to 25! But we will all have to see about

1650 expansion. To date, we have not even heard back from the Official Opposition on the draft motion that we sent them some weeks ago.

To compare like with like in my speech last year, when the quarter-end figure was 45, we will have to wait until the end of June – the Budget debate was held in July last year. The number, however, is developing very positively as the monthly figure for the end of May last year was 58
1655 and this year it is 33, as I have just reported. That suggests that the quarterly average is likely to be even lower than last year's record low of 45. In fact, we recorded an even lower record quarterly unemployment figure for the quarter ending in December, of 44, one person less registered as unemployed than in the year before. This is excellent news and demonstrates that the reporting of unemployment is continuing at sustainably low rates.

1660 I have to remind the House that when we were first elected in December 2011 the number of Gibraltarians registered as unemployed was reported by the Department as 522 for the first quarter. This is not counting the number of people Mr Feetham suggested in his calculations would also be considered unemployed given how he calculated the cost of our Future Job Strategy. In those days we were told 300 registered unemployed would be full employment. In
1665 those days we were also told that most, if not all, of those 400, were unemployables. We never accepted that principle. Now, for the second year running, with the numbers reported by the Department now reduced to 33 for the last month, we are continuing to see a reduction of 91% in unemployment from the days when we took over. This demonstrates that our plans are sustainable. It demonstrates that our performance is no flash in the pan. It demonstrates that
1670 we are really delivering a reliable transformation in our economic activity which is likely sustainable even through a hard Brexit shock – although the only safe thing to do is to be ready and be able to deal with such an eventuality.

Mr Speaker, what a brilliant job has been done by successive Ministers for Employment since 2011. Well done to Sir Joe Bossano, to Gilbert Licudi and to Neil Costa. Well done to Sir Joe as
1675 the architect of the Future Job Strategy, which delivered good, long-term employment for our people despite the constant refrain to the contrary by Members opposite. I guess it shows that it pays to turn up to the office and work as a Minister, quite unlike what used to happen before, when the GSD were in power and the Minister – the last one, Mr Montiel, in particular – used to avoid his office and spent most of his time in a bar. I will not tire of giving all credit also to the
1680 men and women of the Employment and Training Board, in particular the dedicated and able Debbie Garcia, who with her team works tirelessly to find jobs for everyone who turns up wanting one.

Last year, I told the House that the results I was reporting were incredible and that we would work hard to maintain them but were unlikely to be able to repeat them. Well, we repeated
1685 them through sheer hard work on behalf of all our people. For that reason, I think we can now really, genuinely, say that unemployment has been tamed in Gibraltar in a sustainable way by the application of the careful and prudent policies of a Socialist and Liberal administration that has considered no one unemployable, that never accepted that GSD description of any of our fellow Gibraltarians and that has worked extra hard to ensure that our people come first in our
1690 labour market.

Having said that, the Gibraltar economy is now not just an engine of growth only for Gibraltar. There is a need in our economy for persons outside of Gibraltar to come here to work. That is why we have people working in Gibraltar from each member state of the European Union and indeed from even further afield. In respect of the period from October 2017 to 2018 the
1695 number of frontier workers increased by 1,717, from 11,937 to 13,654, or almost 14.4% from October 2017 to another record in Gibraltar, in October 2018. With only 33 Gibraltarians registered as unemployed, those cross-frontier workers are obviously not taking anyone's job.

And what are all those jobs producing, Mr Speaker? Average gross annual earnings in respect of all employee jobs increased by 3.1%, from £29,575 in October 2017 to £30,497 in October
1700 2018. Thirty thousand jobs paying an average of £30,000 is not a bad result for people to keep in

mind in respect of a shortcut of the results of these employment statistics for a community of just over 30,000 people.

1705 Mr Speaker, to set that increase in average earnings in context, in the relevant period for which I am reporting to the House inflation in Gibraltar averaged 2.8% in 2018 compared to 2.6% in 2017. Since the EU referendum in June 2016 the average rate of inflation was 2.3%, which is slightly higher than the current average rate for 2019, which stands at 2.1%. This is consistent with the UK average of 2.2% over the same period. Inflation in the euro area ran below the European Central Bank's target rate of 2%, averaging at an annual rate of 1.7% by April 2019. The UK CPI inflation averaged at 2.2% by April 2019, in line with Gibraltar's IRP, which averaged at 2.1%.

1710 Since the Brexit vote, the value of the pound has fallen in comparison with most other currencies, dropping by 10% from June 2016 to January 2018. The continuing uncertainty surrounding Brexit continues to apply pressure on sterling and some UK analysts are predicting it could fall below €1 once the UK officially leaves the European Union in 2019. The effect of sterling's depreciation on import prices and the recent increase in fuel prices will continue to pass through to consumer prices. This, of course, also impacts on Government expenditure to the extent that we are spending in euros. The advice I have from the Government Statistics Office is that these external pressures are likely to keep inflation just above the 2% target through 2019.

1720 Mr Speaker, this year I am able to report to the House on the outcome of the third full year's results following the decision by the United Kingdom to leave the EU. The year I am now reporting on is also the year when we were expected to have left the EU completely – the day before the end of the financial year, ironically. In the end, we were not able to see a final agreed position as to the status or nature of the UK's withdrawal or future relationship with the EU. It is against such challenges and political turmoil that we have been able to deliver the numbers that I report to the House today.

1725 The latest figures provided to me by the Government Statistics Office show that the final GDP estimate for the financial year 2016-17 was £2 billion, representing a growth of £206 million, namely 11.5%. The GDP figure for 2017-18 is estimated at £2.17 billion, increasing by £169.25 million or 8.5%. And the figure that I can today report to the House is that the GDP forecast from the Government Statistics Office for the financial year we have just ended – that is to say the turbulent and challenging 2018-19 – is £2.35 billion. That shows our GDP increasing by £177.8 million or an increase of 8.2% compared to 2017-18.

1730 Mr Speaker, if I may say so, this is an incredible achievement for this nation, especially this year. In the Government's view, these figures reflect the continued, sustained and sustainable growth of our economy in this year for which I have the honour to report to this House. As a result, the Government's manifesto target, set in November 2015, of reaching an increased GDP of at least £2.4 billion by the end of March 2020 is therefore almost now entirely achieved. We are within touching distance of it. Indeed, as I had predicted last year, we are almost there at £2.35 billion this year.

1735 We are therefore entitled, on this side of the House, to point out to hon. Members opposite that they were wrong in their previous suggestions that we might not meet our GDP growth targets. We are entitled to point out, in this key election year, that Sir Joe Bossano, who made these predictions, was right in the way that he analysed the potential for growth in our economy. And, additionally, we have achieved our target one whole year ahead of March 2020. So much for the constant pessimism from Members opposite that we would not make those targets at all. They said we were being over ambitious. They were totally wrong about that. We were conservative, we were careful and we were entirely prudent in our predictions. Sir Joe was, as ever, looking to de-risk our plans, and he got it right.

1740 As a result, once again this year Gibraltar will continue to rank among the fastest growing economies in the world. As a result, I will therefore continue the tradition, started by my predecessor Sir Peter Caruana, of calculating for the House the GDP per capita in our economy. I

1755 am very sceptical of the value of this calculation or its accuracy and it is not a strictly scientific measure, but as this was used by Members opposite when they were in Government as an indicator of the average standard of living of individuals in Gibraltar, I will do the calculation for them. This calculation is used in similar analysis internationally. It is nonetheless an established economic metric, of however doubtful value, which I shall once again provide to the House.

1760 In this respect, as I have told the House, the latest forecast for 2018-19 estimates a GDP per capita growth of 8.2% from the previous year at £2.18 billion. On the IMF GDP per capita rankings, the UK features in 35th position with a GDP per capita of \$45,782 and Spain in 41st position with GDP per capita of \$40,538. Gibraltar's GDP per capita for 2018-19 is forecast at \$111,505, placing Gibraltar still in third position, closely ahead of Luxembourg, which enjoys a GDP per capita for the year of \$108,000, behind Monaco with a GDP per capita of \$122,000. Qatar heads the list with a GDP per capita of \$134,000.

1765 As I have said before and must reiterate to ensure the record of the House reflects, my own view is that these measures are not scientific because of the differing methodologies and fluctuating exchange rates on which they are based. This lack of uniformity in calculation makes the exercise unreliable. Additionally, in the case of Gibraltar the calculation is particularly lacking in relevance given we now have reached 30,000 working people in a population of 32,000, making the per capita aspect unreal and, in my view, totally distorted. The important aspect of this exercise, however, is only really to appreciate that Gibraltar's economy is estimated to have grown by 8.2% in the relevant period, with average earnings going up by 3.1%. This growth continues to place us ahead of other small countries in the world, including Malta, Luxembourg, Singapore and Hong Kong.

1775 Mr Speaker, I now turn to an analysis of the public finances of Gibraltar.

1780 The level of aggregate public debt as at 31st March 2019 was marginally lower than last year at £435.6 million. This represents an aggregate debt to GDP ratio of 18.6% in 2018-19, down 1.4%, from 20% in 2017-18. The level of cash reserves ended the financial year slightly up at £121.6 million. As a result, this reflects net public debt at £314 million, or 13.38% of GDP, in 2018-19, which is a decrease of about 1.3% from the 14.7% at which it stood the year before, in 2017-18. These ratios continue at a lower rate than that of the UK and most other European nations. Gross public debt remained unchanged at £447.7 million and the reduced level of aggregate public debt reflects the balance held in the General Sinking Fund.

1785 Mr Speaker, once again, despite the spin they may wish to put on it later, it is important for hon. Members and the general public to note that our nation's public debt continues to be very low in relation to the growing size of our economy. As a percentage of GDP, our net public debt is currently among the lowest of the countries in the European Union. Net public debt is 13.5% of GDP and aggregate public debt is 18.6% of GDP. Indeed, overall borrowing is relatively low, even if we were to include the borrowing by Government-owned companies which was commenced and established by the former administration, and which has never, as hon. Members know, been deemed to be part of the public debt.

1790 Mr Speaker, the total gross public debt of £447.7 million includes £200 million which is held with two banks and the balance relates to debentures issued by the Savings Bank. During the next 12 months or so, the Government's debt with both NatWest and Barclays reaches its maturity and we want to take advantage of that to negotiate a better deal for the taxpayer than the GSD did. The Government is therefore already in advanced negotiations with these and other banks to seek to roll over some of this debt.

1800 The arrangement with Barclays done by the GSD locked us into a fixed rate of close to 5% in exchange for the variable rate, as adjusted, which in today's market place makes very much less sense than it did when they did the deal. In this context, the Government will seek to negotiate with these banks and others to obtain the best return for the tax payer. We will, of course, bring any such arrangement once completed to Parliament, as is required under legislation. We will, nonetheless, avail ourselves of the flexibility afforded by liquidity in the Savings Bank to allow us the necessary time to negotiate the best outcome for the taxpayer. If this means, therefore, that

1805 we replace part of the debt with debentures, we will do so to provide the most advantageous
return to both the taxpayer and the Savings Bank. That is what is in our national interest and in
the interests of every single taxpayer in this economy, and that is what we will do.

1810 Mr Speaker, for all the reasons I have already referred to and of which hon. Members and the
whole community are aware, the past year has been politically challenging. Despite that, I am
delighted to announce to this Parliament that during the last financial year, 2018-19, we have
once again achieved a record surplus, which stands in the Estimates Book at £82.8 million. This is
the record Budget surplus to which I referred earlier. This is just about three and a half times the
originally estimated surplus for the year – a demonstration, once again, that our estimates are
conservative and reliable and that they can be relied upon by hon. Members, however much
1815 they might not like to admit it. This also further demonstrates our prudent but non-austere
stewardship of this economy and shows that we continue to build on the excellent foundations
of our first term in office. Additionally, as almost two months have now passed since the
Estimates Book was prepared, I can tell the House that actually it looks like the surplus will not
be the record £82.8 million recorded in the Book. It looks like the final figures actually being
reconciled suggest the surplus for this year will be even higher. The number I have today from
1820 the Ministry of Finance is closer to a Budget surplus of £85 million.

Franco's ripe fruit is not going to fall any time soon, Mr Speaker. Mr Clinton's reducing
surpluses are not anywhere to be seen. Despite Mr Clinton's obvious rooting for our failure,
despite his public statements designed to erode confidence in the strength and stability of public
finances of Gibraltar, even Mr Wilkins Micawber will be a happy man. Indeed, the conclusion of
1825 his involvement in this debate might yet be to remind us that, in the end, it was not Micawber
who was crooked but Uriah Heep, who had employed him, who turned out to be the forger and
the cheat of Dickens' imagination.

For those opposite who have spent eight financial years criticising everything we do and
1830 predicting that our actions would not be successful, this further massive surplus demonstrates
once again that we can be trusted with the safe and successful administration of our public
finances. Once again, this year we are able to point to results to show that the naysayers are the
ones who should not be believed. They are the ones lacking in credibility. They are the ones
whose predictions are unreliable. Those who have been crying wolf each year since December
1835 2011 were actually wolves themselves, baying to feast on the political carcasses of our failure.

But we have not failed. They said we were not fit to govern, but we have been equal to every
task and toil. We have been up to every challenge. Indeed, if we compare our economic
performances by reference to the surplus, our average surpluses for the last six years after 2011
is larger than their average surpluses for the six years before our election. In fact, our surplus
1840 this year is a record surplus. But we do not want to just compare averages. Given these results,
hon. Members opposite should now find an elegant way to move away from their ridiculous
annual mantra that we are somehow massaging the figures. But if it is an eight-year massage, it
is one with an extraordinarily happy ending. What we are doing is demonstrating consistency in
the successful management of our public finance: consistent growth, consistent surpluses –
1845 consistently our performance is demonstrably better than theirs. Our record is stronger than
theirs, and given that this is the last Budget before the election, it is an apt time to carry out a
scorecard analysis and reflect on what has been achieved in our two terms in office.

Despite the prophets of doom and gloom who said this economy was not sustainable and
that we were heading for difficult times, despite their headline-grabbing statements which
themselves were designed to create challenges, we have been graced with great profits – even if
1850 we have not been graced with great prophets! By way of comparison, during the last seven years
under the GSD, from 2005-06 to 2011-12, inclusive recurrent revenue was £2.3 billion. During
the same period 2012-13 to 2018-19, recurrent revenue earned – cash in the bank – was £4.2
billion. In average terms, this works out to an average annual revenue of around £323 million
1855 under the GSD and around £600 million under the GSLP Liberals. So, just average annual
revenue under us has been close to double average annual revenue under them.

1860 The even more interesting figure comes when we look at surpluses on their own. In fact, despite being called a big spender, as both Mr Feetham and Mr Clinton have previously referred to me, my Government has managed to accumulate surpluses of just shy of £400 million over the same period: £397 million of revenue over expenditure. Under the GSD, for the same period, the accumulated surplus amounts to only £203 million. As in relation to average recurrent annual revenue, that is almost twice the amount of surpluses overall in the same period.

1865 That is a statistic that they will never be able to shake, Mr Speaker. Whatever we hear from them in the next 48 hours, they will not be able to deal with the fact that we have doubled the average annual recurrent revenue and doubled the average annual surplus amounts in eight years than when they had it in the same period, even when adjusted for inflation. Double: it is really quite remarkable, Mr Speaker. Everything is double the size on this side. *(Laughter)*

1870 In fact, I think Mr Clinton thought he was being really clever, as he usually thinks he is being, when, in his first Budget speech before this House, he quoted Dickens. It was back in 2016. Mr Clinton said this:

Mr Speaker, the ideal Budgetary position is that enshrined in what has come to be known as the 'Micawber Principle' named, of course, after the character in Dickens' David Copperfield, who wisely observed: 'Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.'

Mr Clinton continued:

In other words, we should not spend more than we can expect to receive in any year, or afford. We have been fortunate in Gibraltar to have reported budget surpluses year after year in recent times but, as my learned colleague the Leader of the Opposition

– then Mr Feetham –

has correctly pointed out, the size of these reported surpluses are decreasing and we must take care that expenditure does not overtake revenue if we are to avoid Micawber's misery.

1875 He then went on and delivered a mediocre maiden Budget speech, which sought to end more or less where it had started by going back to the issue of the Micawber Principle, and he added at the end:

We need to build up a general rainy day fund to meet any future eventualities ... We need to aim for Micawber's happiness and maintain a balanced budget; and we need economic success to guarantee that happiness.

1880 Well, Mr Speaker, we have observed Micawber's Principle much better than obviously Mr Clinton expected. Just like I suggested earlier when I alluded to the conclusion of the novel in question, perhaps Mr Clinton did not bother to read to the end, but Micawber is not a cheat and he is not dishonest. It was Uriah Heep, his employer – there are plenty of lawyers on that side of the House ... It was the person who pressed Micawber into service who turned out to have been the cheat. And old Micawber? – remember that he was characterising me in that way – well, he ends up being successful in government as a magistrate, and after four years the hon. Member's apparently clever references to Dickens may not seem so clever anymore; in fact, another Clintonian hostage to fortune that might have benefitted from a little more consideration before being turned into another climbdown. The surpluses are not reduced, and however much he might try he will not be able to credibly deconstruct them. The surpluses have grown. The 'rainy day funds' to which he and Mr Feetham have become GSLP converts, having recanted the Caruana religion of bringing all those pots in to add to the Consolidated Fund, have also grown. So, by every measure that he himself set out to judge our economic performance, we have exceeded and succeeded the standards that he set.

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1895 Indeed, incidentally, what we are going to do this year is we are not going to give the companies £25 million, as we were doing; we are going to give them £30 million. But if we were to do the calculations in the way that hon. Members did them when they were in government – in other words, if the year before the election we did not give £25 million to the companies and if in the year before the election we took the £43 million in the Savings Bank reserve into the Consolidated Fund – we would have been declaring a surplus this year of almost £150 million if we did not keep the funds in the rainy day pots that we believe in, if we calculated things in the way that they calculate them in government, although they then do not like to calculate them that way when they are in opposition.

1900 Indeed, in respect of the politics of real consequences, one of the many problems and consequences that Mr Clinton will have to face – given his constant suggestions that things are somehow not going as well as the figures show, of crying wolf every single year – is that people no longer will give any credence to the constant heckling by him of our results. Their credibility has been eroded every year and our credibility has grown each year as we have demonstrated that we work harder and we deliver every year.

1905 Mr Speaker, government is not an esoteric argument about whether to account for things one way or another way; it is not about full stops and commas. It is about people, it is about performance, it is about negotiation and compromise, and the approach that I see opposite of just trying to score petty points by reference to whether a number should be above a line or below a line or in a company or in an Estimates Book is not about effective government. Sir Peter would agree with me. He brought in the spending through Government companies. It is about accounting etiquette as interpreted by one man and in a way that is not shared by more able, more accomplished and more experienced accountants and experts in public finance and the public finances of Gibraltar in particular.

1915 Additionally, we are able to show that our attitude is such that we are reliable and credible in our predictions in these estimates, as much as to revenue as we are as to expenditure. We estimate revenue conservatively so that we exceed our estimates each year, and we are generous in estimating expenditure so that we know that we are not going to fall short. That is how this year we have delivered an overall underspend in departmental expenditure. Yes, Mr Speaker, that is right. What I am reporting to the House this year is an underspend in the Government Departments of £5 million. Where our estimate for departmental expenditure in financial year 2018-19 was £512 million, we have instead spent £507 million. Hon. Members can see that sum on pages 2 or 14 of the Estimates Book. That difference is the £5 million that I am referring the House to. In that respect, Government revenue during the last financial year exceeded the original Budget by nearly £55 million.

1920 As a reflection of the continuing growth in our economy, Income Tax receipts were up by around £16.5 million and Company Tax receipts were up by around £33.5 million. Departmental expenditure during the year, on the other hand, has been very effectively contained by the Government and this ended the year slightly under budget at £5 million, or around 1%, under budget. As I said earlier, our average growth in departmental expenditure is less than half of their average increase per year in the same regard when they were in government. Our increase is 7%; their increase was 17.8%. This also shows the accuracy of the work of the people who spend so much time on this Estimates Book, only to have it disregarded by Members opposite. That is an excellent performance of which I am proud and which I am pleased to bring to the House.

1935 Mr Speaker, as in previous Budgets and in line with our manifesto commitment to help Gibraltar Community Care Trust to build up its reserves so that it can be totally independent of Government grants, I am delighted to inform the House that a further sum of £25 million has been earmarked by the Government this year as a contribution to the charity. I had reduced the sum last year in light of the impending Brexit, but as we have not left yet I am once again contributing the sum of £25 million. This donation will be paid out from the Government's

recurrent surplus for the last year. I will have more to say about contributions to Community Care later.

1945 Mr Speaker also in line with my Government's commitment to transparency, we have once again prepared an excellent presentation on the Budget to assist the viewers to follow these essential numbers. The presentation will shortly be available online at www.gibraltar.gov.gi. Once again, the presentation is not a substitute for reviewing the Estimates Book but rather an attempt to connect taxpayers with where the money this Government raises comes from and where it is being spent.

1950 Mr Speaker, I will now move on to the revenue and expenditure Budget for the current financial year.

1955 Estimated recurrent revenue for the year is budgeted at about £697 million. This represents an estimated increase in revenue of over £45 million, or 7%, over the previous year's estimate. Nonetheless, as hon. Members will see when I get to the Budget measures that I will announce, this will still need to be a careful and diligently calibrated Budget that keeps in view the possibility that a hard or soft Brexit may yet be visited upon us within months. In preparing these estimates I have been particularly conscious of my responsibility to our past, current and most especially our future generations, and I have had no heed for the idea that I might confect a Budget of pre-election goodies. That is not the approach I have taken and it is not the Budget
1960 that I am going to deliver, because my responsibility is not to win an election; it is to deliver a safe, sustainable and prosperous future for our people.

The overall recurrent expenditure Budget for the year is £676 million, which reflects an increase also of around 7% over the 2018-19 estimate. The Government is therefore prudently and conservatively projecting to increase expenditure by no more than revenue and then to end
1965 the year with a very conservatively calculated recurrent Budget surplus for this financial year of around £20 million. Again, we have always exceeded our estimated surplus by being very conservative in how we estimate them. Additionally, one of the reasons we are calculating an increase in spending is because we are going to voluntarily increase the amount we contribute to the company structure by 20%, or £5 million, up from £25 million to £30 million, as I have just
1970 told the House. Additionally, we have continued and will continue our policy of accelerating the payment of tax rebates to individuals and corporate entities.

Mr Speaker, during the last financial year, 2018-19, the Government invested around £84 million on capital projects funded through the Improvement and Development Fund. Around £23 million was invested on works and equipment and around £62 million was invested
1975 in specific capital projects. That includes £7 million on the access road to the Frontier, including the resumption of works on the tunnel, and £17.6 million for facilities for the Island Games that will endure long after those games are over. It also includes £23 million paid for works relating to the final relocation of a number of MoD estates, as provided for in the agreements entered into by the GSD when they were in Government.

1980 This year we will see the effect of sales of the MoD residential property that will be returned to Gibraltar's hands as a result of the relocations and which we have sold at tender to residents. We anticipate that these sites will produce in the region of £60 million in sales. The cost of building the new homes and facilities for the MoD has been spread over a number of financial years, however.

1985 Mr Speaker, the expenditure budget of the Improvement and Development Fund for the current financial year, 2019-20, is around £82 million. The capital investment in works and equipment is estimated at £23 million and the provision for investments in other Government projects amounts to over £59 million. This includes an investment of £13 million in our roads and parking projects – which Paul Balban has pursued very aggressively to ensure that he delivers
1990 tarmac of the quality he believes we all deserve – with nearly £4 million being paid also for the final element of costs for the relocation of the MoD estate; and a further £12 million to finish our ambitious programme of facilities to be ready for the Island Games that will leave an important legacy in sport and accommodation for many years to come, and indeed further

1995 provision to complete other ongoing capital projects. These are all in addition to the capital projects in the Government companies to which I have already referred.

Mr Speaker, the collection of corporate and personal Income Tax contributes, on average, approximately 45% of overall Government revenue, so it is right that I dedicate a section of my speech to this. This financial year, there has been a noticeable increase in the amount collected in relation to personal and corporate Income Tax. The total figure of tax collected amounts to 2000 £345 million, representing £181.5 million in personal tax and £163.5 million in corporate taxes for the year which is the financial year being reported on. And before the Opposition comments, these figures do *not* include a penny in respect of the collection from the state aid recovery cases, which I will refer to later. Also before the Opposition comments on the accuracy of the projection, I would remind them that our Budget for the year 2018-19 was £295 million. The 2005 forecast outturn once again is £345 million. Of this, £163.5 million relates to corporate tax and the actual for 2017-18 for corporate tax was £110.9 million.

Mr Speaker, you may ask why I turn back the clock to 2017-18 in my analysis, and it is for this reason alone: in this year, when this economy was meant to depart from the EU, an additional 2010 £52.6 million was collected, which means that under our stewardship companies in Gibraltar made at least an extra £½ billion in profit if they paid tax on all of it, despite the uncertainty: an extra £½ billion in profit in companies operating in the Gibraltar economy in the Brexit year. The position is similar for individuals, and applying this to a 25% rate of personal tax means individuals earned a further £60 million in the relevant year. This all points to an economy that is firing on all four cylinders

2015 As regards 2019-20, the revenue figure is conservatively projected to £325 million. This breaks down to £175 million in personal taxation and £150 million in corporate taxation. Again, no account has been made in these projections for the state aid recovery amounts, more details of which I will come to. A welcome and reassuring position to see us into this new financial year – one filled with new challenges, given that Brexit is still looming in the not-too-distant 2020 future. In this respect, I think it is important to recognise the determined efforts and continued improvements made by the Income Tax Office in developing the processes for the assessment and collection of taxes in Gibraltar. The public is reaping the benefit of these improved efficiencies in relation to the assessment and collection of taxes. These have allowed the Income Tax Office to continue to make substantial refunds to taxpayers. A total of £16.7 million was 2025 refunded to taxpayers through its refund programme in the financial year 2018-19. If I had taken the attitude that hon. Members opposite took when they were in Government, Mr Speaker, I would have spent £1 million on rebates and I would have kept another £15 million to add to the surplus as flattery. I would then have declared the surplus at £100 million – or, indeed, if I added all the other pots that hon. Members would add in the year before the election, £165 million *à la* 2030 GSD.

Since the implementation of this refunds programme in 2015-16, the Government has invested over £48 million in this project with the aim of addressing the much needed catch-up of tax refunds. That is money that has therefore not been available to flatter our already healthy 2035 surpluses. The hon. Gentlemen will remember the totals I just did: add another £50 million to the overall total for the period over which we were calculating. Continuing on course, I am pleased to announce that we have committed a further £18 million for the financial year 2019-20, in order to progress through this final stage to completion of the rebates. If I had not, the estimated surplus would be £38 million for next year.

Needless to say, no Government has ever allocated this level of funding for this purpose. I 2040 think it clearly demonstrates to all taxpayers our commitment in addressing the timely issuance of taxpayer assessments and delivering the corresponding payment of resulting refunds to individual taxpayers as soon as reasonably possible. The Government does not want to hold on to taxpayers' money; it wants to return it in an organised and structured manner, ensuring and maintaining a responsible approach regarding public finances through a right and equitable 2045 balance between the funding of repayments and the carrying out of the correct and proper

assessments. This is a balance of rights and obligations. This is, after all, a catch-up exercise and one in which taxpayers are not at fault. It is for this reason that the Income Tax Office has devoted significant resources towards their refunds programme, being able to progress this at a quicker pace than originally envisaged. Through this initiative, taxpayer assessments are being brought right up to date. In fact, assessments for the 2016-17 tax year are almost complete and even now quite a few taxpayers will already have received their assessments in relation to the 2017-18 tax year, which ended on 30th June 2018.

In addition to the excellent progress already made, the Income Tax Office continues on track to achieve the unprecedented position by the end of the year whereby taxpayers are assessed on the last return they have filed in relation to the tax year just ended. That is to say by November this year when individuals start filing their tax return for the year ended 30th June 2019, in cases where there are no disputes this will be assessed within the next year. For the majority of cases there will be no historic backlog, a truly up-to-date assessment position for taxpayers. This meets our pact with taxpayers, a pact that binds both ways: everyone must be up to date, the taxpayer and the Government in equal measure.

I need to underscore how significant this achievement is. Never in the history of the Tax Office have personal taxpayers' assessments been up to date. The benefit of this is that in future the amount needed to be provided for refunds will be much reduced, in the order of £6 million to £7 million. We could have taken the easy choice and not embarked on this refunds programme but left the rebates to grow year on year. Instead, we tackled the problem head on, so that the Opposition could no longer say we are storing up debt. Nothing could be further from the truth.

The Government continues also with its international strategy of tax transparency, administrative co-operation and exchange of information with all our global partners. Throughout the financial year the Commissioner of Income Tax, in his capacity as Competent Authority for a number of international exchange mechanisms, continues to service the necessary obligations arising with exchange partner countries under the European Directive on Administrative Co-operation and the OECD Multilateral Convention. I am delighted that our stewardship of the economy and system of taxation is also attracting international approval. It is unusual now to see Gibraltar included in any objective and properly researched list of territories pejoratively referred to as secretive or as tax havens. The Tax Justice Network now includes Gibraltar below the United Kingdom itself and below even Spain on its transparency list. Indeed, perhaps the most significant achievement in the international sphere during the last financial year was the historic conclusion of the Tax Treaty with Spain. This agreement, on the protection of financial interests and taxation, was signed on 4th March 2019 by the United Kingdom as the state responsible for Gibraltar's external affairs under the Constitution. This Treaty is subject to parliamentary ratification in both the United Kingdom and Spain and will come into effect thereafter. We will shortly be debating it in this House, Mr Speaker, on a motion that comes on the Order Paper after this debate.

The Treaty provides certainty and clarity in the assessment and allocation of taxing rights and the availability of double taxation relief, ensuring that the right amount of tax is paid in the right place by the right person. It is a positive step towards closer relations with a very important neighbour, particularly in a post-Brexit environment. Other reputational and economic benefits for Gibraltar are also envisaged. The Treaty contains absolutely no concessions on sovereignty to Spain whatsoever, whether it is tax sovereignty or any other tangible or intangible aspect of sovereignty that one might like to analyse. Namely and perhaps most importantly, Spain will now be permanently unable to sustain the approach taken towards Gibraltar over the last 30 years, whilst acknowledging the enhanced co-operation under the Treaty. Should this not be the case, Gibraltar is now also armed with evidence of the agreement for co-operation that will disarm any suggestion that we are non-co-operative. I very much look forward to the debate on the motion in respect of the Tax Treaty, where we will be able to go into much more detail in debating its terms.

2100 The change in approach and attitude, however, has already opened up opportunities internationally that had previously been inaccessible. Gibraltar's participation in the OECD's Inclusive Framework relating to the Base Erosion Profit Shifting initiative (BEPS) is such an example. I am pleased to announce that Gibraltar's application to BEPS is already well underway.

2105 On other matters of tax transparency and particularly in connection with the exchange of country by country reports, Gibraltar has secured a bilateral agreement with the United States of America and is currently close to concluding one with Guernsey – all this in addition to exchanging information with EU member states within the scope of the European Directive.

2110 We also continue the e-government project within the Income Tax Office. Solid foundations and background infrastructure works have been developed during the financial year which are vital building blocks for the successful implementation of the online tax facilities, including a tax registration process, the direct submission and upload of returns and a dedicated portal enabling direct payment and allocation of tax and social insurance. This will continue the Income Tax Office's transformation into a fully digital office offering a seamless and sensible interface to the general public. As part of the digital revolution, the Income Tax Office is at an advanced stage in the implementation of a digital file management system which will form the main repository of documents in the future.

2115 Innovation, modernisation and a customer-centric approach are key principles driving forward the development of the Tax Office. By way of specific example, through close collaboration with business partners such as Companies House, the Income Tax Office have already managed to deliver significant efficiencies for the registration process for corporates. Further efficiencies are being considered with discussions continuing and workable solutions being formulated in order to align the filing requirements between the Companies Act and the Income Tax Act to facilitate a dual filing system which fulfils all necessary obligations. These are clear examples of how co-operation between Departments, agencies and other entities linked to the public sector can reap rewards for all users and stakeholders to the benefit of Gibraltar plc, which we are all an integral part of. In this respect, Mr Speaker, I join the Commissioner in extending a sincere thank you to all willing and active participants who have helped and continue to help the Income Tax Office in this process, particularly the directors and staff at Companies House.

2120 Over the last financial year, the Income Tax Office has developed and fostered close relations with HMRC and HM Treasury in the United Kingdom. These closer ties have enabled networking with key personnel and counterparts that will no doubt prove invaluable in a future relationship with the United Kingdom. Further opportunities are also being explored in connection with bespoke training through the use of a dedicated Tax Academy, the design and implementation of systems and processes in relation to online services and inward visits offering support in a number of technical and analytical areas. These initiatives will no doubt continue to build on the existing high standard of service and professionalism that makes up the team at the Tax Office.

2135 Mr Speaker, I would also like to report that the level of tax and social insurance arrears continues on a downward trend. This accomplishment is a direct result of an efficient strategy together with a focused approach and continuing effective co-ordination between the Income Tax Office and the Central Arrears Unit.

2140 Last year, I reported a total reduction of £19.6 million in arrears and debts owed to Government, all of which has been achieved in just two and a half years. This had been an area which the GSD had totally abandoned when they were in office. They did not chase debt. That meant that those who paid were, in effect, subsidising those who did not pay. Each taxpayer who paid his or her dues was being taken for a ride by every taxpayer who chose not to pay. Usually, those who choose not to pay taxes are not workers, as workers have their taxes deducted from their salaries, and those who were in default, those who cheated, those who did not pay, were aided and abetted by the GSD, who did nothing about having a mechanism to chase defaulters. Indeed, to make matters worse, the GSD disbanded the Central Arrears Unit, which had been set up by the GSLP for that purpose. These are the seeds that sow an *a mi me*

2150 *pertenece* culture, which they then rail against. Hon. Members do well to look down in
embarrassment. They should be ashamed of the political initials that they represent. We think it
is unfair to those who pay not to chase those who do not pay, even if it might be politically
unpopular, so we have reconstituted the Central Arrears Unit under the excellent leadership of
2155 Lizanne Dalli. The overall reduction in debts owed to Government when comparing figures from
30th September 2016 to 31st March 2019 is now actually £23.1 million. This is an excellent result
by the newly re-established Central Arrears Unit. I very much look forward to visiting the unit
shortly to congratulate each and every one of the persons working there diligently to restore
fairness to our system of chasing debt and defaulters. Additionally, not only do arrears show
2160 that significant reduction, but I must also highlight that the Central Arrears Unit are actively
ensuring that current payments are received in a timely manner. This success is also due to the
excellent work done by the staff of the Central Arrears Unit, who work closely with all
Government Departments, agencies and authorities.

Mr Speaker, I consider it is important that I should provide an update to the House on the
progress being made in relation to the European Commission's state aid investigation on
2165 Gibraltar's corporate Income Tax system. Hon. Members will recall that Spain filed a complaint
with the European Commission in 2012 claiming that the Tax Act in Gibraltar as a whole
constituted unlawful state aid. This was a direct attack on our tax system and was based on their
belief that our legislation perpetuated an offshore tax regime. This plunged Gibraltar into a long
and protracted formal investigation by the European Commission, a process that has taken over
2170 six years to be resolved. The Commission's investigation was finally concluded late last year and
their state aid decision on Gibraltar's tax system was published on 19th December 2018.

Mr Speaker, no state aid decision is positive. The very opposite is true. By its very nature and
context any such decision is, in fact, negative. Nevertheless, I firmly believe that the effect of this
decision is minimal and it has no significant consequence on Gibraltar. Indeed, although the
2175 entirety of our Act was under examination by the European Commission, the result is actually a
remarkable success. It has required us to only make minor legislative amendments in relation to
interest and royalties and also provide a more solid and robust legal footing for the practice of
tax rulings in Gibraltar. But perhaps most important of all is the clear and unequivocal statement
confirming that there is nothing fundamentally unlawful or wrong with our Tax Act. It is this that
2180 allows our Act to enjoy a clean bill of health going forward, despite a new challenge recently
announced on regional selectivity. This vindicates the view this Government has always
maintained and that is a tremendous blow to all who seek to denigrate Gibraltar as a credible
and forward-thinking tax jurisdiction. All these are critically important accomplishments given
the challenges we as a jurisdiction are likely to face with Brexit. Moreover, decisions like this
2185 speak to the talent of people like Michael Llamas, Albert Mena, Frank Carreras, John Lester and
Terence Rocca, a team of Gibraltarian professionals who have worked in partnership with the
United Kingdom to secure this excellent result for Gibraltar.

Regarding the practical aspects of the decision, the Income Tax Office has, since last
February, continued liaising very closely with both the European Commission and the relevant
2190 aid beneficiaries in order to expedite the necessary recovery and implementation of the
decision. To date, approximately £9 million of aid has already been recovered, with a further
approximately £80 million under active consideration. No state aid recoveries have been
included in any financial information reported on to this House, in order to ensure consistency of
the information. This is exactly in keeping with the position adopted by the former
2195 administration in respect of extraordinary receipts of tax, or windfalls, in other cases.

There is still a lot of work left to do on this. Implementation of a state aid decision is a
complex, procedural and laborious process. It is for these reasons that I recognise and applaud
the hard work and continued efforts of the Tax Office with regard to this and have every
confidence in their ability to implement the decision to the extent necessary and to achieve the
2200 desired outcomes.

What I can tell the House today is that every penny we receive in respect of these state aid windfalls will be donated directly to Community Care Trust. That is a fitting transfer of these unexpected amounts to the rainy day fund for our senior citizens, the trustees of which enjoy the Government's full and complete confidence. *(Banging on desk)*

2205 Mr Speaker, I am also delighted to report to the House that, as has been the case since our election in 2011 and under the leadership of our very own national treasure Sir Joe Bossano, the Gibraltar Savings Bank continues to flourish and grow. The reserves of the Gibraltar Savings Bank have continued to grow and these reserves stood at £44 million at the close of the last financial year. The reserves of the bank are estimated to grow further to reach close to £50 million by the
2210 end of the current financial year. This is lower than we had wished to see but is £50 million more than we found there when we were elected, as the GSD had used all of the Savings Bank reserve for general expenditure – to flatter their surpluses, I guess, Mr Speaker – and did not have any rainy day funds at all. Indeed, I do recall that GSD policy had long been not to have any rainy day funds.

2215 The deposit base of the Savings Bank remains at over £1.3 billion and the Savings Bank continues to provide an excellent range of products for our community, as indeed it has done since it was established over 130 years ago. In particular, the bank will continue to provide savings products to serve our community and will continue to offer special rates of interest to our pensioners. But perhaps most relevant here is that fact that however much the Members
2220 opposite have tried to bring down confidence in the bank, they have not managed to do so. Confidence in the bank continues to be as strong as ever – not surprising, given its peerless leadership by Sir Joe Bossano.

Mr Speaker, I am delighted to once again also be able to report to the House on the continuing success of the Gibraltar International Bank that was created as recently as the end of
2225 our first term in office. Operating strictly at arm's length from our Government, the GIB has grown beyond our expectations. I am very happy to be able to tell the House that in a snapshot as at the end of last week, the bank had 24,800 accounts, up around 4,000 since my speech last year; year to date deposits on average of £750 million; and a loan book that now stands at £227 million, almost £¼ million. And most importantly of all, the bank has closed the year to 31st
2230 December 2018 with a net profit of £2.5 million. Mr Speaker, I trust you will agree that this is an excellent performance for which all the staff, management and board of the bank should be heartily congratulated. The accounts for the year ended 31st December 2018 will shortly be made public. They will, no doubt, make fascinating reading for some. The bank is now also well positioned to assist by way of mortgage facility to prospective purchasers of Hassan Centenary
2235 Terraces. I am advised it is also developing bridging products to assist with financing the regular payments.

Mr Speaker, I now turn to the specific Budget measures for 2019, the final year of the lifetime of this Parliament.

2240 Unless otherwise mentioned, the following Import Duty changes will take effect as from midnight last night.

In recognition of our commitment to make Gibraltar as environmentally sustainable as possible, to reduce our impact on the planet and improve quality of life for all, last year the Government increased Import Duty on disposable plastic products such as plastic straws, plates, cups, disposable plastic bags and sacks, to 200%. Continuing with that pledge this year, and to
2245 encourage less usage of plastic bags and bottles, the Import Duty on all cotton bags and aluminium bottles will be reduced to zero. This year, the Government is introducing amendments to the Imports and Exports (Control) Regulations to restrict and indeed prohibit the importation of certain single-use plastic products into Gibraltar. In line with last year's increases, all single-use plastic items not covered by the amended Regulations will now also be
2250 subject to an Import Duty of 200%. *(Banging on desks)*

In last year's Budget the Import Duty on all instruments and appliances used in medical, surgical, dental and veterinary sciences were reduced to zero. This year, as part of my

2255 Government's continued initiative to ensure the affordability of preparations for oral and dental hygiene for all members of the community, these will be reduced to 3%. Toothbrushes will also be reduced from 12% to 3% as a result of representations received from dentists.

2260 As part of my Government's continuing efforts to curb the health problems arising from smoking as well as our commitment to tackle all illicit tobacco smuggling, and after consultation with the Collector of Customs, the following increases of Import Duty have been introduced: Import Duty per carton of 200 cigarettes will be increased by 50p to £14.50 per carton; Import Duty on rolling tobacco will be increased by £5 per kilo to £65 per kilo.

2265 Mr Speaker, this Government is committed to the protection of the environment and will always ensure that environmental issues stay at the top of our agenda. In the 2018 Budget, the Government significantly increased the Import Duty on diesel and motor spirits. Accordingly, this year the Government will increase Import Duty by 3 pence per litre across the board as follows: unleaded 95 from 35p per litre to 38p per litre; unleaded 98 from 34p per litre to 37p per litre; diesel from 37p per litre to 40p per litre; and diesel premium from 34p per litre to 37p per litre.

2270 In light of the Government's policy of encouraging the use of renewable energy sources, the Import Duty on solar panels was reduced to zero. To ensure their upkeep and maintenance, the Import Duty on parts and accessories, including batteries for the exclusive use of solar panels, is also now reduced to zero.

2275 As part of our combined initiative to promote the competitiveness of local businesses, and in keeping with representations received from traders and the Chamber and Federation, commercial importations of the following goods will be reduced to zero: household vacuum cleaners; household sewing machines; electric toothbrushes; electric shavers; hair clippers; hair removing appliances; chargers used with telecommunication apparatus and automatic data machines such as mobile phone chargers; and table, floor, wall, window, ceiling or roof fans with an output not exceeding 125W. Furthermore, the Import Duty on musical and camera cases is reduced to zero.

2280 Mr Speaker, this year the Government embarked on the Moneyval evaluation process that assessed Gibraltar's compliance with the principal international standards to counter money laundering, terrorism financing and the financing of proliferation of all of those. In preparation for this, the Government completed a number of national risk assessments, and as a result the Government is introducing the following changes to Import Duty in order to mitigate some of the identified risk areas. Import Duty on private importations of unmounted precious stones will be raised from 0% to 12%. However, commercial importations of precious stones by holders of a business licence shall remain free of Import Duty. Import Duty on private importations of works of art and collectors' pieces of a value over £1,000 will be increased from 0% to 3%. The main practical effect behind both of these changes is that by introducing the duty, Customs are able to scrutinise and in future quantify importations of these items.

2290 Mr Speaker, Customs are tasked with controlling all imports and exports, including restricted items, which requires the processing of a large number of licences daily. This work takes up a great amount of time and resources, and as such, on the advice of the Collector of Customs, the Government will introduce a minor £10 administration fee, coming into effect on 1st September 2019, on the following: all import licences, including temporary imports and importations of specialised equipment, as well as importations and transfers of vessels and caravans; all T1 transit permits; and all export licences. Due to the workload generated by vehicle importations made by persons recruited by or on behalf of the Government on contract terms, at the request of the Collector of Customs all such importations shall carry a £50 administration fee.

2300 Mr Speaker, last year the Government substantially increased the fees for the issuing and renewal of tobacco licences. We will be continuing the trend this year by introducing the following fees for a wholesale tobacco licence by way of ship chandlery: the issue of a wholesale licence by ship chandlery will cost £10,000; the renewal of a wholesale licence by way of ship chandlery will cost £5,000.

2305 At the same time and in pursuance of the Government's continued commitment to reduce
the level of personal taxation, especially for the lower paid members of our community, with
effect from 1st July 2019 taxpayers with assessable income of £11,450 or less will be taken out
of the taxation system altogether and will pay no Income Tax. This measure applies as much to
2310 taxpayers in both the Allowance Based System as it does to the Gross Income Based System and
represents a further increase in this threshold which we have steadily increased since we were
first elected, when it stood at £8,000. We have delivered increases in this respect of £3,400, or
42.5%, to bring more and more of the low paid out of the tax burden.

Also in accordance with our manifesto commitment, taxpayers under the Allowance Based
System will benefit from an increase in their personal allowances which is at least in line with
inflation. As a result, with effect from 1st July 2019, the following personal allowances will
2315 increase as follows: the Personal Allowance will increase from £3,385 to £3,455; the Spouse and
Civil Partners Allowance will increase from £3,385 to £3,455; the One Parent Family Allowance
will increase from £5,575 to £5,690; the Nursery Allowance will increase from £5,290 to £5,400;
the Child Allowance will increase from £1,165 to £1,190; the Child Studying Abroad Allowance
will increase from £1,325 to £1,355; the Dependent Relatives Allowance, where the relative is
2320 resident in Gibraltar, will increase from £325 to £335, and where the relative is resident outside
Gibraltar will increase from £215 to £220; the Disabled Individuals Allowance will increase from
£9,285 to £9,475; the Blind Allowance will increase from £5,285 to £5,395; and the Medical
Insurance Allowance will increase from £5,285 to £5,395.

Mr Speaker, recently there has been a change in the way certain banks process payments
2325 over the weekends. We understand they now debit accounts over the weekend but do not
credit them until the following working day. This change is not normally an issue, but it seems to
have had an impact where the weekend coincides with the end of month, particularly for Social
Security pensioners – for example, as happened last weekend, I think, for the first time.
Although this issue has been caused by changes outside our control, we have looked at our
2330 internal procedures and will make changes such that Social Security pensioners will get paid
ahead of the month end where the month end is over a weekend.

In relation to pensions I am also happy to be able to announce that the Government and
Unite the Union have been able to resolve issues which remained outstanding in respect of
pensions entitlement in the Airport Fire and Rescue Service after the transfer of the service to
2335 the Government from the Ministry of Defence.

Mr Speaker, to further assist the many working families and young people who will be
excited at the prospect of buying the excellent affordable homes this Government is providing,
or buying other property on the open market, the Home Purchasers Allowance will now be
increased with effect from 1st July 2019 for first-time homebuyers by £1,000, from £12,000 to
2340 £13,000.

In addition, as is customary of this Government to cater for all taxpayers in our economy,
those individuals from working families who have elected to pay tax under the Gross Income
Based System will also be provided with assistance in purchasing their first home. A deduction of
£7,500 will be made to taxpayers under the GIB in respect of approved expenditure incurred
2345 towards the purchase of their home with effect from 1st July 2019. Despite the increase only
being available from 1st July 2019, given only a few purchasers have signed up for Hassan
Centenary Terraces in the last couple of months since we started the process, they too will be
eligible for this increased allowance from 1st July 2019. The standard restrictions will apply
whereby any deduction in any year of assessment cannot exceed the amount paid towards the
2350 cost of construction, payments made, or loan cost etc. in the year of assessment. This means
that staged payments can be partly offset by this allowance also.

Mr Speaker, I am a firm believer in the importance of considering those less fortunate. This
Parliament has shown its commitment to charities such as Calpe House, amongst others. It is for
this reason that I wish to discuss now my proposed amendments to the Gift Aid Rules. At
2355 present, under the Income Tax (Gift Aid) Rules 2006, registered charities may claim from the

Commissioner of Income Tax an amount equal to the tax paid by the donor on the grossed-up amount of the gift. We have also received representations that this is a relatively complex process and that for this reason the facility is not frequently used by charities. It is therefore my pleasure to announce that, in order to facilitate the contribution by the local business community to charitable causes such as Calpe House, the limit of £5,000 currently within the Income Tax (Gift Aid) Rules 2006 is to be increased to £10,000. We will also commence a process to see how the Rules can be simplified so as to facilitate contributions by companies to the many worthy causes such as Calpe House.

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Mr Speaker, in light of recent developments and in preparation for any similar challenges that Brexit may thrust upon us, my Government continues, committed to ensuring Gibraltar's economic success. An essential part of any successful plan entails attracting potential inward investment as well as retaining existing economic operators. In this regard, I announce that we will shortly be commencing a consultation process with the relevant industry sectors on incentives designed to improve the international competitiveness of the jurisdiction.

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The first incentive to be considered is the introduction of a notional interest deduction regime within the existing domestic Corporation Tax rules. The purpose of such a regime would be to encourage the financing of companies through equity and retained earnings by aligning the tax treatment of the cost of equity with that of debt. Restructuring for the purposes of equity financing within the context of this regime should allow for the relocation of treasury operations to Gibraltar, whilst maintaining the total tax burden at the current level. This should allow companies to establish themselves here by properly capitalising their structures rather than using thinly capitalised structures that allow tax seepage to other jurisdictions. This goes hand in hand with our policy of encouraging real substance and commitment to our jurisdiction.

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Similarly, a consultation will be carried out on the possibility of extending the current status of capital allowances under the Income Tax Act 2010 to include additional allowances for research and development expenditure incurred by operators in key economic industry sectors. The diversification of our economy into modern technological industries and Gibraltar's pioneering role in the field of distributed ledger technology place us at the forefront to explore such interesting initiatives.

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Both consultations will need to be carried out with an eye to international best practice, look carefully at what our competitors are doing and ensure whatever we do has the right level of anti-avoidance to ensure any changes are not abused. We will also do so in a way that retains Gibraltar's competitiveness behind the likes of Malta, Ireland, Luxembourg and Spain in the Corporate Tax Haven Index.

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Mr Speaker, this administration has already launched its next wave of affordable homes, with the flats at Hassan Centenary Terraces proving to be very popular with applicants and plans for Bob Peliza Mews already well underway. Even though these are being sold at cost price, construction costs continue to rise resulting in some flats being priced over the thresholds which would allow homebuyers to benefit from the allowances introduced by this administration in recent years. Therefore, in order to assist with the purchase of future affordable homes, we will be introducing an amendment to the Stamp Duties Act whereby all initial purchases of properties by homebuyers in affordable housing estates developed by Government will be exempt from Stamp Duty. This measure will help ensure that future generations of Gibraltarians are able to continue to get on the property ladder and be the owners of their own home.

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Mr Speaker, as we continue to promote small and start-up businesses in Gibraltar, I am pleased to announce that we will shortly be bringing to this House a Bill that will re-enact the Fair Trading Bill following extensive consultation with the Chamber of Commerce and the Gibraltar Federation of Small Businesses. This will provide a simpler and faster process for licensing and cut the need for lengthy and often unnecessary hearings, also removing the need for applicants to advertise their intention to make applications, reducing the cost and time to these businesses and importantly for service providers with a turnover of less than £20,000 they

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will be exempt totally from the licensing process and its requirements to have premises – they will simply have to register with the OFT.

2410 We have also worked to harmonise licensing requirements following the consultation in 2018 on key legislation affecting businesses and commerce, and legislation will soon be brought to Parliament harmonising and simplifying the licensing process, particularly in the important food and beverages trade where many differing licences are currently required. We will make this easier, quicker and cheaper for these companies.

2415 Additionally, in order to assist with the cost of doing business in Gibraltar being kept down, and in keeping with our manifesto commitment, electricity and water charges will not be increased again this year. General rates payable by businesses will also remain unchanged and discounts for the early payment of rates will continue to apply. In the construction, manufacturing, transport and distribution trades, and in respect of all offices, the discount granted for early repayment is increased from 15% to 20%. In order to support our local hotel
2420 industry, this Government will ensure that the discount for early payment of hotel rates is increased from 15% presently to 30%.

We also hereby agree and commit to the request for partnership funding requested by the Committee of the Federation of Small Businesses for their Business Innovation District initiative, which the Government warmly commends them for. The financing requested will be made
2425 available to them in this financial year so that they can progress with the implementation of their programme immediately.

Mr Speaker, in stark contrast to the path chosen by other nations, the Socialist Liberal Government I lead always recognised that relying on painful austerity measures only hurts the growth that you want to stimulate. It is pain without gain. Indeed, our tiny nation enjoys one of
2430 the best and most comprehensive ranges of social benefits in the world, including world-class healthcare and education that is the envy of many other nations. It is a source of great pride for me to oversee a Government that takes the social needs of our community with the level of seriousness it deserves. However, having a generous provision of social benefits means that we must ever be vigilant against attempts by non-entitled individuals to take advantage of this by
2435 renting Gibraltar property under sham tenancies to try and engage in a benefits tourism of our healthcare, education and other successes. We should also be able to easily identify those unscrupulous individuals who would let their properties knowingly under these arrangements, thereby increasing the cost burden to the taxpayer. As a result, the Government I lead has conducted an in-depth study of unlawful lettings in connection with this and will be setting up a
2440 national Register of Residential Occupation, administered by Land Property Services. This register will immediately flag cases where there is an attempt to register a tenancy against a property that already has an occupier taking benefits from it. It is only right and fair that we address this matter and not allow any room for cheats or freeloaders. We cannot afford them and they do not deserve us. The register can also serve a number of other purposes, including
2445 assisting individuals to confirm their tax residency in Gibraltar to inform the Tax Office also.

Mr Speaker, as you may be aware, section 69 of the Landlord and Tenant Act affords certain protections for the landlord where there is a change of ownership. This section allows landlords to charge up to two years of rent in these circumstances. These provisions are likely to have
2450 been introduced to afford a certain protection to landlords. At the same time, they sometimes cause issue with tenants where, for example, there is a group restructure that results in no ultimate change in ownership and ultimately the exposure of the landlords. Yet in these circumstances the tenants are exposed to the possibility of being charged up to two years' rent. Where this situation arises with Government, we tend not to charge a premium or seek to be opportunistic arising from a tenant's situation, which is sometimes governed by circumstances
2455 beyond local control. I believe a fair balance is possible to protect tenants and landlords alike. I have received written representations on this and for this reason I will ask for a review to be undertaken and views sought from landlords to address these concerns. International groups of companies have established here. We want these groups to make Gibraltar their home and

2460 create employment and activity here. We must therefore make Gibraltar a fair and accessible place where they can operate without historic rules such as the one I have just referred to adding to their cost of international restructures when they are made.

2465 Mr Speaker, in my 2013 Budget I announced the Savings Bank bond for children. I also announced that HMGoG would be making a deposit of £500 to every child born in Gibraltar after midnight on Sunday, 23rd June 2013. Today, I am announcing that this same deposit will be made for every child under 10 that has been adopted by a parent who has been resident in Gibraltar for at least the past six years. Furthermore, this deposit will be increased with a yearly interest rate of 5% up to the date that is the later of that child's date of adoption or 23rd June 2013. The effect of this measure is that adopted children will be able to benefit from the same bond value as if they had been born in Gibraltar. Going forward, HMGoG will also make a deposit of £500 to all Children's Bond accounts for all adopted children who are adopted by a Gibraltar parent or by a parent who has been resident in Gibraltar for at least the past three years from the date of adoption.

2475 In 2009, the GSD offered the sale of post-war housing rental stock to sitting tenants and their family members. Some of these properties were purchased with a view to housing younger members of the family, given their limited housing options once they came of age. Such is the success of our affordable housing schemes that these individuals have refused to live in these post-war properties; they want to live in the affordable homes that we have built and are due to build. Minister Sacramento repeatedly explains that the development of the new affordable schemes releases housing stock. The measure I am about to announce is designed to do precisely that. Purchasers of post-war properties who would otherwise be first-time buyers were it not for their purchase of a post-war property from the Government and who purchased from their parent or grand-parent property as tenants on a sitting tenant basis are to be able to surrender their post-war property back to the Government and in consideration the Government will reimburse them the purchase price that was originally paid to them plus an un-compounded increase of 3% per annum on the original purchase price. We will also, in addition, allocate them into a new group of purchasers that is to sit immediately below those who release housing stock, and they will be entitled to purchase a property in the affordable home scheme that has at least the same number of bedrooms as that of the property that they have surrendered. Homeowners at Beach View Terraces and Mons Calpe Mews will understandably find it challenging to calculate the profits that need to be paid to HMGoG should they sell their properties or the special Stamp Duty that would apply in the event of a first sale. In order to facilitate these calculations and allow homeowners to plan ahead, LPS are developing an online calculator that is programmed to carry out these calculations. The online calculator is in its final testing phase and we hope that it will be released to the general public shortly.

2495 Mr Speaker, year after year I try to introduce new measures that will encourage Gibraltarians to take up electric vehicles. These vehicles need to have charging points and the community cannot rely on the Government exclusively to deliver these in their entirety. There needs to be a balance between publicly available charging points and private ones. In order to facilitate the provision of private charging points, from now on developers will be legally required to offer residents electric charging connectivity in all new developments. This means that developers will need to set up the metering, cabling and all other infrastructure that will be required for residents to connect charging units to parking spaces in new developments. To be clear, the charging units, often heavily subsidised by the vehicle manufacturer, would have to be installed at the homeowner's cost. We all need to play our part to curb the climate emergency and future-proof developments for the undoubted changes to come, and it really just makes sense to plan ahead and incorporate these things from the get-go.

2500 Mr Speaker, you will have heard me repeat many times in this Parliament that students represent our future. We must therefore invest in our future. My Government has already shown its commitment to this, given the excellent and transformational investment we are making in the infrastructure of all Government schools, an investment that is unprecedented. I

know the Minister for Education will talk more about this in the context of his own Budget address.

2515 In reviewing all aspects of education I noticed that the student grants have not been increased for a number of years. Accordingly, from the start of the next academic year, September 2019, grants will increase as follows: the grant for inner London increases from £6,939 to £7,500 per annum and the grant for outer London increases from £5,640 to £6,100 per annum. These increases reflect the cost of inflation since these grants were last adjusted.

2520 Happy 30th Birthday to the minimum wage! It was first introduced by Joe Bossano in 1989 in his Budget address. The statutory minimum wage was increased to £6.45 with effect from 1st August 2017 and it went up last year again by 4.5%, or 30p an hour, to £6.75. As a result, the minimum wage increased by 25% in our first seven years in Government. That, already and on its own, is the largest increase in the minimum wage in any similar period and indeed the highest increase in the minimum wage that any Government has ever delivered.

2525 Mr Speaker, I am in politics to help working people. I come from a working family and I know what it is like to have to scrimp and save. I therefore want to continue to increase the minimum wage by as much as the economy can reasonably bear without risk. If I thought I could rise it by more I would put it up by more, but I recognise that we have to bring care to the calibration of these numbers and these increases. It is therefore through careful planning that we have created the sustainability that we have today, and it is sustainability that gives us long-term prosperity and not short-term boom.

2530 Nonetheless, not content to have seen the minimum wage had gone up by a quarter, I am today putting in place a mechanism to ensure that the minimum wage will increase by a third of what it was when we were elected. The minimum wage will go up 10% from £6.75 to £7.50 over the next three financial years. The increases will be staged at the rate of 3.9% this year – which is double inflation – 3.7% next year and 3.4% the year after that. This will equate to a 25p per hour increase over each of the next three financial years and will be well ahead of anticipated inflation in the period. Should inflation, exceptionally, have the effect of increasing the minimum wage beyond £7.50, then the greater of the two increases will apply. This year, therefore, the minimum wage will rise by an inflation-busting 3.9% to be £7. Next year, in financial year 2020-21, it will go up again by 3.7% to £7.25. In the following year, financial year 2021-22, it will go up again by 3.4% to £7.50. At the end of the three-year period of rises it will be £7.50. Thereafter, the minimum wage will continue to rise by at least inflation. This exceeds the minimum amount by which employee representative organisations asked us to increase the minimum wage. I know that they will be very pleased with this inflation-busting increase.

2545 Additionally, this gives workers on the minimum wage the certainty that their hourly rates will continue to rise every year for five years, as long as we are in government. They have never had that certainty before, in particular when Members opposite were in power and the hourly wage rate sometimes did not go up at all for some years. That is what they used to do when they were here. This measure delivers the most generous ever increase in the minimum wage in any 2550 10-year period, however it is measured. No Government in Gibraltar's history has ever increased the minimum wage by more. The way I have announced the measure will also enable businesses to plan, and for that reason I am happy to tell the House that this increase and the manner of our introduction of it was the subject of discussion and consultation between us and the Chamber and the Federation. In essence, this amounts to a five-year escalator for the minimum wage. It sets out where the minimum wage will be this year and for the rest of the lifetime of the next Parliament, if we are returned to office. It gives businesses and entrepreneurs the ability to plan in respect of those posts where the salary is paid in keeping with this House's measure of what the minimum wage should be.

2560 I am happy and proud to be able to tell the House that at those rates the minimum wage in Gibraltar is comfortably in the top third of the group of 22 countries in the EU that have a minimum wage. This is known as the Group 3 Tier in the EU and we are in that group.

2565 Additionally, we do not just want to ensure that we are raising the amounts payable per hour
for each worker. We want to ensure that our labour market is increasingly progressive and fair.
In this respect we have done considerable work in partnership with Unite the Union on how
labour conditions should change. We have worked closely with Unite on the reintroduction of
the 12-week qualifying period for parity within the Agency Workers Regulations. We have also
given a commitment that agency workers and fixed-term contract workers will be engaged in
the public sector only where there is genuinely a requirement for short-term cover. Temporary
workers, whether directly employed or not, should not be used and will not be used to cover
2570 permanent vacancies. Where there is a requirement for genuine temporary workers, the
Government will lead by example and provide parity for agency workers from day one of their
engagement.

2575 Additionally, the Government will start negotiations with Unite to enter into agency worker
collective agreements which will include a provision for a compulsory review of the role of
agency workers after a fixed period of engagement to assess whether the role they are
discharging should be made permanent in relevant circumstances, although this is unlikely to
arise given the approach we are now taking to agency workers. The review should be subject to
an ongoing consultation with Unite with a particular focus on where temporary workers are
being made permanent and the rationale for these decisions. We will also seek to give this type
2580 of compulsory review provision in our agreement with Unite some effect across the economy by
considering a further amendment to the Agency Workers Regulations so that agency workers
have a right to request a permanent role following a fixed period of assignment with a hirer.

2585 Additionally we will bring into effect a repeal of the practice known as the 'Swedish
derogation' that enables temporary worker agencies to directly employ agency workers and
then provide the worker to the hirer and by-pass in this way the requirement on parity for
wages following the qualifying period. The derogation enables employers and agencies to
undercut the wage levels of directly employed, permanent employees at the hirer. The
Government will therefore change the rules in Gibraltar in keeping with the provisions of the
Agency Workers (Amendment) Regulations 2019 and the Conduct of Employment Agencies and
2590 Employment Businesses (Amendment) Regulations 2019, which came into effect in the United
Kingdom in April this year and which are designed to deal specifically with the problematic issues
surrounding the Swedish derogation. This is as a result of the Matthew Taylor Review of Modern
Working Practices, which identified concerns that Swedish derogation contracts were being
misused to avoid giving agency workers their equal pay entitlements.

2595 We will also ensure that the definition of an assignment for the purposes of agency worker
regulations provides for the accrual of all service periods with the hirer towards the qualifying
period for equality of pay rather than the single assignment. Such a move will remove the ability
of agencies and hirers to simply relocate workers to other assignments within the same hirer to
break the chain of accrual for the purposes of the qualifying period.

2600 We will also now enter into a discussion with Unite and the employer organisations to amend
the Fixed Term & Part Time Employees (Prevention of Less Favourable Treatment) Regulations
to include cover for a fixed period of non-engagement on fixed-term contracts which will not
break the accrual of four years' continuous employment for the purposes of seeking a
declaration of permanency of employment. This will combat the practice of employers
2605 disengaging employees for a short period of time before issuing a fresh fixed-term contract as a
means of breaking the chain of service accrual. In order to ensure consistency in the labour
market, the Government will also make it a condition of awarding Government contracts that
tenderers provide for the fair treatment of agency workers and fixed-term contract workers.

2610 It is recognised that an appropriate engagement of agency and fixed-term contract workers
can provide a pathway, nonetheless, into permanent employment. Supported employment
schemes also play a critical role in providing those pathways for potential workers and
employees who are disadvantaged in the employment market or face challenges through
disabilities. A review of these schemes, with a view to opening these up and utilising such

schemes to provide support and opportunities to those that would otherwise struggle in the competitive employment market, will be undertaken.

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Mr Speaker, in order to give real effect to all these measures, we will be revamping and making available further resources for the enforcement processes required to ensure that the relevant employment regulations are observed, in particular by temporary work agencies and hirers, moving forwards to ensure that robust enforcement mechanisms exist for temporary workers in our economy, although I believe we will be seeing less and less use of them. I also look forward to developing and sharing a joint guidance note to be issued by the Government and Unite to employers and workers to aid the development of knowledge around the rights and responsibilities under this key area of employment legislation.

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Additionally, we are now ready to start a consultation to abolish the use of zero-hour contracts, and in particular the abuse of them, entirely, in our economy in all sectors other than where we may agree with the unions that they are strictly necessary and unavoidable. These contracts were most used by the former administration in the context of the teaching profession, where many were kept on such contracts until they were fully employed by us. This will be in line with progressive legislation already in place in New Zealand, where the law aims to retain necessary flexibility where it is desired by both employees and employers but also increase certainty by ensuring that both parties are clear about the mutual commitments that they have made. This will mean that where an employer and employee agree to a set number of hours they will be required to state those hours in the employment agreement. As usual, the key issue will be to control abuse of exemptions. I am convening a Zero-Hour Contract Consultation Group to include representatives from the Unions, the Chamber, the Federation and the Ministry of Employment in order to address these matters immediately after this Budget week.

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Mr Speaker, a piece of legislation that first arose in the context of our membership of the EU and which is designed to protect workers is the transfer of undertakings law. The UK TUPE Regulations were updated in 2006 with the aim of protecting workers when a contract to provide services changes hands either through outsourcing, insourcing or secondary outsourcing, where the service changes from one provider to another. In order to ensure similar protections in Gibraltar are available for workers involved in such transfers, we will adopt a similar provision to that now included in section 3(1)(b) of the UK TUPE Regulations 2006.

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Last year I announced measures designed to ensure that Gibraltar was able to withstand a Brexit shock, if it came. We were staring at the potential of a hard Brexit date in late March, which never came. A potential hard Brexit remains a possibility, now in late October. One of the measures that I announced was a cap on public sector pay above £46,000. I had agreed this cap with Unite the Union as a mechanism to amortise the cost to the public purse of the public sector pay rise in a year in which we were right to be cautious about the possibility of a Brexit shock to the economy and that it should not affect those on lower pay in the public sector.

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The Brexit shock that may yet come did not come last year. Additionally, for the reasons I have already set out to the House, the economy has been performing despite impending Brexit and the public finances have shown a strength and resilience despite impending Brexit, which confirms that the fundamentals of this economy and of our public finances in particular are strong and reliable – although we must continue always to be careful in our planning.

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One key issue for us in Brexit is to protect the Civil Service and to protect public sector workers generally. There is good reason to do that, Mr Speaker, because one sixth of the 30,000 people who are at work in our economy work in the public sector. They derive salaries or emoluments from the Crown. And those people are Gibraltarians. And this is a sector from which we are dependent on revenue yield from private sector activity and private employment levels. So I think it is hugely unfair to suggest that Sir Joe Bossano is doing anything other than trying to ensure the long-term protection of the Civil Service and the public sector more widely when he is talking about achieving sustainability in that sector.

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This year, public sector pay will go up by the rate of inflation which I have reported to the House – that is to say 2.1%. There will be no pay cap applied. Additionally, the difference

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between the sums that officers in the public sector would have collected if there had not been a pay cap applied to them last year amounts to in the region of £300,000. That total amount is this year easily affordable given the surplus of approximately £85 million. As a result, I am hereby giving instructions to the Treasury to include the relevant amount in the pay packets of each relevant officer in September for the effect of the cap which was deducted from them last year. There was no Brexit shock last year and we do not need to deprive them of those sums this year.

I have considered also very carefully the suggestion in the communications I have received from the GGCA on behalf of its members that this pay cap somehow went contrary to assurances in our manifesto in relation to public sector pay. I do not agree with the interpretations and conclusions reached by the GGCA in its calculations and its communications to me in respect thereof, but I do think, especially in these potentially difficult and challenging times, that it is important for the public to know that they can entirely trust the statements and commitments that we include in our manifesto. Hon. Members will starkly recall the statements made on behalf of the GSD that a manifesto is just a wish list and not a binding set of commitments – let alone the invitation from Mr Feetham that I should abandon our manifesto at the time of the Brexit referendum. We take the opposite view and we consider ourselves bound by our manifesto, and I want to reaffirm that bond of trust between us as political parties and the senior officers of the public sector and Civil Service.

That is another reason why, given the absence of a hard Brexit in the past financial year, I believe it is right to undo the effect of the public sector pay cap. In doing so I will also resolve a conundrum that had arisen in respect of how that pay cap had affected teaching grades, in particular heads and deputy heads, which came within its scope. I am very pleased to be able to inform the House that I have received a draft of interim findings from PwC on the study into teachers' remuneration in Gibraltar. I received this late on Friday evening. The work is yet to be finally completed but it is very advanced and very encouraging. There have been some public exchanges between the GTA and NASUWT and the Government as to the merits and demerits of this claim as well as the time it has been pending. I have already recognised that the claim has not progressed in great measure because it involved my areas of direct ministerial responsibility. I have also noted the strength of feeling amongst teachers in respect of some aspects of the claims that they have outstanding – not all of which, incidentally, relate to pay.

As hon. Members will know, I have repeatedly set out the deep respect I and my Government have for the teaching profession and the important role we consider that they play in shaping our lives and moulding future generations of Gibraltarians. The successes we boast could not happen if it were not for the teachers in our community. Indeed, if I may say so at the risk of embarrassing you, Mr Speaker, teachers in Gibraltar have not stayed in the classroom. They have come into public life, yourself perhaps the most prominent amongst them having reached the post of Chief Minister, Leader of the Opposition and Mayor. Denis Matthews led the Teachers' Union and became the leader of the Self-Determination Group. Joshua Gabay, Bernard Linares, Clive Beltran, Steven Linares, Edwin Reyes – all of them teachers. Two successive Chief Secretaries have come from the teaching profession, although they have perforce had to leave education behind when they have taken on responsibility for the whole of the administration. So I am very pleased that alongside the investment we are making in our schools, we are also now ready to start the process of engaging more fully on the issue of the pay claims that are overdue consideration and settlement. Indeed, this is an opportunity to now settle also all the outstanding issues which we have with the teachers as the final, crucial piece in our education revolution to ensure that the key stakeholders, our educators, are understood, their concerns are addressed and their role in this process is recognised.

For that reason, I am asking the GTA and the NASUWT, pursuant to the offer to meet to resolve matters and my equally conciliatory approach, to put together a group to engage directly with me, the Minister for Education and our teams to address the detail of the pay claim that they have submitted. I believe that there is real mileage in understanding the underlying principles which the author of the claim set out to establish and to resolving these issues in the

2720 context of the modern, objective and fair system of education and schooling we are in the
process of delivering not just for our children but for our teachers too. I will be asking to have
this appointment fixed for the day after I return to my office from addressing the United Nations
Committee of 24 in New York next week. We are ready to work on this claim and we are ready
to find a mutually satisfactory outcome which I believe is very much in the wider interest of the
taxpayer.

2725 In relation to the senior grades in the public sector, I regret that the review of senior public
sector salaries and relativities in Gibraltar which I announced last year has not progressed. This is
a matter which is being pursued diligently by the Chief Secretary, Darren Grech, who has also
been heavily involved in 'no deal' planning for the lion's share of the last year and he is therefore
to be entirely exonerated of any suggestion that this matter has not been progressed as it
should have been. It has just not been possible. There have not been enough hours in the day. I
2730 very much look forward to the review progressing this year. As I said last year, and for the
avoidance of doubt, whatever the recommendations of that review may be, no existing officers'
salaries will be affected. All will continue to receive at least their existing salaries until
retirement, whatever the recommendations of the review are.

2735 As I reminded the House last year, the Government is committed to reform of the social
insurance funds. However, undertaking that reform makes no sense whilst we continue in
membership of the EU or exiting from the EU and there is no clarity on those options. The
options that might be available to the Government will no doubt be greater if the UK and
Gibraltar have left the EU – although, as we all, know, we would rather stay. For that reason, we
have not been able to progress the reform of social insurance this year. In the circumstances,
2740 social insurance contributions this year will not rise. The Government has heeded the views of
the Chamber of Commerce and the Federation of Small Businesses in this respect, who have
made representations to us that the effect of the last two rises were implemented over a period
of 15 months, not 24. But the reality remains that the current system or a new system will need
to be balanced. Today it is being balanced only by reliance on an annual advance from
2745 Government. As we plan with care to ensure greater sustainability in the long term, we will
review this model in order to ensure it provides that balance going forward.

I will tell the House something positive, Mr Speaker, about the Statutory Benefits Fund, which
has struggled to keep pace with requirements to the extent that it had started to survive only
with the support of Government advances. As I have just stated, we increased social insurance
2750 charges twice in the past 15 months and shifted the allocation between the Group Practice
Medical Scheme and the Statutory Benefits Fund, in favour of the latter. The net effect of this
was to increase the departmental cost for Government and thereby reduce any surpluses. So
much for the Opposition's argument that we flatter the figures. This combined change has had
the intended effect, however. I am therefore pleased to confirm that the Statutory Benefits
2755 Fund ended the year with a surplus of around £4.3 million, a large part of which, some
£3.5 million, has been applied to reduce the advances owed to the Government. Next year we
hope to completely eliminate these advances fully.

Mr Speaker, this year the Disability Benefit will increase by the rate of inflation. The old age
pension will also increase in line with inflation. Both have risen by at least the rate of inflation
2760 every year since we were elected.

In order to further promote inclusion and encourage businesses to make the right changes to
their properties that will facilitate access for people with disabilities, businesses will be able to
claim a deduction equal to the expenditure for works that are carried out to improve inclusion
and access up to a maximum of £15,000. Pre-approval by Town Planning and Building Control
2765 will need to be sought and obtained before works begin if the costs are to be deductible. Any
claim for deduction needs to be made to the Commissioner of Income Tax within two years of
the end of the year of assessment or accounting period in respect of which the deduction is
claimed and shall be accompanied by a copy of the appropriate certification. In order to
encourage that works be done quickly, this measure will apply only for the next 36 months.

2770 Mr Speaker, last year I announced the introduction of a special Stamp Duty in respect of sales
at Beach View Terraces and Mons Calpe Mews. The Bill to give effect to those changes is now
before the House and I thank the hon. Lady for her diligent work in producing it. I am very glad
to be able to report to the House that the measure to introduce that special Stamp Duty was
2775 very well received as it is a measure specifically designed to avoid profiteering from the sale of
subsidised housing that is not developed or sold for speculation but for owner occupation.

This year, the Minister for Housing, Miss Sacramento, has also been working to ensure that
the new underleases for the new affordable homes are tighter than those watered down by the
GSD from those first prepared by the GSLP in respect of the affordable homes of the 1980s and
1990s. She has developed leases that will put an end to speculation for investment and undue
2780 profits on the subsequent sales of such housing and these will be curtailed with the introduction
of strict conditions of resale. The Minister last week issued detailed guidance on the terms of the
new leases which will introduce these conditions, and I know that they too have been very well
received by the community at large.

Mr Speaker, the challenges thrown up by the many possible outcomes of Brexit have
2785 produced a call for further diversification of our economy. Such cries have often come from the
Opposition. For example, when a gaming operator considers moving parts of its activities from
Gibraltar their allegation is that we are over-reliant on one or two particular sectors, despite in
their time the focus having instead been on allegedly cementing those sectors as cornerstones
of our economic development. Seeking out new sectors for an economy is never
2790 straightforward. This is particularly so for us against the backdrop of Brexit and the many
stresses in the world economy. The high street is taking a battering from online retailers, the
tourist booking industry is losing traction in favour of online booking apps and many traditional
sectors and incumbents face new and increased competition. In addition, the growing trend
towards protectionist measures in some areas, especially in the trade war between the US and
2795 China, produces further strong headwinds.

But just because something is very difficult, it has never stopped us from trying. The
establishment of gaming operators has provided a skilled workforce and intellectual know-how
that we can leverage. This year we have already had success in the area of DLT licensing. We
believe there are considerable opportunities in this new technology. We are committed to
2800 Gibraltar playing a leading role in its development and use.

The tried and tested model in Gibraltar has been to seek out opportunities, license and
regulate to the best standards and invest in those sectors. The aim is always to position
ourselves as a centre of excellence in these various fields. Applying this approach, I want to
announce another opportunity which my Government will shortly be licensing. We are not first
2805 movers in this sector, which is already quite developed in a number of countries across the
continent. Having reviewed the experience elsewhere, we will seek to adopt a bespoke licensing
and regulatory regime to create a first-class ecosystem in this field. Many will have heard of the
advances in medicinal cannabis and how medicinal cannabis in different forms is used to treat
patients. We have made our own changes in Gibraltar to adapt medical laws in this respect.
2810 Indeed, we legislated last year for medicinal cannabis oil to be available on prescription to
patients of the GHA. We have attracted interest from a number of very reputable investors to
develop investments in Gibraltar in this new area. The proposals include the research,
development and production of medicinal cannabis products in carefully monitored and
regulated state-of-the-art environmentally advanced facilities.

We have given very careful thought to how this sector and technology might be leveraged in
Gibraltar, in particular how leading research and production talent can be attracted to Gibraltar,
producing a new world-class ecosystem in a new sector. Controls and monitoring will be
critically important to ensure that our good reputation is not threatened and is indeed positively
enhanced. We will therefore be considering licensing a select, highly reputable and well-
2820 resourced licensees. The new sector will provide diversification that can be exported from
Gibraltar. It will also provide high-grade, affordable medicinal cannabis products to care for local

patients. The new technology will bring jobs in cutting-edge medical research, product development and production. In certain cases, these new facilities will deliver synergies for existing infrastructural facilities with resulting environmental and operational efficiencies. This is the kind of innovation and opportunity we are keen to encourage. It also has the considerable advantage of being Brexit proof. In order to ensure the highest standards, we will establish an agency to deal with research, vetting of purchasers, levying of duty and ensuring quality of supply, meeting local and international standards and full transparency. Such an agency will facilitate trade with third parties, including government-to-government sales. The anticipated sales to European and/or other government agencies will establish our position within the sector and promote our good reputation and international links.

Mr Speaker, I want to take this opportunity on behalf of my Government – and on behalf of all Members of the House, I am sure – to thank you, the Clerk and all members of your staff for your assistance this year in the discharge of my functions as Leader of the House during the course of the year and indeed during the course of the lifetime of this Parliament. You have been far more patient than we deserve and you have been kind and helpful to a fault. Thank you all.

I also want to take this opportunity to thank all my remarkably hardworking Cabinet colleagues for their support throughout the past four years as we have led Gibraltar together through some of the most difficult times in recent years. I want to thank Albert, Gilbert, Paul, Joe, Joseph, Neil, Samantha, John and Steven for their support.

I must also record my thanks to the Chief Secretary, the Attorney General, the Financial Secretary and the Chief Technical Officer for their incredible energy, their incredible support and their determination to defend Gibraltar's interests. What a team: the most extraordinary dedication and the most incredible ability. It has been an honour to have the chance to work with you to date and I sincerely hope I will be afforded the honour of doing so one more time.

Mr Speaker, behind this Estimates Book and the planning for this debate, working on the presentation that we try to improve every year and that we will shortly publish is a team of people who keep smiling despite the many drafts and the many changes. Thank you to Ernest Tomsett, Susie Gonzalez, Nancy Reyes, Karl Lima, Charles Santos and Alison Cruz, as well as many others in the team who make it possible for us to account with such complete transparency and clarity to this House and to taxpayers generally. They work with great care, skill and diligence to ensure that we report accurately to the people.

I also extend my thanks to all in the team at the Ministry of Finance and Her Majesty's Treasury. I once again thank them all on behalf of the Government for their precise and careful work.

I must also, of course, thank my own team and the Press Office – the A-Team – at No. 6 Convent Place. They are the constant, unflappable face of the Office of the Chief Minister and I could not do this without them.

This year is a sad year, as a number of my personal team will retire. Giselle Taylor leaves to be a dedicated grandmother; she was the first person to address me as Chief Minister in the office at No. 6 and we will all miss her terribly. Close Protection Officers Derek Tilbury and Mark Hermida retire also: my personal best wishes to them both and my deep thanks for their friendship – they are both a part of our lives. Mr Speaker, believe it or not, Jimmy Dalmedo is going to retire! He has driven us all – every single Chief Minister since the 1969 Constitution has at one time or another been driven by Jimmy Dalmedo. He is highly deserving of recognition for the length and dedication of his service.

I carry political responsibility for other Departments which I have not gone through today in the course of my speech. The political moment in which we find ourselves has required a deeper analysis of some aspects of the economics of Gibraltar in this time in our history. Like last year, I do not want to keep the House for longer than I have to, but it is also unfair for me not to report on the excellent work which is being done in Customs, in the Drug and Alcohol Services, in the Civil Status and Registration Office, in Industrial Relations and Public Sector HR and in the BCA,

2875 and to explain more deeply what is happening in the Income Tax Office and the Central Arrears Unit. I will therefore lay a detailed paper before the House that will set out the progress in these departmental areas also.

2880 Mr Speaker, last year we could have chosen the road of sheer austerity in the face of impending Brexit. We did not do so. We balanced careful planning with the protection of the most vulnerable in our community and the lower paid. Ours was not a formula of austerity disguised as prudence, as some opposite seem to think would be best. We continued on our carefully charted course and our investments are paying off. The examples are everywhere. We have invested in schools, in health, in housing, in sports, in parks. Real people are already benefiting from these investments, they are enjoying the results of these investments, and that properly calibrated spending combined with our progressive approach and our commitment to social justice is what has delivered a new dawn for our people. You look at the numbers in this Estimates Book, Mr Speaker, and you realise that our commitment, our investment and our hard work is paying off. That is why we are reporting positive numbers, that is why we are getting ready to inaugurate new sporting facilities and populate a new healthcare facility, that is why we are preparing to open new schools and why we are able to finance the development of more affordable homes – because we take no risks, we plan carefully and we work diligently. And now for eight years we have demonstrated that our formula delivers success.

2890 Members opposite have thrown literally every single argument going at us over the past eight years. Contradiction has not stopped them from saying one thing and then, when it has not derailed us, saying the other. Some of the Members opposite will say, probably in the next 24 to 2895 48 hours, that we have done too much. Some of them will say that we have done too little. Some of them will say that we have done it too fast. Some of them will say we have done it too slowly. Some of them will say all of that, and probably even without a hint of irony. Think about it, Mr Speaker: they criticise me for saying I am not going to reclaim more on the Eastside and then they criticise me for saying I am going to reclaim more on the Westside. You really could not make it up. We are accused of inflicting austerity by people sitting next to alleged colleagues who at the same time accuse me of magnificent largesse. I do wonder what tack they are going to take this afternoon. Will it be, ‘You haven’t completed your manifesto which they invited me not to do’? Or that other old favourite, ‘You have completed the projects that you were elected to complete but at great cost and not quickly enough’? Or maybe that other great GSD hit: all of 2900 the above with different Members putting contradictory arguments against each other? Let’s see. 2905

Given that they are making a habit of voting against the Budget, it is not going to surprise that the electorate are making it a habit of voting against them. I am not going to try to dissuade them, but I will make one confident prediction: starting from the moment that I sit down, we are 2910 in for a summer of a load of Opposition moaning, a summer of Opposition frustration and a summer of Opposition discontent. Imagine, as we start to open new sporting facilities, not one but four; new primary care facilities, not one but two; new schools, not just one but three this year and with hot meals in every school; and we start to sell affordable homes, not one estate but three – the frustration of our political opponents will be at fever pitch, I predict in August. It will be manifest in their repeatedly negative personalised and nasty attacks. Nothing will be any 2915 good. None of the new facilities will be worth welcoming. The Scrooge-like attacks will know no bounds throughout what is likely to be a long, hot summer of Opposition frustration and discontent.

2920 I know we have done the right things today, as we have every day of the past eight years and as we will do every day in the future. We have done the things that matter, we have invested in the services that matter and we have delivered to the people who matter, the people who work hard every day or whose days are so hard that they cannot even work. That is the aim of every one of our Budgets: to deliver for working people, to deliver social justice, to ensure that those who can are free and able to do and those who cannot are properly provided for. That is why

2925 this is a careful Budget that honours the sacrifices of yesteryear, works for today and protects those who will come tomorrow.

I remember a Gibraltar where all our parents were paid in small paper envelopes on a weekly basis. How far we have come. We are on the right track and on the right road. Now I see a Gibraltar of entrepreneurs and workers in partnership. I see a Gibraltar of prosperity but not of greed, hungry to achieve but not gluttonous to gorge on the greed that would undo us. I see a Gibraltar we have built through generations that have never had an easy ride. And so, with Brexit still potentially on the horizon, these Estimates are not designed to deliver spending on goodies to win an election. These Estimates are designed to deliver spending properly, and carefully calibrated to protect our nation. That is my responsibility, Mr Speaker. That is our obligation and that is our aim.

2935 Mr Speaker, two terms, eight years: the best economic performance in Gibraltar's history, the strongest foundations taking root, and the best is still to come. And to think we were once called unfit to govern. This is a serious Budget for serious times by serious people: every generation provided for, every generation cared for, every generation with us as these spending plans propel this nation of ours forward toward a bright, successful future; a series of measures carefully designed to responsibly give back to every worker whilst equally responsibly continuing our policy of stimulating different parts of our economy to deliver both growth and social justice. That is what this Bill represents, that is what this Bill delivers, and that is why I commend this Bill to the House, Mr Speaker. *(Banging on desks)*

2940 Mr Speaker, conscious of middle-age bladder health, I would ask the House to recess for 15 minutes before we continue with the next speech.

Mr Speaker: The House will recess for 15 minutes.

*The House recessed at 1.55 p.m.
and resumed its sitting at 2.10 p.m.*

Adjournment

Chief Minister (Hon. F R Picardo): Mr Speaker, I move that the House should adjourn until four o'clock this afternoon.

2950 My officers advise me that it is not possible for me to move an arrangement I had at three o'clock, so I have consulted with the Leader of the Opposition and we have agreed that he will come back to deliver his speech at four o'clock.

2955 **Mr Speaker:** We will come back at four this afternoon.

The House adjourned at 2.11 p.m.