



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 11.10 a.m. – 2.40 p.m.

Gibraltar, Friday, 25th September 2020

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The Gibraltar Parliament

The Parliament met at 11.10 a.m.

[MR SPEAKER: Hon. M L Farrell BEM GMD RD JP *in the Chair*]

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

Wearing of facemasks in Parliament

Clerk: Meeting of Parliament, Friday, 25th September 2020.

Order of Proceedings: (iii) Communications from the Chair.

- 5 **Mr Speaker:** The House has received a dispensation from the Director of Public Health that the wearing of facemasks in Parliament is optional given that social distancing measures are in force. However, Members have agreed that they will wear masks unless they are speaking or are about to speak.
Thank you.

SUSPENSION OF STANDING ORDERS

Standing Order 7(1) suspended to proceed with Government Statements

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

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 Statements.

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

Racist and anti-Semitic comments on social media – Referral to Royal Gibraltar Police for investigation – Statement by the Chief Minister

Chief Minister (Hon. F R Picardo): Mr Speaker, the Government roundly and unhesitatingly condemns the racist and anti-Semitic comments which have been made by some on social media in respect of Together Gibraltar MP Marlene Hassan Nahon.

- 20 Based on what the Government is very clear are untruths about Ms Hassan Nahon's holding dual nationality with Israel, some people on social media have suggested that Ms Hassan Nahon should somehow not be trusted with involvement in the affairs of Gibraltar. In our view, those allegations clearly seek to bring people's estimation of Ms Hassan Nahon down not by reason of argument relating to her views in respect of any particular issue but by reason of her religion. Therefore, as Chief Minister and as Leader of this House, I have referred those comments to the

25 Royal Gibraltar Police for investigation as racism and anti-Semitism, and I am making this Statement today for that reason.

We are very clear that challenging and robust political debate about ideas and policies is what makes our nation a rich, diverse and respectful democracy, but for that reason also we must decry and denounce those of a small minority who fail themselves and all of us also by making racist and anti-Semitic statements about a Member of our Parliament based solely on her religion. This is in addition to insults apparently also relating to her ethnicity, which she has rightly countered in correspondence and which I am also reviewing.

My Government and I disagree vehemently with the hon. Lady on many things and we agree also just as violently on many others, but our debate is always about our differing policies and ideas and how we each think we can improve Gibraltar for the Gibraltarians and the residents of Gibraltar. But frankly Mr Speaker to read those comments about her and to have read similar comments recently, insulting on social media also the Minister for Transport, Business and the Port, the Hon. Mr Daryanani arising from his ethnicity, is frankly a huge disappointment.

For some to make racist and anti-Semitic remarks supposedly as part of political debate is just anathema and alien to what Gibraltar is and frankly not the Gibraltar that I know and love. I always take the view that Mrs Thatcher was right about one thing at least: that when they start to insult you and when they start to attack you and not your arguments it is because whoever is insulting or attacking you has lost the argument.

Mr Speaker, I know that everyone in this House will want to join me in solidarity with the hon. Lady and in ensuring that we send a very clear message from this place that any type of racism, and indeed in particular anti-Semitism, will not be tolerated in Gibraltar and will not be considered a part of the political debate but something happening outside it and outside the rules.

I want to thank the Commissioner of Police for telling me yesterday already that he was progressing this matter. (*Banging on desks*)

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

Hon. K Azopardi: Mr Speaker, on behalf of the Opposition I do want to express our solidarity with that Statement. Before I do, can I just ask, because I suspect that when I rise ... Last time I spoke on a Statement you did point out to me that in speaking to a Statement there needed to be questions of clarification. I suspect that I will not be seeking clarification on this Statement or indeed another Statement that I believe the Chief Minister is going to make this morning, but with your latitude, given the importance of the issue, Mr Speaker, I would ask to be allowed to reply to those without asking questions of clarification. I am grateful.

Our position is entirely the same in relation to issues of anti-Semitism and discrimination. We said yesterday there is absolutely no place for racism, discrimination, anti-Semitism, prejudice or intolerance in Gibraltar and I made it very clear that all citizens in our community need to make sure that we strive to ensure to respect the boundaries of proper political comment and behaviour on social media. I know emotions run high sometimes, but it is important to keep within the bounds of fair, respectful and lawful comment. Anything that crosses those lines into racist, religious or any form of intolerance is entirely unacceptable and repugnant to the Members I speak for on this side of the House, and I am sure also to many members of our community.

The issue of prejudice, discrimination and focusing on differences rather than on common features that unite us, unfortunately is a global issue and not just a local one. For many centuries people have focused on differences rather than on similarities, whether those differences were religious or ethnic or other differences. You see that still present in other countries when there are other issues that hit the news. In Gibraltar we have always prided ourselves on having a homogenous, cosmopolitan community drawn from different ethnic and national backgrounds, where we have been able to develop and foster a sense of nationhood with that rich mix that makes the Gibraltarian. We have British-Moroccan Gibraltarians and Gibraltarians who are Jews, Hindus and Catholics, and none of that makes any particular sector or person less of a Gibraltarian

because they are drawn from different races originally or from different nationalities, or indeed from different religions.

80 So, we entirely express our solidarity. Ms Hassan Nahon knows that I contacted her on the day of her statement to express our views and exchange our support on this issue. I expressed my concern to her privately about the fact that there are other instances of comments on social media more generally and I gave her the example of some of our citizens of Moroccan origin who I feel also face a degree of discrimination and comment sometimes. The Leader of the House has also mentioned comments made in respect of one of his Ministers, with which we also show solidarity
85 because we think it is unacceptable for people to make comments of that type. It is fine to have robust political debate or debate on social issues, but when people do so they need to respect the boundaries of proper and lawful behaviour and not descend into comments that are either racist, prejudiced or discriminate against people on grounds that are entirely unconstitutional and entirely wrong. For those reason I also wish to express the solidarity of Members on this side of
90 the House for the comments that have been made. (*Banging on desks*)

Mr Speaker: The Hon. Marlene Hassan Nahon.

Hon. Ms M D Hassan Nahon: Mr Speaker, with your indulgence I shall also be asking for
95 exemption from clarification on the response to a Statement, for obvious reasons in this case.

In response to the Chief Minister's Statement and that of the Leader of the Opposition, which I am very grateful for, over the very distasteful and unwarranted attacks on my religion this week, I would like to say that these have come in the context of a wider mission, being that these comments have actually stemmed from a concerted campaign against my late father.

100 I would like to say that I have always been so proud of living in a community where diversity is celebrated, where Hindus, Jews, Muslims, Christians and people of no faith whatsoever can be friends, work colleagues and concerned citizens together. Whatever the differences of our opinions, we have always understood that everyone wants the best for Gibraltar but we have different ways of looking at things. The different political parties in Gibraltar have never been
105 divided by racial or religious affiliation. How else could a Jew have been in public service for 44 years and elected for a period of over 20 years and by a Catholic majority? It was because nobody saw colour and nobody saw religion. We are all Gibraltarian here.

My father was a patriot. Everything he did he did for his people, not for himself, and whether you agreed with him or not I do not think anyone can argue in good conscious that he did not put
110 his people first. Therefore, it was with much sadness that I found myself defending the Sir Joshua Hassan smear campaign this week that has been launched for several weeks for associated purposes. I am not here to defend my father's policies or record, I shall let history judge him for his time as Chief Minister, but I am here to defend his memory. People dredging up the past for their own political interest is wrong, especially when he has been in the grave for 25 years, so you
115 will forgive me for not allowing his memory to be tainted just so that some activist can meet their current political objectives at this very delicate moment in our history. It is this lack of generosity and gratitude for someone who gave his life for politics and people – one of the founding fathers of Gibraltar, one of the state builders of our nation – that led me to call out such an unkind and despicable campaign of slander.

120 In the end, it was the cherry on the cake of this campaign of slander that was thrown in – a dollop of anti-Semitism, which is only the side plot to this smear campaign – as I found myself accused of the age-old anti-Semitic trope of dual loyalty that has been hurled at Jews for millennia and was the foundation, in fact, of the expulsion of Jews from all over the world. This trope was used to launch the Spanish Inquisition, the Crusades, Hitler's Nazi regime, Stalin's massacres and
125 even, unfortunately, most recently in British politics the bullying and harassment of British Labour Jewish MPs by Corbyn's Labour Party, and this week I had to find myself at the receiving end of it as a Jew who happens to be a Member of this House. Is anyone here accused of dual loyalty for

marrying someone from a different nation? Is anyone here accused of dual loyalty for having a parent from a different nationality? No, I do not believe so.

130 I would never tolerate and I have stood behind condemning any attempt at discrimination toward any of the minority groups in Gibraltar. In the last few months there has been an increase in the change of tone within the political commentary that we see on social media, and my very good friend opposite on the Government benches, the Hon. Vijay Daryanani, has also been subjected to racially charged comments. I have to say I was not aware of this until the Chief
135 Minister mentioned it yesterday in his press statement, and now I wish to convey my absolute and unequivocal support and solidarity to Minister Daryanani and to tell him publicly in this House that I shall always roundly condemn any attacks on him or on members of his community.

I wish to thank the Chief Minister for his swift condemnation yesterday of such statements in response to my call for action to the leaders of the Parliament in this House. Similarly, I want to
140 extend my gratitude to the Leader of the Opposition for his condemnation as well and for both their statements today.

Mr Speaker, next Monday is the most solemn day in our Jewish calendar: it is the Day of Atonement and it is the final pleading with God for the calling of our fate for the coming year. In this coming Day of Atonement I will be praying for the help of every Gibraltarian and I will also be
145 praying that our community continues to be the paragon of tolerance, love and respect that we have all been raised in.

Thank you. (*Banging on desks*)

Mr Speaker: The Hon. the Chief Minister.

150

Hon. Chief Minister: Mr Speaker, can I thank both hon. Members for their remarks and in particular can I say that we have not been able to meet other than to adjourn in this month but we are starting this meeting in solidarity around an issue on which we could be only in solidarity. I think the statements made by hon. Members dovetail with the remarks I was making about the
155 references to ethnicity and religion really having no place in the argument about ability, policy testing and ideas.

I was simply rising now to reflect a little on what the hon. Members said – the Hon. Leader of the Opposition in particular talking about social media and how people seem to get themselves hot under the collar when at home and in front of a keyboard in a way that sometimes even
160 outdoes how in the heat of Parliamentary debate we might get hot under the collar. I do wonder whether people realise that in the heat of Parliamentary debate we sometimes say things to each other which we might not say when the Parliamentary debate is not so heated, but nonetheless when we go behind the Speaker's Chair we still continue to get on – sometimes we might even reflect that we might have gone a little too far with the microphones. On social media it is a little
165 different. What is said stays there forever – not in the way of *Hansard*, which is there to be consulted; it stays there forever. I do wonder whether people might want to reflect that the things that they might have said on street corners to their friends before, about politicians and the political debate or indeed about others, when they are said on social media, if they are racist, if they are insulting, if they are anti-Semitic they become an indelible blot on that person's
170 fingertips. The fingertips with which they have caressed the keyboard become indelibly blotted with the nonsense, the insults and the racism and anti-Semitism that they have spewed through their fingers, and it does them no credit.

I was very concerned when I saw the remarks that the hon. Lady complained about because they were direct; they were of the trope that she identified. If I may just be permitted to say
175 something about Sir Joshua, who she referred to: would that my record somehow stands like his and that 25 years after I am gone people are still talking about what I did. The character assassination of politicians in Gibraltar is starting to become a sport. Well, it is a sport where, I put it to those who engage in it, the big game is bigger than any gun that can be deployed, because the history of this place is made by those of us who are in the arena – in this place, the 17 of us

180 who are here today and those who have been here before us; all of us, not one of us who might be the Leader of the House today or any of the others. The 17 of us have stood up. We have stood in front of the community, we have asked for their vote and support, we have got it, we are here and we are making history. I would rather be one of the men or women in the arena, one of these 17, than one of the cowards sitting at home in the shadows criticising.

185 Mr Speaker, that is all I have to say in respect of these matters. I hope that we do not have to address them in this House again. *(Banging on desks)*

**Brexit negotiations –
Update on progress –
Statement by the Chief Minister**

Chief Minister (Hon. F R Picardo): Mr Speaker, if I may now turn to the much more pressing matter of progress on the European Union negotiations – and before I start, can I just say that today is Mental Health Awareness Day and you are sitting in front of a green background, which is a magnificent way of reminding the community of that day.

190 Despite the public health emergency that is developing, unfortunately, in Madrid, on Wednesday I travelled to Madrid with the Deputy Chief Minister and the Attorney General to continue technical talks on the Brexit negotiations. I must apologise to you, Mr Speaker, and to the House for not being able to arrive in Gibraltar on time yesterday to take the business of the House. One of the difficulties that COVID has created is that where before there were trains almost every hour, now if you do make the 7.30 train you do not make it back to the south of Spain in time, so I do apologise to the House for that. In fact, Mr Speaker, as has happened twice in the past two weeks, unfortunately as these negotiations reach their zenith we may find in future that we are unable to pursue also the normal Parliamentary timetable during this autumn that we would like to be pursuing, which is the monthly meeting.

200 Let me now turn to what has been happening. I have repeatedly told Gibraltar that we will not permit that the European Union negotiations in respect of the future relationship should involve any transgression of our well-known red lines on sovereignty, jurisdiction or control over our territory. I have made it clear that we will not recommend a deal to this Parliament that crosses those red lines. That remains, of course, our position. Indeed, I will tell the House today that the Deputy Chief Minister has already stepped up a gear in the preparations of the mechanisms we will need to activate if we have no deal by the time the transitional period ends on 31st December.

205 Last Friday I spoke to the Prime Minister, the Rt Hon. Boris Johnson MP. I have issued a statement in respect of that conversation already, but it is worth reflecting on the adamant support that the Prime Minister restated for Gibraltar. We are working hand in glove with the United Kingdom. We are working like clockwork with the teams at the Foreign Office and Task Force Europe in Downing Street. We are working to try to agree a deal that brings maximum fluidity for all persons at the Frontier and we are working towards a similar deal that brings maximum fluidity for goods passing the Frontier. None of these would create a new frontier between us in persons and goods arriving from the United Kingdom, as these are already subject to immigration and customs checks and it will be wrong for anyone to pretend otherwise. We are working for such a deal in good faith with all our energy and ability and with great enthusiasm, but we are not blind to the problems we face. There are political issues, there are legal issues and there are issues, of course, of trust and confidence, but we are optimistic whilst also remaining realistic, and for that reason we are also ready for no deal. But if we are still talking Mr Speaker it is because we still believe that a deal, although complex and difficult, is still possible without any crossing of our red lines on sovereignty, jurisdiction or control.

We will continue to brief all hon. Members of this House on the progress of the negotiations. I will be briefing the Cabinet and Mr Licudi in detail on Monday morning. I expect to see the Leader of the Opposition and Ms Hassan Nahon as soon as possible thereafter.

Mr Speaker, at this stage I cannot say more because there is no more to say than we have already said, but I will emphasise this: we will not recommend to this Parliament any deal that crosses our red lines on sovereignty, jurisdiction or control and we will not stop negotiating if we believe we can get a deal that does not cross our red lines on sovereignty, jurisdiction or control. Let me be clear: as I have said before, any deal which affects our international status or our constitutional settlement would be put to a referendum of the people of Gibraltar. Let me be clear also that there is no one in the Gibraltar negotiating team who would wish to agree to any proposal that crosses our red lines on sovereignty, jurisdiction or control and neither is there anyone in our team who would be unable to see a legal measure that would have such an effect.

So, let's be clear: our red lines will not be crossed on our watch but we will continue to negotiate. We will return to this House to inform it and to inform our people as often as we are able to and as fully as we are able to.

Thank you very much, Mr Speaker.

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

Hon. K Azopardi: Mr Speaker, we are grateful for that Statement and indeed I am sure there is quite a lot of interest out there in respect of statements on the Brexit talks, or rather the post-Brexit talks.

The House knows, and indeed the hon. Member knows because I have said so to him privately and indeed publicly, that the party that I lead wants there to be a positive agreement reached in respect to our future relationship with the European Union as long as that agreement does not transgress our traditional views on sovereignty, jurisdiction and control. Of course, as we have I think both observed, the devil is in the detail of the package of agreements that may emerge – and indeed maybe no agreement emerges, and so it is absolutely right that the Government should prepare in parallel for no deal. In the eventuality of no deal, Gibraltar must be ready – and people will not understand that we are not ready if we get to 31st December 2020 because we have had four and a half years since the referendum. The Government, I am sure, appreciate that. That is not a loaded political comment; it is a comment because of the passage of time. People would expect whatever Government of whatever political complexion is in place to have ensured, while it negotiates, to also prepare for no deal because that is a potential reality.

The other day there were commentators mentioning that we were this week past the point where we were 100 days away from 31st December, so we have now less than 100 days to either crack a deal, or not. I appreciate the exercise that the Government is engaged in. I know the sensitivity of those discussions and indeed I know that it is important to have space to negotiate. The hon. Member knows that we in the Opposition have given the Government political space to conduct those discussions while he has been briefing us on progress and that we are continuing to give him space to conduct those negotiations. We understand that that is important for Gibraltar and we do so not because we are taking our foot off the political accelerator and letting the Government have a free pass, but because when we give them space to negotiate it is because we consider it to be in the interests of Gibraltar for that space to be there. Quite a different matter is to also comment, as we did this week, on agreements that have been reached, historic ones. I am not going to go into that, but I think it is important for people to understand that it is a very different matter to comment on speculation and proposals rather than to comment on agreements that are set down in black and white on paper and have actually been reached two years ago, and we have historic and consistent views on that.

That is not to say that we do not want there to be a deal, because we do want there to be a positive, safe agreement for Gibraltar in respect of the future relationship. It is important that whatever emerges, if something emerges in the next less than 100 days, for it to be safe, and as I

275 have said previously, we will scrutinise the package of agreements that emerges, if a package emerges, and then make up our own assessment of whether agreements that emerge are safe and good for Gibraltar. The Chief Minister already indicated this week that he would intend to table ... I am not sure if he said proposed agreements, so this is perhaps something he could clarify – if he would table proposed agreements or agreements that had been reached in the
280 Parliament. Whatever is the case – I imagine he meant agreements that had been reached in Parliament – it will give us the opportunity to precisely have that public debate on the issue and I certainly welcome that the Parliament should get that opportunity on an issue as important as this.

I understand the Chief Minister's tone and desire not to explain publicly in greater detail what
285 discussions they are having, because I appreciate also there will be a moving feast of positions and it probably is not helpful to Gibraltar's position. There is, I am sure, and I see it on social media, a thirst for knowledge and that is also understandable. And so it is a balancing exercise to ensure that the public are given information, which it is important that they should have, as to the kind of discussions that are happening, while not providing details that might prejudice Gibraltar's
290 interest and indeed therefore their own interests in obtaining secure, safe agreements as to the future.

So, from this side of the House we welcome the Statement, understand why it is fairly cautious and low on content, and we will continue to give the Government space in the negotiations while still playing vigorously and robustly our role as the Opposition in scrutinising anything that
295 emerges and ensuring that it is within and respects the fundamentals that we all stand for.
(Banging on desks)

Mr Speaker: Would the Chief Minister like to respond?
Marlene Hassan Nahon.

300

Hon. Ms M D Hassan Nahon: Thank you, Mr Speaker.

Together Gibraltar and I have been supportive of the Government in its attempts to obtain a deal that can guarantee fluidity for both goods and persons at the border come the end of December. We understand that it is vital for our community that this happens for our economy
305 and also for our health and happiness, as well as obviously for the human bonds that exist between us and our neighbours in La Linea and the Campo de Gibraltar.

We have been vocal about our support because we believe that creating a toxic political environment right now can hinder these kinds of good-faith negotiations, as we have seen in the past, but we have very clear red lines. As do Government, we do not believe that Spain policing
310 our points of entry is acceptable. It would be a clear concession of control and sovereignty that would be absolutely unpalatable for the people in our community, even when presented, if presented, with a balanced cost-benefit analysis. So, a neutral Frontex option as suggested by the Chief Minister would perhaps be a compromise, although some work has to be done to rebuild the trust and the reputation of EU institutions after the very confused messaging people have
315 been exposed to throughout the Brexit ordeal.

Mr Speaker, we are also wary of what implications entry into Schengen would bring to our economy and whether significant changes to our taxation system will actually be necessary in order to level the playing field. We would like to hear Government projections of the impact of losing VAT-free status and whether other tax and tariffs might have to be modified. Also, we would
320 like to know what plans would be in place to support our already battered private sector through these important administrative changes.

So, in sum, Mr Speaker, we continue to support the efforts to achieve a deal while remaining extremely cautious. We look forward to future briefings and we wish the Government the best of luck in these negotiations. Personally and as a party we hope that all Members of this Chamber
325 understand the predicament that we find ourselves in and live up to the moment and not fall into

the trap of exploiting this moment in time to the detriment of the people of Gibraltar, because I am sure that history would issue a harsh judgment on such manoeuvres.

Thank you, Mr Speaker.

330 **Mr Speaker:** The Hon. the Chief Minister.

Hon. Chief Minister: Mr Speaker, I am grateful to both hon. Members for the statements that they have made. I think the hon. Lady's did request some clarification, so I will deal with that also.

335 The Hon. Leader of the Opposition is right that the people would not forgive us if we were not ready for no deal, because we have had four and a half years notice that it might happen. Of course he is absolutely right about that. The Deputy Chief Minister is in charge of those arrangements and, as I said in my Statement, he is stepping up a gear already in preparation, but we have to understand what being ready for no deal means. There is nothing that the Deputy
340 Chief Minister and the whole of the Government with him can do, if there is no deal, to ensure that 1st January is the same as 31st December, so it will not be possible for anybody to credibly say 'I cannot get my pet across in the way I used to before ... I am having to queue for an hour and a half ... I am having to have my passport stamped. What is going on? Weren't you ready? You had four and a half years.' It will not be possible to say it is the fault of the Deputy Chief Minister, it is the fault of the Government, it is the fault of the Chief Minister and it is the fault of the whole
345 Parliament.

No, it is the fault of Brexit in the absence of a deal because that is what Brexit means in the absence of a new deal with the European Union. It could mean no fresh milk in the supermarkets. It could mean no perishable goods from the United Kingdom being able to arrive in the time available for the goods to be used. That is what the absence of a deal could mean, and there are
350 no preparations that you can put in place from the unilateral position of Gibraltar to sort those things out. Let's be clear about that now. Let's not pretend on the morning of 2nd January to say as a community, 'Our administration has let us down. There is no deal and there is a queue at the Frontier, there is no deal and there is no fresh milk, there is no deal and ...' Let's understand what the absence of a deal means. We fully understand it on this side of the House and we are ready
355 for it, and we are ready to face down anyone who thinks that we will do a deal that crosses our red lines because we are not ready to face up to what no deal means. We know what no deal means and we are ready to face up to no deal, and we are prepared to do the maximum that can be done in the absence of a deal to mitigate and to provide contingencies in those eventualities. That is what we have to understand.

360 I know that the Leader of the Opposition fully understands that, and I am grateful for the opportunity, in the way that he has presented his response to my Statement today, to explain it more widely. I know that he would know that it would be lacking in credibility at a political level to be criticising the Government on 2nd January for those things, and I am not suggesting that he would be doing so but I think it is important that the community understands what it means and
365 the community understands that, as the sentinels of the red lines that all of us consider to be uncrossable, everybody needs to be ready for what the consequences of that are because that is where we are leading this community. We are leading this community to no deal if anybody dares to think that we will cross a red line for a deal. Let's be clear about that because we are ready for it and that is the direction of travel that we are embarked upon.

370 I am grateful that the hon. Gentleman also says – and I think that this is the right position for him to take – that they are giving us space to do the deal that is still possible that avoids that situation, and that that does not mean a free pass. Of course it does not. They will look at the things that we bring. They already provide comment when we show them the material that we are dealing with and we are open to further comment from them and ideas from them on all of
375 the issues that we discuss, and I absolutely get that that is not a free pass and that they of course reserve the right to criticise what we might then decide is a recommendable deal or we might decide is not a recommended deal and they may decide is a recommended deal, and they might

say, 'Well, we would have done it and people need to understand that there is no deal because the GSLP Liberals will not do it, but we would have done that deal.' This could be cut in many different permutations by the time that there is a deal on the table, or as much of a deal as there could be on the table by the time we walk away and they might say they might have continued negotiating. So I fully get that it is not a free pass.

I also appreciate his clarification that his comments this week were about old agreements and not current agreements, although he knows, Mr Speaker, that I believe that he is both legally and politically wrong when he says that it was possible and that it was negotiable in the first round to do a deal on movement for Gibraltar simply because there was a deal on movement for Northern Ireland. I think it is important that people do understand that, because the deal on movement in Northern Ireland pre-dated the European Union in the context of Schengen and mobility issues, and what is happening in respect of Northern Ireland is that the Common Travel Area is remaining because Ireland is not in Schengen. So, it is not that a deal on mobility was negotiated for Northern Ireland that we had failed to negotiate in the first stage. As he fully knows, I have too much respect for his intellect to think that he does not understand this, and I do appreciate that he has obviously decided he wants to make the point politically but what is happening in Northern Ireland is that they are reverting to the situation as it was *ante quo*, which is the Common Travel Area in Northern Ireland and Ireland and the rest of the United Kingdom – because there were never any Schengen issues there because Ireland is not in Schengen. What we are negotiating is totally different and it is only negotiable and only on the table in the context of the future relationship. So, Mr Speaker I am grateful that he has not wanted to deal with that today, but as he referred to the comments he had made and that they were about the old agreements that is what he knows is my answer to his argument in that respect.

I think his position on wanting a deal and not wanting a deal – in other words wanting a deal only if it is safe – is exactly the same position as ours. I think that it is the hon. Lady's position as well and I come and deal with what she said about these things now, but I think we all also need to agree that if we come with a deal it will be a deal that we have carefully calibrated to ensure that there are no concessions whatsoever, no crossing of red lines, and then the question will be is it safe – and the test for all of us will be not to try and pretend that there might be a crossing of red lines if there is not.

I am sure that, given the approach that he has had to date, he will not fall into those traps and neither will any other Member of this House, but what I am saying I am saying to the rest of the community – in other words to those beyond, to the commentators. This is a very serious, complex, difficult negotiation for the whole of Europe and the United Kingdom, in particular for little Gibraltar. There are clear red lines; they will not be crossed. If we bring a deal, it is because it does not cross those lines.

Of course, we cannot be the sole judges of that. Everybody needs to be able to be satisfied of that to their own standard, but it would be disingenuous for people in this community to look for concessions where they do not exist and they will need to understand the agreements in the context of the level of complexity of European law and of international treaty law because it will not be an easy thing to decipher and there will be many cross-references to be done before anybody can believe that they have understood what it is that we might be able to come back with. Anything that we do, however, will be *ad referendum* the Cabinet, the Council of Ministers. We will not agree anything unless it is approved by the whole Council of Ministers and then we will bring here that which the Council of Ministers has agreed, which is the normal way.

I am grateful that the hon. Gentleman has also understood that the reason why I am unable to say more as to substance here today – although I will say more as to substance to the Council of Ministers and to the hon. Lady and to the hon. Gentleman as soon as we are able to in the context of our of our briefings – is because we are in the middle of negotiations, but I think he will know from what he has been told more privately that I am giving the skeleton, the outline, the bones of what it is that is being discussed, with as much detail as possible. He says that he thinks there is a thirst for knowledge out there. Of course, I do understand that there is a desire to know more but

430 I think what there is is a desire to be assured that there will be no crossing of the red lines and
that there is not even a countenancing of the crossing of red lines going on in the room. In that
respect I would just refer the House and the community to a statement made in the context of
the Withdrawal Agreement by the then Secretary of State in Spain for Europe, Sr Marco Aguiriano,
435 who said, 'we are fully aware if we were to table anything to do with sovereignty the Gibraltarians
would close their files and walk out.' There is a new Secretary of State in Spain now. I can tell you
that I believe that he and all of the hierarchy of those we are dealing with fully understand that
and appreciate that we would simply close our files and walk out if anything was even suggested
to cross one of our red lines or to affect sovereignty, and so the community can have that absolute
440 assurance from us. He is right that it would not be helpful to say more at this stage, but I am very
happy to give those assurances.

The hon. Lady was gracious in lending us her support and best wishes for the negotiation, for
which I am grateful, and she has identified that we have made very clear in the context of the past
few months that anybody who thought that it would be acceptable to have Spanish law
enforcement agents – whether they are police officers, Guardia Civil or anybody else on Gibraltar
445 – would not have understood where our red lines have been for generations. That is not
something that we would ever countenance and it is not something that we would ever imagine
being able to consider agreeable, let alone that we would bring it as agreed to Gibraltar, so nobody
need have any concerns whatsoever that that is something that we would agree.

There is the issue of Frontex, which I have referred to previously and which has led to comment
450 by the hon. Lady today and by the hon. Gentleman in some recent public interventions. We are as
alive to the benefits of a potential Frontex intervention as a European institution as to the
potential dangers of a Frontex intervention and who makes up Frontex and in what capacity they
make up Frontex. We are fully alive to those issues and we would not allow our red lines to be
crossed by a back door, but there are possibilities in respect of Frontex as an agency and what it
455 might be able to do.

There are no tax implications in the context of the Schengen debate which the hon. Lady has
spoken about. There might be tax implications in the context of the Common Customs Union but
not in respect of services. There will be absolutely no consequences on services, no VAT on
services. That is not something that we would countenance. The exercise of whether or not there
460 could be a Customs Union benefit in respect of goods is a live one where we have views and we
would be prepared to consider some aspects of membership – some aspects of membership
would not be beneficial to Gibraltar and we would not propose them – and that would require a
reorganisation of our tax system, which would in itself be something which would require a very
deep consultation in Gibraltar. It would not be something that we could do now because we would
465 not know the shape of the proposed Customs Union integration until we reach the end of the
negotiation. That would be more in the nature of a proposal for consideration and discussion with
the business community in Gibraltar and there would be very long transitional provisions in
respect of that which would mean that there would be plenty of time to consider, and then, if
necessary, adjust. But you do not need to be a rocket scientist or be betraying any negotiation to
470 know that being in the Common Customs Union would potentially create some new issues for
Gibraltar which would have to be dealt with, and that could only be something that we would be
prepared to do if we believed that the benefits of that far outweighed those difficulties. The
reason I am not recommending that to the community today is because we have not made that
determination because the shape of what is proposed is not yet finalised and therefore there is
475 nothing to assess in any serious or meaningful way, but there would be definitely a consultation
with our business community in that respect.

I thank hon. Members for their contributions and I assure the community that we will put all
our energy, enthusiasm and ability into continuing to seek a negotiated new deal for Gibraltar
with the European Union after 31st December so long as it is clear that such a new deal cannot
480 cross our red lines, and we are ready on this side of the House for no deal and everything that it
will imply if we are unable to reach an agreement.

PAPERS TO BE LAID

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

Chief Minister (Hon. F R Picardo): Mr Speaker, I have the honour to lay on the table: a letter recording the written agreement between myself and the Leader of the Opposition as to the time period provided for in section 8(2) of the Appropriation Act 2019 such that this be extended to the last day of December 2020 – that is to say by a further 92 days, I believe – and I will say more about that in the context of my intervention now in the Appropriation Act; the Audited Accounts of the Gibraltar Regulatory Authority for the year ended 31st March 2020; the Annual Report of the Gibraltar Police Authority for the year ended 31st March 2020; the Integrated Tariff (Amendment) Regulations 2020; the Integrated Tariff (Amendment No. 2) Regulations 2020; the Integrated Tariff (Amendment No. 3) Regulations 2020; and the Integrated Tariff (Amendment No. 4) Regulations 2020.

Mr Speaker: Ordered to lie.

Clerk: The Hon. the Minister for Digital, Financial Services and Public Utilities.

Minister for Digital, Financial Services and Public Utilities (Hon. A J Isola): Mr Speaker, I have the honour to lay on the table the Report and Audited Accounts of the Gibraltar Broadcasting Corporation for the years ending 31st March 2013, 31st March 2014, 31st March 2015, 31st March 2016, 31st March 2017, 31st March 2018, 31st March 2019 and 31st March 2020.

Mr Speaker: Ordered to lie.

Order of the Day

BILLS

FIRST AND SECOND READING

Appropriation Act 2019 (Amendment No. 2) Bill 2020 – First Reading approved

Clerk: (ix) Bills – First and Second Reading.
A Bill for an Act to amend the Appropriation Act 2019. 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 amend the Appropriation Act 2019 be read a first time.

Mr Speaker: I now put the question, which is that a Bill for an Act to amend the Appropriation Act 2019 be read a first time. Those in favour? (**Members:** Aye.) Those against? Carried.

Clerk: The Appropriation Act 2019 (Amendment No. 2) Act 2020.

**Appropriation Act 2019 (Amendment No. 2) Bill 2020 –
Second Reading approved**

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

Before I go into the general principles and merits of the Bill, let me just confirm to the Parliament as I have now tabled, that I have written to you, Mr Speaker, confirming that this Bill was too urgent to wait for the effluxion of six weeks since its publication before it could be
520 considered by the House and I have tabled also a letter on the extension of the period referred to in section 8 of this Bill, which I will come to in a moment.

The purpose of this Bill is to further extend the current financial year period by another six months. In fact, this Bill comes before this Parliament in the same week as the Parliament in Westminster has been advised by the Chancellor, the Rt Hon. Rishi Sunak, also that the Commons
525 in the United Kingdom will not be taking a Budget this year. The times we are living through are so extraordinary that the House of Commons in the United Kingdom, the Mother of all Parliaments, where parliamentary budgetary tradition began, will this year not consider its spending plans in its annual set-piece state of the nation Budget debate. This decision has been a surprise to many and featured yesterday as breaking news on many of the UK's 24-hour rolling
530 news channels.

Here, there should be no such surprise for Members of this House or for the businesses and members of the public who watch carefully for budgetary announcements. The Bill we are debating has now been published for some weeks and people have been aware of it – although, as I confirmed at the start of my intervention, I have certified it as urgent under the Constitution.
535 As a result, Members of the House and members of the public have had full and transparent notice from the Government of the legislative detail of our intention for some weeks now, so there are no surprises there. Additionally, Mr Speaker, you and all hon. Members opposite will recall that in my intervention in the March session of this House when we originally prorogued our 2019-20 Budget for six months, I had already highlighted the possibility of there being the need to seek a
540 further extension to the financial year, which is what we are doing today. Indeed, the Financial Secretary and I had already discussed the possibility with the Leader of the Opposition and the shadow Minister for Financial Services. I had also already alerted the Hon. Ms Hassan Nahon to the possibility.

Now, as the additional time we had permitted ourselves under the first March extension is coming to an end at the end of September, this further extension is both operationally necessary
545 and, additionally, helps this House to restore the financial year end to the historical, customary financial year end of 31st March. I am confident, given our discussions to date, that hon. Members opposite will agree this is the right thing to do, not least because of the ability to understand spending, estimates and the Budget generally when we come to debate our next full Budget
550 debate, when it will be easier also for the general public to judge our spending discipline by reference to a simple doubling of the costs of the administration, rather than having to consider performance over a multiplier of 1.5. A simple multiplier of two will be much easier for the purposes of understanding the spending over the 24-month period as well as the performance over the two 12-month periods covered by the 2019-21 Budget, as it will in effect now be.

In terms of process, we plan to return to the traditional budgetary process as from 1st April
555 2021. The effect of this will be that we will present our budgetary estimates, also known more colloquially as the Estimates Book, for the next financial year before and not later than 30 days after the commencement of the financial year, in accordance with section 69 of the Constitution. This is the traditional manner of proceeding since the change of financial year in 1971, I believe,
560 by the Integration with Britain Government and a tradition followed since then until this extraordinary year – although, as hon. Members will now see as I go into the body of this address, what a year is is about to become a flexible concept. This Estimates Book will therefore, as from April, contain the estimates for the year ending 31st March 2022 and the forecast outturn for the

two-year period ending on 31st March 2021. This latter period is the one significantly affected by the COVID pandemic, and let's hope that it is the only one affected by the COVID pandemic.

We have already set out how this might look structurally to incorporate something known as the COVID-19 Response Fund and to enable Members of this House and the public more generally to understand the costs that relate directly to this pandemic and those that relate to normal Government expenditure. We have already had detailed discussions, which include a mock-up of the Estimates Book as it will be, with the Leader of the Opposition and the Shadow Minister for Public Finance on how this Estimates Book would be presented to incorporate the COVID-19 Response Fund and on the manner in which we have set out the detail of the Fund, which will be published on a regular basis. We are going to provide full transparency and disclosure in respect of these numbers so that everyone in this community of ours can see how the spending power of the nation has been deployed in order to deal with the financial costs of dealing with the COVID-19 pandemic.

The aim is to restore normality to this process leading up to the traditional budgetary debate next June or July in the usual way. This helps in terms of expediency and administration as well as providing a consistent approach for the presentation and analysis of estimates-related statistics. This is the point I make, Mr Speaker: it is going to be far easier to make a comparison of two years with one, as opposed to preparing a book containing a forecast outturn for one and a half years, another book for a six-month year and then going back to producing books for a whole year.

As you know, the earlier Bill, which we dealt with in the Emergency Budget in March, provided Departments, agencies and authorities, other than the Gibraltar Health Authority, with an additional 50% of their 2019-20 recurrent budgets for that first six-month extension that we dealt with. The position was simply that we were adding half a year to the financial year, so we were adding 50% more to the moneys available to the Departments in that period. The Gibraltar Health Authority was provided with more than just 50%. We were then at the start of the pandemic and we therefore needed more than just 50% for the Gibraltar Health Authority, and we added that additional amount to them. We added more for the further necessary funding in order to help ensure that the GHA would definitely be able to meet all COVID-19 costs it might encounter.

In the rest of what we colloquially know as 'the Book', in the pink pages the Improvement and Development Fund allocation was limited in the March Emergency Budget to an increase of under 27% on the original 2019-20 Budget. These amounts were calculated based on a project-by-project assessment of overall requirements. This followed an unscientific assessment of indicative costs, loss of revenue and assumptions of capital projects that to an extent had to be curtailed or stopped as a result of the COVID pandemic. Therefore, in that vein the Bill being presented today broadly follows once again the line taken with the March 2020 amendment Bill. The majority of the proposed Consolidated Fund allocations have seen the same level of increase, which means that the original 2019-20 allocations have now, in effect, simply doubled to cover a two-year period, and as such have not seen any budgetary growth.

The only exceptions are head 18 for Education, head 28 for Health, and head 29, which is the Gibraltar Health Authority and Elderly Residential Services. The first of those is the GHA *simpliciter* and the second of them is the Elderly Residential Services aspect of the Health Service. The extra funding for the Gibraltar Health Authority and the Elderly Residential Services section is largely, of course, to cover ongoing COVID-related expenses, whilst the requirement for the Education Department is to cater for the estimated shortfalls, arising largely from the salary increases for teachers which happened after the original 2019-20 Budget had been debated in this House, and higher than budgeted educational grant payments, something which we consider to be demand led to the extent that we have now introduced mandatory grants for second degrees. This latter expense, alongside Health, is undoubtedly the best investment we make and is a key part of the economic strategy introduced in the late 1980s by Sir Joe Bossano and which is bearing great fruit today. We must preserve that for the future also, and in a fuller Budget address next year I hope to be able to deal with how we will create a fund for that purpose.

615 Mr Speaker, this Bill also includes provision for the £150 million contribution to the COVID-19 Response Fund. This addition is an inclusion to ensure that the format of the Estimates Book going forward can correctly reflect the interaction with this Fund. The aim is to ensure that the Book will include presentation of the reference to this Fund in such a way that the user can identify those costs that relate directly to the pandemic – I am looking at the user nodding his head, I am pleased to say – and the Departments, agencies and authorities that have incurred this necessary spending.

620 The Gazette which will be issued later today will show the spending to the end of June on the COVID-19 Response Fund. I have shared this with hon. Members opposite ahead of its publication and provided them with current and more up-to-date data. Key highlights that this community needs to understand are as follows.

625 Revenue lost or forgone by Government in the period to 30th June 2020 arising from this pandemic stood at around £59 million. That is to say we would have received an extra almost £60 million if it were not for COVID.

630 Total costs directly related to this pandemic stood at £23 million. That is to say we have had to spend £23 million we would not otherwise have spent on the cost of materials, services etc. that we have had to deploy only because of the COVID pandemic.

635 Of these costs, around £11.3 million relate to BEAT payments. This was money, in our view, very well spent, with the agreement of this House, in ensuring that everyone who works here delivering our prosperity in the good times was guaranteed receipt of at least the Minimum Wage in the months of total lockdown. We were committed to protecting working people and we did, and we continue to do so. Let me tell the House the quarterly average number of persons registered as unemployed in Gibraltar for the end of September, calculated as at the close of business today, will likely be 15. The quarterly average at the end of September last year was 42. We set out to protect jobs and working people, and we have.

640 Of the £11.3 million I referred to above in respect of BEAT, £1.5 million related to capital costs such as the set-up of Nightingale with all of its associated costs. Sorry, I have made a mistake. Of the £11.3 million I referred to – which related to capital costs, not to BEAT – £1.5 million was the cost of setting up Nightingale, a lot of money for a facility we have not yet used and we all hope we will not have to use but this was money we had to spend or we would not have been ready for the onslaught that we might have had or we might still have in coming months.

645 The balance left on the fund, £1.8 million, therefore equates to the moneys donated, raised by charitable donations or clawed back from student grants etc. A determination is being made on how best to apply these moneys, which for the moment are being kept in the COVID-19 Response Fund itself. I want to thank everyone who selflessly returned moneys or donated to this cause. I will say more about that later in my intervention.

650 In essence, Mr Speaker, the above reflects that this community has required an additional borrowing placed within the fund, which at 30th June stood at £81.8 million. To date, borrowing has needed to be increased to the full capacity of the current interim limit of £150 million, which is the facility I referred to the House in the Emergency Budget at the end of March. It is important that this House and the public should be aware and confident that the Government is well prepared to meet costs beyond this, should this be required. There will be no funding shortfall of necessary expenditure; we have the financial firepower to meet necessary expenditure.

655 I think it is important at this point just to reflect that our estimates so far have been very accurate. Estimating is not a science, it is an art, but the Office of the Financial Secretary has delivered excellent results of outturn against estimates. The prediction of £150 million for the period to the end of the Budget extension period has been bang on near target. These were figures we shared our thinking on with the Leader of the Opposition and the Shadow Minister for Public Finance and I think it is fair to say, although they will be able to speak for themselves in the course of this debate, that they could see from the data that we presented why the Financial Secretary's views suggested these would be the correct amounts. I want to thank the Financial Secretary for this aspect of his work, although I will also have something to say later in this respect of the work

being done in the Treasury; and also the Shadow Member for Public Finance for his engagement with us on this process of Budget extension and the creation and presentation of the COVID Response Fund.

670 It is important that this House and the community at large understand the financial impact of this pandemic. It means that Government finances are being squeezed from both ends, from two sides: revenue is significantly down, whereas costs – on items we would not otherwise have incurred – are significantly up. We are making less Money and we are spending more Money. This is not for a political or partisan debate or disagreement, as hon. Members on all sides have
675 properly appreciated and I thank them for it; this is about inability to trade on the one hand, and requirement to spend on essentials for our community on the other. It is too early to tell where this is heading, particularly given the impact this virus is having in other countries where different steps are being taken, all of which curtail normal activity, which impacts on economic activity and is ultimately reflected in our Government receipts, the most obvious of which is tourism. The good
680 news, such as it may be, is that we are seeing that costs necessary to be incurred as a result of this pandemic are levelling off, whereas income, whilst significantly down on a year-by-year comparison, is showing signs of some recovery. We also have other costs which are not being incurred as a result of the pandemic.

So, we are heading in the right direction. Nevertheless I want to be clear: at the end of this
685 process Gibraltar will be left with an economy it needs to reinvigorate and a debt arising from this crisis in excess of £150 million. This is not a debt of anyone's making. It is not a debt of political or partisan genesis. This is the freestanding amount of the cost of COVID for this community. We are right to have borrowed at this time in order to ensure that we continued to see our businesses and employees supported throughout this period. Indeed, at the same time as we have seen these
690 difficulties that COVID has created, we have also seen a further drop in the interest rates payable on borrowing. This is good news for borrowers and bad news for savers. We have continued the interest payable to pensioners who have deposits in the Savings Bank, which is also an injection of capital in favour of our elderly. We are also well placed to ensure that our borrowing can be at historically low rates. This means our borrowing can be cheaper and more affordable than ever,
695 even at commercial rates. But we will need to be at our most agile and most innovative if we are to re-establish ourselves at levels of activity and consequent revenue that we enjoyed before this pandemic. As ever, I remain confident that with the Gibraltarian spirit and ingenuity we will get there.

Mr Speaker, I have, this week, written to the Leader of the Opposition proposing the
700 agreement that the period provided for in section 8(2) of the Appropriation Act, which we are amending today, should be further extended for a period of days to 31st December 2020, covering the next quarter of this calendar year. Section 8 empowers me to make any regulations and amend any primary or secondary legislation as may be necessary to put in place measures to assist businesses, registered employers, employees and self-employed persons during this pandemic.
705 This is the mechanism by which I have created the regulations that provided for our BEAT measures. In this respect, I have tabled the agreement between the Leader of the Opposition and myself in Parliament today. I am pleased to have been able to agree this extension with him. I maintain my previous statement to this House that this is a power that I will use sparingly, and I continue to assure the House that I undertake to use the power only as exceptionally required.

710 As a result of that power, and in order to continue to assist our businesses through what will undoubtedly continue to be a difficult autumn, the following BEAT measures will be continued.

Discount on rents and rates will continue for the fourth quarter of this year. This provides a 25% discount on rates, which when added to the early repayment discount already in place allows traders to take advantage of a total discount of 50% on rates. On rents, the continuation means
715 that Government rents continue to be reduced by 50% and private rents reduced by a 25% discount at least. Additionally, all rental increases will continue to be suspended by the Government until 1st April 2021.

Our Tables and Chairs Licence Fees will continue to be waived by the Government in their entirety. We will continue to encourage that private landlords should provide at least a 50% discount on such licence fees.

Adjustments to Import Duty will continue at least until the end of the fourth quarter of the year.

And finally, Mr Speaker, the Government's hugely successful BEAT measures will be continued. The BEAT 3.0 measures, which provide 20% of average BEAT payments in the first part of the operation of it, will continue for October and November for those firms that have complied with the BEAT 2.0 conditions and are complying with all other relevant guidelines and rules. The Government's intention is that these payments should not continue for December. We will have to assess that closer to the time. In that context, I am convening a meeting of CELAC for next week to discuss outstanding matters of concern to unions and employer representative organisations. I had hoped to meet CELAC this week, but I had not expected to have to spend 48 hours in Madrid. CELAC meetings will become a regular, fortnightly event for the next two months at least as we monitor the autumn business environment closely with our partners in the private sector.

These are the only measures that we will provide for in this extension of the budgetary period. As in the United Kingdom, we will have no other Budget or budget measures this year of the type usually provided for during a normal Budget session.

I commend that those should be the measures that this Parliament should approve in the context of this extension, but in doing so I want to reflect a little that when we first reported to this House the result of the Brexit referendum in June 2016, it looked like that would be the biggest challenge we would face. Little did we know or imagine that in the last days of Brexit a virus pandemic would conspire with it to make the challenges we face as a community even harder than anyone might imagine. This is perhaps therefore the perfect storm of political legend.

When I rose to make my Budget address, barely 72 hours after the referendum result had been announced, I told Gibraltar one thing which has been proved right over and over again. I told this Parliament and our nation that it was time for some of our extraordinary people to do extraordinary things, and they have. In these moments of our greatest need, in these moments of our greatest challenge, in these moments of sometimes grim potential for failure, our best people have shown the best of themselves. It is thanks to that great performance by so many that we are here today able to look forward with equal measures of caution, prudence but also optimism, because surfeiting challenge we did not wither, sicken or die as a nation. We have grown, risen to the challenge and given heart to progress.

I said we would see extraordinary people do extraordinary things for Gibraltar, but little did I know how much we would ask of them. From the front line in the Health Authority to the trenches of the Treasury we have seen the best of the Gibraltar that I know and love, in the past six months, from some of the best in Gibraltar. In particular, the Civil Contingencies team, led by Ivor Lopez and based at No. 6, have done sterling, round-the-clock work. The public and civil servants and the administration of Gibraltar have risen beyond the challenge before them. Doctors, nurses, lab technicians, cleaners, street cleaners, clerks – you name it, from every level there has been support for every level. They have strained every sinew, they have gone the extra mile, they have done more than any job description can ever provide for or set out – and many not even recording or charging overtime. My team at No. 6 have charged no overtime for the work they have done, no one at No. 6 has; not because they were asked not to, but because they decided not to.

So, we may be experiencing problems with counters and other services – we are trying to deal properly and safely with an unprecedented situation – but on behalf of the people of Gibraltar, whom I represent, I say thank you to all the public servants of Gibraltar for their efforts in these extraordinary past six months. I thank you all. The respect that you have earned will rightly last for many years. As is the tradition, I give long speeches in this place, especially at Budget time, but I am speechless and humbled in the face of their efforts and their achievements. Those who regularly criticise the public sector should sit up and take notice. Those who criticise Government for the sake of it should sit up and take notice. When the history of this time and generation is

written, writ large will be the work of those public servants who went to the front line on the war on COVID and did not charge their hours. Those few, a handful, who complained, who sought extra allowances when people in the private sector were going without or seeing salaries halved or worse are no more than a footnote to the history of the great majority of our great people and our great public servants. Those asking always for more should know they are in a minority. The majority were quietly donating and helping. The selfish and the greedy were eclipsed by the selfless and committed. That filled my heart with pride, with joy and with the rocket fuel to continue even in our darkest moments – and there were many Mr Speaker moments of real darkness at the prospect of what might overcome us.

In that context the work of the private sector and the work of our entrepreneurs has also been quite remarkable: the resilience of our traders, the honesty with which the almost entire majority have claimed and handled BEAT payments, the way that stores have remained open or trading online, the way we have not had to go without anything in our supermarkets. Thank you also to the private sector for your contribution in these challenging months. We continued to provide the infrastructure of society. You continued to operate and you kept this old garrison town fed and watered, victualled and supplied. Thank you also, in the private sector, for continuing to get up early each day and continuing to provide services: news and newspaper editors, bread and cake makers, carers, grocers and suppliers, and – our modern marvel – the delivery men and women who brought these things home on bikes, come rain or shine. Our thank you to them all.

And thank you also to all those individuals and organisations who made donations to the Gibraltar Health Authority. We did not seek donations but we had to open an account to receive them because they were flooding in. That is the generosity of the Gibraltarian spirit, once again writ large.

Now we get to do it all again – without a lockdown, which we will seek to avoid at all costs. In the autumn and winter months to come we need to be alive to the danger that still lurks amongst us because, let us be clear, none of this is over, especially for the Government. As we start this autumn and career towards 31st December we have to be, and we will be, at the top of our game. We do not get to be fed up of Brexit and we do not get to be fed up of COVID. We have to address both each day between now and the end of the year at least with the same urgency and aggression as we did the first day. We have the stamina to do so; every one of us in our Community must have. We shall overcome these challenges, we shall beat the odds, we shall be ready for any eventuality, and next year we will return for a Budget session that will once again be an opportunity for this Parliament to reflect on the state of the nation, a state I know will be strong, proud and turning once again together to face the sun.

I commend the Bill to the House. (*Banging on desks*)

Mr Speaker: Before I put the question, does any hon. Member wish to speak on the general principles and merits of the Bill? The Hon. the Leader of the Opposition.

Hon. K Azopardi: Mr Speaker, in March we agreed with the Members opposite, in effect, not to have a Budget because of the COVID pandemic. It was a special time, not just for Gibraltar but indeed for the whole world. I have said publicly we had that conversation on 13th March and we were, a week later, in this House, agreeing that, in an unprecedented way, we would not have a Budget, for the first time in living constitutional memory, for this community, kicking it forward in a way that had not been done before. We did it because of the COVID emergency and it was absolutely the right thing to do.

But when we come back to this House six months later it really is not a case of where we were in March, and that is also an important factor to take account of. The reason, to a very large extent, why we now do this is more a case of administrative convenience, expedience and indeed for us to go back to what would be the traditional way of doing things next year, because, not least for the reasons the Chief Minister has said, it is important to go back to an end of financial year 31st March because that would allow comparisons in a traditional way going forward into the

future, as we have in the past. That is an important factor for us. In doing so and in supporting this Bill for this extension of six months I want the hon. Member opposite to understand that we would expect that things would revert to normality as from March next year, in terms at least of the budgetary process. He knows that we have worked together in respect of the budgetary matters, as he has already indicated, but from our position we would expect the House to revert to the normal practice when we get to the end of the staggered two-year period so that we can have a proper Budget next year.

The backdrop of what we did in March was the COVID emergency, very clearly so. We had to adjust to a new environment; Gibraltar was unprepared. We bought the Health Service time; time to invest in resources, time to invest in backup plans in fall-back areas like the Nightingale Hospital that was announced. We made sure that this community was protected, we made sure that our people were protected, we made sure that we invested in institutions so that we could take care of the worst effects of a COVID emergency, which we have been spared. That is a mark of the work of many people, but of course I also acknowledge public servants out there who worked zealously during that period and made sure that we were prepared for the COVID emergency and invested and adjusted and made sure that we were able and we were prepared, if the worst effects came, to deal with it. Luckily, all the measures that were taken made sure that we were spared; but, as indeed the Chief Minister has said, the COVID emergency is still out there.

But in reflecting on that and in reflecting indeed on the Budget and the figures that are being announced today, it is important also to understand and appreciate that lockdown took its toll. Lockdown took its toll on this community financially, it also took its toll on the restriction of natural freedoms and it may have taken its toll in issues of mental well-being, which we have spoken about before. That is not for today, but it is important to reflect and appreciate all that.

Lockdown has taken a severe financial effect on Gibraltar. When we think about that, when we look at this Budget, what we are doing and what we intend to do going forward – because COVID is still out there globally and there is no apparent end to the COVID emergency; we are just going into different phases – it is important to understand and reflect that we must now adjust to this new environment. The idea that we might gravitate ... as in some areas we are now seeing around the world second lockdowns because they have more cases and so on ... is something that we need to be careful about and shy away from. Short of a situation which, in public health terms, takes us to an environment where the Health Service is under real strain, and in a small community like Gibraltar with land scarcity it is impossible for us to contain the extension of COVID and there is real pressure on the sustainability of public services ... short of that, looking forward we should avoid a lockdown and we need to work within a new environment.

The reason I say that is because the lockdown and the COVID emergency has taken its financial toll. The Chief Minister has said that by the end of this period, the staggered two years, in effect we will have invested £150 million in the cost of COVID. There needs to be a financial reality check across the board and people need to understand that, and it is important that people do because Gibraltar has kept ticking. To a very large extent, for a long period people stayed at home, working from home in many cases, and Gibraltar kept ticking. People might now have emerged from their homes and gone back to an adjusted form of normality with their masks and with social distancing, and perhaps it is not perfect ... of course it is not perfect, because we have lost some of our freedoms and the traditional way that we used to live our lives, and people might think in those circumstances that, subject to losing some of their freedoms – their ability to go out at night and to perhaps hug and kiss – we are back to normal. But people need to understand that what we did was we bought Gibraltar stability – we *bought* it stability – and there needs to be a reality check that we cannot be buying that stability at that rate for years to come. The economy has to go back to normal. We need to stem the revenue loss, we need to grow income, and those are powerful reasons. We need to attract trade, we need to foster opportunities for our business community domestically; we need to get out there again. Government needs to get out there again to attract business internationally in a vigorous way in a new environment.

I know that is difficult and I know that we still have so many reports – anecdotally, of course, those of us who work in the private sector and have dealings with people outside will get those stories – of how the business community in other countries has a whole patchwork of experiences. We know that things are not back to normal and they may not ever be back to the normality that we knew before COVID. It is a new environment, but within the new environment you can still see and seize business opportunities. It is important for us to do so, because what we cannot afford to sustain – as a reality check in this community – is to think that, whether there is a deal on Brexit or not, we can batten down the hatches and basically buy ourselves stability for years to come without returning to some economic normality.

That is why there are good reasons why, subject to a public health crisis, we need to try to avoid a second lockdown. I say that because the number of active cases now is no different to when we had the lockdown, but of course the difference ... That is what people need to understand. If cases go up to the level they were two or three weeks ago, or cases go up a bit more, whether it is 80 or 100 or maybe even 200 cases, what we cannot do is behave how we were behaving in March, because in March the reasons why we were behaving the way we were is because, first of all, we did not have the experience to deal with it and, secondly, we did not have the fall-back position in the Health Service. Having now adjusted and having now had that experience, having now ensured that we have the infrastructure both in human terms and in terms of physical infrastructure in the Health Service, we need to try to avoid the economic strain that came with the lockdown and make sure that we get back to as much economic normality as is possible. I know my hon. Friend Mr Clinton may be asking a bit more detail on the Budget, but that, in summary, is why we will support this Budget and this measure.

I also want to explain – as the hon. Member knows because we have spoken privately about it before, and indeed I said it in this House when we came here for the March 2020 six-month extension of the Budget – that in supporting this Budget we do not abandon our traditional stance on public finances, transparency ... and the reasons that we have explained on this side of the House before I came back into this House at the last election, the reasons we have been voting against the Budget for reasons of transparency and so on that my predecessors in leadership have explained. We will support this measure because in the discussions that we had going back to March and indeed May, which are reflected in discussions in this House, we have had a level of assurances that our comments have been taken on board and transparency as to the figures and the running totals and the effect on the economy that we wanted to have. We welcomed those assurances when they were given, and I can confirm to the House that the figures that the Chief Minister and I agreed the Opposition would be getting confidentially, in his letter of 14th May to me, have been given. It is for that reason as well that we can lend our support to this continued extension in assurance that, for the next period of a few months until this staggered period ends, we will continue to receive that information, and until the COVID Fund exists and is wound up we will continue also to obtain that information. These were extraordinary times and needed extraordinary measures and extraordinary, unprecedented co-operation on financial and public health matters between the Government and the Opposition because we wanted to get this community that we love through this crisis.

We took that position in the public interest in March, and indeed it was entirely justified. People can judge the Government and Opposition going forward on a number of things, but I hope in due course, if we continue to manage this crisis in the way that it has been managed so far, it may be that we can all emerge, whenever the world emerges from this issue, having said Gibraltar was spared from the worst effects of COVID – and if that is the case we will all be happier and our families will all be happier for it.

We also do not, of course, abandon the points that we have made about the arrival point and the economic strain that might be compounded by what we call the arrival point; in other words, shorthand for our traditional criticisms that the state of public finances were such that this additional strain is not helped by the fact of how public finances were when we arrived at this point. I would make that point simply to flag it. It is not intended to spark a combative debate

925 today. I am sure the Chief Minister may wish to reply to it, but I will not go on about that issue; that is for another day.

What the figures do show, as I have said before, is the need to quickly restart and boost the economy, and indeed from the figures that we have seen there are some signs of recovery, although there are also some signs of glitches and a situation that can best be explained as two
930 steps forward, one step back in some areas where we will need a bit more detail from the Government either privately or by questions in this House.

The objective for all of us must be to stop operating at this basis of a running loss of an economy, clearly. We are all invested in Gibraltar, we are all invested in making sure that Gibraltar returns to a state where the running day-to-day expenses are not as they are today, where we
935 are, as the Chief Minister says, spending more than we are earning. We want to make sure we go back to earning more than we spend, and then we can have a debate about the prudence of that spending. We are certainly going to have a debate about prudence if we continue spending more than we are earning.

I think the underlying message from us on this side of the House is that we entirely are conscious of the fact that there needs to be a reality check, that Gibraltar cannot continue
940 spending at this level, that we bought that stability, that it was in the interests of Gibraltar and you had our support to buy that stability because it was necessary to do so, but that as we go forward we need to adjust to normality, avoid a second lockdown as much as possible and make sure that we return to the days when Gibraltar earns more than it spends. *(Banging on desks)*

945 **Mr Speaker:** The Hon. Marlene Hassan Nahon.

Hon. Ms M D Hassan Nahon: Mr Speaker, as we all know, these are very difficult times for everybody, difficult for those in positions of responsibility but also difficult for those of us tasked
950 with scrutinising the decisions made to safeguard our community. I understand, as do most Gibraltarians, that many decisions have been difficult. I understand also that the Members of this Government are human and therefore they make mistakes, like the rest of us. It is in this spirit that I bring my honest critique here today, understanding my obligations but also understanding the reality that these times require generosity and the avoidance of partisan point scoring. When
955 I do criticise, I will not be chastising the Government for their mistakes but for any opportunities wasted.

I would also like to say a thing or two about something that has become very important in the past year and which the Chief Minister himself addressed profusely in his National Day speech. We are losing the trust of more and more members of the electorate and this ... let's call it
960 scepticism, is only getting worse. In these complicated times it is not only policy that is important, it is not just the substance that matters, but also the style. When the Government communicates erratically, issuing conflicting statements in a tone that comes across as arrogant or authoritarian, even the best-designed policies are destined to fail. We need to get people on board with Government policies so that they will exercise their individual responsibility in the way that society
965 needs them to, and unfortunately this Government has missed the mark quite often in this respect.

Let me start by referring to this Budget extension and the economic measures implemented throughout this pandemic. I understand that circumstances call for an extension of the Budget and that the unpredictable nature of events requires flexibility and swift action. In terms of missed
970 opportunities I referred to, I believe we should be applying more strategic thinking in our spending plans, as the Leader of the Opposition also said, particularly when we forcefully intervene in the economy in the way we have for the last few months. Yes, we have protected our businesses. Yes, we have protected employment. Yes, we have extended a hand of solidarity and support to our cross-border workers. We have poured a substantial amount of public money into putting certain
975 sectors of our economy in life support, and it was the right thing to do to salvage certain sectors which will rapidly bounce back once the COVID woes are over. However, could we not have

invested more strategically in those sectors able to provide a sustainable and long-term future for our economy? Could we not have provided help to those flailing industries so they may change and adapt in order to futureproof our economy?

980 The debate on the future of employment was one that we started having way before the start of this pandemic. It has been well known by everybody in this Chamber and beyond that there are certain sectors that are greatly threatened by the changes in technology, employment and consumer habits. Then there is the issue of environmental sustainability, something that our economy is seriously lagging behind on even by our own standards and objectives. We should
985 have taken this into account when intervening in our economy, investing with the vision and the foresight at that very moment and funding sustainable and viable industries and providing extra incentives for investments in these fields. This has largely been a missed opportunity but it is never too late to change course.

In connection with Brexit, do we know yet what will be the Brexit impact on the core sectors
990 of our economy? Does this Budget take the effect of a potential no-deal Brexit into account, given that the Budget now runs to March 2021, beyond the final-status Brexit?

Regarding Gibraltar's management of the coronavirus pandemic, I believe our track record so far has light and shadows, regardless of the fact that we have not suffered any deaths in our community. This fact – as happy as it is – of our success so far in beating a surge in cases has largely
995 been the consequence of a very benevolent manifestation of the virus in our territory producing an overwhelming majority of very mild cases. I would like to make clear that this assertion does not intend to undermine the sterling job of our medical professionals throughout the pandemic, to whom we are all greatly indebted, but the fact remains, however Mr Speaker, that the case count in Gibraltar is not better than other territories in our vicinity, because at roughly a thousand
1000 cases per 100,000 inhabitants it stands among the highest in the world. This detail, which would appear to be alarming at first glance, is in fact testament to what has probably been the greatest success of this administration in the management of the pandemic – a prolific, robust and efficient testing and contact-tracing operation which is managing to keep the numbers in check and is detecting many asymptomatic cases before they turn into larger outbreaks. On this front I
1005 sincerely congratulate all those involved in making this happen and I wish them the best of luck going forward, because it will also be our luck.

As for the shadows in the context of the shadows and light, I believe these are mostly in the preventative measures taken by this administration, the lack of leadership to an extent, the determination with which these measures have been applied and enforced, and the way both
1010 Government and public health authorities have communicated them to the general public. We should not be relying on cases to be mild. I share the Chief Minister's objective of achieving a clean sheet of deaths in Gibraltar, and in order to make that happen we need to put an end to the mixed messaging. We must stop recommending measures aimed at saving lives instead of mandating them. We need more mask use in enclosed spaces and public spaces. MPs should always be
1015 leading by example on this. We need better control measures in schools. We need to make sure norms regarding gatherings are strictly enforced. We need firm leadership and clear messaging to steer us through what is left of this crisis.

When looking at the Green Paper, this Budget Bill does raise many more questions than answers. By way of this extension, another period goes past where we cannot scrutinise
1020 Government revenue to the extent that we usually do. It is unclear how much of this Budget will be covered by way of borrowing in the end.

All of us here understand that all nations over the world have had to take on record amounts of debt due to the virus and the economic measures needed. After the banking crisis of 2008, where big players like the US Federal Reserve and the Bank of England had to bail out the too-big-
1025 to-fail banks with a huge bailout, Government spending obviously increased. In 2010 the strategy turned and the UK government attempted to pay back debt, causing banks to enforce sharp cuts in public spending and tax cuts. A G20 communiqué in June of that year called for the strategy with the term 'growth-friendly fiscal consolidation'. This did not work. According to the ONS, in

2010 the debt totalled £1.194 billion, then in 2018, before the pandemic, it totalled £1.838 billion. So, since the Chief Minister confirmed in a *Viewpoint* on 15th May this year, thankfully, that austerity is not on the cards, how exactly does the Government plan to invest efficiently into a green economic recovery without wastage, so that we can lower our debt as a percentage of GDP in the long term and keep a good credit rating?

With reference to the BEAT measures, was the Chief Minister saying that we are ready for an eventuality where businesses might require support beyond next summer? I think many businesses feeling the uncertainty of the COVID crisis would like to know more.

Could we get clarity on why a sum of £110,850,000 is required to fund expenditure from the Improvement and Development Fund?

Have we identified the cost per case associated with the COVID response?

There appears to be recurring expenditure identified in Part 1, Economic Development, which continues to grow despite the clear downturn in the economy.

Further clarity would be appreciated on why, for example, immigration and civil status is costing us £5 million and economic development £8.6 million.

It appears as though there has not been a reduction to Departments for the most part, yet we remain unable to have a Budget prepared. Can the Chief Minister explain the reason for the failure in the delivery of this constitutional requirement?

On borrowing, can Government offer specifics of the financial firepower that the Chief Minister has just talked about and says it has? People are thirsty for clarity at a time when there is so much insecurity over our public finances, and they ask themselves – and they ask us – is the Government running out of money, how much is left, how much against the wall are we?

Mr Speaker, in the face of increased spending to fight the pandemic, what costs containment programme has the Government deployed in other areas, meaning where have we saved the money and how much?

What impact will there be on capital projects given that projects were put on hold in light of the pandemic?

I do hope that in the last two quarters Government has come up with an estimate of the cost of COVID holistically to the Gibraltar economy, the loss of production, projects that are delayed or paused. There is a cost to this. Delaying projects does not just save money, it loses us economic activity.

With reference to Appendix B, page 171, what exactly does the £46 million relate to in relation to the Gibraltar Development Corporation?

And regarding the COVID Fund, what measures were introduced to prevent misallocation? At a time when people and businesses are struggling to make ends meet, yet hundreds of millions are being allocated by Government, can this amount be returned or assigned and not held indefinitely for the use of some other cause potentially?

The majority of heads have increased by 33.33%. What drives an essentially 33.33% increase across the board? Why are there even increases in certain heads? In Finance there are effectively two types of expenditure items: fixed costs and variable costs. As the name suggests, the fixed cost is fixed. In your household you have certainly monthly costs which are fixed – rent, mobile phone, television licence; no matter whether you use it or not, you pay for it. Then there are the variable costs, such as the water and electricity, which are dependent on their use for that particular month. There might well be fixed costs for the heads but surely there would be a reduction in the variable costs, so what drives the 33% increase?

In light of the reality that we have not had the annual exhaustive and traditional Budget that we can scrutinise with a fine-tooth comb, I hope and expect that Government does shed all the light it has on the Opposition queries over this Budget, because being robbed of a true Budget process during these serious times will always call for more accountability and not less.

Mr Speaker, I take this opportunity to thank once again and echo the Chief Minister's expression of gratitude to our people and our essential services for their exemplary outpouring of

1080 determination, commitment and hard work to help and put themselves out for the people of our
community in these very difficult moments.

Thank you.

Mr Speaker: The Hon. Roy Clinton.

1085

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

First of all, I will obviously echo the sentiments of the Leader of the Opposition and identify myself with his remarks and also specifically with his reservation as to our historical position on the Budget process, but of course in terms of this particular Appropriation Bill we will, as the
1090 Leader of the Opposition has indicated, be supporting it for the reasons he has stated.

In my intervention I would like to perhaps delve a little bit deeper into the numbers. What I propose is, perhaps unusually, starting with the specific and then moving to the general. Before I do that, I have to record my thanks to the Chief Minister and to the Financial Secretary for perhaps the unprecedented access and the very productive and constructive interaction we have had in
1095 dealing with the financial consequences of the COVID crisis.

That is where I want to commence my intervention, the COVID crisis and the numbers that have been required in terms of financing to meet the COVID crisis costs. When we met in March we were facing an emergency situation, and quite rightly we have all described it as an Emergency Budget. What we are meeting today to discuss is the Appropriation Bill effectively kicking forward
1100 another six months, so that, as the Chief Minister has correctly pointed out, we will be looking at a Budget for a two-year period. In that respect, there are of course many different ways you can talk about a 'year'. We could have chosen to keep to a September year end and from hereon after September would be our new year end; but then, as the Chief Minister has correctly pointed out, it would make comparison difficult. Purists may argue it does not matter, you could always keep
1105 September for the future. However, I think it is perhaps a question of expediency that we agree that we should go back to our old March year end and therefore in years to come it will be a fairly easy matter for somebody to divide by two. And so, in that respect, I think moving the year end forward to March will have our support.

In terms of the numbers in the Appropriation Bill, the most important number that I would
1110 want people to focus on is the £150 million projected contribution to the COVID Response Fund. This £150 million, as the Chief Minister has pointed out, is effectively funded by the borrowing which the Government has entered into with the facility obtained from the Gibraltar International Bank, which the Chief Minister has confirmed today is now fully drawn down. That is the way in which we are, as a community, funding what will be this exceptional expenditure. It is important
1115 that we put this into context, in the sense that last year's surplus, which was the highest ever, was about £82.8 million, and even on the projections for 2019-20, the original Budget Book that we had last year, the surplus would have been at a conservative £20 million, but even then the balance on the Consolidated Fund would have been £135 million in total, so £150 million is way above anything that we could have met out of recurrent revenue or reserves, although we do
1120 have some reserves in the Savings Bank which we could still call upon.

When we looked at the spending of this money, certainly from the Opposition point of view I do recognise that the Government volunteered the idea of having the COVID Response Fund to act as a bucket to collect all the related information financially that this crisis is costing us, and the Government also took on board our suggestion that this should be published quarterly so that the
1125 community can see for itself what is being spent and how. I think it is critical, as soon as the numbers are gazetted today, if the ladies and gentlemen of the press will publish that statement in full because of course not everybody will have access to the Gazette and I think it is particularly important that they see how this fund is operating.

There have been some unkind comments, I know, on social media, suggesting that, for
1130 example, the donations to the GHA have gone astray, but you will see that it is accounted for in the COVID Response Fund. What you will see is the COVID Response Fund is funded from the

Consolidated Fund. It receives all the money it spends from the Consolidated Fund. The Consolidated Fund in turn receives its money from borrowing, so basically you borrow a pound and then that pound is given to the COVID Response Fund. It is important for people to understand that the COVID Response Fund – as far as I am aware, and certainly I cannot see how it could happen – will never recover this money. This money is gone: it is spent or is used in effectively reimbursing the Government for lost revenue.

When you look at the statement, when it is published, you will see receipts from the Consolidated Fund and then you will see a line that says ‘contributions to revenue’, and in that the Chief Minister has already identified that there is foregone revenue of £59 million. The Hon. Father of the House has already pointed out that it costs about £55 million just to run Gibraltar for one month, so you will see that the Government will have suffered financially in terms of its revenue, and that has to be made up from somewhere – and of course that is where the borrowing comes in.

The second line which will be seen in the statement will be the payments. These are actual payments that will have been made by various entities in Government, obviously the GHA and the BEAT payments. It also has capital payments. The way it works – and this is what has been agreed with Government, so that it makes it pretty clear to anybody reading the Estimates Book that will be produced in future – is that rather than net off any assistance from the COVID Fund against exceptional costs in saving the GHA, there will be a separate line within the GHA expenditure showing the contribution to the COVID Fund. The full expense will be in the GHA, but there will be a contribution from the COVID Fund in respect of exceptional COVID expenditure. In that way, in this COVID Response Fund there will be one go-to place where anybody who wants to know what the impact of COVID has been ... whether it is on the Government’s recurrent revenue or exceptional expenditure incurred by Government Departments and capital expenditure, you will find it is in this statement in the COVID Fund. This is the first one that will be published. The idea is that this will then be updated and published on a quarterly basis going forward, so that there is full and total transparency as to what is going on with the COVID Response Fund. As the Chief Minister pointed out, there is a balance showing at the end of June of £1.8 million, which effectively equates to the donations received by the GHA and the scholarship refunds, and that money, as the Chief Minister pointed out, has yet to be allocated in terms of use.

I think it is a testament to our ability to co-operate in exceptional circumstances that we have been able to agree on this type of presentation and format, and I thank again the Chief Minister and the Financial Secretary for actually taking on board our suggestions and being able to agree on a format.

I think it is very important that the community looks at this statement and fully understands what the impact of COVID from a financial point of view. This statement, of course, it is important to understand, only goes up to 30th June. The Appropriation Bill will go up to 31st March, so if here we are saying there has been a cost of COVID of £81 million, you can expect that the Government is effectively anticipating either further costs to be incurred by the end of the year or further contributions to revenue being necessary. Of course, as the Chief Minister points out, this is but an estimate and the outturn may be something very different.

And so, in terms of this Appropriation Bill, the important number to me is the £150 million going from the Consolidated Fund to the COVID-19 Response Fund. I think that is the highlight number that people should focus on. It will, I think, focus people’s minds in terms of what this is costing us and how we are actually funding it, because the funding of this Response Fund is effectively coming, at the moment, from borrowing, and this is borrowing that we will, as a community, eventually have to repay.

That is my specific contribution on the COVID Fund. As I say, I would encourage ladies and gentlemen of the press to publish it in full so that the public will see the detail.

Moving on to the Budget numbers themselves, I must confess I was a bit mystified at the hon. Lady’s intervention. She talked about an increase of 33%. I am looking at it now and I can just see that she may be comparing to the last Budget, but I am happy to give way if that is the way she

has calculated it. If not, all I can tell the House is that, certainly from a schedule that the Financial Secretary provided me with, all the heads are effectively a duplication – i.e. as the Chief Minister said, multiplied by two – of the original Budget book that was presented for 2019-20, so it is just each number multiplied by two plus or minus any roundings, except for, and again the Chief Minister has correctly identified them, the heads for Education, Health and the Elderly Residential Services section. On that basis, the House can be assured that the numbers are really a duplication by two, except for those heads, of the book that was presented last year.

The heads which are different, i.e. it is two plus a bit: Education is double plus £12½ million, according to the schedule ... I am not going to ask many questions of the Chief Minister, but perhaps if he can provide some comfort to the students, in that certainly I am getting feedback that there are difficulties in grant payments. Some people are being told there is no money. This patently shows there is money, in that we are voting on it today, and if he could provide the comfort and reassurance to those students that they need not worry about their grant payments, and also perhaps, for those who may be expressing some difficulty on the clawback, as to how perhaps that may be expedited in cases where there may be some disagreement. But the money is obviously there in the appropriation.

The second number I look at is the GHA number, which apart from being multiplied by two has an extra £40-odd million on top. The Chief Minister did mention it is mainly to do with COVID, although I must note that, as at June, there was £9 million, effectively, COVID-related expenditure. Is that £40 million really the expected total expenditure of the GHA on COVID, or is there something else in there that the House should be aware of? In terms of the numbers themselves, as I said, they are merely a doubling up of the Estimates Book which was debated last year, apart from those heads.

The Chief Minister mentioned that we have drawn down fully the £150 million. I am conscious, Mr Speaker, I have got questions on the order paper, so I will not repeat those questions but I would ask if he has the position as of today of what the Government's net debt is. If he does not, I understand it is probably a number he does not have to hand and I will happily leave that for Question Time; but if he has, it would be great.

There is not much more to be said about the numbers; they are what they are. As the Father of the House has said, our net debt is going to be invariably the highest ever because we have to meet the cost of this crisis and there is no other way of doing it. I think in this House we all agree that we have to act; and, in terms of how we could go about protecting the community, this was the best way of doing it.

So, enough about the numbers. I just want to talk briefly about the measures that the Chief Minister has mentioned. Certainly as we move into the next three to six months – in fact the period this Budget covers – we are going to be facing some severe economic challenges, not just because of COVID but also because of Brexit, and certainly anything that the Government can do to help the economy in general, and specifically through CELAC, I am sure will be welcomed by the business community. The introduction of BEAT 3.0 will no doubt be welcome. As to whether that will be enough, again I will leave that to CELAC to discuss with the Government, but certainly the measures will be, to a degree, welcome, and today we have, as the Leader of the Opposition has indicated, given the Chief Minister some latitude to continue in terms of his emergency powers up to the end of the year if further measures are deemed necessary.

And so, Mr Speaker, in summary all I would say is, again, we needed the lifeline of £150 million to see us through the last six months. The coming six months are certainly going to be challenging. The Government will have to make some difficult decisions, no doubt, but it is important that the message goes out from this place that although we have managed to plug the gap in the last six months it is not a sustainable way of running our economy, and that our people need to understand, from looking at the COVID Response Fund, what the cost of meeting this crisis has been. Of course this House will do what we must to protect our people and our economy, but there is a financial limit to what is physically possible in an economy the size of ours. As much as I

1235 obviously wish our economy health and wealth for the future, we need to be realistic as a community going forward and cut our suit according to our cloth.

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

1240 **Mr Speaker:** Does any other hon. Member wish to speak on the general principles and merits of the Bill?

1245 **Minister for Economic Development, Enterprise, Telecommunications and the Gibraltar Savings Bank (Hon. Sir J J Bossano):** Mr Speaker, I think there is a tendency when Members speak – not just in the House but elsewhere, outside the House – to interchange references to the public finances and the economy as if they were the same thing. They are two totally separate and different things.

1250 I am responsible for the development and implementation of the plan that we produced during the election and is reflected in the manifesto, which was designed to counteract the negative effect of a hard Brexit with the United Kingdom and that hard Brexit affecting us. Therefore, there is nothing in the National Economic Plan that has been put there to deal with the effect of a pandemic.

1255 The effect of the pandemic is a health issue, and therefore, when we are talking about the effect of the pandemic, it is not so much the cost of dealing with restoring the health of the people who get ill, or doing things in the Health Service; the real issue that has, in effect, put the global economy into recession has been protecting people from getting infected by locking down the economy.

1260 The result of that is that almost every country in the western world is now in a situation of running deficits on recurrent expenditure, and we are, I regret to say, in that situation, which is something that is anathema to the GSLP and anathema, by definition, to the Government that is there to implement GSLP policy. The golden rule is you may borrow to build a school but you do not borrow to pay the schoolteachers, because if you borrow to pay the schoolteachers you finish up borrowing to pay the interest on the pay of the school schoolteachers, and after that there is a cleavage.

1265 That is not where we want to be and is not where we want to go, but we need to understand that the background of the global economy limits the potential of our economy whatever we do. That is to say it is not in our gift to do things that are not possible. It is not in our gift to make cruise liners stop here if there are no cruise liners departing from the port of origin, and nothing that we do can change that. The National Economic Plan was not based on the premise that there would not be cruise liners or that there would not be people going to the Upper Rock or that there would not be coaches or that there would not be flights. None of that is something that the National Economic Plan is designed to counteract, because none of that would have had necessarily to have happened if all that we had was a Brexit without a deal that created a new relationship and therefore one which affected supplies.

1270 But of course the economic plan was designed to deal with supplies. This is why one of the important things in the National Economic Plan is the approach that requires that we do not see our economy growing by ever-increasing labour inputs. The National Economic Plan specifically projects an estimated working population of 32,000 for October 2019, which we still do not have, that that should not grow beyond that level and that the growth of the economy beyond that level should be based not on employing more people, not on doubling the input in order to double the output – because that creates, on a per capita basis, no change – but on being able to produce more with the same resources. That is what efficiency means. It means that you are using your human resources, your capital and your assets more efficiently, and it is the only way that we can generate growth in the future. There is no alternative to that. And in the process of greater efficiency we must also have as an objective making Gibraltar as self-sufficient as possible. The less we depend on having to have fluidity, the safer we are in being able to deliver results, because

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fluidity is not in our hands: there are things that we cannot deliver and which require other people to behave in a certain way, which we have no control over.

So, as far as the economy is concerned, the economy is on track to deliver the National Economic Plan and increase by 15%, but it will not be by 15% of the size of the economy that was there when the pandemic started, because that is no longer there. We are going to eventually find out just how much damage there has been in the national output, but we do not know what that is today.

The hon. Member opposite has asked me why can't we have more recent and more up-to-date figures: well, because, as I have told him, the way that we calculated it and the way we have always calculated it and the way we think is the most reliable way, where we have got different sources of information which do not coincide, is by looking at the report that is produced in October on the basis of showing what the earnings of the entire working population of Gibraltar was. This was about £880 million when we last calculated it, which was in October 2018, and it is likely to be higher in October 2019 but it may well be lower next month.

That is the background to the economic situation. The nature of the elements in the National Economic Plan in terms of their effect on the Government's finances and the public finances is that it will not have a significant impact on increasing Government revenue but it will have an impact on reducing increases in Government spending. The elements of that is the involvement of investment from the private sector and the delivery of things by the private sector. The things that are there are there for a reason, and the reason is that the level of efficiency is going to be delivered not just by looking at how we are doing things in the Government, where there is still a return to be made on the money we are putting into e-government – which has not yet materialised but which hopefully will materialise at some stage, I hope – but also to make better use of the resources in the private sector.

But the reality is that the hon. Member mentioned the figure that I have said in the past that was not sustainable, which was the annual growth that we had in the cost of delivering services. That, as we all know, amounted to £210 million over a seven-year period, an annual increase of £30 million per annum, and I have said on a number of occasions, much to the disgust of some people, that we could not carry on growing the spending by £30 million every year because we could not guarantee that our revenue would grow by £30 million every year. We are now past that point. We now know it will not grow. In fact, I do not believe we shall see the level that we had in 2018-19 of £706 million. I do not think we are going to see, for many years to come, that kind of level. And this is not if everything goes wrong, this is if enough things go right to have sustainable economic growth when other people are in recession and effective controls over unnecessary spending, and even in that circumstance I think the £706 million that we saw, which was I think the highest we had had to date, is not going to be there. I would say it certainly will not be there before the next election. That is my own view.

The message was that we need to be realistic. The realism that is required is that the state in which we are going to finish up after this pandemic is over, whenever that may be, is going to be one where the existing level of expenditure will then be not covered by the then existing level of revenue. It is difficult to see areas where we could raise revenue from our own people in the kind of numbers we are talking about. Many people may think we should raise taxation on companies or that kind of thing, but the reality of it is that we have got an economy where a big chunk of the activity that brings revenue to the Government is an activity which does not have to be here; it has to be here because we are providing a competitive environment. We have not got a choice, because it is not a question that they are captive customers. They are not captive customers, so if you increase the cost of being in Gibraltar they simply will not stay, because there is no reason for them to stay. In a situation where there is a global recession, other people may be looking to reduce their costs to try and take businesses away from us. This is going to be a very tough global market and a global market where, not just in Gibraltar but in many other places, we may have to come up with having to face the reality that the new normality is not the lifestyle of the normality that existed before the pandemic, that by comparison with the lockdown and the economic

slowdown, which has been good for the environment but not for anything else – but at least that is a silver lining in the cloud, that it has been good for the environment – that world may be one that marks a historic breaking point in what was the previous view of reality that every year everybody had more of everything and that this would go on forever. It may well be that that is not the case, it may well be that that is not going to happen and we have to be where the planet is, not where we would like to be as if nothing had intervened.

So, my message certainly is, as Minister for Economic Development, we will deliver what we set out to deliver in the manifesto but that may not be enough to deal with what was not there in 2019 when we wrote that manifesto.

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

Mr Speaker: The Hon. the Chief Minister.

Hon. Chief Minister: Mr Speaker, the debate has been going now for approximately an hour and a half. That is an unusually short time for a debate on an Appropriation Bill and is a demonstration of indeed the severity of the issues affecting our community that bring us to this debate in this way.

I am very pleased that we have had an opportunity to hear from Sir Joe on this issue of the economy – not the public finances *simpliciter*, but the economy which underlies how the public finances receive the revenue that then becomes the finances of the Government. I think it is important that people should listen to the wake-up call that Sir Joe is setting of how he envisages that the economy is going to be performing in future months and in future years, where the economy was and where it is likely to be and what the consequences on the public finances are. It is fundamentally important that people, when they return to normality, and when we return to budgetary normality, do so in the context of the new economic reality that will be facing not just us but the planet.

The words of Sir Joe in respect of how he sees the development of our economy are not dissimilar to the things that we have heard the Chancellor of the Exchequer say in the United Kingdom as to the economic prospects there. The likelihood that it will not be possible to save every job, which the Chancellor has been explicit about, tells us the story of businesses that are going to fail. Businesses that fail mean less revenue for a government, and less revenue for a government means less spending power for a government. I think that has been the theme that many of us in the context of this debate have developed today, best encapsulated in the way that Sir Joe has presented his economic outlook for the performance of the economy.

But isn't it remarkable that we have broken, knowingly, the golden rule of the GSLP to borrow to pay recurrent expenditure? It is remarkable because we knew we had to do it. We also know we cannot continue to do it. We also knew that this had to be remarkable in its exceptionality, not remarkable in marking a new reality into which we would fall and from which we would not recover, and that is going to be the way in which we approach how we deal with the consequences and aftereffects of the pandemic.

That might be a good place for me to turn to the things that the Leader of the Opposition said in supporting the Bill when he talked about wanting normal practice to return. Normal practice is what we cannot wait to see back, on this side of the House, both in terms of not borrowing to pay recurrent expenditure and indeed in the context of having greater revenue than we have expenditure. In that context, I can very proudly refer the House to the record that we have of having increased revenue more than has been increased in the past and having a bigger gap between revenue and expenditure than has been the case in any other administration in our history. That is something that we want to continue. That is the normality that we want to see return, the normality from which we parted: the normality where our revenue was going up, and although our expenditure was going up it was not going up as much as our revenue, and our revenue was growing by more than our expenditure was growing. That is the normal practice to

which we must return, and that is the normal practice which we will aim to return to in the context of smaller numbers because the economy will be smaller. That is the reality that we have to face.

The hon. Gentleman said that we have been spared the worst of the pandemic, and I would add 'to date'. I think he then subsequently accepted that proviso also himself. We have been spared the worst of the pandemic *to date*, but the pandemic is coming back and medical science is not yet able to give us a shield against it.

The hon. Gentleman, in developing his theme in that respect, said that the lockdown took its toll on people. He referred to mental health issues as well and that this was not just the financial toll, and he is absolutely right. I do feel that there is almost a post-traumatic stress that is being played out in the way that people are reacting to the lockdown and their approach to the period post lockdown, and some people are reacting in ways which just do not appear to be rational. I totally disagree with the hon. Lady when she suggests that some people are not accepting of views as to the messages from the Government because of failure of the Government to provide a coherent message. I think the message from the Government is, unfortunately, coherent and not yet able to be different to the one that we have been issuing since March. People are reacting in different ways to the end of the lockdown etc. We have to understand that, we have to accept that, we have to analyse why it has happened and we need to be understanding of people's views – coming back to the first statement I made today and the hon. Gentlemen's reaction – when they are respectful, when they are not insulting, when they are in keeping with the rules, not racist and certainly not anti-Semitic. Some people are even going over the line on those issues more regularly than one would ever expect. The effect of the lockdown has not just been financial, that is absolutely right. Indeed, some people do not have enough time to speculate on different businesses that I might own in different bars in Gibraltar, which unfortunately is not true. These days the Catering Association would not treat me to a glass of beer if I turned up thirsty, given the restrictions, I imagine.

There has to be, the hon. Gentleman said, no second lockdown if we can avoid it. I had said that myself and we are entirely agreed. That would be the very last resort. We would literally do everything else that we could before we ever again imposed a second lockdown. It is worth just reminding ourselves that our lockdown was more generous than lockdowns anywhere else and that we were always more open, but we would not want a second lockdown by any stretch of the imagination.

The reality check that he was referring to is one that I have referred to in many of my addresses, and the one that Sir Joe referred to and the one that Mr Clinton referred to. We need people to understand that this was, in the way that I expressed it I think in an earlier debate, a generational changing event, a planetary changing event, and the first thing that the pandemic took was the economy. This we have to be clear about. But by locking people up, we in effect locked up our businesses, and by locking up our businesses we locked up our economy, and therefore we must all agree that there has to be a reality check.

What I do hope is that when the time comes, when we return to normality and when we return to parliamentary normality, we do not balk when it comes to giving effect to that reality check and that we might be able to be together and not submitting ourselves to auctioneering in respect of what the consequences of that pandemic financially are. I see the smiles and the smirks. That is where politics always is. I do hope that we will be able to work together, as we have in difficult times, to prepare our economy and to prepare our people for better times. Or is it that if we say that we have to increase a cost or we have to reduce a benefit, hon. Members will say, 'No, you mustn't do that'? The reality check has to mean something if it is going to be a reality check. And if we agree that there is a need for a reality check, I hope we will be able to agree on the consequences of that reality check when the time comes.

The hon. Gentleman is absolutely right, however, to characterise what we did as having bought Gibraltar civility. That is exactly what we did. That is what we deployed the funding for, that is what ensured that people did not suffer the consequences of the businesses in which they worked being shut down, and that is why they continued to be able to buy the basics and put food on their

table. It is essential that we realise that that is what we did, and it is equally essential that we realise – and I agree with him and with the Hon. Mr Clinton – that we cannot continue to do that indefinitely and we should do as little of that as possible going forward because we should be returning our businesses to as close to normality as possible, where that is realistic. There are, of course, businesses which rely on people coming into Gibraltar, and if those people are locked down in their place of residence they are not going to be able to get on a plane or get on a train or get on a cruise ship to come to Gibraltar. These are all of the things that are in the balance.

And so yes, he is right, Mr Speaker, we must attract business internationally to this new environment, we must grow our income, we must do all that. We are already trying to do that.

One of the things that I have seen my ministerial colleagues do is start the process of trying to attract new business to Gibraltar using our record on COVID for the purposes of showing people the ability that there is to continue to do business in Gibraltar when there is not the ability to do business elsewhere: the continuity we provided through COVID, which makes us attractive. There are new applicants for business in Gibraltar. Even now there are people arriving. There are new proposals for business in Gibraltar and we are pursuing those very vigorously indeed, because if there is one thing that the Hon. the Father of the House would like to see it is that his predictions as to the growth of the economy would be wrong and it would grow faster. As much as I would certainly hope that we have wasted money on Nightingale, he hopes to get up and say, 'I was wrong: we have grown by 30% and not by 15%.' Unfortunately, he is not often wrong, and the worst thing would be that he might have to get up and say he was wrong and we have grown by 5% instead of 15%. But I am confident that what he has given us is at least very definitely a floor. That work is ongoing, principally led by his Ministry, which is the Ministry for Economic Development, but also in respect of all the other Ministries where there is the opportunity to bring new business to Gibraltar.

The fact is that we do know much more about the virus now, so we are able to deal with the virus in a different way; we are able to see not just lockdown as the way to avoid the virus. As we have discussed before, lockdown was a pretty draconian, prehistoric approach to avoiding a virus: you literally shut your door and get out of its way because medical science gives you no alternative to protect yourself against it, with a vaccination or otherwise. I think we all agree now we can be a little more sophisticated. Perhaps we have just moved from prehistory to the Stone Age in the context of our understanding of the virus and we are not yet in the Enlightenment, but we are a little bit more sophisticated in the way that we will be able to deal with the virus and avoid a lockdown.

The hon. Gentleman said that the support that they are giving to this Bill should not be considered to be them abandoning their traditional arguments and the reasons why they have voted against the Budget on some occasions. Neither, of course, should they believe that we are abandoning our positions in that respect: that these are more transparent estimates than there have ever been in the history of Gibraltar, that there is more information about the financial well-being of our economy or otherwise than ever before in the context of these estimates and in the context of what is published on our website. Those of our arguments remain valid. But I would say to him, just very gently, that although he has put down his without-prejudice marker in the context of explaining his vote today, he might, between now and the next Budget debate, want to reflect that this is also a moment which he might use as a ladder to climb down from a position which sees his party vote against estimates in this House. I put it no higher than that and I invite the Hon. the Shadow Minister for Public Finance to consider that also in the context of where the debate might be in the next nine months as we come to a new debate in June or July.

He says that of course the one thing that will be part of the debate when the time comes will be the question of the arrival point of our economy at COVID, how strong were our public finances when we arrived at COVID. He said that was not for today but he was putting down a marker. I will say I accept that is not for today, but I will put down the marker that we arrived at COVID, able to get through COVID as we have, no better than we would have got to COVID if they had been the ones in administration doing the things that they had said that they would do instead of the

things that we would say we do, and indeed perhaps Mr Speaker in a better place because we had the new schools which provide our children with the ability to social distance better than the old schools, and we have the sporting facility that enabled us to do Nightingale. If we had not spent the money on those, we certainly would not have a Nightingale. It is not for today, as he said, but he did say something about it and I would say just that as the taster for how we will be dealing with those arguments when the time comes.

So, we want to go back to collecting more than we spend, agreed. It has been our position throughout this process that we do not want to forego revenue for a moment longer than we have to, but he will want to agree with me that we want to get back to *our* levels of collection of revenue, which were higher than theirs ever were. I think there will be, as we move even to normal parliamentary debate, a large measure of agreement as to objective, and as ever, the argument will be the argument that we pick on the detail; to an extent, that is what we are required to do. I therefore would say that in the same way as he vehemently said that he thinks we need to get back to higher revenue and to get our spending into an amount which is below the revenue – in other words, that our expenditure should be lower than our revenue – I would say that we are as vehement in wishing to achieve that, but we want to achieve it in the way that we did, which was that the spread between expenditure and revenue was wider in our time than it was in theirs, and they, I hope, will agree that that should be the objective.

I have to say to the hon. Lady that, as I did when we started at the beginning of the session, I defend her right to say the things that she says and to challenge us, but she was completely off the mark today. She gave a speech which was not informed by the things that I said during the course of my intervention. She was replying to me, but she was not replying to me. In other words, she had prepared, obviously, in respect of the Bill that she had, but she had taken into consideration none of what I said in respect of that, and she gave an address which I have to say to her very gently and respectfully I do not believe was the product of anyone who has ever turned their attention to the public finances, because the questions she was asking were as if an accountant who had never dealt with public finances was looking at a public finance book for the first time.

And so I am sorry to say that I found her intervention in respect of the detail very lacking, but I must tell her that she was very gracious in the way that she addressed the way that we have dealt with things until now in the context of COVID. I sincerely appreciated that, although I do not accept the things that she was saying were of relevance. I do not believe that it is right to say more strategic thinking needs to be done, as if strategic thinking were not being done; that we have to invest in our forward-looking environmental industries, as if we were not trying to do that where it is possible, but actually what we are dealing with is a public health pandemic that we have to address and we have to invest in the guy who has the cafe on the corner, the guy who has the shop on the corner and the guy who is running the restaurant, not just in the person who has got the greatest idea for a potential environmental business going forward, because we have to save the people who are in jobs now.

And of course we were looking forward. It is very easy to say ‘twaddle’, it is very easy to say ‘We must be strategic, we must look forward, we must invest in the industries of the future and that is what you have failed to do.’ Which are the industries of the future that we have not invested in? What is the business that you think is in Gibraltar that could take that investment? When did they approach us? When did we fail to see them and approach them? These are the things that we need to be looking at in the context of the detail of these numbers if we are going to say that the numbers are not being deployed properly.

And so Mr Speaker, I must say to her that I thought that she was lacking on that. And we are not by any measure the worst nation in the world when it comes to COVID, 1,000 per 100,000 being the largest COVID per capita in the world. Nonsense, Mr Speaker! There are *barrios* in Madrid that are reporting 1,000 per 100,000 today, so she was wrong on that. I am sorry to say that I entirely disagree with her that our record on COVID is more lights than shadows but that there are many shadows.

1545 Everywhere in the world you have got to learn from how we have dealt with this pandemic, and we will have done things right and we will have done things wrong but I think few places in the world can pride themselves on the way that their public sector has dealt with COVID in the way that Gibraltar has, and I will defend that vigorously against the suggestions that we have not.

1550 Indeed, the idea that there has been a lack of leadership in Gibraltar – and I do not claim that leadership for myself but in the public service, in the GHA, in Public Health Gibraltar, the idea that there has been a lack of leadership leads me to say to the hon. Lady: come on! It is one thing to say, ‘I reckon that I would be a better leader than you.’ It is quite another to say that in the context of the past six months Gibraltar has been lacking in leadership. It is totally contrary to what our worst critics say about us. Our worst critics say that we have been dictatorial in the approach that we have taken. Well, that is a lot of leadership when you are dictatorial: it is direct-command leadership. Our worst critics accuse us of having given too much leadership – and again I do not claim it for myself because I am not the doctor who is running the strategy on COVID, I am the politician who is there, with this Parliament and with my team, to try and manage all of the parts of this that come together, and sometimes I have to give a speech to explain it. But to say that there is a lack of leadership in this context is, in my view, just wrong.

1560 To use the example of masks is particularly wrong, in my view. There is a lot that is developing in the context of the understanding of the virus. Masks is one of the issues that changes. It is not a lack of leadership to follow the science of those things, because if the hon. Lady is going to say, ‘You should have been wearing masks before the World Health Organisation recommended it,’ then what use science and the doctors and medicine? Should we just take a view of what we think, as laypeople, works? Is that leadership? Look, Mr Speaker, it did not work in the past. One might have thought that if it is a virus, one of the best ways to get it out of us, especially if it affects the lungs, is to put a leech on the chest. They tried that 400 years ago and it did not quite work, so the hon. Lady will forgive me for leading this community only in the direction of the advice that we have from the doctors, who are the ones who advise us on this. Whether it is Public Health Gibraltar or whether it is the GHA, we will follow that advice and we think that the best test of leadership is to understand who it is that you should be taking advice from.

1570 And so, Mr Speaker, the idea that we need firmer leadership than dictatorship, which is alleged against us, and that we need clearer messaging, I think, with respect to the hon. Lady, is completely wrong, as she is wrong to say in her analysis – and this is what belies the fact that the address is the address of somebody who does not understand public finances, and she has been here for long enough to understand it – that we need to keep our credit rating. We do not have a credit rating. We cannot keep that which we do not have. Successive administrations under successive Chief Ministers, all of them, have not sought a credit rating for Gibraltar for a simple reason: the minute you seek a credit rating you put yourself in the hands of the credit rating agencies, and then the ratings can go up and down depending on *their* subjective assessment of what you are doing, or indeed *their* subjective assessment of something that somebody else is doing and how it might affect you. So, that part of her speech, where she said ‘You need to analyse what you are doing in order to ensure that we keep our credit rating’ is a demonstration of the fact that the address was prepared without an understanding of the public finances of Gibraltar and the consequences thereof for the rest of what she said.

1580 When she asked me about what the 33% was, she said, ‘You have gone up 50% and 100% – what is the 33%?’ It is very simple. What I have explained today – and therefore that is why I am saying she was not replying to what I have explained today – is that we are going from 150% increase, which is what we did in the first six months, to 200% increase. If you take 100 and you add 50, that is a 50% increase. If you take the 150 up to 200, that is a 33% increase. That should have been understood even by the accountant who did not understand public finances.

1595 So, there is clarity of the figures, just in the same way as she says there is no information on what the money is spent on in the GDC. Of course there is, because as I have explained to the House and hon. Members have understood, this Green Bill goes back into the schedule, which is the Estimates Book, which has a whole section on the Gibraltar Development Corporation which

explains the breakdown of the £46 million *qua* the first 100%, which was then increased by 50% and is now increased by another 50%, so the total amount spent on the Gibraltar Development Corporation, which is the £46 million times four, is explained as to the £46 million times two in the Book and you double it. That is why we are saying this is what makes sense. So, again, a complete failure to understand how the public finances of Gibraltar work in relation to something as important as the operation of the Gibraltar Development Corporation.

But Mr Speaker when she asked me that people say 'Are we running out of money?' Of course we are not running out of money, that is not how these things work, but we have explained already the need for a reality check, the limits of the public finances of Gibraltar as a small economy and why the Opposition and the Government have worked together on this.

There is not, therefore, a failure of a constitutional requirement. The hon. Lady said, 'You need to explain your failure on the constitutional requirement.' The whole process in March and now is about ensuring that there is not a failure of the constitutional requirement, because the constitutional requirement refers to the financial year but does not give the date of the end of the financial year. What we did in the first statute was push the end of the financial year to the end of September, and what we are doing now in the second amending statute is to push the financial year back to 31st March. Therefore, there is no failure of the constitutional obligation. The statute fixes that because the Parliament fixes that. We could not actually, in the first statute, because we were doing it before 31st March, say that the date of the financial year end will be 31st March, because you cannot put a year into that date and therefore you had to have a date which went beyond 31st March and then cure it after 31st March. We could have come here on 1st April with this second Amendment Bill and said 'now we are going to go to 31st March again', and we would have been able to deal with it.

So the hon. Lady needs to understand. She has been in this debate. I explained it in the first amending statute, in the Appropriation Bill 2020, which was the first amendment of the Appropriation Act 2019. This is the Amendment No. 2 Bill, and although she had not heard my speech and therefore responded as if she had not heard my speech, she had heard my first speech, which went in detail through the changes which we were making and why that was necessary in order to deal with the constitutional point. I went back and took the House to 1971 to explain how we were doing it, so I do not accept that she could have failed to understand that if she had heard and understood what I had said in March. Mr Speaker I am sorry not to have been able to be more generous in the approach, but perhaps it is a good opportunity to reflect that we can be vehemently opposing each other in the context of this parliamentary debate, just as we said at the beginning, without transgressing the lines and whilst passionately defending our right to vehemently be opposing each other.

The Hon. Mr Clinton started also with his reference to their historical position, which of course I fully understand although I do agree it, but I do want him to just reflect on whether or not there might be merit in thinking about voting in a different way when we present a different Budget Bill. I am heartened by him raising his eyebrow and turning his head to one side, because when I was inviting the Leader of the Opposition to do that they were both shaking their heads. I am heartened that at least I have shifted them from shake to eyebrow raise in the space of moments. If nothing else because they have not yet seen the Bill and they might, when they see the Bill, decide that they want to support it, it would be to prejudice in the extreme the presentation of the estimates to say that they will not accept it. We have been working very closely together in the past few months and, you never know, the ability to work together may continue. We should take the view perhaps that the virus has been the vaccine to the inability to work together, if nothing else, and that we should try and pursue working together more in ... Some are not keeping to the social distance these days, Mr Speaker, and I was starting to worry that they might infect each other with the sort of venom that I have seen go from one to the other, rather than virus. *(Laughter)*

The Hon. Mr Clinton said in the end, what we are doing is just kicking this forward six months and you can then divide by two when you do the analysis, and he then did the work himself. It is

multiply by two and add COVID to really work out the cost, so when you undo it you have got to divide by two but also take out that element of COVID, which he then explained in his intervention and I think that is just an important way of, in shorthand, understanding where we are today.

He put great store by the £150 million that I referred to. As he knows, that is an estimate. We do hope that is going to be more or less where we are. We are there at the end of September – let's see what the cost is going forward. As I said in my intervention, the cost of COVID is starting to go down a little. We have got a lot of resources, different ways of dealing with it, so let's hope that that does not increase, but that is still an estimate.

The hon. Gentleman referred to our surpluses. He has not been as generous about our surpluses in the past as he has today, so I am very pleased to see him refer to our surplus at £82 million, the highest on record, and say even if things had gone well this year the estimated surplus was going to be £20 million. The only point I would gently make in that respect is that when we reached a surplus of £82 million our estimate even then was for a surplus of in the region of £20-odd million, so we had a surplus over our estimated surplus of approximately £60 million. That is not to say that we do not always plan for this lower surplus. Our estimated surplus is what our estimate is based on. If we then have a higher surplus, so be it. So, let's just remember that even when we do record surpluses we have an estimated record surplus. Because the estimate is prudent, the surplus finally is reality such as it may have been. Indeed, reality could be a deficit but the surplus is reality against a lower estimate.

The COVID fund will now be published quarterly after the publication this afternoon of the Gazette containing the fund. The hon. Gentleman said that that fund will reflect some of their ideas as well as our ideas and changes that they proposed to our presentation on this, and is a testament to the co-operation in these exceptional times. Well, Mr Speaker, we have worked very well together and perhaps ... The default setting in politics seems to be that you have to not work well together and that you somehow, through a show of gladiatorial ability to slay the other, manage to persuade people that they should elect you to be your country's chief representative – and, in the context of Gibraltar, diplomat, ironically. I am certainly going to try and ensure that we continue to work together insofar as we are able and that we should see this only as the beginning of the ability to see both sides of the House co-operate. Indeed, if I may say so with respect to others in this House, Mr Speaker, the historic inability of the GSD and the GSLP to work together has been slayed by the virus and I think that is hugely important and it is something to take as a positive from these days.

When the hon. Gentleman did the analysis, which I had done also, which was to say the areas which have gone beyond the doubling are the GHA, Education and ERS, I was struck, myself, actually, when he said it – not when I had written it, but when he said it – that this demonstrates what really matters to this community, our health and the health of our people, the education of our young people and the care of our elderly, and there could be no better manifestation of that than in the way that we spend our money. Everything has to continue running, so the administration is doubled, but more for the care of our people in health, for the education of our children and young people and looking after our elderly people.

Mr Speaker, I have been very concerned about the fact that grant moneys have not yet reached all students. He has raised the point today. The Hon. Minister for Education and I have been dealing with these issues. There are, as he rightly says, no issues here of not having the money available. These are mechanical issues aggravated, unfortunately, by the pandemic. You have had later acceptance of people at universities, you have then had the difficulties that have arisen as a result of what can only generously be described as that bleeding algorithm that affected A-level results and GCSEs, which meant everything was delayed. People have had offers and then counter offers, and then decided to go for the first offer after they accepted an earlier offer. It has been chaos and I entirely sympathise with the people in our Department for Education because they have had a lot less time to deal with a lot more people. The numbers of people in higher education have gone up every single year since 1988, so more people go away every year for undergraduate degrees, and then some more, additionally, especially since our election in 2011, for second

degrees, which are also mandatory, so the numbers have just increased and we have fallen down in being able, mechanically, this year, to deal with the payments. As students give us their bank details – that also takes time – we then have to input things. It is wrong that we should have not been able to deal with that in the shorter time available, although I understand why it has not happened, and it must not happen again, but it is a mechanical failure and all students can have the security and safety that it is a mechanical failure and that they will soon be receiving their grant money, if they have not received it already, because of course the money is there.

The hon. Gentleman asks what the difference is between the £9 million and the £40 million that he has seen: £9 million is the cost of COVID to June; £40 million is the extra over that we are putting into the GHA. I will venture where angels fear to tread and say that in Health every year you exceed the Budget, so when you throw into the normal run of Health, which is to every year exceed the Budget, and you add COVID, that is where you are getting more or less to those numbers, but there will be a better breakdown at the end of the 24-month year that we will now be dealing with. That is the key issue: we are dealing with a 24-month year. That is what we are voting to create in this House. If we could vote to make the earth flat and it would be meaningful, we might be persuaded to do so. It is meaningful that we are going to vote for a 24-month year, because it means that we can continue the expenditure that we provided for the Departments for 12 months over the 24 months, although it will be one global financial year. It is only the definition of 'year' that will change. We see examples of this in other parliaments where estimates are prorogued. The Spanish parliament is caught in a vice of being able to agree majorities based on not being able to vote for a new budget, so they are constantly proroguing their appropriation equivalent of 2017, I think, or 2016-17. They are still stuck in that financial year, extending and proroguing, not related to COVID. Here, we are doing it because of COVID.

Mr Speaker, I welcome his support for the work that CELAC is doing. I have announced that CELAC is going to be meeting again next week and then regularly every two weeks after that. And I entirely agree with his view that there is a financial limit to what this community can do; we are a small community, we are a small economy. The Father of the House then developed that theme further: we have to cut our suit to fit the cloth that we have. That is a financial reality that we must always deal with, more now than ever.

And so, Mr Speaker, in commending this Bill to the House and thanking all hon. Members for their contributions, what I would say is that the next Budget is when we are going to have to really stretch every sinew and work together to ensure that that reality check is one that we, together, present to our community as the one that they need to understand is the new reality in which we operate. I commend the Bill to the House. *(Banging on desks)*

Mr Speaker: I now put the question, which is that a Bill for an Act to amend the Appropriation Act 2019 be read a second time. Those in favour? **(Members: Aye.)** Those against? Carried.

Clerk: The Appropriation Act 2019 (Amendment No. 2) Act 2020.

Appropriation Act 2019 (Amendment No. 2) Bill 2020 – Committee Stage and Third Reading to be taken at this sitting

Chief Minister (Hon. F R Picardo): Mr Speaker, I beg to give notice that the Committee Stage and Third Reading of the Bill be taken today, if all hon. Members agree.

Mr Speaker: Do all hon. Members agree that the Committee Stage and Third Reading of the Bill be taken today? **(Members: Aye.)**

COMMITTEE STAGE AND THIRD READING

1745 **Clerk:** Committee Stage and Third Reading – the Hon. the Chief Minister.

Chief Minister (Hon. F R Picardo): Mr Speaker, I have the honour to move that the House should resolve itself into Committee to consider the following Bills clause by clause: the Appropriation Act 2019 (Amendment No. 2) Bill 2020.

In Committee of the whole House

**Appropriation Act 2019 (Amendment No. 2) Bill 2020 –
Clauses considered and approved**

1750 **Clerk:** A Bill for an Act to amend the Appropriation Act 2019.
Clauses 1 to 3.

Mr Chairman: Clauses 1 to 3 stand part of the Bill.

1755 **Clerk:** The long title.

Mr Chairman: The long title stands part of the Bill.

**Appropriation Act 2019 (Amendment No. 2) Bill 2020 –
Third Reading approved: Bill passed**

Clerk: The Hon. the Chief Minister.

1760 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to report that the Appropriation Act 2019 (Amendment No. 2) Bill 2020 has been considered in Committee and passed.

1765 **Mr Speaker:** I now put the question, which is that the Appropriation Act 2019 (Amendment No. 2) Bill 2020 be read a third time and passed.

Those in favour of the Appropriation Act 2019 (Amendment No. 2) Bill 2020? (**Members:** Aye.)
Those against? Carried.

FIRST AND SECOND READING

**Animals (Amendment No. 2) Bill 2020 –
First Reading approved**

Clerk: We now return to Bills – First and Second Reading.

1770 A Bill for an Act to amend the Animals Act in relation to service animals. The Hon. the Minister for the Environment, Sustainability and Climate Change.

Minister for Environment, Sustainability and Climate Change (Hon. Prof. J E Cortes): Mr Speaker, I have the honour to move that a Bill for an Act to amend the Animals Act in relation to service animals be read a first time.

1775

Mr Speaker: I now put the question, which is that a Bill for an Act to amend the Animals Act in relation to service animals be read the first time. Those in favour? (**Members:** Aye.) Those against? Carried.

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Clerk: The Animals (Amendment No. 2) Act 2020.

ADJOURNMENT

Chief Minister (Hon. F R Picardo): Mr Speaker, I rise now to move that the House should adjourn to Friday, 16th October at 3.30 in the afternoon.

1785

The reason I am fixing the House for that date is that it is anticipated at this time that there should be a meeting of the European Council on 15th October and that is the date that the Prime Minister of the United Kingdom and the President of the European Commission have given as the date by which they expect, if possible, that there should be an agreement between the United Kingdom and the European Union on what you might call the main Brexit deal. I anticipate that there will be a lot of activity between now and then which will prevent the Deputy Chief Minister and me from being in Parliament, and I anticipate to be working closely to brief Members of the Council of Ministers and the Leader of the Opposition and Ms Hassan Nahon between now and then. For that reason, in order not to have to let the House down again, I am proposing that we should meet on that day.

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Mr Speaker: I now propose the question, which is that this House do now adjourn to Friday, 16th October at 3.30 p.m.

1795

I now put the question, which is that this House do now adjourn to Friday, 16th October at 3.30 p.m. Those in favour? (**Members:** Aye.) Those against? Passed.

The House will now adjourn to Friday, 16th October at 3.30 p.m.

The House adjourned at 2.40 p.m.