



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 10.30 a.m. – 3.45 p.m.

Gibraltar, Tuesday, 20th July 2021

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The Gibraltar Parliament

The Parliament met at 10.30 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*]

PRAYER

Mr Speaker

CONFIRMATION OF MINUTES

Clerk: Meeting of Parliament, Tuesday, 20th July 2021.

Order of Proceedings: (i) Oath of Allegiance; (ii) Confirmation of Minutes – the Minutes of the last meeting of Parliament, which was held on 16th, 17th, 19th and 20th May.

5

Mr Speaker: May I sign the Minutes as correct?

Members: Aye.

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Mr Speaker signed the Minutes.

COMMUNICATIONS FROM THE CHAIR

Clarification re Points of Order

Clerk: (iii) Communications from the Chair.

15

Mr Speaker: The proceedings of the Gibraltar Parliament are regulated by Standing Rules and Orders. These were last updated on 29th March 2007 following the enactment of the 2006 Constitution. Parliamentary practice also plays an important part in the governance of the House.

Except for two minor references, there is no provision in the current Rules covering points of order. In light of the differing views held by Members on the subject, I think I should clarify the position.

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When a Member believes that the Rules or practice of the House have been breached or overlooked during proceedings, the Member has the right to bring this to the attention of the Speaker by raising a Point of Order. The Member should indicate to the Speaker which rule or practice has been breached or overlooked and should offer an explanation or present supporting arguments as necessary. It is the practice to allow the Member to whom the Point of Order is being directed to respond. The Speaker decides whether it is a valid Point of Order or not.

25 Points of issue may arise which fall outside the scope of current guidelines which are nonetheless valid and require to be addressed. The Speaker will give a ruling to cover any new circumstances.

It is the practice that after a ruling is given, Members are not permitted to stand and speak on a matter. This is a ruling by Speaker Canepa. Any Member who is not content or feels aggrieved
30 may write to the Speaker or communicate with him directly behind the Speaker's Chair.

The Speaker of the House of Commons allows the use of Points of Order to effect factual correction of a Member's statement. This will be permitted in this House. However, when doing so, the Member shall not introduce any new matter.

What will not be permitted is the use of Points of Order when a Member who is speaking
35 refuses to give way.

Finally, it is the duty of the Speaker to intervene to preserve order in this House.

ANNOUNCEMENTS

Tribute to Mr Brian Perez, Former Member of the House

Clerk: (iv) Petitions; (v) Announcements. The Hon. the Chief Minister.

Chief Minister (Hon. F R Picardo): Mr Speaker, good morning and thank you for your ruling.

40 The House will have received with great sadness the news that its former Member, Brian Perez, who was a Member of this House from the 1970s, has passed away. I believe that he was first elected in 1976 or 1977 with the Hon. the Father of the House in the GDM and he then went on to serve as a Minister for two terms and a bit, because I think when he crossed the floor he crossed the floor to become a Minister and was then able to provide service not just as a Member of this
45 House but also as a Minister to this community for that particularly difficult time, which included the closed Frontier period and the initial opening of the Frontier before full opening.

I am sure that I speak for the whole House when I express our deepest condolences to his family, in particular to his widow, Pamela, to whom I have written.

Mr Speaker, I think it is incumbent on us all today, as we start this debate, to recall that in those
50 days, as I know today also, even though we might sit on opposite sides of the House we consider each other friends and colleagues, and the passing of that Member who has been in this place before will always fill us all with sadness.

I will ask the House, after appropriate tributes, that we hold a minute's silence in memory of Mr Perez.

55 **Hon. K Azopardi:** Mr Speaker, on behalf of the Members on this side of the House I certainly associate myself and all our members with the remarks made by the Chief Minister. It is always, as he says, a mark of sadness when you see one of the gladiators of the arena depart the stage.

I have said it before, not just in relation to the late Mr Perez but in relation to others who have
60 served in ministerial posts during the Frontier closure years – those were particularly difficult years for Gibraltar. He, in particular, had important public services ministries that he had carriage of during what must have been a very difficult period when money was tight and the border was closed. So, our thanks to him for his service, and our condolences to his family on his passing.

65 **Hon. Sir J J Bossano:** I was responsible, Mr Speaker, for persuading him to stand for election. He became a member of the GDM. The GDM was created by people who were concerned about the future of Gibraltar at the time after Franco's death – the people in the trade union movement,

the people in the business community – who felt they were entering a period of uncertainty, and he was one of them.

70 We were in contact with the United Kingdom government and the United Kingdom government said that they would not address our concerns unless we proved that we had support, and the GBF actually campaigned on that issue at the time. Principally, 'We must know our future now' was the theme that brought us together from different backgrounds. We presented a front that was not ideologically socialist in that first election because we had people from the business
75 community. The reality is that the three trade unionists who stood with me were not elected and I finished up with three business people who were not entirely in tune with the more radical ideas, and he was one of those. Although we retained our friendship, a home that was ideologically closer to him in the AACR, whom we had displaced as the left-wing party in Gibraltar already at that time.

80 We kept our friendship going for many years despite the fact that he chose to move from the side that he was on. We then converted ourselves into the GSLP and came out then with more radical policies than were possible before. Brian always kept in touch with me after he left politics. We were always good friends.

He was involved in something that was important at the time, which was the transfer of Cable and Wireless. Cable and Wireless was, in fact, state owned at one time by the Treasury and he
85 was involved as a Minister in the movement of Cable and Wireless to what eventually became part of what we have today, which is Telecom.

I am sorry, like I would be in respect of any Member being of any ideology, but in his case it was a personal friendship. We lost touch eventually because he went away from Gibraltar and
90 spent a lot of time doing business in Spain rather than here. I therefore think that it is important that his family should know that when we come together as Members of a Parliament, irrespective of our political opinions, we are human beings and we have got feelings for each other thank you Mr Speaker.

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

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

I would like to pay tribute to the late Brian Perez, who of course was a close ally of my father and one of his Ministers at the AACR. I remember personally, as a young child, noticing that he
100 was probably the youngest Minister on his slate, the youngest candidate and actually part of the next generation of future politicians motivated to serve our community. I think it is important to reflect and remember the work and efforts of the generation of past politicians who helped to shape the community and the society that we have today, so I think it is fitting to honour this gentleman and thank him for his service, his commitment and his drive at very difficult times.

105 I take this opportunity to pass my heartfelt condolences to his wife, Pamela, their girls and the rest of his family. His sudden passing must have been quite a shock and I am sure he leaves a void. I wish them strength at this difficult time.

Thank you, Mr Speaker.

110 **Hon. Chief Minister:** Mr Speaker, I am grateful for those tributes from hon. Members and I invite the House now to maintain a minute's silence in honour of Brian Perez.

Members observed a minute's silence.

**Procedural –
Arrangements for Minister Balban’s Budget speech
whilst in self-isolation**

Hon. Chief Minister: Thank you, Mr Speaker.

115 Before we move on, can I also advise the House and all hon. Members that there are nine Members on this side of the House because Minister Balban is in isolation as a result of a close contact to COVID and therefore we will be making alternative arrangements, in consultation with you and hon. Members, for Mr Balban to be able to deliver his speech either directly remotely, or through another Member in some way.

PAPERS TO BE LAID

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

120

Chief Minister (Hon. F R Picardo): Mr Speaker, I have the honour to lay on the table the Annual Report of the Gibraltar Regulatory Authority for the year ended 31st March 2021, the Audited Accounts of the Gibraltar Regulatory Authority for the year ended 31st March 2021 and the Report to the Gibraltar Parliament on the conduct of the Referendum held on 24th June 2021 on whether the Crimes (Amendment) Act 2019, that defines the circumstances which would allow abortion in Gibraltar, should come into force – and I am grateful to the Clerk for that Report.

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Mr Speaker: Ordered to lie.

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Clerk: The Hon. the Minister for Employment, Housing, Youth and Sport.

Minister for Employment, Housing, Youth and Sport (Hon. S E Linares): Mr Speaker, I have the honour to lay on the table the Employment Survey Report 2019 and the Employment Survey Report 2020.

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Mr Speaker: Ordered to lie.

Clerk: The Hon. the Minister for Business, Tourism and the Port.

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Minister for Business, Tourism and the Port (Hon. V Daryanani): I have the honour to lay on the table the Tourist Survey Report 2019, the Tourist Survey Report 2020, the Hotel Occupancy Survey Report 2019, the Hotel Occupancy Survey Report 2020, the Air Traffic Survey Report 2019 and the Air Traffic Survey Report 2020.

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Mr Speaker: Ordered to lie.

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

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 Bills.

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

Order of the Day

BILLS

FIRST AND SECOND READING

Appropriation Bill 2021 – First Reading approved

Clerk: (ix) Bills – First and Second Reading.

155 **Clerk:** A Bill for an act to appropriate sums of money to the service of the year ending on the 31st day of March 2022. The Hon. the Chief Minister.

Chief Minister (Hon. F R Picardo): Mr Speaker, I have the honour to move that a Bill for an Act to appropriate sums of money to the service of the year ending on 31st March 2022 be read a first time.

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Mr Speaker: I now put the question, which is that a Bill for an Act to appropriate sums of money to the service of the year ended on the 31st day of March 2022 be read a first time. Those in favour? (**Members:** Aye.) Those against? Carried.

165 **Clerk:** The Appropriation Act 2021.

Appropriation Bill 2021 – Second Reading – Debate commenced

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

170 This is my 18th full Budget address as a Member of this Parliament, although last year we had only a shorter, emergency Budget – but we had two of those. Including last year's shorter emergency Budget, this is my 10th full Budget address as Chief Minister. It is a singular honour to be only the third of our six Chief Ministers to date to be given the privilege by our people to lead in this State of the Nation debate after a third successive General Election success. I am truly humbled by the trust deposited in me and in my Cabinet colleagues by the people of Gibraltar.

175 As part of my address on this Second Reading of the Appropriation Bill, I have the honour to present the estimates of the Government's revenue and expenditure for the year ended March 2022. I also have the honour to present the outturn for Government's revenue and expenditure for the year ended 31st March 2021, which was the ninth full financial year of a Socialist Liberal Government since we took office in December 2011, but within the context of the eighth and ninth full financial years having been merged into one 24-month year for reasons relating to the COVID pandemic.

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For that very same reason, this address is the first full Budget address in the lifetime of this Parliament and after a General Election, now over a year and a half ago. Remarkably, it comes also five years – yes, five years, half a decade – after the decision of the British people in a referendum to leave the European Union after the UK's departure from the EU both de facto and

185 *de jure*, and after the New Year's Eve Agreement on our potential future relationship between us and the European Union.

Mr Speaker, before I move on to matters of financial substance I should say a word or two about your role in presiding over this debate. I had hoped to say it at what should have been your first full Budget session in charge, last year, but it was not to be that I would have the chance to say so. For you see, Mr Speaker, you are exclusively, I believe, the only Gibraltarian to have seen the budgetary process through all of its stages in three distinct guises: the first as a civil servant in various Departments and latterly at No. 6 Convent Place, which I might best describe as the cauldron of the preparation of the Estimates Book and the Budget debate, not least under the Father of the House; the second as the Clerk in this Parliament and its predecessor House of Assembly; and the third, now, as our Presiding Officer or Speaker. Quite an achievement, if I may say so, and one on which you are to be congratulated, I am sure, on behalf of all Members.

In the context of the historic juncture in which we find ourselves, I have no doubt that today it falls on me to deliver the hardest Budget in our history as a people since the closure of the Frontier. I confess I have thought that each year since the Brexit referendum has got progressively harder. I could never have imagined, however, the last time I delivered a full Budget address, with a potential hard Brexit looming, just how much harder things were going to get. Now the House will have to deal not just with the self-harm of Brexit but also with the consequences of the SARS COVID-19 pandemic declared by the World Health Organization, which will no doubt once again dominate much of our debate these coming days.

A State of the Nation debate would not be much of a debate if it did not include a discussion of both the latest on Brexit and the worst of COVID, because both COVID and COVID uncertainty have had and are having an effect on our economy – of course they are – and additionally, of course, both Brexit and Brexit uncertainty have had and are having an effect on the economy. But these are not matters that are in any way in our hands to simply fix, whatever some might try to pretend about how they would have tamed Spanish dragons and the European Union's hounds on their white chargers. Such fiction will cut no mustard with the sensible people of Gibraltar. But whilst this time is a hard time, it is also the most distinct honour to be trusted by our people to hold the reigns at this difficult time, because it is my obligation in this time and generation, together with my Cabinet colleagues, to manage the purse strings of our nation prudently whilst maintaining investment where necessary and continuing to provide support to some particularly beleaguered sectors.

When all is said and done, in the end it will, of course, be my responsibility that we should get this right. That is a responsibility that I am genuinely honoured to shoulder for our country at this time, but obviously it is not my Government's fault or my fault that COVID hit. It is not my fault or the fault of any Member of the Government that the Government, with the full support of the Opposition, had to fund the payment of the salaries of most of the working people in our economy. One would have thought that was obvious, but I make that point because there is some foolishly ill-informed comment out there which fails even to see the obvious, and I will meet such attempts to mislead and confuse our people head on today.

Anyone who thinks the economic and public finance issues we face today as a people are the fault of the Government is deluded, in particular when their argument is about our public finances at the point of arrival at this crisis, when we had declared successively the largest surpluses in our history, establishing that we could pay for all our expenses and have more money left over than ever before. So, anyone who thinks they can argue that may as well set out to try to blame me for infecting the bat in China that led to the creation of the virus. It is madness. It will not wash. The People of Gibraltar will not buy it.

The deployment of public money to pay those forced out of work by the closure of businesses was an essential way to keep people fed. It is that simple. We did it to keep food on people's tables and businesses operating, and we did it without discrimination on nationality or place of residence.

But whilst the pandemic and the spending required to get through it was obviously not my fault or the fault of any other person in Gibraltar, getting us back on our feet, getting back on track and getting back to growth will be our challenge, our obligation and our responsibility, and that will not be easy because COVID is still kicking around – not just here but also in many markets from where our clients come, in particular because Brexit has, of course, also not yet gone away for Gibraltar; and not because we are not included in the trade agreement done between the UK and the EU already, because let's face it, that agreement contained very little that we would want for Gibraltar in terms of frontier fluidity. The opposite, in fact: it contains no aspects which protect or promote fluidity and mobility of people, which is one of the key aspects of what we need to protect. So, we have to continue to take our Brexit work to a safe and timely harbour this year, and in the interim, of course, we have to continue to suffer the uncertainty that Brexit has created for our economy, although it has not been as bad as some had anticipated.

The COVID pandemic, however, has been an economy-destroying event around the world. It has been a public finance annihilating pandemic in every country on the planet, a government revenue wrecking event around the whole of the globe, and no one here should be dishonest in seeking to suggest that our public finances have somehow fared worse than anywhere else. Far from it, in fact, as I will show later in my analysis of the figures in the COVID Fund.

Similarly, what we cannot do is lull ourselves into a false sense of security now, with COVID cases continuing to rise, especially because so many in our community, thanks to the work done by the whole of the GHA, ERS and the Government team throughout the public sector, seem to think that everything is hunky dory and the Government is somehow being unnecessarily evil when taking necessary steps to right this economy by raising Social Insurance and all the other things we will have to do.

Of course, it is not helpful that some in opposition preach prudence one moment and support our additional and extraordinary COVID BEAT spending, but now breathe life into the notion that Government's necessary actions are somehow unfair. But I know that the vast majority of the sensible, reasonable and realistic people of this nation of ours are very clear in understanding that the Government is doing what it needs to do for our people. That is why I am clear also that what awaits in the months to come is not a winter of discontent. It is a winter of a loud minority of malcontents – loud, wrong, a minority. The Opposition would do well to note that, in the way that they address the serious issues that we need to consider in this debate. They would do well to note that. I do hope that they will not stray into cheap populism in their speeches and that they will understand the importance of each of the measures that my colleagues and I will take the House through today and in coming days.

Let's look at how lucky we are in Gibraltar. The *Economist* last week analysed the fault lines in the world economy by identifying the first differentiating aspect between nations as 'the jobs and the jab-nots'. We must understand in global terms how lucky we are. According to the *Economist*, as at last week only 8% of the population of the world has had one dose of the COVID vaccine. Only 4% have had the full two doses required. We are there in that 4%, and we are there, let's be clear, thanks to the United Kingdom. As I have said before and as I will not tire of saying, Gibraltar has never been luckier to be British, even though we might not have liked the British family's Brexit decision.

I will later analyse also the effect of the United Kingdom's support for our borrowing via its sovereign guarantee, but the first point I want to make in this economic analysis is that we cannot continue to be the spoilt child of Europe. We have to understand that the pandemic will change many things – not any of what I might call our community's sacred cows, but certainly some aspects of life that we are overdue in addressing. That is part of what we will address today and my message is that we have to grow up and be ready to build a stronger Gibraltar as we do.

This is not a give-away Budget; there is nothing to give away. It would not be good for any of us or safe for our community, or for future generations, for us to indulge in budget giveaways. We are in a deficit situation where the Government is reporting a loss of £158 million in deficit and predicting a further year of loss of £50 million if we spend only in keeping with the Estimates Book.

This is, therefore, a very, very prudent Budget, a rebuilding Budget, a Budget for our COVID times, a Budget designed to ensure that our future generations will have, when their time comes, what we have had and more. Despite how difficult these times are, this is a Budget also to promote ambition and entrepreneurship, aspiration and achievement, and I want to talk today directly to our young people also, because although this may appear a staid debate in a Parliament a million miles away from the priorities of the everyday lives of our teenagers, this is a Budget for them above anything else.

Why is this a Budget for you, if you are a young person? Because this Government is working to ensure that your scholarships are protected. We are the party that created the mandatory scholarship scheme and extended it, and we will protect it going forward for future generations.

And what are we doing for you, if you are a young person? We are not just protecting scholarships; we are also continuing, hard though it is, to work to deliver affordable homes. We are working to keep venues open and to invest in culture and education by the building of new schools. Maybe at this time we cannot do even more – we cannot organise fun concert events, as we might wish to. Why can't we do more for you? Because of the moment in which we live. That is the reality we cannot get away from.

But how does what we do for you as a young person compare to what other nations do for their young people? Well, I dare say that as a result of the policies of the GSLP dating from the late 1980s, Gibraltar is one of the best places in Europe, if not the world, to be a young person. Sure, there will be more to do, but just looking at what we do already, this is truly a remarkable place to live a young life.

If we had one thing missing it was open green areas and maybe more areas to enjoy in the summer. In the last 10 years we have opened a new swimming pavilion at GASA; we have also not sold the old Nuffield Pool, as Members opposite were going to do, but instead we have made it available for our people.

We have invested more than double in scholarships than was the case when we were elected.

We have delivered brilliant new schools, got rid of old asbestos-clad buildings and are in the process of delivering even more new schools: this year a new St Martin's School, and in coming years even more.

We have organised mega-concerts, which the GSD Opposition have attended whilst heavily criticising.

We have developed parks and green areas. Commonwealth Park was funded not just by the taxpayer but also by a generous contribution from the Kusuma Foundation.

Similarly, I am very pleased to be able to announce that the new park at Midtown is being funded entirely by a very generous donation from Trusted Novus Bank. There will be no cost to the taxpayer. This donation of the entire costs of the development of the park is a gift to all of the people of Gibraltar by the board and shareholder of Trusted Novus Bank. As we emerge from a year like 2020 and the first part of 2021, which has been so hard for every sector and for every person without exception in Gibraltar, this is truly a magnificent donation by Trusted Novus. The bank, in this way, is wanting to give back to the community that is its home. The donation to the development of the park is the way that Trusted Novus wants to contribute to our people's ability to enjoy the benefits of life outdoors in our great Mediterranean climate. What a magnificent and unparalleled manner for Trusted Novus Bank to cement its already deep roots in our community as a very local bank. What an out of the ordinary manner to support the community with an out of the ordinary donation for an out of the ordinary park area in the very centre of our city.

Moreover, I do note that issues with the commissioning of the lifts from the area of Reclamation Road to Line Wall have now been resolved and the lifts are now operational. This is another very positive step in promoting accessibility to our city centre. In fact, whilst we still no doubt have a long road to travel, we have made huge social progress in the past 10 years and we have not stopped as a result of even Brexit or COVID, although we have, unfortunately, been delayed by the latter.

Mr Speaker, this debate has never been narrowly limited to matters of public finance and the economy, for a simple reason: the performance of an economy and the attendant revenue and expenditure of any linked public administration is inextricably linked, encouraged or limited by the social background against which it is delivered. In that sense, the last 10 years of our political history in the context of our social progress as a people, led by a Socialist Liberal Government, are years of which to be proud – although we still have work to do, and perhaps we always will.

In the past decade we have led a liberation movement without equal in our history. We have delivered more and more equality through the consistent leadership of the Ministry of Equality, which has been led for 10 years by Samantha Sacramento. That record for holding a particular portfolio is equalled by few others beyond the Ministry of Finance or the deputy premiership in our community – although there is, of course, Mr Environment, who has also held his particular portfolio for 10 years. But what a 10 years. First, civil partnerships, not just for those of the same sex, but for those of the opposite sexes also; the celebration and promotion of equality via Pride events; IVF provided by the GHA to opposite and same-sex couples, and individuals too; then equal marriage, because love is love’ – love is an emotion, not a sacrament, and the law should never get in the way of it; also, our new rules on surrogacy.

I am hugely proud of how our laws and our society have formally moved on in the area of equality. If anyone doubts the importance of this progress, I invite you to read the magnificent writing of Jonathan Pizarro – @JSPzro on Twitter – to understand the demons that lurked in the undergrowth of our community and why they needed to be banished. What a writer, what a Gibraltarian, and what home truths he tells us about our community.

And what a brave man we have now also as Mayor, our first openly gay Mayor, who is demonstrating with his ‘We are One’ campaign the value of our diversity to us as a nation. If there were any doubts about lurking homophobia and the reasons why we had to make these laws, some of the social media around the celebration of Pride month this year has been disgusting. I applaud the work of ERG in highlighting these issues, and I can tell the House and all hon. Members that the Government will not accept the continued homophobia we are seeing. The Government will therefore monitor whether it may be necessary to further bolster our legislation to make it a specific criminal offence to denigrate a person as a result of their sexual orientation. There can be no doubt that such behaviour is, at the very least, bullying of the worst sort. It may be that there is no choice but to also make it a specific criminal offence, and I am asking that our Ministry of Justice and Equality should urgently consider this, especially in light of horrific offences such as the homophobic murder of a young homosexual man in Spain. The murder of Samuel is undoubtedly a further wake-up call. Homophobia, like racism, sexism and antisemitism, is not just the preserve of other continents. It’s here in Europe, it is in Russia and in Hungary, but it will not be tolerated in Gibraltar.

This is not just me speaking as a Minister, as Leader of the House and as the senior elected political representative of the people of Gibraltar. This is me also talking as a citizen. Let us not for one moment believe that it is funny or clever to discriminate against a person for their sexual orientation. Whilst I have breath in my body I will continue to ensure that we move only in one direction in this respect: forward. We have no reverse gear on rights and progress, and neither does this community.

I have a warning for those who would oppose us on these issues. The progressive road to equality is a one-way road, so anyone who stands against progress, anyone who stands against rights, anyone who is in favour of reversing the laws to prevent these discriminations needs to understand that they will have ferocious opposition from the majority to any such attempts.

The depth of that majority was best evidenced by the result of the referendum on the Crimes (Amendment) Act which we celebrated last month. That showed that there is a huge progressive majority in Gibraltar, even with almost half the number of persons eligible to vote not turning out. I congratulate the Hon. Minister for Health for the GHA’s work in preparation for the implementation of the result of the referendum and for having now commenced our law on abortion and started the provision of services in that respect.

The progress we are seeing in Gibraltar is not simply in the area of rights. We have also progressed greatly in our investment in the services our community both enjoys and offers. In some respects on this issue Members opposite seem to both say that we have done too much and that we have not done enough. They accuse us one day of having spent lavishly – that is to say
 395 having done too much – and the next day, with a startling lack of consistency, they tell us that we have not done enough. Well, we have done much, and if there was any doubt then it was dissipated at the sight of our now clearly world-class sporting facilities being used by some Paralympians as they trained for target shooting at our range for the Tokyo Paralympic Games.

We will soon see final completion of the Lathbury facility also, which has been delayed as a
 400 result of the pandemic repeatedly frustrating the ability of the international contractor to attend to the remaining works. But we have also done so much more that I will analyse later: refurbishments and affordable homes; new children’s medical facilities and new schools for our children, with more to come.

As from last week, already the migration has begun to a new broadcasting studio for the
 405 national broadcaster, the Gibraltar Broadcasting Corporation. Now GBC will have a new home that has been leased from a private developer and will not involve the payment of capital from the taxpayer. The deal will be a rental deal instead, with the liability of the taxpayer being for the equipment necessary and with an option to purchase. The national broadcaster came into its own during the pandemic. They broadcast daily at 4 p.m. and kept all our citizens aware of the latest
 410 information on the pandemic.

And then I had thought that Brexit would bring out the best in us. In fact, COVID did, in the public sector as a whole, in the GHA, in the Treasury, in our relationship with the United Kingdom. The people I work with and lead, the people in my Brexit teams, left me gobsmacked with the extraordinary work they have done and are doing. The people I work with and lead have left me
 415 totally humbled by their approach to delivering when the chips were down and Gibraltar had to deal with COVID. What an extraordinary team I have had the luck to lead at a political level, and what an extraordinary team I have had the luck to lead in the public sector. What extraordinary Gibraltarians have stepped up to the plate year after year, COVID after Brexit, and what extraordinary progress we have made and are making.

Although reports of my girth are, unfortunately, never exaggerated, reports of Gibraltar’s demise at the altar of Brexit were grossly overstated by those who wished us the worst. Hon. Members will see that Brexit uncertainty had a very clear effect on our GDP – I will come on to that analysis later – but my only regret is to sometimes see that the sharpest prophets of doom are not outside of Gibraltar wishing us the worst as a people; the worst are usually inside Gibraltar,
 425 wishing us the worst as a party and not caring what the effect of that is on us as a nation.

Well, Mr Speaker, Brexit came and went. We have left the EU *de jure* and *de facto*. It is not over for us yet, as we are continuing to negotiate arrangements specific to Gibraltar, but we have today the fluidity that we need, and with the negotiations to come we hope we may secure even better fluidity going forward. A treaty between the United Kingdom and the European Union over
 430 Gibraltar can recast our relationship into something more positive than even in our period of membership. This would be a bespoke solution that we are confident is now possible after the New Year’s Eve Agreement. Whilst that is negotiated, and as we expect an EU mandate sometime this week, if not today, I have written to Minister Wendy Morton consenting and agreeing to the Memoranda of Understanding that were entered into under the Withdrawal Agreement being
 435 extended at least until the end of October or this year whilst we finish the negotiations.

I do expect, however, that the EU’s mandate for the negotiations is likely to leave a lot to be desired. I would simply say to all hon. Members and to the whole community that this will be only the EU’s opening position. It will not bind us in any way. We must remember that since we left the European Union *de facto* and *de jure* the European Commission no longer speaks for the United
 440 Kingdom or for Gibraltar, and insofar as the mandate may not reflect the New Year’s Eve Agreement, it will frankly be quite irrelevant.

We have already set out clearly the high-water mark of what we are prepared to do. We have already set out clearly the basis on which we are prepared to do a historic agreement that will deliver to us on fluidity and will provide opportunities for investment from Gibraltar businesses into the Campo around us. That would be good for Gibraltar, it would be good for the Spanish areas around us also, and it would therefore be good for the European Union too, as our frontier workers include citizens of all the member states of the EU. But we will not ever countenance any concession on sovereignty and we will not permit any presence or any function on Gibraltar of any Spanish national authorities. Any EU mandate which suggests that will not represent what we will be prepared to agree in a final treaty. Those parameters we have already set out in the New Year's Eve Agreement.

What I will say is that we remain steadfastly committed to the New Year's Eve Agreement. The Foreign Secretary, Dominic Raab, took time to come to Gibraltar and set out the United Kingdom's commitment to the New Year's Eve Agreement also in a joint negotiating mandate that we agreed. We have been faithful to the agreement as we have set out our mandate going forward. That shows our good faith and we hope it will be reciprocated.

Additionally, we recognise that the EU will be seeking to protect the single market with its own orthodoxy. We trust that in respect of the commercial aspects of the negotiation the EU will come to better understand the circumstances, both geographic and of scale, of this economy. We trust that they will see that the solutions that are required to protect the single market in great nations of millions of people and thousands of square miles are not needed here. That will be for the process of negotiation, but let me be clear. We will never enter into any arrangements which impoverish our businesses. We will never enter into any arrangements which dig a grave for our businesses. We are looking to do the opposite. We are looking to deliver arrangements that will deliver a rocket boost for our businesses in every sector. That is the work we are ensuring we also do with TLAC and its subcommittees. I look forward to chairing a full TLAC as soon as the EU mandate is published, and when it is, and when our businesses see the mandate is unfavourable, they should have the confidence of understanding that those unfavourable asks will not be agreed by us.

It is that simple, and for that reason we are continuing our work on being prepared for all eventualities, including the possibility that we may end up with no negotiated outcome. In other words, if we have to have a hard Gibexit because the EU's asks in its mandate are not acceptable and they do not shift before we finalise our negotiations, we will be ready to end negotiations without a treaty. That is not an outcome we desire, but it is an outcome we will be ready for. The United Kingdom has already indicated it will stand steadfastly by Gibraltar in such circumstances and I have no doubt of that. We are already working hard on different options for such an eventuality. The Deputy Chief Minister jointly chairs a No Negotiated Outcome Committee with the Europe Minister, the Hon. Mrs Wendy Morton MP.

We will be ready, if not enthusiastic, about a non-negotiated outcome, but despite that, I also believe that we should be optimistic and enthusiastic about the final outcome of the treaty negotiations. I do believe that we will be able to enter into long-term and binding international obligations between the UK and the EU in relation to Gibraltar which will work well for our people without any concessions on sovereignty and without any compromise on sovereignty, because we will never agree to concessions or compromises on sovereignty.

In anticipation of that treaty being finalised, we are also preparing for a negotiated outcome, and in doing so we are working with Ernest and Young to analyse the best opportunities, not just in the region but globally. We are looking to understand how best to capitalise on the fluidity arrangements we anticipate in the UK-EU treaty and we are looking to understand how best to ensure that Gibraltar is best placed to continue to be an economic engine for our people and for the region around us. I genuinely believe that we can grow even the already incredible 25% contribution to the GDP of the region around us.

Of course, Mr Speaker, I confidently anticipate that the Leader of the Opposition will not surprise us by saying that it is terrible that we do not have a treaty yet. He will tell us we have

missed many opportunities to settle the Gibraltar arrangements. Of course, he will not identify what we could have done that we have not done, he will not identify what opportunities we have missed, and he will likely refer – unless he is quickly changing his prepared speech as I speak – that we should have settled matters *à la* Northern Ireland, as he has said before. Well, there are no opportunities that we have missed. There is a chance to do a treaty that settles problems – ‘irritants’, to give them their reference point as per Sr Dastis – that have plagued our relationship with Spain and the EU for years, and those are the opportunities that we have to take.

But the Leader of the Opposition is right. We could have settled matters sooner. All we had to do was concede, compromise, give way on the fundamentals, all the things we on this side of the House are not prepared to do. That is the reality, but it is also a reality that at the moment, with interim arrangements, our fluidity arrangements are functioning – bar a week of problems as the interim arrangements were extended and some COVID controls got in the way – and that is the problem with the Leader of the Opposition’s theories. Not only are they based on the fallacy that we have missed opportunities – and I challenge him to tell us which, in the context of his intervention; they are theories which have no meaningful practical consequences today as things continue almost as was normal pre-Brexit. Additionally, the political position could not be more favourable. We are closer to Britain than ever. The political relationship between Gibraltar and the UK has never been better. We have left the European Union with the United Kingdom, ergo we can be nothing more or less than British. We will have an arrangement with the EU via a treaty between the EU and the UK, ergo we can be nothing more or less than British. So, the idea that these new arrangements are a challenge to our sovereignty just cannot get off the ground.

Additionally, at the soft level, the osmosis level, the reality is that Gibraltar is now more British than ever. We are even seeing a diminution of our bilingualism, which is very concerning. The reality is that there is less chance of osmosis now than there has been for a hundred years. We have turned the page and there is no turning back. In fact, we need to consider with the British government, going forward, how we enhance our representation as part of the British political family and whether Gibraltar sits comfortably in its current status as an Overseas Territory, or whether a more bespoke arrangement – closer, perhaps more akin to the Channel Islands – is more advisable and agreeable to both sides. That will be the work of the Constitutional Select Committee, which I do hope we will be able to see take off very soon. That Select Committee, and all others, has fallen victim to the pandemic. I sincerely expect we will be able to see them start functioning this financial year. I do look forward to that work.

Looking more directly at this financial year and the performance of our economy and public finances, I want to turn now to the Budget Book itself. This year, for the first time, the Financial Secretary and I felt it necessary to add a foreword to the Estimates Book, which I believe is self-explanatory. However, for those who may be tuned in to listen to this debate, let me explain.

As all hon. Members are aware, as a result of the pandemic the Parliament agreed that the Government should not be required to prepare an Approved Government of Gibraltar Estimates of Revenue and Expenditure – or the Estimates Book – last year, which would have been the financial year 2020-21. As a result, therefore, exceptionally, a Budget debate was not held last year, for the first time in the history of this Parliament and its predecessor, the House of Assembly. Instead, the year end for the accounting period of the financial year 2019-20 was first extended by six months, by agreement of all hon. Members of this Parliament by the passing of the Appropriation Act 2019 (Amendment) Act 2020. That provided for the accounting period 2019-20 to end on 30th September 2020. At that stage, we would have been dealing with an 18-month financial year. The accounting period was further extended, also by agreement of all hon. Members, by a further six months to 31st March 2021 under the provisions of the Appropriation Act 2019 (Amendment No. 2) Act 2020 which this House passed on 25th September last year. As all Members are aware, of course, these amendments had the effect of creating an anomalous 24-month financial year, spanning the period from 1st April 2019 to 31st March 2021.

Mr Speaker, we are about to start what I have no doubt will very likely be a more normal Budget debate than we had during the course of those emergency Budgets. Such debates are

always full of attempts at political point scoring, the politics of claim and blame. Given what we have been through, that normality, however unpleasant in some respects, is almost to be welcomed. That this place should be, to the extent that you might permit it, once again a gladiatorial political arena is a small price to pay for the return of some semblance of normality in our community as we hope to leave the ravages of the COVID pandemic behind us.

But I will never forget that as a result of the seriousness of the issues facing Gibraltar, those two Appropriation (Amendment) Acts were passed with the unanimous support of all Members of the Parliament. I thank them for that, Mr Speaker. And I will never forget the hours of work that the Financial Secretary, his team and I had to put in as the rest of the world collapsed around us, in order to ensure that we provided financial stability to this community. Those were the headiest of days, the hardest of days and undoubtedly the harshest of days, but by dint of hard work and imagination, and thanks to the strength and flexibility that we had built into the structure of the public finances of Gibraltar, we were able to get through.

I will say more about the structure of the public finances of Gibraltar and why we have been right to structure them as we have later in this address, when I will be able to prove that we have decidedly, decisively and definitively won the argument against hon. Members opposite as to borrowing and the use of Government companies.

For now, and for the purposes of this part of my address, the important thing is that I should set out that the two amendments to the Appropriation Act 2019 that were passed in Parliament provided the legal support necessary for the flexibility that the Government needed to continue spending and to spend additional amounts during the lockdown periods without having to come to this House to hold a Budget debate. Remember that those were the days also of daily 4 p.m. briefings. It would have been difficult, if not impossible, to prepare for such a debate. But approving these Amendment Acts was an essential part of enabling the Government to continue to spend constitutionally and in keeping with the law, namely the Public Finance (Control and Audit) Act.

All of this was done without any detailed estimation of budgets of revenue or expenditure and without the laying or circulation to Members of the Estimates Book, or indeed without the to and fro that is customarily held in Parliament as part of the Appropriation sessions we are holding this week. At that moment the battle was with the new virus emerging around the world, not with each other. It would have been unforgiveable for us to have been self-indulgently arguing in this House when the community more than ever needed us to be working on the frontline issues of real concern.

The whole of the usual detailed budgetary process was also curtailed in this way to limit the contact that individuals might have with one another in the work of compiling the Estimates Book. That, obviously, requires meetings and contact, which would have been possible but highly impractical by virtual encounters, but with the Amendment Acts we were able to find the process for providing the additional budget necessary to afford to safely navigate Gibraltar through the pandemic.

Mr Speaker, I want to lay down two markers here. The first is to say that I have thanked the Opposition Members in this House, all of them, over and over again for their support at that time, and in doing so I reiterate to the whole of Gibraltar that the spending we were able to undertake in that period was thanks to their votes in this House in favour of the Amendment Acts. We could have passed those Bills without their support in reliance on our in-built majority; instead, we passed them by unanimity. Secondly, we designed the BEAT measures in a way that took into consideration the comments from the Hon. Mr Clinton during the private discussions we had and the public debates we had. Insofar as I will, I think, undoubtedly be called upon to disagree with him some time during the course of this week, I want to renew my gratitude to him for that support and for his views at the time, which helped develop our own ideas.

Those markers are necessary for a reason. The first marker is necessary because if we today revert to a negative vote from the official Opposition to the Appropriation Act, then the spending as from 1st August will no longer be as a result of the views and votes of all of us, but as a result

of the votes and views of the Government and – if she acts in keeping with her previous views and votes – those of the hon. Lady the independent Member for Together Gibraltar. It would be a real pity, in my view, if they were to revert to their 2019 practice. I urge them to argue against the Bill – of course, this is the debate – but to vote for it, as we always used to see, because Gibraltar needs an appropriation. Whether we agree or disagree on the heads is for the debate, but on the general principles and merits of the Bill we are surely agreed, and the general principle here is that the Civil Service and other expenditure of the Government not arising as a first charge on the Consolidated Fund should be paid.

Indeed, the second marker that I lay down is necessary because I will also point out to Mr Clinton and his small coterie of supporters – such as they may be, if any – on various occasions this week and for the next two years, that we were lucky that we never took his advice on the matter of Government company borrowings, or else we might not have been able to give effect to the BEAT and other measures as easily as we did, because if we had all Government company borrowing as direct borrowing of the Government we may have exceeded the 40% to GDP limit provided for and we would not have been able to pay BEAT and pay our way without having to change the debt ceiling by resolution of this House.

Thankfully, with all of the adult population of Gibraltar now fully vaccinated as a result of the support of Her Majesty's Government of the United Kingdom, it will now be possible also to restore the natural rhythm, I hope, of our parliamentary process. I do hope this normality will now endure, despite the potential need for boosters and flu jabs etc.

I know we will be meeting more regularly and we will be debating these issues not just at Budget time, but addressing this now and the more technical aspects of this, COVID-19 has undoubtedly left its mark also on the layout of this Estimates Book in a number of different ways. That is what the Financial Secretary and I have sought to explain in the foreword to the Estimates Book. We have provided that foreword, exceptionally, in order to assist all Members of Parliament and all others who may have regard to this Estimates Book, given the differences, exceptions and anomalies that the Amendment Acts have required to the layout of it. In particular, we seek to assist with the interpretation of the Estimates Book where such changes have exceptionally been required from the manner in which it has traditionally been presented.

In addition to issues brought about by COVID-19, the Government has also been embarked on a digitisation programme – yes, in the same years as we have been dealing with Brexit too. 'Gluttons for punishment' you might say, or 'Biting off more than you can chew' some may say less positively, but we know this has to be done, and we do not shy away from the challenge of delivering what Gibraltar needs, even if we cannot deliver it as quickly as we might have wanted. The opportunity has, therefore, also been taken this year to rationalise the shape and format of the Estimates Book in a way that provides full compatibility with the Government's new digital systems and adds further transparency, simplifies presentation and streamlines comparability going forward. We have done that by ensuring that the parameters and fields of the digital programme are now reflected in the Book.

As a result of these collective changes, the Estimates Book now spans over 292 pages, around 44 more than the last Estimates Book, produced for 2019-20, and over 100 pages more than the estimates for the same period one decade ago in financial year 2011-12. The Estimates Book is visibly thicker and larger than that of earlier years. And why is that? For the simple reason that there is more information in here than ever before. So, I have no time for the nonsensical suggestion that we somehow provide less information than our predecessors in Government did on public spending. We provide a hundred pages more. We have provided more each year since we were elected – a hundred pages more this year – and each month on our website we provide detailed statistical information that was never provided before and is updated with great regularity. So, it would be to mislead the House to suggest that we are not providing information or to suggest that we are providing less information than any previous administration.

Additionally, of course, we have now finished the accounts of the vast majority of the Government companies. I will give more details of this later as I explain how we have acted to

650 catch up with the gross dereliction of legal duties by the Government of the GSD, which did not
publish accounts for Government companies after 1996, despite the fact that they made it a legal
requirement to do so, without exempting the Government. So, whether it is in relation to the
direct books of the Government or the indirect books of the Government companies, we have
published much more, and much more regularly than the GSD ever did in office, if I may say to the
655 Leader of the Opposition, either in its first period until 2003 or its second period from 2003
onwards.

I would therefore gently counsel all hon. Members that they will obviously be misleading the
House if they suggest the opposite, something which they will no doubt not wish to do, as they
would obviously be putting themselves outside the provisions of the Standing Rules of this House
660 if they did. Mr Speaker, as ever, the enforcement of those Rules is not a matter for me, but a
matter for you. I am simply highlighting the facts.

When reviewing this Estimates Book, it should therefore be noted that the Appropriation
(Amendment) Acts passed last year focused exclusively on the expenditure heads. With the
exception of a few limited heads which required more detailed analysis, the estimated
665 expenditure for the period 2019-20 was simply multiplied by two in each head to take account of
two years of expenditure instead of one. The House will recall that it was, in particular, the heads
on health and care that we looked at in much greater detail in order to ensure that we provided
what was necessary expenditure for that area in the middle of the pandemic. We also provided a
more detailed increase for the education head.

670 Since no Estimates Book was presented to Parliament, no adjustment was made to heads
which estimate recurrent revenue. Indeed, the thing that had been abundantly clear to all
members of the community, let alone, or at least, all Members of this House, I hope, was the fact
that the pandemic was annihilating activity in the areas which provide our key heads of revenue.
Nonetheless, and in order to aid comparison, in presenting this Estimates Book all columns
675 showing the comparative estimate for 2019-21 show figures that have been doubled. If we had
not done this, the forecast outturn would look disproportionate against the original single-year
Estimate for 2019-20. The same is true for revenue heads within the appropriate appendices. The
revenue into the heads has been provided from the COVID Response Fund, as I will explain in
greater detail later to ensure that the House has refreshed its understanding of the COVID Fund
680 and how it was agreed it should be set up to operate as a feeder of revenue.

It should be noted that this approach has not been taken for I&DF revenue, as this is not
recurrent. We were therefore clear from the outset that the I&DF should not receive a doubled-
up revenue figure. Additionally, it should be noted that the adjustments made to the I&DF
expenditure in the two Bills amending the Appropriation Act 2019 for the extra year were
685 therefore not to simply double each subhead. Instead, we did a fairly accurate exercise with the
technical officers in charge of each project area to calibrate on the basis of quite precise estimates
carried out for each of the projects that were underway at the time of each of the Amendment
Acts.

For all of these reasons the Department, Authority and Agency presentation has had to be
690 varied in the Book. Accordingly, each page of the Estimates Book is divided into the traditional
four columns. The first and last columns have not changed. The column headed 'Estimate
2021/2022' represents the allocated budget for the year ahead. There is no change to this column.
The column headed 'Actual 2018/2019' covers the actual expenditure for the year ended
31st March 2019. Again, there is also no change to this column.

695 Columns 2 and 3, however, have changed to cover the two-year period commencing on
1st April 2019 and ending on 31st March 2021, as provided for in the amended Appropriation Act
2019, and I have done that with the Financial Secretary as follows. The column headed 'Forecast
Outturn 2019/2021' contains the outturn for the 24-month period ended 31st March 2021, and
the column headed 'Estimate 2019/2021' contains the estimates as approved initially for 2019-20
700 and as provided for in the amended Appropriation Act 2019 to cover a 24-month period. In most

cases, other than in respect of the GHF, ERS and Education, this simply multiplies the budget by two.

The Estimates Book also now contains a section dedicated to the COVID-19 Response Fund. As all hon. Members are aware, this fund was established on 23rd April 2020 in order to provide for all expenditure incurred, benefits payable and fiscal measures adopted by Government in response to the COVID-19 pandemic and for the settlement of any costs and expenditure related thereto that the Government may incur. The Financial Secretary and I agreed with the Hon. Mr Azopardi and with the Hon. Mr Clinton how we would establish, operate and report on this Response Fund.

The fund sits outside the Consolidated Fund and applies the amounts Government has borrowed during this exceptional period in three ways. This section now discloses in detail the revenue used directly to supplement foregone revenue for the duration of the COVID-19 pandemic. Clearly, during lockdown the Government suffered a devastating loss of revenue of the type seen only in a world war. This was not a recession-style deceleration, this was not the closure of the dockyard; this was the closure of everything, or just about everything. This was a war-type annihilation, the like of which no Gibraltar Government has ever had to deal with. I say that advisedly, as at the time even of the Frontier closure we had 'Support and Sustain' and an economy built on 60% of revenue originating from UK Government MoD spending.

That is an important point to note when we come, as we no doubt will, to the point when some will try to foolishly, opportunistically and without foundation argue that the dire state of our public finances somehow has something to do with pre-pandemic spending. Some have been foolish enough to call our spending lavish. I will address such nonsense later in my speech. For now, as I set out the real and genuine causes of the state of our public finances and the reasons for the actual and forecast deficit, I will set out the fact of the matter – and that is clear: this is a one-in-a-hundred-year event that we are facing down, a wartime catastrophe affecting the otherwise reliable revenue of the Government, and there is no one in this House or outside it who saw it coming or who could have managed the public finances in the decade before in a manner that would not have resulted in a deficit and a need to rebuild. No one will believe any suggestion to the contrary when tested against the truth and the reality of our community's needs.

Be that as it may, the shortfall in the revenue heads has been made up from the COVID-19 Response Fund. This has helped supplement losses to the Government's main recurrent revenue heads, thereby providing income to Government to enable it to meet its ongoing salary and other ongoing costs.

During the pandemic these adjustments were made monthly based on a formulae and methodology proposed by the ingenious Financial Secretary, Mr Mena, and agreed with Mr Azopardi and Mr Clinton, and derived by comparing the actual revenue to the average revenue for the previous two financial years. So, to be clear, what we put into the revenue heads each month was the average of the sum each head had received in the two previous financial years. The moneys were sourced from borrowing provided for under the sovereign guarantee provided by the United Kingdom, which has greatly reduced the cost of borrowing. These pages feed right back to the revenue pages in the Estimates Book, but, in order to highlight that they are exceptional in nature, have been shown outside the traditional Estimate/Forecast Outturn Operating Statement as exceptional items. This serves to ensure that these payments stand out, aiding transparency and ensuring that the reconstruction of the accounts and the debates in future are not intoxicated by these references.

This section of the Estimates Book also discloses those costs incurred directly by Government as a result of the pandemic. These are the directly attributable COVID-19 costs met by Departments, Authorities and Agencies. The treatment is slightly different in the Estimates Book. For Departments this amount is fed into the revenue pages of the Estimates Book, whereas for Agencies and Authorities this amount feeds straight into the revenue section of the Agency or Authority revenue heads.

The COVID-19 associated expenses are clearly identified on the relevant pages. Where COVID-19 associated expenses have been spent on a number of different subheads, then the traditional Authority or Agency page is shown encompassing the forecast outturns for all of its recurrent costs. Additionally, a separate page has been added which simply displays the element of those costs per subhead that are directly attributable COVID-19 expenses.

The position for the estimate for the year ahead is somewhat different, and for good reason. When reading the Book, hon. Members need to remember that this Estimates Book was compiled between January and April 2021, when we were in the thick of the second lockdown, under tight lockdown restrictions for part of the period. There was greater uncertainty then about how long restrictions would last or whether the vaccine process would prove effective. Although there are no clear certainties even now, there is, it is fair to say, less uncertainty. The estimate of COVID-19 expenditure which we anticipate will continue to be necessary going forward has been contained on a single line. This is just, however, an estimate to be considered with that backdrop. Will we see new strains of COVID-19? Will we see new booster vaccines required and provided? All of this is still to be determined.

Each figure for each Department, Authority or Agency has been based on those costs incurred as at 31st March 2021 but which have yet to be settled, together with the Department's, Authority's or Agency's best estimate of additional costs to be incurred during the next year in the light of experience of the last year and based on the uncertainties that were prevalent at the time – and, if I may say so, Mr Speaker, sufficient amount has been provided for this Parliament to be able to continue to run its air conditioning.

The reason for keeping this item separate on a single line is to ensure that those estimated COVID-19 associated costs are not considered as part of the day-to-day approved budget and can only be used to pay for specifically identifiable COVID-19 costs. As I already highlighted, this serves also to ensure that these payments stand out, aiding transparency and ensuring that the future year-on-year analysis and the reconstruction of the accounts is not infected by these exceptional figures. Once amounts are spent, these sums will appear within the 'Forecast Outturn' column next year and they will also be easily and separately identifiable.

This section also analyses COVID-19 capital expenditure. This is essentially those costs to be charged directly to the Improvement and Development Fund to meet those capital costs required as a result of the COVID-19 pandemic.

The accounts for the COVID-19 Response Fund have been published separately and are included on pages 290-92 of this Estimates Book. This is a consolidation of the publication of this fund in our Gazette on a quarterly basis. These have been published in a way such that every citizen is able to assess the local cost of this global pandemic.

Since details of this fund are presented to the nearest pound when they have been published on a quarterly basis, the published figures have been presented in the same way in this Estimates Book. For ease of reference, the order of presentation has, however, been adjusted to better align with the heads and layout of this Estimates Book in a manner that we hope will assist all hon. Members. Again, full transparency, full accountability, more information than has ever been presented before in respect of any fund created by any previous Government. Once again, the unbreakable trail of evidence that gives the lie to any suggestion that there is not now more transparency than ever before in our history – evidence to refute any Member suggesting the opposite and putting them foul of the line of truth and safely in the net of those who would be misleading the House by suggesting the opposite. The amounts are additionally cross-referenced throughout the Estimates Book to assist with the interpretation of the Book as a whole.

Last week we also shared the updated figures for the COVID-19 Response Fund for the period 1st April 2021 to 30th June 2021 – that is to say the last quarter – with the Leader of the Opposition on a confidential basis, as we had committed to do from the outset of this pandemic and have been doing. This is first quarter performance for this financial year. We are aiming to publish these later this week in the Gazette, on Thursday, so that the community can see how the economy is

faring its way out of this pandemic. I undertake to give the hon. Lady a copy at the end of my speech, so that she can also have it ahead of her presentation.

805 As I have explained previously, the COVID-19 Response Fund is the place where we have booked all of those exceptional costs related to the pandemic, so that they are easy to identify separately from ongoing day-to-day expenditure. When preparing the Estimates Book we provided some £67.45 million for the year. You will appreciate that as the economy emerged out of this pandemic these costs were front loaded. We projected for these costs to be incurred in the
810 early months of the year, in the hope that as we unlock we do so on a permanent basis and do not need to return to some of the unprecedented measures experienced last year.

So, what does the COVID-19 Response Fund for this period show? Well, it is slightly better than expected. It shows that as we open up the economy the support for flagging Government income is reducing with most of the main heads of revenue that required support during the COVID-19
815 period not needing this. Nonetheless, from an annual estimate of £55.8 million, already £19.56 million has been expended. The reason for this is largely linked to the throughput of tourist visits to Gibraltar, and I am confident that as this returns the revenue will be slowly restored. Although our hotels have experienced a resurgence in recent months, we still have not seen the return of day trippers by coach and by cruise liner, who account for the sales of many products
820 with the consequent impact on Government duty.

In terms of expenditure, we projected some £11 million for the year, whereas only £5.4 million has been expended so far. The lion's share of this is expenditure, some £3.3 million, that has been spent on BEAT measures – which, Mr Speaker, as you know, are coming to an end as from the end of July. On capital expenditure we projected some £625,000 and to date only £9,000 has been
825 spent.

Overall the figures are consistent with what I believe our people are generally experiencing: a slow return to normality. Of course there are blips and anomalies, but I am hopeful that as the year progresses there is a return to normal levels of income and less of a need to incur expenditure on COVID-related items. I am sure that the whole House and the whole community joins me in that wish.
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Mr Speaker, as you know, the Government has been embarked also on the digitisation programme that I referred to earlier. My colleague the Hon. Albert Isola, the Minister for Digital, Financial Services and Public Utilities, will no doubt elaborate on his work as part of this Budget speech in this respect. I will nonetheless address the effect that the digitisation programme has on the layout of the Estimates Book.
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Whilst the presentation of each estimates page will be broadly familiar, the section 'Other Charges' no longer groups charges into office expenses and operational expenses. The review carried out as part of the digitisation process has identified a number of inconsistencies that have been compounded over time. For that reason, the opportunity has therefore been taken to rationalise these, resulting in a number of changes as follows.
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The nomenclature has been clarified to provide a seamless and uniform nomenclature adopted across the Estimates Book to aid comparability between Departments, Authorities and Agencies. This should also result in items being posted in a consistent way. The system will also facilitate being able to collate each of these costs across all of Government going forward. An appendix is included on pages 287-89 which shows how the existing nomenclature has been grouped under
845 new and consistent naming conventions. It is proposed to include this appendix for a number of years to ensure ease of reference, so that hon. Members can usefully cross-reference backwards to earlier years and the previous nomenclature with ease. In other words, that schedule will not be just in this year's Book, it will be in future Books, so that in future years you can continue to do the exercise with ease if you have to look at the years before. 'Other Charges' are listed with
850 consistent subheads in a sequential and consistent order throughout the Book now. And finally, the last point on rationalisation is that in order to aid comparability, overtime heads across the Estimates Book have been expanded to disclose overtime subheads on a consistent basis also.

This head is now analysed as between each of conditioned, emergency, manning level maintenance and discretionary overtime in each head.

Finally, turning now to the establishment non-financial pages, hon. Members should also note that the figures provided for as the establishment – that is to say the complement or the number of persons whose salaries are funded through the Book for the financial year 2019-21 – are provided only as at the initial period 2019-20 and not as for the full period, as it turned out to be, of 2019-21. This arises from the fact that there will have been agreed changes in the period between 2020 and 2021 which cannot now be accurately reconstructed and provided for, other than by comparison between the two actual opening periods – that is to say, comparing between 1st April 2019 and 1st April 2021.

For the reasons already alluded to in relation to the need to move and adopt the Amendment Acts, there is no position recorded for 1st April 2020. Additionally, given the predicted deficit for the end of the financial year 2021-22, there is no funding provided for vacant posts to be filled in this financial year.

Mr Speaker, I am very keen to set out very clearly just how much, however, the public sector has grown in our time, to avoid the also untrue suggestion that we are somehow operating under the complement. Nothing could be further from the truth. The reality of the position is that all of the public sector has grown considerably, and I will provide details of that in the part of my address that looks at the number of employees in the economy – although I note that the Parliament still does not appear to have noted the provision of funding for air conditioning.

Mr Speaker, as you also know, the Estimates Book is ordered in such a way as to facilitate the way that this Parliament's sessions function. The Book is divided into Departments that are grouped together under a heading for each Minister to enable the debate to follow that logical sequence. As you are aware, last month I carried out a minor Government reshuffle. The Cabinet collectively felt this reshuffle was necessary in order to prepare the structure for the challenges to come in relation to the negotiations for a future relationship between Gibraltar and the European Union, and also to deal with the final ravages of COVID-19.

To my recollection a ministerial restructure has not happened before between publication of the Estimates Book and this annual debate taking place. In doing so, the Estimates Book as originally published no longer follows in sequence the responsibilities that now befall each Minister. Although this is common after every reshuffle, given that we were in time before the Book goes firm in its approved version, we were able to review it, to bring it back into what will be its logical ministerial flow. For that reason I have asked the Financial Secretary to reorder the Estimates Book and this was made available to all Members of this Parliament a short while ago. In fact, I believe it was at the end of last week.

I can assure Members of the Parliament that the Estimates Book remains true and consistent with the one they were presented with in April 2021. None of the figures will change; just where they appear in the Book under the chronological run of relevant Ministers will change. All they need do to confirm that is check the figures on pages 1 to 3. In other words, not a single number has been changed from those included within the forecast outturn or estimates column. All that has happened is that the final version of the Estimates Book, after we have moved the changes at the Committee Stage, will be reordered when it is published in final form as the Approved Estimates of Revenue and Expenditure 2021-22, such that each Minister heads a section under which their current responsibilities are listed. Obviously ministerial titles have changed, as have those for their controlling officers. The new titles are now reflected within the Estimates Book I circulated last week. The sequence of revenue income has also been reordered to follow that same sequence.

Some typographical errors were identified in the earlier draft and have also been corrected. These are normally corrected when the approved version of the Estimates Book is published after this debate. We, however, ensured that they were corrected in the presentation of this revised Estimates Book for all hon. Members to have available. In addition, an error that was noted in the actual result for 31st March 2019 disclosed on page 3 has also been corrected. The Financial

Secretary provided an early copy of these amendments to Mr Clinton, to Mr Azopardi and to the hon. Lady.

Finally, Mr Speaker, the Appropriation Bill follows the sequence of the Estimates Book. Given this has changed, I wrote to you earlier and submitted a revised Appropriation Bill also to ensure that it tallies with the Estimates Book. The only change notified has been to the order of Part 1 of that Bill, which now also follows the order of ministerial responsibilities after the reshuffle, as set out in the amended Estimates Book. Once again, there have been no other changes to this Appropriation Bill and I have only done this to facilitate the sequencing of the debate in Parliament and to ensure alignment with the responsibilities charged to each Minister after the reshuffle.

So far, the formalities, Mr Speaker.

The last time I delivered a full Budget address was in June 2019. In economic terms, the entire world has changed, but my focus has to remain on this small part of the world that we call home. This is our paradise, and we must preserve it as much as possible. When I delivered my speech in 2019 I said that the 2016-17 GDP figures had just surpassed the £2 billion mark, the GDP figure for 2017-18 was estimated at £2.17 billion, reflecting an increase of £169.25 million or 8.5%, and that the Government Statistics Office preliminary forecast for the turbulent and challenging year that was 2018-19 was £2.35 billion. That showed an increase of £177.8 million or an increase of 8.2% compared with 17-18.

In those figures we were seeing reflected the third full year of GDP performance after the vote of the United Kingdom to leave the European Union. When I reflect on that speech now, when we all look back at those days, little did we know or imagine what lay ahead. If we had known what lay ahead, I would not, in hindsight, have classified 2018-19 as turbulent and challenging. Those words, 'challenging' and 'turbulent', are how I would best now describe 2020-21 – incredibly challenging, incredibly turbulent – but we have got the ship to port safely and all the souls aboard have been provided for, even in these remarkably challenging and turbulent times.

So, in less figurative and in starker financial terms, 'How have we fared?' you may ask. The Government Statistics Office has now provided its Budget brief, which forecasts ahead and revises historic performance in light of historic information. I do not think the outcome will catch anyone in this country who is genuine in their analysis of the economy by surprise.

Mr Speaker, let me starting by first taking you back. The firmed-up figures for 2017-18 now show a GDP figure of £2.3 billion for 2017-18, which is actually £97 million more than we projected, reflecting a growth in that year from the year before of a stunning 12.3%, a brilliant performance given the Brexit uncertainty we were living through then. This is an even better figure than I reported to the House last year and a reason to be very pleased and very proud of the work of everyone in our economy.

Let me just also clarify that gross domestic product, or GDP, is not revenue to the Government. It is not the public finances, it is the total output of the economy of all actors in it. The figures for 2018-19 were actually £2.46 billion, which again is close to £100 million more than the figures I reported to this Parliament. That means that for the 2018-19 period the growth turned out to be 8.3%, not 8.2%. The growth figure was larger than expected but also growing from a larger base for 2017-18. Again, this is an even better figure than I reported to the House last year and a reason to be very pleased and proud of everyone in our economy.

What this shows is that across Government we are consistently conservative in the information we provide to this House. We do not seek to overestimate revenue, we underestimate it. That is the prudent and conservative thing to do, and that is what we do. So, we do not flatter our accounts, we unflatter them. In fact, I would rather flatter our accountants for the excellent job they do, than pretend to flatter our accounts. We see this with the Estimates Book and we see it now also with the projections of GDP. Of course, with something like GDP it is possible to get the estimate wrong, but we can see year on year, just as I have been able to demonstrate to the House, and as is laid down in the *Hansard* for posterity, that the forecasts of GDP that we bring to

this House are outstripped by the actual performance of the economy when the estimate goes firm. That is as it should be.

Turning now to figures for 2019-20, the preliminary estimate of these by the Government Statistics Office is for £2.566 billion, which they round up to £2.57 billion – that is to say a growth of £110 million or a 4.5% growth over 2018-19. The growth for that year is clearly lower when compared to the close to double-digit growth in the previous 10 years in government, and although in cash terms the sum is higher than in previous years it is obviously a smaller percentage of a larger economy. But it is entirely in keeping with our expectation at the time of the last General Election, when those figures were not yet available. In fact, in our manifesto we expected, we set out, that we could reach exactly that sum. The Hon. the Father of the House, Sir Joe Bossano, adopting his control of the ‘Force’ as an economist, predicted that the GDP would grow as follows:

It is expected that the result for 2019-20 will be of the order of £2.57 billion.

That is really a remarkably accurate figure provided by Sir Yoda, almost oracle-like in its precision. For the many manifesto fetishists on the benches opposite, that prediction is on page 44 of the magnificent ‘Green Gibraltar’ GSLP Liberal manifesto for 2019. They can look it up in their much-thumbed copies.

That is now exactly the result confirmed by the Government Statistics Office. This slower rise in GDP, in the context of the larger rises in years before, was largely due to the negative growth in the gaming sector over the year. This deceleration is made up of two key elements: a reduction in corporate tax receipts and a reduction in employment and gaming jobs. If hon. Members reflect back to that year, now apparently so distant in our minds, they will recollect that we had one very large and significant departure of a gaming operator relocating to Malta brought about by the then pre-Brexit uncertainty and another significant gaming operator, in that same year, unusually went into liquidation for reasons entirely unrelated to Gibraltar. Those two gaming industry related events had a deep and immediate effect on our GDP. It is, of course, a matter of regret that, despite the very careful management of this sector, these events occurred. This simply serves to remind us of how important the gaming sector is to our economy. And yet, despite that, we have suffered these circumstances being visited upon us for reasons beyond Gibraltar’s control or responsibility. The sector has, nonetheless, continued to grow despite that setback.

Mr Speaker, I think it is worth noting that in the period that I have been Minister for Finance, in the 10 years from 2011-12 to 2019-20, the total GDP growth has been 133%. I noted that hon. Members had not made a note. In the 10 years, from 2011-12 to 2019-20, that I have been Minister for Finance, the total GDP growth has been 133%. The economy grew from £1.2 billion in 2011-12 to £2.57 billion, as I have just reported, in 2019-20. That is a growth of 133% in 10 years, an average of 13.3%, double and one third again the size of the economy. This growth is unprecedented other than for the years in which the original reclamation was carried out. The GDP per capita has gone from £37,369 to £71,787. That growth represents a 91% increase in the GDP per capita.

Additionally, public sector revenue from that economy grew from an estimated £394 million in 2011-12 to an estimate just shy of £700 million – £697 million, to be exact – in 2019-20. That is a growth in public sector revenue of 77%. We have collected more revenue for our people than ever before in the history of government in Gibraltar.

Expenditure has also, of course, been increased, but that revenue has been collected without tax rises. When we look now at expenditure, we went from an estimated £457 million in 2012-13, which is the first Budget book for which we were responsible after our election in December 2011, to an estimated £681 million in 2019-20 before the pandemic hit. That growth in expenditure is of some 49%, well short of the increase in revenue of 77% that we delivered for the same period. There is a 28% gap in the growth between revenue on the one hand, and expenditure on the other hand, in the right direction. That is the important thing. We grew the economy by 133% and then

we grew income by more than we grew expenditure. In fact, income grew by 28% more than expenditure in the same period. That is a track record that we can be very proud of indeed. But of course when the pandemic hit it gutted our public finances. That is why we must act now to restore financial stability.

1010 Additionally, the Statistics Office is reporting that aggregate public debt as a share of GDP has gone from 43.1% under the GSD to 13.5% before the pandemic. That is a reduction of 30%. That ratio will obviously change for next year, given the impact of the borrowing we have had to do in relation to the pandemic. I will report later to the House on current, increased borrowings.

1015 The same will be true of net public debt as a percentage of GDP. It has gone from 25.3% in 2011 under the GSD to 11.2% under the GSLP Liberals before the pandemic. We have more than halved it. We have reduced net public debt by 14%. However they want to slice and dice it on the Opposition benches opposite, however they want to spin it, these are the figures from the Statistics Office and what these figures show is a record for us to be proud of and then some.

1020 I now turn to the forecast for 2020-21. This is the year of the impact of COVID, the year of a full shutdown of our economy, a financial year that started with the first lockdown and ended with the second lock down, a disaster of a year in human, emotional and, of course, financial and economic terms.

1025 No one will be surprised that the growth for this year is negative. No prediction that we could have seriously made could have envisaged the closedown of the global economy as a result of the planetary event that the pandemic has represented. After all, this is a year where the economy has largely been locked down for months by order of the Government. We moved from stimulating growth as a policy to stymieing movement as a policy. Additionally, the Government, the public purse, that is to say the public finances have been the source of the liquidity injected into the private sector so that jobs were preserved, livelihoods were protected and businesses survived those unprecedented times. Indeed, we should recall that at that time the ability and timetable to return to normal life was not defined with any certainty.

1030 This was a time which was as dramatic as it was unprecedented. It is important that we set that down here for parliamentary posterity, for when our successors look back at *Hansard* in the context of this debate. We closed down businesses. We stopped the movement of people. We grounded flights and cancelled buses. Cruise liners and tourists, the lifeblood of many of our small businesses, were simply not allowed to visit.

1035 Fortunately, today many sectors of the economy have returned to some element of normality, or at least started the journey to return to normality, but others have yet to return to anywhere near normal. For example, our Port still has not seen the virtually daily arrival of cruise lines with the passengers taking Rock tours or spending in our restaurants, cafeterias or shops. Despite this, I believe the Gibraltar economy has performed remarkably well.

1040 Our forecast GDP for 2020-21 is £2.44 billion. That is a reduction of £126 million in the gross domestic product, or -4.9%, a contraction in place of growth, but of course no one could have genuinely expected otherwise. In fact, I confess I was happily surprised by that performance. I expected a greater reduction in economic activity for the year. In essence, in the worst ravages of pre-Brexit and in the depths of a worldwide COVID pandemic we have simply reverted to our world ranking topping GDP levels of 2018-19, more or less. That performance is much better than I or others in my team expected would be the case when we were in the depths of the successive lockdowns.

1050 Of course, these are the figures for the period to March 2021 and we all know that the effect of the pandemic will persist economically for some considerable period to come. Nonetheless, what is important now is how Gibraltar powers out of this economic malaise, as well as how we fare in powering out of the uncertainty that Brexit had created for us. I will outline some tax measures later in my speech that are aimed at assisting with this and encouraging investment.

1055 What I can confirm to the House is that we do expect that we will be working to try to continue to grow the economy in keeping with the estimate we made in our last manifesto, although it is unclear yet if we will be able to achieve it. This is an estimate for economic growth based on 5%

growth per annum or a total of 20% growth in the period of the lifetime of this Parliament. Of course, that will continue to be our ambition, but we say that with the caveat that the effect of the pandemic is not yet over and that there may yet be another sting in the tail of it. It may just be impossible. In this respect, the various tenders in the process of being awarded will bring the private sector into the growth of the GDP with even greater vigour as those projects take off. In that I also include the start of works at Victoria Keys, which has now been given the final advice due from the Development and Planning Commission, as well as advanced discussions on the Eastside development.

Mr Speaker, the GDP results I am reporting this year will once again put Gibraltar among the fastest growing economies in the world for the year before the pandemic hit. As a result, I will therefore continue the tradition started by my predecessor, Sir Peter Caruana, of calculating for the House the GDP per capita in our economy. I reiterate that I am very sceptical of the value of this calculation or its accuracy and it is not a strictly scientific measure, but as this was used by Members opposite when they were in Government as an indicator of the average standard of living of individuals in Gibraltar, I will continue to do the calculation for them.

In Gibraltar the particular nuance is that our daily imported working population matches up against the whole of the resident population, creating a significant distortion. Having said this, this calculation is used in similar analysis internationally, and that is why it was adopted by Members opposite when they were in Government. It is nonetheless an established economic metric, however much it may also be of doubtful value, which I shall once again provide to the House.

In this respect, as I have told the House, the latest forecast for 2019-20 estimates a GDP per capita growth of 4.5% from the previous year to £2.566 billion. On the IMF GDP per capita rankings the UK features in 35th position with a GDP per capita of INT\$44,117 and Spain in 47th position with a GDP per capita of INT\$38,392. The sums are in a currency referred to as international dollars, designed by the IMF to show purchasing power parity by using the rate of the United States dollar as at a 20-year average. Gibraltar's GDP per capita for 2019-20 is forecast at £79,707 or INT\$121,154.64, placing Gibraltar in first position, up from third in the last calculation. But the GDP per capita never fed anyone, Mr Speaker. Gibraltar is closely ahead of Luxembourg, which enjoys a GDP per capita for the year of \$118,002.

As I have said before and must reiterate to ensure the record of the House reflects my own view, these measures are not scientific because of the differing methodologies and fluctuating exchange rates on which they are based. This lack of uniformity in calculation makes the exercise, in my view, unreliable. Additionally, in the case of Gibraltar the calculation is particularly lacking in relevance given that we have now reached 30,000 working people – in fact, more – in a population of 32,000, making the per capita aspect unreal and, in my view, totally distorted.

The important aspect of this exercise, however, is really only to appreciate that Gibraltar's economy is estimated to have grown again in 2019-20, before the pandemic struck, by 4.5% and with average earnings going up by almost 3%. This growth continues to place us ahead of other small countries in the world, including Malta, Luxembourg, Singapore and Hong Kong when it comes to GDP per capita. But I emphasise that this was for the year before the pandemic hit.

I turn now to the question of borrowing and the cost thereof. The cost of borrowing is the lowest in history since governments started borrowing in the 16th century, so our borrowing is also at the lowest rate ever secured by the Government of Gibraltar – not an entity that was around in the 16th century, of course. That is why short-term borrowing now has made sense. That is also why we did not ask the UK for money, not least because we did not need it. We asked the UK to support our own borrowing. We did not seek and we did not get £500 million from the UK. We did not even seek the loan of £500 million from the UK. We sought and we got support for our sourcing of our own £500 million. That is what shows the resilience of our balance sheet and the strength of our covenant.

Whatever others may say, we have been able to source our own £500 million, even in these difficult times. We did not need the UK's guarantee for that. I can happily inform the House that we had £500 million available to us even without the UK guarantee. What the UK guarantee has

1110 done is secure the borrowing at a much lower rate, at the same rate as a sovereign nation. And let's be clear that the UK has not provided a similar guarantee to others willy-nilly. So, when the banks have X-rayed our economy and our public finances they have considered our public finances and our economy strong enough to lend us £½ billion.

1115 I say to everyone in this community who reads what the naysayers say – not just in this House, but beyond it – who do you believe? The backseat drivers on social media who have zero experience of finance? They tell you things are horribly bad with our public finances because we are mismanaging, yet the professionals in the banks who have considered the risk Gibraltar represents have assessed it is a very, very low risk, despite not being a sovereign nation. The professionals have considered that we are doing a very good job managing our public finances, 1120 although of course right now every nation is suffering pressure on the public finances and we are in a deficit situation.

Mr Speaker, I believe that the vast majority in our community will be very satisfied indeed that even in these very difficult times our Government has been assessed as such a low risk thanks to our prudent management of our public finances. That is the real test to pass, not that of the social 1125 media commentators or the Opposition's retired bankers. Additionally, the UK Treasury itself, when it has considered our risk of default on our borrowing, has assessed that we are a sufficiently low risk that they have provided the sovereign guarantee, as the Foreign, Commonwealth and Development Office, which has to make the assessment.

Again, I say to all our public that they should take great confidence from this and listen less to the armchair experts and commentators on social media who are demonstrably wrong about most 1130 things – and this is the slam-dunk that demonstrates it. Again, the UK sovereign guarantee is a great vote of confidence in the strength of the covenant of Gibraltar PLC, the company in which all of us hold shares and our livelihoods, even in these very difficult times. That is really something to be proud of and in great measure the fruit of the work of the Financial Secretary, Albert Mena, 1135 at this extraordinarily challenging time. Our public finances are in a very bad cash situation, like every other exchequer in the world, but we will build back better, sooner and stronger than most others.

Mr Speaker, as I mentioned at the start of this speech, the Estimates Book is extremely complex this year for the reasons I have outlined. I will, however, seek to highlight the key performance 1140 indicators so that those listening are aware how we have fared and what we expect for the 12 months ahead.

Dealing first with the 24 months that have passed, as I already mentioned in May when I first became aware of the forecast outturn, the Government has posted a deficit. This is a significant loss and something that last occurred in 2003-04. It is important as we go into this debate that we recall that the last deficit declared was in the time that Members opposite were in Government. 1145 The reason for the last deficit under the GSD was not, like today, a worldwide pandemic which no one could avoid, the reason for the last deficit under the GSD was not, like today, related to a global shutdown of the worldwide economy; the reason for the last deficit under the GSD was much easier to understand. It was lavish pre-election spending as a splurge. The last deficit in our 1150 history was occasioned by lavish GSD spending which brought the public finances into the red.

So, when we refer to the dire state of the public finances now, and when we hear Members opposite refer to our public finances being in a dire state, we have to keep in mind that these are the after-effects of a global event and that the public finances of most nations, large and small, if not all nations, are suffering as we are. That was not the case in 2003-04. The only relevant event 1155 in that financial year was the General Election of October 2003. The hon. Gentlemen will recall it. It was the election of the 'cold steel of election night', indeed the General Election that bestowed on me the honour of being elected for the first time. Additionally, we have to remember that the majority of the spending that we have undertaken and which has led to this loss and additional borrowing in this year was agreed with the Hon. Mr Clinton and Mr Azopardi. In 2003, the 1160 spending which led to the deficit had not been agreed – obviously – with the official Opposition.

In those circumstances, although I am of course open and happy to debate in this House the point of arrival at this pandemic, we have to be abundantly clear that the point of arrival was one of surplus. We did not arrive at the pandemic with a deficit, like the GSD arrived at 2004. So, when the hon. Members opposite like to go outside this House to propagate the untrue myth of our pre-pandemic spending being problematic, and when there are some sheep out there who might buy that myth, I would say this: there is no logic or truth to that at all. We were in surplus before this crisis, therefore all our spending before this crisis had been affordable, and it is untrue to spin the untruth that our spending on schools, teachers, healthcare facilities, our healthcare staff, the Police and their resources, our civil servants and public servants is somehow the cause of this extraordinary deficit. It just is not true. Those who say that need to understand that the 'S' in GSLP stands for 'Socialist' and we are always going to be proud of our investment in our public services and in our public servants.

But of course we have to cut our clothes to fit the cloth we have available. We are proud of having built new schools, we are proud that by the time we have finished our programme every public educational establishment in Gibraltar will have been built by a GSLP Government, in some instances with our Liberal colleagues, but we were doing that when the world was not in crisis. We are proud that we have increased public sector pay. We are proud that we have provided for the socio-economic development of our people by building new homes where we only initially recover half the cost. We have refurbished our housing estates and will continue doing so. We have built a new marina, we have built a new national University, we have built a national bank, and all of that we built in a manner that was affordable and yet enabled us to deliver the highest surpluses in history year on year.

So, when the talk is of anything being lavish, it is of lavish investment in Gibraltar and the Gibraltarians, our people. That is where the money has gone. We see this sort of prudent spending as a socialist virtue, not as a sin, but always whilst it can be afforded. We will not permit spending to be undertaken when it cannot be afforded, because we will not borrow to fund recurrent expenditure. The worldwide economic factors have turned dramatically and we must react appropriately. What is important to understand, what is real, what is undeniable is that this is a pandemic loss. The deficit is caused exclusively by the COVID-19 pandemic.

Whilst the reasons for this loss are well known, Mr Speaker, I would like to signpost some key indicators. Our revenue over the two-year period 2019-21 was in the region of £1.255 billion. If you consider that our estimate for revenue for the single year 2019-20 was £700 million without any growth, we would have expected to raise at least around £1.4 billion in revenue over the two-year period. This loss of revenue, which amounted to around 11%, had to be made up to keep Government going. This was met from the COVID-19 Response Fund, which in turn borrowed these moneys.

So, around £158 million was borrowed to meet forgone expenditure. Forgone expenditure came from a number of fronts as follows. Business activity ceased, so Government would no longer receive revenue from sources such as the Nature Reserve ticket, for example. This is equally applicable to import duty and many other heads of revenue. As we locked down, Government provided a number of incentives to business to allow them to retain staff and be in a position to resume once the pandemic was over. Examples of this were PAYE and Social Insurance incidentally, rent and rates holidays etc. Nobody complained when the Social Insurance was waived; those complaints only arise when we revert to the fact that we need to raise those dues. Finally, with counters closed and movement restricted it became more difficult for payments to be made to Government or chased up. Government also suspended more aggressive approaches to debt collection, cognisant of the difficulties everyone was facing.

The effect of all of the above was that Government saw a drop of some £65 million in its personal and corporate tax receipts and £74 million in its import duty receipts. The balance to make up the aforementioned £158 million came from the shortfall in rates, electricity and Group Practice Medical Scheme receipts.

Departmental expenditure came at roughly £1.147 billion for the 24-month financial year. That is roughly £573.5 million for each of the 12-month periods. This was reasonably close to the revised Appropriation Bills we passed during the course of the pandemic, which as hon. Members will recall simply doubled the projected Budget for 2019-20 with the exception of those figures for the GHA, the Care Agency and the Education Department, which we could see would be impacted. I am quite impressed and proud that despite the pressures of the pandemic we projected this with some accuracy, given the estimate was for £1.153 billion and the forecast outturn was for £1.147 billion. That is a difference of around £6 million, which in the scheme of things amounts to no more than what you might call a rounding error. Of course, this is the global position. In fact, most Departments fell well within their allocated budget, given the constraints of activity, whereas others were forced to spend more on account of the exigencies of the pandemic. To a large extent fiscal control was out of our hands and we were required to spend in order to save lives and protect our frontline workers.

This was a period of what we might call demand-led spending in certain key areas. Nowhere was this more evident than in the BEAT scheme. Mr Speaker, as you know, we set up a scheme at short notice to be able to fund the cost of employees, to ensure they could meet their own costs of living. This scheme took many forms but was dedicated to support businesses in the affected sectors as they slowly resume their activity. The cost of the BEAT scheme alone to the end of March 2021 was £28.5 million. I welcome that hon. Members were our allies in the disbursement of this money and the creation of the COVID Fund. This amount was paid to all those eligible who made a claim, irrespective of nationality or residence. It was the right thing to do. I hope they will not now run to the hills when they see the cash effect of what they supported and start to decry the pandemic expenditure.

Additionally, it was administered in record time to ensure that those who needed help received timely support. As with every scheme of this nature that is thought up at short notice, there are always issues. There are always those who feel they are not fairly treated, but by and large I believe the scheme met its objectives and was successful.

Finally, the COVID Response Fund supported the capital expenditure requirements of the GHA and other Government Departments to enable the purchase of ventilators and IT equipment, amongst other capital items, to the tune of around £5 million. Overall, the COVID Response Fund supported the forecast outturn, in one way or another, to the tune of £227 million. With the exception of £2 million that came from the European Social Fund claimed to support BEAT employee payments, the balance was raised from Government's additional borrowing – that is to say £225 million.

This means that indirectly our recurrent expenditure has been financed by borrowing. This means that this pandemic has required us to break a sacred rule. We did so with the support of this Parliament and in the knowledge that this was the way that virtually every other country across the globe was facing down the challenge of this pandemic. So, by the end of March 2021 our aggregate public debt has increased from £438.9 million as at March 2019, to £677.7 million by 31st March 2021 – still within the ratio of 40% of GDP at £2.57 Billion. But that is not the full story. And that is not net public debt, that is aggregate public debt. It is important to also reflect on what else we paid for during lockdown.

Some £92 million was paid in pensions, without fail, and in order to stimulate continued economic activity and following advice from the OECD, the Government completed its assessments on individuals and paid out a total of £26 million over the two-year period in tax refunds. This means that we are now up to date with tax assessments and almost all personal taxpayers will have received their rebates to 2018-19, and we continue to make good progress on completing the assessments for 2019-20 with some 25% of those already complete. This is better progress than many, if not most countries in the world.

So, another thing we do with the money we collect as revenue is give it back to taxpayers who have overpaid, as soon as possible. That is not lavish spending. That is properly returning money to its rightful owner as soon as possible. It is a virtue, not a sin. I will talk about this further when

I comment on the performance of the Income Tax Office more generally, given it falls within my area of direct ministerial responsibility, but it would have been so easy to have simply allowed ourselves to fall behind in tax refunds and undo the excellent work that has been achieved in earlier years. We did not do so. We did the right thing and we returned moneys due to the taxpayers to whom the money is owed.

Mr Speaker, now I want to reflect on the estimate for the year ahead, as this will better describe to hon. Members the challenge I believe we now face as a community going forward. The year ahead is going to be very challenging as we seek to restore the public purse whilst ensuring we support economic activity. The balance that needs to be found is not an easy one as Government seeks to balance the books, repay the cost of the pandemic and put Gibraltar in a position to be ready to face the other challenges that may well yet come our way.

We must be honest with the electorate. Yes we have faced down this pandemic, yes we have exited it perhaps quicker than many other countries, thanks in large part to the support from the UK, but let's not kid ourselves: it has taken a tremendous toll on our public finances as it has taken a toll on virtually every other country's public finances in the same way. We all face the same challenges, and, like the pandemic, I want Gibraltar to exit this challenge successfully before anywhere else – and I believe we can do it.

But first to the challenge ahead. As you can imagine, seeking to project what will happen in the next 12 months is extremely difficult, as this changes, depending on further restrictions that may have to be imposed, how quickly business returns and how quickly revenues return. Despite these difficulties, estimating expenditure for next year as accurately as possible needs to be done. At present, we are estimating revenue for the year 2021-22 of around £633 million. That figure is some £67 million, or almost 10%, adrift from the level of revenue we were used to in 2018-19 and that which we were projecting for 2019-20. In that time we have not reduced employees or our ambition for the services we need to deliver to this community. Additionally, we will, of course, be making a contribution to various charities, including Community Care, although they already have been able to build up their reserves, for rainy days such as those we are experiencing now, from the contributions made by this Government, having been left at zero by the former GSD administration's failure to make donations in excess of their liabilities.

But simple mathematics tells us that this expenditure cannot match up to our projected income for the year. Indeed, we are projecting a deficit again of £51 million. In order to fund this deficit we will need the COVID-19 Fund to step in and borrow a further £51 million. I can tell you we have already done so. We have already borrowed a further £50 million over the 31st March 2021 figure. This is, of course, to be expected as the economy was largely shut down in the first few months of this year and we expect revenues to return as we seek to return to business as normal.

We are projecting departmental expenditure of around £551 million. This is almost in line with the expenditure estimated in 2019-20, so we are seeking to maintain expenditure levels for two years. It is therefore important for those listening to understand that every additional amount spent this year beyond the sums estimated in this Book will be an additional pound we need to borrow. We are keen to repay the borrowing as soon as possible, not extend it. For that reason, to rebuild our public finances as quickly and as effectively as possible I want to emphasise to everyone listening that we must be careful with any additional expenditure not already provided for in the Estimates Book before this House.

Speaking of matters not provided for specifically in the Estimates Book, I also want to deal with the question of the accounts and audits of the Government companies. COVID has impacted our ability to progress the audit of all Government company accounts. Nonetheless, very good progress has already been made in catching up on the accounting processes for Government-owned companies such that the accounting is up to date and companies are ready for audit, or for the accounts to be reviewed for an accountant compilation report to be prepared for those companies not legally requiring an audit. During the lockdown period much progress has been made in readiness for either of these processes to be finalised.

1315 To be clear, there are a total of around 70 Government companies. Eleven of these, like
 Gibraltar International Bank or Gibtelecom, are not within the remit of the Government
 accounting team compiling the reporting of these companies. This, therefore, leaves 59
 companies. Twenty seven of these – almost half, that is to say – were formed before our election
 and were all in default of the obligation to file accounts before we were elected. Management
 1320 accounts are ready for either audit or an accountant's compilation report for up to 31st December
 2019 and beyond for 54 of these companies – that is to say some 91% of all companies within the
 ambit of Government reporting. The audits and accounting compilation report processes have
 been completed on 34 of these companies, with many others presently underway.

To explain the nature of the problem, if you focus on those companies which we incorporated
 1325 post our election in 2011 – some 39 companies – management accounts are up to date for 35 of
 these companies for the periods up to 31st December 2019, with audits having been completed
 on some 26 of those companies. This is the best record of any administration in our history. We
 have therefore broken the back of this process and I now look forward to seeing steady progress
 to finalise the remainder over the coming 12-month period and have these filed and available to
 1330 the public. The filing should then be maintained without fail.

I want to move now to look at the performance of the job market these past 24 or 25 months
 since the last Budget debate. In that time, several Ministers have carried responsibility for this
 important area of Government policy. The Department of Employment continues to demonstrate
 that despite the pace of work and the enormous pressures placed on it in recent times by both
 1335 Brexit and the COVID pandemic combined, the dedication of its team has not faltered for one
 moment. They have done a magnificent job, so ably and inspiringly led by Debbie Garcia. During
 these past two years the Department has not rested. They have continued to work tirelessly and
 have stepped up to the demands and challenges placed upon them all – a real example of a
 Department in action in the service of the community.

During the pandemic the Department was also a fundamental entity in ensuring that the BEAT
 1340 support measures we approved were administered correctly in a manner that made our BEAT
 COVID measures a deliverable reality, and as a result of that work even in these most difficult
 times unemployment has remained stable and Gibraltar continues to boast historically low
 unemployment levels.

Looking to the statistical facts, as at October 2020 the total number of employee jobs in
 1345 Gibraltar has decreased by 1,087, an unsurprising 3.6% reduction, from 30,603 in 2019 to 29,516
 in 2020. Those figures were records each year, and we must not be surprised at all that the
 combination of Brexit uncertainty and COVID carnage has resulted in slightly lower overall
 employment figures.

Breaking down that analysis, the private sector employment figure has recorded a decrease of
 1350 1,214 jobs from 24,001 to 22,787 in October 2020. That is a reduction of just over 5% in private
 sector jobs in that period. Conversely, the public sector and the MoD have seen an increase in the
 numbers of persons employed of 1.9% and 2.1% respectively, to 6,232 people and 497 people in
 October 2020 when compared to October 2019. When the private sector reduction and the public
 1355 sector growth are netted off against each other, the overall drop in employee jobs is the 3.6% I
 referred the House to earlier.

Mr Speaker, I want to tell the House that there has been consistent growth in the number of
 public sector jobs in the years we have been in office. In the Civil Service, the number of persons
 employed and in post has gone from 1,584 when we were elected in 2011, to 2,040 now. That
 1360 means a growth of roughly 25% in civil servants in post under the GSLP Liberals in the past decade.
 I remind the House that we have won three elections committed to the complement as it was in
 2011. We have in fact increased the numbers actually employed in the Civil Service by 25%, or a
 quarter, so I imagine no one is going to be accusing us of decimating anything, and certainly not
 the Civil Service.

1365 Additionally, in the Agencies and Authorities, excluding the GHA, the number of persons employed and in post has gone from 730 to 890, a growth of 22%. That increase is the Agencies and Authorities excluding the GHA. That increase is up by a fifth, or 22%.

1370 In the Gibraltar Health Authority the number of persons employed and in post as direct GHA employees has gone from 715.5 to 914.5. That is an increase of 28% in the persons directly employed in the Health Authority, an increase almost of one third.

That growth in the public sector has to be better analysed to be understood. I will be asking the Civil Service Union and Unite to review these figures with me and, if appropriate, to consider with us the possibility of the introduction of agreed early-exit packages. These would, of course, only be agreeable if the number of posts could be reduced going forward.

1375 Undoubtedly as a result of the growth of public sector employment, the average gross earnings in Gibraltar are also up. The figure for average gross earnings now stands at £32,625.26. This is another record high, despite the many challenges our economy has faced, with an increase of 2.7% from the previously reported figure. In the near decade that we have been in office, nine and a half years, average gross earnings have increased from £25,835 by an incredible 26% – that is to say over a quarter – to the figure I have just reported to the House of £32,635. That is growth that is manifesting itself in the growth of earnings across our economy – definitely something we are proud of.

1385 Under this Government, despite all the challenges and with all the sterling efforts of Mrs Garcia and her team, we continue to see record low unemployment. In 2020, the year of a global pandemic and of our actual departure from the EU, the yearly average was a record low of 21. In the last quarter of 2020, as we battled to support the return to normal business operations, we again achieved a record-breaking figure with the last quarter average of unemployment at 23, the lowest level ever recorded in unemployment history since records began for that quarter. In 2021 we have continued to maintain low unemployment levels with the 2021 second quarter average of unemployment again at 23. This a 95% reduction in unemployment since our election 2011. I do not know whether the hon. Gentlemen are making notes: this is a 95% reduction in unemployment since our election in 2011. That is to say our record is a 95% improvement on the position we inherited from the hon. Members opposite for the GSD. I remember when hon. Members opposite used to say that anything under 300 was to be considered full employment. 1395 We inherited the number of unemployed from them at a year average of 442. Their last second quarter average in 2011 was 433 unemployed. Our second quarter average last year was five – not 5%, *five individuals*. That is obviously a pre-pandemic figure, but with a pandemic and having left the EU, our second quarter average was 23. Just for the sake of clarity, that is to say our second quarter average unemployment rate in the middle of the pandemic, having left the EU, was 413 1400 fewer unemployed than under them. Just saying, because that really says it all.

I guess we will not be hearing any more of the nastiness against the Father of the House's much maligned, hugely successful Future Job Strategy, and it puts all of their past rhetoric and all of the rhetoric to come today and later this week in its proper context. Whatever their words before and after today, whatever spin we may meekly see them try to apply to this fantastic performance by the GSLP Liberal Government, the GSD's lack of action in providing employment for those who needed it, their record and their performance is what damns them most. And despite their repeated criticism, their sneering, and now more than ever these record unemployment numbers, that is the proof that this Government's system works and it has continued to work well even under the testing times that we are living through.

1410 I now turn to taxation and the revenue that the employment in our economy generates has produced. The collection of corporate and personal income taxation consistently comprises approximately 40% to 50% of the recurring Government revenue. It is therefore a vital part of our economy and one on which I must therefore comment this year.

1415 The total figure of tax collected for 2019-20 amounts to £323 million, representing £189.4 million in personal income taxes and £133.6 million in corporate taxes. The total figure of tax collected for 2020-21 amounts to £314 million for 2020-21, representing £185.6 million in

personal taxes and £128.4 million in corporate taxes. I can report for each year there because we have the calendar dates of the payments and therefore I can break down the payments between 2019-20 and 2020-21 for the House.

1420 In 2021 there was £4.3 million less in personal taxation and £5.2 million less in corporate
taxation collected than in 2019-20. That amounts to an overall reduction in tax revenue of
£9.5 million from one tax year to the next. It is expected that the COVID-19 crisis will significantly
1425 start to impact global tax revenues, given the noticeable decline in economic activity and
consumption following national lockdowns and the forced closure of many businesses throughout
the pandemic. This is the expected widespread outcome predicted by the OECD. In fact, in our
own national analysis, the total tax collected in Gibraltar has dropped £31.7 million in the
24-month period, from £345.7 million in 2018-19 to £314 million in 2020-21. That represents a 9%
decline in tax revenue, which, although aligned to general expectations globally, also includes the
1430 impact of Gibraltar's exit from the European Union at a time in our post-war history when we
considered Brexit the most life-changing and redefining moment in Gibraltar's modern history.

For this reason, my Government continues to exercise prudent financial management and
planning, allowing us to navigate these challenges securely and ensuring we safeguard our future
and our way of life, a way of life we have all come to cherish and a way of life we wish to maintain
and enhance for our children and our children's children.

1435 Given the above, our financial forecasting of the 2021-22 revenue figure is conservatively
projected to a much lower sum of £300 million. This figure is reached taking into consideration
the impact we expect to see on corporate and personal incomes as a result of the pandemic. Of
that, £180 million relates to personal income taxes and £120 million we expect will relate to
corporate taxes. This is a very prudent estimate based on a safe and pragmatic consideration of
1440 the demographic of our taxpayer base and historic trend analyses.

As part of our continued assistance to taxpayers, however, as I alluded to before, we have also
provided in the estimates sufficient funding to sustain the Income Tax Office's refunds
programme. That will continue what we have already done throughout this difficult period, when
we have sought to accelerate refunds to taxpayers. As a result, a further £10 million was invested
1445 in the 24-month financial year gone, bringing the total amount allocated to tax refunds during the
2019-21 period to £26 million. This is more money than has ever before been paid in refunds to
taxpayers and this has allowed us to continue to make significant inroads in this area and to ensure
that those who are owed their money get it as soon as possible. Our commitment will continue in
2021-22, with an additional £18 million allocated towards the final stages of this process. This will
1450 enable the Income Tax Office to issue remaining refunds up to and including those for the
2019-20 tax year and allowing for a return to a reduced recurring funding level in the future.

This process itself has not been without its difficulties. The closure of Government's cash
counters arising from the pandemic has required the Income Tax Office to process a tremendous
amount of banking information not previously held, in order to be able to service refunds due to
1455 taxpayers remotely. I am aware that some people have had to wait longer than they or we would
have liked to receive their refunded money. I ask those still waiting to please be patient. The
Government does not want to keep your money, it wants to return it as soon as possible. That is
the best stimulus measure we can provide, to put more money into taxpayers' pockets for them
to save or spend as they wish. I therefore urge everyone listening who has not done so already,
1460 to please ensure that they provide banking information to the Income Tax Office. Having these
details available will reduce the processing time and enable Her Majesty's Treasury in Gibraltar to
effect payment in a shorter timeframe. In this respect, I must thank the team at the Income Tax
Office for their hard work and efficiency.

I must also take the opportunity to speak about international developments in taxation. The
1465 Government continues along its defined strategy of tax transparency and prevention of base
erosion and profit shifting (BEPS). Gibraltar has already indicated its in-principle support for the
OECD's consensus on pillars 1 and 2 relating to the taxation of the digital economy, the allocation
of taxing rights and the harmonisation of a minimum global corporate tax rate. This is perhaps the

most pivotal move taken to date in order to address BEPS risks at a global level and by large multinational enterprises, one Gibraltar has participated in as an Inclusive Framework member on an equal footing with all other 129 countries that have expressed support for this initiative.

The Commissioner of Income Tax, as competent authority for Gibraltar under numerous international exchange mechanisms, continues to service relevant obligations in respect of the exchange of information. During the period since my last Budget address, Gibraltar has undergone numerous assessments as part of its membership of the Inclusive Framework on BEPS across a wide range of actions.

It is important to recall that access to the OECD's Inclusive Framework on BEPS was achieved as a direct result of negotiating and concluding the Tax Treaty with Spain. This permitted Gibraltar to become a member of the Inclusive Framework and participate autonomously in initiatives such as those set out. Most notably, in September 2020 the Global Forum published that Gibraltar retained its largely compliant rating in accordance with the international standard for the exchange of information on request. This rating puts Gibraltar on a par with many other significantly larger and mainstream jurisdictions such as Australia, Canada, Germany, Spain and the United Kingdom – an excellent result for a small jurisdiction with limited resources, most definitely a testament to the hard work and expertise of all involved.

The Government's prudent stewardship and our economic policy coupled with our appetite for tax transparency, administrative co-operation and mitigation of BEPS risks, has attracted positive international recognition. Not only does Gibraltar no longer feature on specific lists classifying territories as tax havens, but it is listed by the Tax Justice Network below the United Kingdom, the Channel Islands, Germany, the USA and Spain in their 2021 Corporate Tax Haven Index. This list ranks those jurisdictions most complicit in helping multi-national corporations to underpay corporate income tax by considering tax and financial systems as well as laws and policies available to reduce instances of abuse. Jurisdictions are ranked by their Corporate Tax Haven Index value comprising a measure of how much scope for corporate tax abuse the jurisdiction's tax and financial systems allow. This is assessed against 20 indicators. I have tasked our taxation experts to now review the Tax Justice Network's detailed methodology and consider these 20 indicators in order to improve our ranking, where possible.

Perhaps the most central developments in Gibraltar's international tax landscape in the period since my last address are the entry into force of both the Double Taxation Agreement (DTA) between the UK and Gibraltar and the International Agreement on Taxation (ITA) between the UK and Spain regarding Gibraltar. Following ratification, the DTA with the UK entered into force on 24th March 2020. This framework provides greater clarity for international businesses structuring their tax affairs and allows them to do so in a manner which is wholly transparent and aligned to international tax principles. This, in turn, encourages inward investment and growth at such a crucial time.

Relationships have also been strengthened between the Income Tax Office and HMRC and HM Treasury in the UK, enabling officials on both sides to reach out and network with counterparts and key personnel as required. An example of this is the Memorandum of Understanding between the competent authorities of the United Kingdom and Gibraltar concerning the assistance in the collection of taxes under Article 26 of the DTA, signed on 24th June 2021.

Despite having seen its fair share of negative commentary, particularly from hon. Members opposite, and being the subject of a lengthy parliamentary debate, the Government successfully published the legislation giving domestic effect to the International Tax Agreement with Spain on 26th February 2021, following which it entered into force on 4th March 2021. Following its entry into force, the Joint Co-ordination Committee and the Liaison Bodies formed under Articles 4 and 5 of that Agreement met in May 2021 via video conference. The purpose of the meeting was to discuss important aspects of its implementation and the best way forward on co-operative matters. More recently, the first reciprocal exchange of information under Article 3 of the agreement has been successfully concluded by both parties involved.

1520 Mr Speaker, for all of these reasons, as expected, the Agreement with Spain is a success story
in the making: no concessions made on sovereignty and a commitment by Spain to both remove
us from their blacklist and not to lobby for our inclusion on any others. However, if this were not
sufficient evidence vindicating the Government on its decision to proceed with this Agreement, I
have only recently received some positive news justifying all our hard work on this even further.
1525 As a result of the liaison between the Income Tax Office and their Spanish counterparts, I am now
advised that certifications issued by the Gibraltar tax authorities have been recognised by a
regional tax court in Andalusia. As a result of their acceptance, these authorities have officially
accepted the tax paid in Gibraltar as a set-off against the tax due in Spain. This important
recognition should now see tax cases against Gibraltarians in Spain receiving a fairer treatment in
1530 line with internationally accepted principles. Recognition of the independence of the Gibraltar tax
authorities, and by extension the autonomy of our tax system, is a fundamental breakthrough and
one which has been facilitated through this much maligned Agreement.

I hope that these successes continue and that this Agreement allows for a closer relationship
with our neighbours, one under which, through mutual respect and understanding, a relationship
1535 can flourish for the betterment of both sides.

Later this week we plan to issue a list of questions and answers compiled by the Income Tax
Office based on those questions people have raised in respect of this Agreement. Clearly this is
not tax advice but rather the Income Tax Office's view on how they understand the Tax Treaty
with Spain. The Income Tax Office reserves the right to modify this as matters progress and there
1540 is further experience from the interaction of the treaty, but I think this will be useful for
professional advisers in particular.

Finally, in relation to the international aspects of the work of the Tax Office I refer the House
to the press release issued by the European Commission on 19th March 2021 under which the UK
was being referred to the European Court for failure to recover illegal tax exemption aid in
1545 Gibraltar. I am pleased to be able to announce to the House today that the Income Tax Office, as
the authority charged with recovery of the aid due, has achieved provisional implementation of
the decision, as confirmed by the European Commission's Enforcement Team, through payments
into escrow in relation to the outstanding amounts of aid. In the circumstances, we expect to be
able to continue to work to give effect to the state aid decision without infraction proceedings
1550 being progressed further against us.

Returning to focus on a national level, the Income Tax Office continues on the path to a
digital transformation. A move into this space is considered a vital and necessary step in a
post-COVID-19 working environment. In this regard, the Commissioner of Income Tax has asked
me to extend his thanks to the Government's Information Technology and Logistics department
1555 for their continued support as and when required in all such matters.

The Income Tax Office has also worked closely with Government's Digital Services team for
their successful launch of a number of online tax services, including a registration verification
process, the application for an S1 certificate and the ability to manage your own allowances. These
services are being expanded and will shortly also allow taxpayers to submit their income
1560 declarations online through a dedicated user portal. Innovation, modernisation and a strong sense
of customer needs underpins this project, driven forward by the Income Tax Office's intention to
deliver a digital tax system that is fit and proper for all users.

And now, Mr Speaker, I turn to the moment you have all been waiting for. Having shared all
this detailed information with all hon. Members, I will turn now to the measures that the
1565 Government proposes to introduce this year.

This year, in keeping with our manifesto commitment, the disability benefit will increase by the
rate of inflation. The old age pension will similarly also increase in line with inflation. The
Government has already made clear its commitment to equalise the pensionable age between
men and women. We will continue our work to achieve that in the most advantageous way
1570 possible that is affordable for our community. That is work in progress that is taking longer
because we are trying to deliver the best possible option for our people. Both the disability benefit

and the old age pension have risen by at least the rate of inflation every year since we were elected, and will continue to do so.

1575 The Minimum Wage will also go up again this year. When we took over, the Minimum Wage was at about £5.07 an hour. That amounted to just over £10,000 a year. The Statutory Minimum Wage was increased to £6.45 with effect from 1st August 2017. It went up in August 2018 again by 4.5%, or 30p an hour to £6.75. As a result, the Minimum Wage had increased by 25% in our first seven years in office. That was already the highest increase in the Minimum Wage that any Government has ever delivered in our history.

1580 I have said repeatedly that I am in politics to help working people. My background is proudly undeniably working class. As I have told the House before, I am proud that I come from a working family and we know what it is like to have to scrimp and save. Each year I will therefore insist on wanting to continue to increase the Minimum Wage by as much as the economy can reasonably wear without risk. If I thought it could rise by more, I would put it up by more. That is a careful
1585 exercise that we have to do.

In 2019 I put in place a mechanism to ensure that the Minimum Wage would increase by a third of what it was when we were elected. The legislation on the Minimum Wage therefore provided for increases to £7.50 until the next three financial years. Hon. Members will recall that at the election the Leader of the Opposition betrayed that he had not been aware of this being
1590 provided for in the law. Those increases, culminating in this increase, will deliver a Minimum Wage at £7.50 an hour. The next two programmed increases will provide for inflation. These increases give workers on the Minimum Wage the certainty that their hourly rates will continue to rise every year for five years. Workers have never had that certainty before, in particular when Members opposite were in power and the hourly wage rate sometimes did not go up at all for some years.
1595 I am delighted that by seeing through the implementation of this law this year we are delivering the most generous ever increase in the Minimum Wage in any 10-year period, however it is measured. No government in Gibraltar's history has ever increased the Minimum Wage more.

By announcing these increases as we did in 2019, we also enabled businesses to plan ahead. I recognise the representations made by the Chamber and the Federation of Small Businesses
1600 seeking that we should delay the increase in the Minimum Wage for a year as a result of the pandemic. We do not agree. We will not act, as the GSD acted, not to increase the Minimum Wage. We believe that our five-year escalator for the Minimum Wage was the right thing to do and we should not stop or pause the escalator.

As I told the House when we introduced the escalator, I am happy and proud to be able to
1605 show that at this rate our Minimum Wage is comfortably in the top third of the group of 21 countries in the EU that have a Minimum Wage or the Group 3 Tier. Now our Minimum Wage is the sixth highest in the 21 out of the 27 countries in the Eurozone in which there is a Minimum Wage. I am calculating that based on a Minimum Wage at £15,600 a year or £1,300 a month, at £7.50 an hour, on the basis of a 40-hour week, 52 weeks a year – divided by 12 for the number of
1610 months in the year. That means that the Minimum Wage in Gibraltar has already gone up by almost 50% in the time we have been in office, from just over £10,000 to over £15,000. At Friday's exchange rate of €1.17 to the pound sterling, our Minimum Wage will be in the top third in Europe at €18,252 a year, or €1,521 a month. The average monthly Minimum Wage in Europe is €962, or about two thirds of ours. We are doing well by any measure when it comes to our record on the
1615 Minimum Wage. Germany only provided for a Minimum Wage as recently as 2015. We have had it since the Hon. the Father of the House introduced it in his first Budget after 1988.

After this increase we will be alongside France and just below Germany at €1,584 a month, and Belgium at €1,594 a month – but with one caveat. When adjusted for deductions of Social Insurance, the sum of the take-home Minimum Wage in Gibraltar is higher than in Germany. To
1620 be clear, in Germany an employee pays about 14% of their gross salary in Social Insurance, for half, 7%, the employee pays himself and the other half is paid by the employer; an additional pension insurance of 18% – half paid by them, 9%, and half by the employer. Additionally, long-term care insurance is paid at the rate of 3%, the whole amount paid by the employee – with an

additional 0.25% if they have no children – and also 2.4% unemployment insurance, paid half by the employer and half by the employee.

All of these deductions on Social Insurance equivalent payments due from a person on the Minimum Wage in Germany produce a state deduction of €110.88 for healthcare insurance from the employee, €142.56 for pension insurance from the employee, €47.50 for long-term care insurance from the employee and €19 for unemployment insurance from the employee. The employer pays the other half of the 7%, the 9% and the 2.4%. The total state deductions in Germany, the industrial powerhouse of Europe, from the pay packet of a citizen on the Minimum Wage is therefore €319.94. That leaves a Minimum Wage take-home pay before tax in Germany of €1,264 per month.

In Gibraltar the monthly take-home Minimum Wage before tax is reduced by the sum of state insurance payments of £130 per month payable by the employee after the increase. That is €152 a month at the same exchange rate, less than half of the deductions in Germany. That leaves a take-home wage in Gibraltar for those on the Minimum Wage, calculated in euros, of €1,369 a month. Our minimum take-home pay for full-time work is therefore above Germany. They never thought it was over before our election, but is now. It is an honour to be able to show that our consistent increases in the Minimum Wage since we were elected have now put our Minimum Wage take-home above the German equivalent. We will continue to seek to increase and climb up that ranking too, because in the same way we have grown our economy in other areas we will continue to do so in this respect also, properly, consistently and realistically adding to the Minimum Wage in a sustainable manner.

As the Minimum Wage goes up, so does the guarantee that no pensioner or pensioner couple will have to survive without at least the Minimum Wage. That is a measure without equal in Europe. It is important that those who talk of hardship or of needing more should realise what the context is. People need to be reminded both of the benefits already enjoyed in Gibraltar and of how important it is that our careful balance is not upset. In simple terms, we must not kill the goose that lays the golden eggs, because the quality of our country will always be measured by what we offer to those who have least and not what we require of those who have most.

This year we will also move to ensure we provide a law for trade union recognition. Our Command Paper will pass to become a Bill and then to become an Act. Additionally, we do not just want to ensure that we are raising the amounts payable per hour for each worker; we want to ensure that our labour market is increasingly progressive and fair. In this respect we have done considerable work in partnership with Unite the Union on how labour conditions should change. Indeed, the Social Insurance changes made by the Father of the House will largely dissuade the use of zero-hour contracts. We are continuing that work: wage progress, social progress, workers' rights, all protected, all enhanced. Do not expect otherwise from this Socialist Liberal Government.

I move now to address matters of corporation tax. Those following international tax matters will have seen the OECD announcement following the OECD meeting that took place on 1st July 2021. This meeting was to discuss and agree upon on the framework for tax reform. In essence, over 130 countries and jurisdictions out of 139 in the OECD joined the bold new Framework for International Tax Reform, and Gibraltar, as I said before, is one of those jurisdictions. The framework, which, as hon. Members will know, originated in a G7 meeting in Cornwall, has now been adopted by the G20 and has led to the EU changing its position on the so-called 'Google tax' or the 'digital levy'.

For the benefit of those who may not be following this, the G7 and the OECD have alighted on a framework to update key elements of the centuries-old international tax system, which is no longer fit for purpose in a globalised and digitised 21st-century economy. The framework consists of the two-pillar package which is the outcome of negotiations co-ordinated by the OECD for much of the last decade. This framework aims to ensure that large multi-national enterprises (MNEs) pay tax where they operate and earn profits, while adding much needed clarity, certainty and stability to the international tax system. Pillar 1 seeks to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, including digital companies. It

would reallocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence or not. Pillar 2 seeks to put a floor on competition over corporate income tax through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases.

Although this is complex, it is important that it should be understood in our community, as these measures are important to our finance centre, which creates thousands of jobs that provide incomes for many families and corporate taxes that fund our services. So, our people need to understand these issues in the same way they understood our admittedly simpler exempt company regime because back in the day it brought a lot of work to our people despite the non-payment of corporation tax. This two-pillar package will provide much needed support to governments needing to raise necessary revenues to repair their budgets and their balance sheets while investing in essential public services, infrastructure and the measures necessary to help optimise the strength and the quality of the post-COVID recovery. These are the OECD's words not mine.

I am delighted to confirm that Gibraltar has registered its support for this framework. Whilst I understand this will present challenges to this jurisdiction and its model of taxation, I do not believe it is in Gibraltar's interest to be the outlier that would not sign up to this framework and would seek to resist it. To have resisted this would have been to consign Gibraltar to the group of eight countries and jurisdictions that did not support it. That would not be a safe cabal to be included in, especially as the measure, being an OECD measure and not an EU measure, will not require unanimity for its application.

The fact that financial services companies are likely to be exempted at the instance of the United Kingdom will no doubt make application easier, but our future is as a leading, innovating, value-added jurisdiction on the right side of the global transparency and accountability spectrum, not on the opaque side. What I believe we need to do is to understand the changes and navigate Gibraltar through reforms safely and securely, so that we are left placed in the best position possible.

These are early days though, as the framework has just been agreed conceptually. As ever with matters related to taxation, the devil will be in the detail. Nonetheless, what is clear is that under pillar 2 the world will likely soon be moving to a minimum tax rate of 15%. For this reason, I am today announcing an increase in corporation tax in Gibraltar. Any company commencing a financial period after today's date will now pay corporation tax at 12.5% and not 10%. This means that if the new global agenda prospers, when we are required by the OECD to move to 15% the increase will be less significant. 12.5% is also the rate of corporation tax in Ireland.

Additionally, it needs to be remembered that corporate tax is only paid on profits, it is not paid on turnover. For that reason, it is not an additional cost to the business, but rather a slice that Government takes of profits before these are returned to the shareholders by way of dividends.

While we increase the tax rate for corporates, we will also provide new incentives to corporations that act properly and responsibly. As we come out of this pandemic my Government wants to seek to encourage good corporate social responsibility. We will support corporate behaviour that delivers capital investment, corporate behaviour that delivers marketing strategies that help place businesses and Gibraltar on the map, and corporate behaviour that supports the further training of our workforce, encouraging employment. We will also single out for support corporate behaviour that encourages environmental improvements. So, I say to businesses: invest in employment, invest in training, invest in capital items, invest in marketing and invest in environmental improvement, and we will support you in doing so. We will be your partners in these endeavours and these are the measures that will deliver our partnership.

Mr Speaker, unless I state otherwise, the measures I am about to announce will only have a limited life of around two fiscal periods, from this date until 30th June 2023. This is what we believe will turbo-charge this economy out of this difficult period we have experienced and will

create the foundations for a stable recovery. We will, of course, nonetheless consider the take-up of these measures and review their application over the period in question.

1730 First, investment in employment. In order to encourage employers to take on and train new staff, we will grant an allowance of 50% of the fixed salary cost of every employee employed after this date. This means that for every £10,000 invested in employing new staff the business will be able to claim a deduction of £15,000. For the purposes of this measure, 'fixed salary cost' means the employment cost as per the contracted salary or similar with the Employment Service. So, who can sustain the nonsense argument that we are taxing employment, when in fact we are
1735 giving tax breaks for employment and training of new staff? The measure will be limited to basic salary and will be exclusive of bonuses, allowances and overtime.

Businesses that invest in training their people will have the allowance for qualifying training under section 16 of Part IV of Schedule 3 of the Income Tax Act increased by 10% to 60% of those training costs. This means that for every £1,000 spent of training the business will be able to claim
1740 a deduction of £1,600. The claimant will need to satisfy the Commissioner of Income Tax, through an application, that the expense is validly incurred in staff training. In order to encourage appropriate behaviour, for these purposes it will be the cost of training only that is increased, so ancillary costs such as travel and accommodation are not covered.

Businesses that invest in marketing will be awarded an additional deduction amounting to 50%
1745 of marketing costs. This means that for every £1,000 spent on marketing the business will be able to claim a deduction of £1,500. Again, the claimant company will need to satisfy the Income Tax Office, through application, that the expense is validly incurred in marketing for the purposes of the business.

Capital allowances encourage businesses to invest and upgrade their equipment. COVID-19 has
1750 shown the reliance we now have on technology, on IT, on contactless payments etc., and we want to encourage our businesses to invest in upgrading their equipment. For this reason we will increase first year allowances for plant and machinery and computer equipment from £30,000 and £50,000 to £60,000 and £100,000 respectively and allow the following. For plant and machinery, where the amount of expenditure incurred is greater than £60,000, the first year
1755 allowance will be the higher of the following: £60,000 or 50% of the expenditure incurred. In the same vein, for computer equipment where the amount of expenditure incurred is greater than £100,000 the first year allowance will be the higher of the following: £100,000 or 50% of the expenditure incurred.

In addition, in order to ensure the capital allowances flow through over a shorter period and
1760 assist businesses immediately in these difficult times, we will increase pool allowances from 15% and 20% to 25% and 30% respectively for persons and persons other than companies.

We will also grant a general wear and tear on real property from where the business is conducted at 1% of the cost of acquiring the property. This is different to the industrial buildings allowance and industrial buildings therefore will not be eligible for this allowance.

1765 Finally, and consistent with our green agenda and our commitment to reduce the amount of polluting vehicles on our roads, we will extend capital allowances to promote the adoption of greener technologies by businesses. As a result the 'plant and machinery' definition will now allow for private vehicles where these are partly used for the production of the income and the motor vehicle is a full electric vehicle and not a hybrid.

1770 As a Government we need to lead by example, as we are, and we need to create the environment to protect the environment by encouraging businesses to follow our lead. As an economy we need to move in this direction and it is often the private sector that leads the way.

Mr Speaker, I have already touched on one environmental measure. I will now announce further environmentally important measures that are not intended to be limited to the next two
1775 years.

We have already provided legislation allowing deductions for solar energy systems for the installation of water heaters. These measures are now extended for any solar systems installed by companies, businesses or individuals and are no longer to be limited only to water heaters. A

1780 similar deduction for improvements to the EPC rating of a property is available under the Energy
Performance (Deductions) Rules 2018. The Income Tax Office has not received any applications to
date under those Rules. We will therefore increase the rates applicable, to see if we can encourage
business to take up this measure. The rates will therefore increase as follows: in category A+ the
rate for tax deduction will increase by 30%, from 70% to 100%; in category A the rate for tax
deduction will increase by 30%, from 55% to 85%; in category B by 30%, from 40% to 70%; in
1785 category C by 25%, from 25% to 50%; in category D by 15%, from 15% to 30%; in category E by
10% from 15% to 25%; and in category F by 5%, from 5% to 10%.

Mr Speaker, as I have mentioned previously, because no Budget session was held last year it
was not possible to increase allowances or consider taxation changes. In the context of this
difficult year, the first instinct of many may have been to raise personal taxation. We have worked
1790 very, very hard in the Government and in the Ministry of Finance to try not to raise personal
taxation. Social Insurance has been raised to help fund the GHA and pensions, and hon. Members
and those watching should be reminded that every penny of Social Insurance goes only to fund
the GHA and pensions. So, today I will not raise personal taxes for working people on our standard
GIBS or allowance-based systems and I will not introduce tax on pensions. We have worked very
1795 hard not to have to do so at this very difficult and financially challenging time. Additionally, I will
not raise personal allowances across the board in a manner that will have the effect of lowering
the tax burden.

Given the 24 months we have just passed and the challenging period ahead, it would be
irresponsible of me to increase all tax allowances. I am, however, conscious that there are those
1800 within this society who need our help more than others. Those of us who can carry the burden of
these difficult times have the responsibility to do so. Similarly, it is our responsibility to help those
who most need our help. For this reason, I propose to increase allowances by inflation or more to
a targeted, limited group of taxpayers who are the ones who may most need and benefit from
such increases. In this respect, hon. Members should note that the measure of inflation in the
1805 period July 2019 to April 2021 is around 1.5%. The following allowances are therefore set to
increase with effect from 1st July 2021 as follows.

The age allowance for single individuals is increased from £5,600 to £5,685. The age allowance
for married individuals is increased from £9,055 to £9,190. We must be conscious of the
importance of helping those of our elderly in our community who need our help.

1810 The allowance for blind persons will be increased from £5,395 to £5,475 to assist those with
visual impairments.

The allowance for a child studying abroad is increased from £1,355 to £1,375 to assist families
with dependants in further education, which is already funded by the Government.

The allowance for a dependent non-resident relative is increased from £220 to £250. The
1815 allowance for a dependent resident relative is increased from £335 to £400.

The allowance for a disabled individual is increased from £9,475 to £10,000. This is a
considerable increase, much ahead of inflation, which is designed to show that we understand
just how difficult the lives of the family members of the disabled are too. This sum has increased
from £2,724 under the GSD to £10,000 in our time in office. That is to say we have quadrupled the
1820 disabled individuals' allowance.

It is right that we should increase such allowances in this way. I do not care if Members
opposite call me lavish in my spending when I spend on these matters, or on the creation of a new
St Martin's School, or on other expenditure to come for people with disabilities. I consider it a
badge of political honour to be attacked by them in this respect. I know that there is more to do
1825 in this respect, but we have done more than most and we will take no lessons from the GSD on
this.

The maximum allowance for nursery fees is increased from £5,400 to £5,480.

The allowance for a single-parent family is increased from £5,690 to £5,800, again much above
inflation because in this bracket this increase will help single-parent families – usually, but not
1830 always, women left to bring up children alone – in a meaningful manner. I also am asking that the

Commissioner should look at the definitions employed in respect of this single-parent family allowance, to ensure there is no abuse of it.

Mr Speaker, the rules for category 2 individuals and those for higher executives possessing specialist skills have not been amended for a number of years now. It is time to balance the requirement for these with the demand that has been seen in recent months. Our changes are relatively straightforward. For category 2 individuals the cap beyond which no further taxation is due in Gibraltar is set to increase from £80,000 to £105,000. In addition, the minimum tax payable by category 2 individuals is set to increase from £22,000 to £32,000. Our changes for higher executives possessing specialist skills arise from changing the threshold to qualify for this classification. Going forward, to qualify for this classification an individual will need to earn more than £160,000 instead of the existing level of £120,000. These individuals will only pay taxation up to this level.

Transitional arrangements will also be brought into effect. These will cover businesses that are presently in possession of a certificate in respect of existing individual employees possessing specialist skills who currently earn more than £120,000 but less than £160,000. These certificates will remain grandfathered under the HEPSS regime for a period of two years to allow these businesses to rationalise their employment terms. Grandfathered individuals will continue to pay taxation under the HEPSS regime, which is slightly higher than taxation under the normal regime, even though they would not qualify for a HEPSS certificate if they applied for it after these changes under the revised terms. This will allow their employers not to lose their certification whilst they readjust their employees' earnings and qualify under the revised provisions for HEPSS. Since it is ill advised to increase taxation retrospectively, and we would always seek to avoid that if possible, these changes will come into effect on 1st August 2021.

Mr Speaker, businesses have often said that it is difficult to deal with these measures once announced, without the relevant legislation in place. We have heard them. Whilst the time to produce the regulations is certainly now much shorter than when my colleagues opposite were in Government, when we often found ourselves legislating more than a year after a measure had been introduced, any delay is obviously regrettable. For that reason, on Thursday this week regulations will be published in the Gazette that bring into force all of these announcements which require regulations to be changed. In respect of those measures which require a primary change to legislation, I will be seeking to amend the Bill before the House in order to propose the inclusion of the changes necessary to the Income Tax Act as we pass this Bill, as an additional section of the Appropriation Act. I would like to thank the Commissioner of Income Tax, John Lester, and his team for their hard work and diligence in making this possible.

Mr Speaker, the last time electricity was increased was when the GSD was in office, in July 2010. The standing charge had been increased by the GSD by 100% in 2005. Since that time to the end of January 2021, IRP has increased by around 20.5%. Those who follow these debates will recall that in the last few years of the GSD Government they had starting increasing these tariffs annually since 2008, presumably to get the electorate accustomed to the 5% annual increases that would be demanded by the financing arrangement they were intending to put in place to finance their diesel power station. The tariff had been increased by 10% in 2005 and they then increased it by an average of 5% per annum from 2008 to 2010 – in the Budget the year before election year, of course. Members opposite will not be able to avoid the fact that the measure that the GSD proposed in respect of electricity tariffs was to increase electricity charges over these past 10 years by 50% and to continue those increases for a further five years to reach a total of a 75% increase. Hon. Members have to remember that we have the document which committed them to do so.

My Government has instead held electricity prices at their 2010 levels for over 11 years. That said, given the increases in the cost of living and the disproportionate contribution the taxpayer needs to make to fund the production of electricity, the time has now come to increase all tariffs across the board, so that we no longer all have to fund the consumption of electricity by the biggest consumers through our general taxation. We must move to a system where those who

consume pay closer to the cost of what they consume. As we have consistently said in the General Election campaigns since 2015, we will be better able to do this with the new LNG facility now commissioned. This is a cleaner and cheaper fuel than the grimy, smelly diesel power plant we were going to be condemned to under the GSD.

In consumption terms, commercial users presently make up about 16% of users by number but consume some 52% of the units billed, whereas residential users amount to 79% of the GEA's consumer base but only consume 39% of units billed. These statistics are correct for the first quarter of 2021. For this reason, the Government will increase the commercial electricity tariff and all other incidental tariffs by 20% rounded off, on both charge per unit and standing charges, to keep pace with inflation.

I also think this is also a moment to consider how best to charge for electricity. Historically the business tariff has had a discount over personal consumption. This historical anomaly was based on charging less for a greater consumption. However, in 2021 our green or environmental agenda means it no longer makes sense as a community for us to be rewarding or subsidising volume consumption of electricity. In addition, it is businesses that are usually best placed to make the environmental changes that are required, such as smart lighting, conversion to LED lighting and greater insulation to business premises to retain the heat in winter and block out the heat in summer. For that reason, in order to align matters we will match domestic consumer tariffs to the new, lower, increased commercial tariff. This means that the commercial consumer tariff amount paid by home consumers increases by less than the inflationary increase – that is to say by some 16%. This also means that we will have put the cost up by an average of 1.6% a year whilst we have been in office, or 3.5% less than the GSD would have done per year if they had been in office in that period. And all that is, in any event, 30% less than the GSD would already have increased the electricity charge. That is a GSLP Liberal discount of which I think we can be proud on this side of the House. The increases will henceforth be linked to inflation and will increase on 1st June each year.

Additionally, tariffs 5, 6A and 6B are now abolished. They were only benefitting a small number of consumers and the Government sees no reason to continue them. We hope that this will also encourage consumers to install renewable sources of energy.

At these new rates the electricity charges in Gibraltar will still be lower than in the United Kingdom or Spain, and that will be because Government will still be subsidising the cost.

I should add that our power station does not just pollute less than the option proposed by Members opposite – it is not an eyesore at the entrance to the Nature Reserve, it costs less to run and it will be paid for sooner too and without the consumer having to dig deeper into their pockets as they would have done under the funding arrangements proposed by the GSD and Members opposite. Thank goodness we were elected in time to stop that grimy, smelly diesel folly.

Mr Speaker, as you are aware, following the New Year's Eve Agreement we are involved in detailed negotiations with the EU, Spain and the UK about a possible fluidity deal. Part of the New Year's Eve Agreement envisaged that we would look at a customs arrangement. Some of the alternatives that we have discussed with TLAC envisage a change to our established systems of import duties. We will continue our work with TLAC and with specific sectors and specific economic operators to ensure that we are ready for the negotiation and the decisions we will have to make. Given the challenges of the possible changes to the regime, I propose to make very limited changes to the duty tariff at this point despite it being over two years since I last effected significant changes. I do not think it is prudent to do otherwise.

However, in order to continue to raise revenues from the consumption of polluting fuels, as from midnight last night the rebate on duties for fuels supplied from land or otherwise to superyachts, jet-skis or pleasure craft of any type is reduced by one third and the supply of these fuels will therefore attract one third of the relevant fuel duties. Any diesel fuel supplied to a superyacht, jet-ski or pleasure craft of any type will also now attract 12 pence of duty per litre, roughly the same amount as will be due by the reduction of the rebate by one third in respect of other fuel. These increases will retain Gibraltar's attraction as a port for such visiting vessels, but

1935 will also provide much needed revenue for the public coffers at this time from those who are fuelling a hobby or a pleasure and not from those who require fuel for professional purposes.

Mr Speaker, as part of my Government's continuing efforts to curb the health problems arising from smoking, as well as our commitment to tackle all illicit tobacco smuggling, and after consultation with the Collector of Customs, the following increases of import duty have been introduced as from midnight last night: import duty per carton of 200 cigarettes will be increased by 50 pence to £15.50 per carton.

Mr Speaker, as you know, a couple of years ago we conceived and built the small boats marina. This houses 700 vessels, approximately. We were much criticised for this development by Members opposite. It is another one of the things they complained was 'lavish spending', however good it might be for so many who have benefitted from the creation of the berths. The marina provided berthing for experienced hands who wanted to have a place to berth their vessels, as well as a number of Gibraltarians who had not previously owned vessels but aspired to own one too.

Unfortunately, some individuals no longer want the vessels but are unable to sell these, as the next prospective purchaser is unable to confirm whether they will be eligible for a berth, making the market extremely limited. We are also aware that a number of berth holders would wish to acquire their berth, just like car owners want to acquire a garage. With this in mind, the Government will now move to sell the berths to those who may be interested. The sale price for the larger berths will be £40,000. The smaller berths will sell for £32,000. The price will hold until 31st March next year. You do not have to buy, but you can buy if you want to. Each year on 1st April until further notice, the sale price for berths from Government will increase by 10%. Once acquired, the berths will be freely transferrable but only to Gibraltar residents approved in writing by the Captain of the Port in his discretion. Renting of berths will also only be permitted if previously approved in writing by the Captain of the Port in his discretion, and each rental will require specific approval. The right for onward sale by an individual will, however, be at an open market price. Given that berths and boats are not necessities but luxuries, these transactions will be subject to stamp duty at the rate of 5%. Berthing fees will still be payable, as these are in the nature of a service charge payment to the management committee of the marina and they go to the maintenance of it. The total revenue from the sale of the berths, if all were to be sold, would amount to more than £25½ million, which is close to the development costs of the small boats marina. Additionally, the Government also retains the huge asset which is the outer superyacht marina, which has brought so much business already to Gibraltar and which we are looking to develop further.

Mr Speaker, those are the measures I announce today. That is the Budget that we propose for Gibraltar: no tax rises – although that has not been easy for personal taxation; maintaining the absence of tax on pensions; modest tax allowances for those who need it most; duties on polluting fuels and on income-generation measures from luxuries, not from necessities. A carefully calibrated package of measures designed to protect the income of working people, giving only to those who need it the most, taking more only from those who can afford it the most, working to refund our coffers to continue to fund the lifestyle we all want to see for our children.

My colleagues will later take the House through how each of their Departments will address their own revenue and spending commitments to deliver against the estimates now formally before the House.

It is traditional that I would now thank all Ministers and public servants for their work in the run up to this debate. It has become almost formulaic to do so, but it cannot be formulaic. These past 24 months have shown everyone in our community that without our public sector we would not have been able to deal with the COVID pandemic as we did. So, there is nothing formulaic about the gratitude I express to all my Ministers for their work alongside me, and the Deputy Chief Minister in particular, in these extraordinary times.

I include for thanks, of course, the Hon. Mr Gilbert Licudi QC, who was a Minister at the worst of times and was also a feature of our daily 4 p.m. press conferences. Now that he is not a Minister,

he can reflect on the excellent work he has delivered for Gibraltar. His record includes the small boats marina, the University and a number of new schools. That alone would be a magnificent record for a whole Government. He should rightly be proud of what he has achieved as a Minister, as should Neil Costa, who has left the Government since the last Budget and carries the moniker of 'hyper-achiever' for his efforts in my first Cabinets. It is a pleasure to now see the Hon. Vijay Daryanani about to deliver his first of I hope many Budget addresses as a Minister in this House.

Mr Speaker, in this Government we have all really been a Cabinet team that has been in the trenches together from Brexit to COVID and we have built a bond of trust and friendship between us as a result. My sincere thanks to all my Ministerial team.

My equally sincere thanks to all the senior officials who work closely with me or with my Ministers. To each of Michael Llamas the Attorney General, Albert Mena the Financial Secretary, and Hector Montado the Chief Technical Officer, thank you for your unwavering commitment and dedication. Gibraltar could not exist as a successful economy without your hard work. Sincere thanks also to Chief Secretary Darren Grech and his team, especially Richard Montado and Michael Crome.

These past 24 months were the worst of times. You were all the best colleagues, friends and the best professional support, and the most sincere appreciation to all of you not just from me, to Ministers and senior officials. This year I want to express the gratitude and thanks of the people of Gibraltar to all of you for your beyond-the-call-of-duty approach at these hugely difficult times. I know that it is not over yet and I will have to call on you to go above and beyond for a little while longer yet. I know also that you will be there and that you will never let your beloved Gibraltar down.

Mr Speaker, I want to take this opportunity, on my behalf and on behalf of all Members of the Government, and, I am sure, all Members of the House, to thank you, the Clerk and all members of your staff for your assistance this year in the discharge of my functions as Leader of the House during the course of the past two years since the General Election and indeed during the course of the pandemic and my need to report back to Parliament on both Brexit and COVID. Thank you for your very kind support throughout.

I specifically want to single out for gratitude the Clerk of the House, who has carried the responsibility for two referenda, two General Elections and one or two European elections too. Mr Martinez has indicated his intention to retire, and in that tug of war I have been unable to carry more sway than Mrs Martinez. I therefore ask the whole House to join me now in reflecting our thanks to him in this, his last State of the Nation debate. (*Banging on desks*)

Mr Speaker, I carry political responsibility for other Departments which I have not gone through today in the course of my speech because the political moment in which we find ourselves has required a deeper analysis of some aspects of the economics of Gibraltar in this time in our history. I do not want to keep the House for longer than I have to, but it is also unfair for me not to report on the excellent work which is being done in Customs, CSRO, Industrial Relations, Public Sector HR and the BCA. I will therefore lay on the table a report, with your leave, as I did at the last Budget, on the functioning of those departments.

Mr Speaker, beyond the Financial Secretary, behind these two Estimates Books, the Supplementary Appropriation Bills which we will deal with later in this session, the full-year planning, checking and cross checking and the planning for this debate is a team of people who keep working at the most difficult of times and who keep smiling despite the many drafts, redrafts and the very many changes that 'the Book', as we know it, goes through from inception to printing. Thank you to Ernest Tomsett, Susie Gonzalez, Bethany Gomez and Alison Cruz, as well as the many others in the team who make it possible for us to account with such absolute and complete transparency and clarity to this House and to taxpayers generally. All that is right about this Book is down to their skill and diligence as they professionally ensure that we report accurately to the people.

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

the year. In the Ministry of Finance and in the Treasury, the Budget is not a one-day debate, it is a 365-days-a-year exercise.

I must, of course, also thank the Press Office at No. 6, led by Clive Golt. These past 24 months have pushed us to the limit in order to ensure that the public has as much information as possible about the pandemic. This has meant an incredible effort above and beyond the call of duty. Our sincere thanks.

Additionally, my sincere gratitude like never before to my personal team at No.6, so ably and professionally led by the tandem of Peter Canessa and Denise Ghio, and the Parliament team led by Gareth Ochello and Philip Borge. This year they have worked more than ever. To boot, they have not even claimed overtime when doing so at the height of the COVID pandemic. This team is the rocket fuel that propels me forward at the worst of times. They always keep me smiling and they always look great when the cameras are rolling. I thank you all from the bottom of my heart. I thank you all on behalf of the people of Gibraltar.

This year we are saying a fond and sad farewell to Joyce Diaz, who will be retiring against all our wishes. We will also be saying farewell to Georgina White, who will be leaving on maternity leave. We wish her all the very best at this very happy time, and in the age-old British-Gibraltarian way we wish her also *una horita corta*. She will be replaced by our younger Georgina De Bono, who will make up the team with Susan Martinez and Javi Redondo, to whom I also express my thanks. We have also said a very fond hello to some people, to Saide Haverland and to a whole new team of close protection officers – Anthony, David and Stuart. For the first time since I have been Chief Minister, the protection team is younger than me. I thought someone might be trying to send me a message, but then I worked out that they are younger than all of the Members on that side of the House – including, with respect, the hon. Lady – so I think it is not so much of a message.

Mr Speaker, in the last 10 years I have gone from sitting there and being called unfit to govern, to delivering 10 Budget speeches from here and presiding over greater economic growth than those who had impugned my ability a decade ago. The journey has, of course, been bitter sweet. In that time I have been lucky enough to become a husband and a father, but I have also become an orphan. Such is life, Mr Speaker.

Last week, Justine and I celebrated our first 10 years of marriage. We had married on a Saturday after a Budget. This year we celebrated our first decade together with a week to go before a Budget It is too cold in here. *(Laughter)* I promised her yesterday not to ever organise another Budget the day after her birthday. I also thank her from the bottom of my heart and from the depth of my love for her for putting up with it all. Ten years, three lovely children, three elections and two referenda won – not a bad record.

But now, Mr Speaker, there is no question that there are hard times ahead for all of us in this community, but they will only be hard in the context of the very good times we have just seen screech to a pandemic halt. What we are calling 'hard' previous generations would have called a walk in the park. They had so little but they made so much of it, and they showed us a better way. That is the Gibraltarian way, and if this is our moment of hardship let us give thanks that this is as bad as it gets, because we have built a Gibraltar that is economically resilient for moments such as this: reserves in Community Care, reserves in the Savings Bank. But we have to understand what has happened. We have had to pull the handbrake. We are on a new journey as a people, but one that happily does not require the hardships of evacuation. As we move forward we will spend on things that matter, but we will save on things that do not – because we choose to balance the books in this generation not because it is easy but because it is just; because we will ensure that we carry the burden of paying for the problems of our generation like COVID, and the follies like Brexit, and not transmit the burden to our children's generations.

We have invested millions already and will invest more in the right projects for our people. We make no apology for investing in our people. Now we must rebuild our public finances like we have built new schools. We must deliver a renewal and a regeneration to return to *sustainable* growth – that is the key – because we are not the same Gibraltar that went into the pandemic.

We have already lost 94 of our people to it. They will never be forgotten. I will forever carry the loss of them with me, but that past is written and we are now left to write the future for our children.

2095 That is what this Budget does. It starts to write a brighter future for our people, a future that shimmers clearer in the sunlight of the times to come, because the real divide in politics today is not between left and right, it is between ambition and no ambition. That is why I know we have done the right things these past 24 months, because we have invested in the ambitions of our people, and we have done every day of the past almost 10 years in Government, as we do and will continue to do every day that we stay in Government.

2100 We have invested in the things that matter, we have invested in the services that matter and we have delivered to the people who matter. We have delivered for the people who work hard every day, or for those whose days are so hard that they cannot even work, and in the past 24 months we have even delivered the basic wage to many to protect working people from the economic consequences of the ravages of the pandemic. That has been the aim of every one of our Budgets: to deliver for working people, to deliver real social justice, to ensure that those who can are free and able to do what they wish when they wish and that those who cannot are properly provided for.

2110 Ambition for our people, aspiration for our people, achievement for our people. Those are the three as to which we aspire. That is what we believe this Budget will once again put us on the road to delivering, that is what we stand for in this Parliament today and that is the politics of this Government. Mr Speaker, that is why I unhesitatingly commend the Bill to the House. *(Banging on desks)* Thank you.

2115 I am, Mr Speaker, conscious that I have kept everyone for a considerable period of time with a lengthy analysis, and before the next speaker is called upon to reply I wonder whether it might be convenient to stop for 15 minutes, until quarter past two, for a comfort break for everyone.

Mr Speaker: The House will now recess for 15 minutes, to return at 2.15.

The House recessed at 1.50 p.m. and resumed its sitting at 2.15 p.m.

**Appropriation Bill 2021 –
Second Reading –
Debate commenced**

2120 **Mr Speaker:** Before I put the question, does any other hon. Member wish to speak on the general principles and merits of the Bill? The Hon. the Leader of the Opposition.

2125 **Hon. K Azopardi:** Mr Speaker, in the Chief Minister's words, as he presented it this morning, he called this the hardest Budget in the history of our people, and there are reasons for that, which I will go on to set out in my contribution. But of course, in his inimitable way I was reminded, when I was listening to him towards the conclusion of his speech, that it is really a marvel to listen to him sometimes and make him sound, when he is penalising people, as if he is giving them benefits. It really is a marvel that when he is actually giving no direction to people, he is sounding as if he has a strategy.

2130 Mr Speaker, this has been a Budget that is bad for business. It presents nothing much for business, other than higher tax. It is bad for ordinary families, although there are some allowances which I will deal with in my contribution. It is a Budget without direction, with no strategy. At the worst time in our history there is little in that three-hour speech from which you can glean a clear strategy of where he wants to take Gibraltar after that post-Brexit period, other than he is involved in a negotiation, and I will deal with that in greater detail. This is a Budget without hope for those left behind over 10 years. This is a Budget that does little more than pass the bill on to some of

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the people of Gibraltar for all their historic excesses and does so in a way that does not really lay the platform to create or encourage investment.

2140 The further governance of this community has been compromised by their economic management over 10 years and this again is just an attempt to make it look as if the situation has nothing to do with them, and for the Chief Minister, in one of his opening remarks, to now describe members of our electorate as a group of malcontents that he expects to see in the next few months is a remarkable contribution by the Chief Minister.

2145 Mr Speaker, before I go into all the detail of the measures and indeed to my financial remarks, I think it is important to take a step back and see the global picture as we embarked on this Budget, because this is the first proper Budget since leaving the EU and after the impact of the COVID pandemic, and it is, as the Chief Minister has said, a state of the nation opportunity. And so, before we dive into the numbers, it is important to see the wood for the trees and to see the redwoods just ahead of you, in your face. And there is a backdrop to this debate – one is unique, one is not, but the unique one makes the general backdrop much more complicated, and layered over that is a third feature, which I will deal with at length, which is particular to this Government, that has so far worsened our financial picture and position.

2150 The first issue as we entered the last financial year was, of course, the Brexit situation, and Brexit remains providing a backdrop of uncertainty in different ways: political uncertainty because we do not know whether we are going to have a deal or what kind of deal; and it brings business and economic uncertainty, so what economic model are we talking about? There is quite a lot of discussion about whether there will be a bespoke customs union part, whether there will be VAT to that element of the deal. Everybody else who was part of the British part of the EU has had a deal, and I have said publicly and in this House before that even though Britain got a deal at the end of last year, 2020, there has been a massive loss of momentum in trying to achieve a deal for Gibraltar. That loss of momentum has an economic impact and the economic impact is in giving us continued uncertainty while everyone else has, in the Brexit scenario, been able to obtain certainty. Britain knows where it stands – it clearly has a 1,400-page treaty, so it knows where it is, but we do not.

2160 As we go into those negotiations – we were promised they would take six months, and here we are at the end of the seventh month after the beginning of the year and we still have not even started the negotiations – the reality of the backdrop to the negotiations is that the Chief Minister and the Government has already given away certain things in that negotiation by way of the MoUs or the Tax Treaty. So, when the Chief Minister asked – I do not think it was rhetorical – for me to address what opportunities have been lost, I have said so publicly and I have said it often enough. I will repeat it in this House. There have been a number of opportunities lost by the Government. They had an opportunity to embark on a clear strategy that delivered results in the Withdrawal Agreement. When other people obtained permanent benefits, we could have obtained permanent and enduring benefits for the people of Gibraltar. We did not do so then, at the time of the Withdrawal Agreement, and here we are now: more than five years after the Brexit referendum we still do not have a deal and we still do not have enduring benefits. We have given away things during the course of the negotiation on the Withdrawal Agreement, in the MoUs and the Tax Treaty. The Tax Treaty is permanent whether or not we get a deal, so even if there is not a deal, the MoUs may fall away, but if we have what he called ‘Gibrexite’, the Tax Treaty will remain. The Tax Treaty’s intrusive and harmful effects on the economy of Gibraltar and the discouraging of inward investment will continue.

2180 Mr Speaker, some people may think that a freedom of movement type deal without a customs union would be the safest type of arrangement. It preserves a model that has worked for many years without tinkering with and devising a new one, which may bring lots of unknowns and possible economic impact. I am not saying that is the situation we should opt for, I am saying that is possibly a way forward, but our position remains, as we have said often enough, that we want there to be a safe and beneficial deal – safe politically, beneficial economically to the people of Gibraltar. What that is will have to be judged when we see what is on the table, if anything is on

the table in the next few months, because of course the economic aspect of it – and this is a financial debate, so I will concentrate on the economic aspects of it ... The economic aspects of a possible deal with the EU on a future arrangement will have an impact on the economic model: the kind of markets we seek to attract, the kind of business we do, financial services, light industries, technology, gaming or anything else, and whether you apply certain VAT in different areas and so on. While there have always been challenges in the last 40 years, the challenges have not really asked us to readdress or change our fundamental economic model, and this is the economic challenge that we might be facing in the context of the negotiation.

That is important to bear in mind when considering the Brexit factor, and it is also important – and I accept what the Chief Minister said in this respect – that staying as we are is not an option, so it is not on the table. That is not on the table. We have left the EU against what we wanted, which was to keep the status quo, and now the choice is between having an EU relationship and a freedom of movement with a political or economic price, or having no relationship and a hard Brexit, whatever that means. Both scenarios bring uncertainty and it will be a value judgement in due course as to what is best for this community, and that can only be judged when the package is clear, if it emerges at all. Until then, we will have uncertainty, which preys on the basic economics of the model and the prospects of inward investment.

Mr Speaker, last year was not a good summer for the Chief Minister. First, he lost a Commissioner of Police, who left in circumstances which he described as raising issues of democracy for Gibraltar. Then he lost one of his better Ministers. Then, as summer turned into winter, he lost the opportunity to conclude a treaty when the UK gorged on their own 1,400-page treaty and the Chief Minister had to be content with holding a threadbare and partly concessionary eight-page agreement, waving it, like Neville Chamberlain, as great success when objectively it was a serious failure to land a permanent and secure deal for Gibraltar. All it did was buy some time but lose the momentum to achieve one. And here we are. If that was not proof enough, we were told it would take six months and at the end of the seventh month the negotiations have not started. We await, wholly underwhelmed so far, the next act in the Chief Minister's roadshow. His presentational skills have been silky in the past, but as the years go by the public understands the performance is just that, a performance where things are rarely what they seem and all is over-egged. Peel back the layer, pierce the veil and it is really pandemonium below a semblance of normality. That is the first aspect that affects the financial picture of Gibraltar going forward, the post-Brexit uncertainty on which we still do not have any degree of outcome, despite going into the late summer now.

The other aspect, of course, is the COVID scenario. It is still hard to believe how different the world looks 18 months on and what we have gone through as a global community. Mr Speaker has heard very often over the last 12 months debates in this House on aspects of COVID. Globally, there have been four million deaths and 190 million cases, a pandemic that overturned people's lives, devastated normality and changed it all, maybe for a while, maybe for good; it is too early to tell. Is it that in searching for normality we are now seeking that elixir of youth that is impossible and elusive? Is it not the case that while things may return in some shape or form to how it was in practice, in reality things will not exactly be the same? Things rarely ever are the same. Things move on and develop, and it is just that the pace of change is often so small when we are immersed in it for it to be imperceptible. Then, of course, a bigger moment happens. I do not want to fall into the trap, because it would be a misnomer to call the COVID pandemic a moment, although in the history of the world it probably is and will be seen to be a moment in many centuries' time, but for those of us living it and affected by it in the quality of our lives or indeed in the lives lost, it is certainly not a moment for anyone. It can be all there is.

The total cost of COVID cannot yet be finalised but some of the losses today can be: the loss of lives, the loss of freedoms, of normality, of well-being, of purchasing power, of jobs, of businesses. We have had a toll in Gibraltar of 94 lives, 4,600 cases. As I have said before, on behalf of the Opposition I want to take the opportunity to praise and thank GHA staff and other essential workers for their efforts throughout all this and for keeping all of us safe, not just now but always,

2240 especially in the difficult task of tending the normal demands on the Health Service in parallel. And of course our hearts go out to all those who have lost family members and friends at this time because of the pandemic.

The loss of life is always sad, but as a community I think we can probably consider ourselves fairly fortunate in the context of things. We have been spared the scenes in other countries of the collapse of the Health Service and the bulging hospitalisations or oxygen starvation of wards, like we have seen in some cases in the world. Businesses have suffered, yes, but they have been assisted, although they may need more help in the future, and I will turn to that. We have been able to reopen businesses twice, in May last year after the first lockdown and in March this year after the second lockdown, and get back to some normality, and we had a fairly normal last summer. We have had travel or other restrictions, but all in all it could have been far worse and the vaccination programme has allowed us to get back to normality quicker than most.

Of course, we are seeing a rise in cases, and for that we must be careful, but unless things radically change, we now need to learn to live with this virus and ensure freedoms remain, because going into lockdown is unsustainable for our collective mental and physical well-being, as well as unsustainable economically. That is also a reality, and while of course there are always concerns as the trickle of numbers rises, it is important to understand where we are and that we are in a different moment, one where the vast majority of the population is vaccinated, where we appear more protected from the risk of hospitalisation, which is such a key issue. So, unless things radically change, it is now for us to start learning to live with this risk. We need to do all we can to avoid, as much as possible, ever going back to more social lockdowns or restrictions unless absolutely necessary.

Mr Speaker, when the period of global uncertainty hit in March 2020, when health services were collapsing under strain without being able to cope, we, as a community, had a clear choice. Gibraltar needed time to allow the health and essential services to prepare for crisis and they needed emergency money to do so. Having this kind of normal state of the nation debate would have been entirely artificial and surreal in March 2020, when clearly it was impossible then to know what precisely needed to be factored into public administration, the finances to deal with the crisis. Why would we have debated heads of expenditure which would have been impacted by COVID months later or during those months? So, we did what was necessary and supported the Emergency Budget, to buy the authorities time and to work with Government on the public health and economic measures that were also necessary. We did what Gibraltar does best, faced adversity together and put aside the otherwise deep differences of approach on a number of fields. Even so, I made clear, in supporting the Emergency Budget on 20th March 2020 – and I am quoting from what I said:

we are not abandoning our traditional stance on public finances, accountability and prudence. We are simply parking that for another day. We will have a lot to say about all those issues again, and we may even have things to say in respect of prudence in the context of borrowing under this umbrella and where we need to direct funds [...] We understand that this is necessary because of the situation where we find ourselves as a community.

2275 I also said:

There may be headroom in terms of borrowing, but the Chief Minister knows that we take a slightly different view of prudence and I would say even within the times that we live we need to be sure that whatever we borrow we borrow because it is necessary. We would say, on this side of the House, without trying to strike a contentious tone, that there are aspects of borrowing that are off the book, that in global terms we would normally, ordinarily take into account and therefore impact on our affordability as a community.

I hope he understands that. I am raising it because whatever borrowing capability in legal terms the Government has, there is a need to temper necessity with prudence, and that is important for future generations of this community.

Mr Speaker, that episode and how we all handled it – and we have reflected on that before – showed that we can work together in the public interest when the chips are down. The panorama is now different, thankfully, and the dangers do not feel the same, although of course COVID is still there, but I am sure the hon. Member will understand the point that I am making, that the panorama is different: a vaccinated community. Certainly the environment does not feel the same as the day on which he called me in to have that discussion on Friday, 13th March 2020, when we were facing dire predictions on public health. There had not been a lockdown in Gibraltar, there had been no invention of a vaccine and we were just not ready, so it does not feel the same.

In political terms we were able to return to the normality of more adversarial politics in summer, and that is a good thing, not because politicians like to be at each other's throats, but because in our vibrant democracy arguments often get tested by robust debate, leading to better decision making, and if there is anything that I ever say repeatedly, it is that this community is what it is with this small population of ours, but punching above its weight, because we do have a vibrant, robust democracy and a survival streak that wants us to do, always, better than we did before. That does not mean when we criticise each other we cannot work together. Nor does it mean we never will again. As I have often said when asked, as long as I am the leader of the GSD, we will be prepared to work with the GSLP if it is in the public interest of Gibraltar to do so.

But now, Mr Speaker, we need to consider the financial consequences of where we are and why we got here, and that, of course, revives the debate that I signalled at the time of the Emergency Budget we needed to have. The economic toll of COVID is unsustainable long term, were it to continue. It is not unsustainable in the sense of how Joe Bossano has used that word before, although I will get to that, but unsustainable in another sense. It is unsustainable in the raw sense that things cannot continue like this, because we are running at a loss against a backdrop of a historic economic recklessness. We had a deficit of £138 million in the 2019-21 period – in practice, the bulk of that would have happened last year – and now a deficit of over £50 million is predicted, in practice a deficit of £1 million a week. We lost £2½ million a week last year, £½ million every working day of the year. This year we are expected to have a hole in the Budget of £1 million a week, £200,000 every working day. That is unsustainable and needs rectification by economic growth and by efficiencies in public services and identification of where there are savings to be made. Taxing the people should be a last resort because the people should not bail out the Government for its historic mismanagement. In short, the situation cannot continue as it is and we cannot afford to repeat last year.

Dealing with the financial hole has to be seen in context in terms of our capability of dealing with it, in terms of how much leeway we have – in essence, in how good shape we were when the pandemic economic crisis arrived. So, it is important to have the arrival debate. It cannot be glibly dismissed, set aside as the Chief Minister seeks to do. The size of the deficit is unprecedented in modern times and of course the situation is strange to a lot of us in this House. On any view, our costs are now higher than what the Government is receiving by way of revenue from various sources. In other words, the cost of running Gibraltar for public services is now higher than the money coming into the Government so it can run those services. To give a basic example, it is like someone earning £25,000 a year and spending £30,000 a year. That can only be financed out of savings or if someone lends you money. Either way, it cannot last because either your savings run out or people stop lending you money, and if you have borrowed you have got to pay it back.

Joe Bossano said in the 2019 Budget that 85% of the revenue usually comes from three sources: company tax, income tax and import duty. He said that when giving a pre-pandemic warning about how unsustainable the expenditure then already was – his health warning, as he called it – and he advised us then that it would not be heeded by many. He probably did not have Members of his own Government in mind. But it is important to bear in mind that even Sir Joe Bossano was warning about the sustainability of costs of the public sector before the pandemic, so those warning signs were there and delivered by the Minister for financial stability himself. In some ways, it was no different to the warning of Daniel Feetham, when he was Leader of the Opposition,

2330 that there were dangerous curves lying ahead as he warned against the policies of borrow and spend. My colleague Mr Feetham said, in 2017, and I will quote from his speech:

... there is opacity, Mr Speaker – in the way the Government is spending or has spent £772 million, a pot of money in Government-owned companies? This is an issue of huge concern for the Opposition, which has become even more concerning post the Brexit referendum [...] today we are asked to believe the statements made by the Hon. the Chief Minister that things could not be better, when we do not know what he is doing or what he has done with £772 million in those Government-owned companies. I repeat: this is not just about transparency and accountability. It is about being able to spot emerging or existing economic problems so that they can be dealt with, and that becomes more necessary now there are some very significant curves up ahead for the jurisdiction.

As he said then, it is about being able to spot curves, and I would add about being able to respond ably when sudden events hit you. Of course the Chief Minister was right when he said in his speech that no one could predict COVID. No one is saying on this side of the House that you
2335 could predict COVID. The point is that the economy should be managed in a way that when things happen – as indeed they will, because if we have learnt something in the last 12 months it is that there will be things around the corner that we cannot predict – we are able to deal with them. If Brexit was the curve that Mr Feetham was talking about, then COVID is the falling meteor from the sky. For all events we need to be ready and not be placed in a fragile financial position by the
2340 policies of the incumbent Government.

It is precisely all those sources of revenue that Sir Joe was talking about – company tax, income tax and import duty – that are our main pillars of revenue, that are deeply affected today. We know that because of the publication of the COVID Fund figures to 31st March and we know it also because of the figures shared with us privately by the Government under the agreement that
2345 we had to support the Emergency Budget last year, which we understand will be published later this week in respect of the first financial quarter of this year: £227 million to 31st March 2021 and an additional £25 million for the first quarter to 30th June 2021, so £252 million so far. That is the cost of COVID so far. I stress ‘so far’. And of course it will not be over like a magic potion, because economic inactivity over a period, the slow restoration of activity in some areas and the almost
2350 complete collapse of other sectors like tourism for a long period means that the effect on corporate tax and income tax will likely be felt at least, perhaps, for the next 24 months. When people talk about the projection of the recovery of tourism, it is notoriously slow. And that is probably optimistic, because it is all about the restoration of activity to levels pre-COVID, and that will not come any time soon, as indeed has also been remarked by Sir Joe Bossano before. If Sir Joe
2355 was lamenting a few years ago that after the 2008 crash it took 10 years for some restoration of activity to pre-2008 levels, imagine what will happen now. It will not be a surprise to say some sectors will take a long time and need to basically reinvent their services to diversify, change their business model, change the way they do things, change the way they market their goods and services. All that takes time and they will need assistance from the Government to manage that
2360 change, assistance that this Budget does not show the Government is there to support.

There was not just a loss of revenue that left a gaping hole in our Budget last year. Last year, there was a need for emergency borrowing to plug that hole, as well as to deal with the contingencies in the Health Service or the economy. Again, we recognised those were necessary at the time to deal with the unique and special times we had as Gibraltar borrowed £250 million
2365 last year. But of course that borrowing does not provide absolution of past mistakes, nor does the COVID situation paper over the financial state in which we arrived when the COVID crisis happened. The £500 million guarantee of the UK was welcome, as it lowered the cost of borrowing, but it was not a licence to print money and it was not a reason to simply borrow without the best of reasons or to want to kick start the economy. We have had the GDP predictions
2370 and impact of GDP. I too share the reaction of the Chief Minister that I would have thought that GDP had been impacted more than it is. There has been a reduction, –4.9%, I think he said, but of course the effect of that means that if there is contracting growth in certain key sectors it will impact on our ability to borrow because of the formula in the law, and that is also a fact.

So, layered over the loss of revenue, because there is less activity and profit, there has been a parallel need to first stabilise the economy through economic assistance to business and fund the emergency costs of the pandemic. The BEAT measures were necessary and we supported them, although not all the detail. We fully supported the need to buy the Health Services time to deal with the COVID pandemic and to do what was necessary in public health and economic terms. In that, the Government knows it had our support. But of course this is not a Budget where you can vote for certain measures and not others. The BEAT measures cost £32 million. The bulk of those costs fell to be paid in the initial programme, BEAT 1, March to June 2020, during the first lockdown, and BEAT 5, December 2020 to February 2021, the second lockdown. Once out of lockdown, the financial impact of business assistance was much more reduced, hence the importance of, as much as possible, avoiding further lockdowns. It also tells us that, short of a lockdown, it may be possible to assist business and workers through difficult times at a relatively modest price. Is there a need for more business assistance schemes in the future? We think so. There may well be, as the tourism industry recovers and the fallout is still felt by anyone in trades ancillary to the retail and hospitality sectors, but a lot of business people listening to the Chief Minister will ask themselves the question what assistance are they getting from this Budget. Precious little is the answer, and I will turn to that in greater detail later.

Mr Speaker, there is, however, a big distinction between the economic action taken in the last 12 months of global public health and economic crisis and the state of public finances before COVID struck. COVID has cost £250 million so far, but it does not account for where we are financially as a community now or where we were before the pandemic. The crisis decisions and borrowing during COVID were necessary and we took those together and with our support, but the state of the public finances when we arrived at the crisis was of the Government's own making and they left us exposed and without any other option but to borrow heavily and with little leeway for the future. Those are the facts. So, change that started as an economic shock will now need to be managed going into the future against the backdrop of a presently unsustainable picture caused largely by the acts of the Government, led by the Chief Minister. We are no longer at Sir Joe Bossano's health warning stage. We are so beyond the health warning that we are in the financial ICU. As I have said before, we supported the Emergency Budget with a clear and important caveat that we did not renounce our traditional criticisms of the management of public finances or the levels of borrowing, our capability of dealing with threats or curves and the interest-bearing way Government does certain things. I also made clear we did not abandon the lack of controls or general recklessness on spending on certain key projects. Those issues are the ones that need to be dealt with today, to which we must turn.

Before I do that, I want to say something about the past because the Chief Minister often looks at the past. It is important to be consistent and also important to acknowledge the need for correction. I say so because the default mode of the Chief Minister has, over the last 10 years, been simply to point the finger at the past, as if that is wholly absolution for his sins. He will no doubt say that some of the things I recommend or stand for were not done by the GSD in the past. I fully expect him to say that in his reply, but that is precisely what I want to set in context because I am proud of the work we did during those years I served as a GSD Minister, and the overall legacy the GSD left when its terms of office ended was a positive final balance.

The economy had trebled in size from £346 million in 1996, when we inherited the administration of this community, to £1 billion. So, when the Chief Minister talks about the growth – what he called the unprecedented growth – it is actually not unprecedented at all. There was much bigger growth during GSD times because the economy tripled in size during the time the GSD was in office.

The reputation of the financial services had been recovered – or have we forgotten where the reputation of the financial services was after the July 1995 riots and everything, and the context of where Gibraltar was at the time?

Public services had far improved, with a new Hospital and Primary Care Centre – or have we forgotten where the Hospital was, up St Bernard's Hill, in the middle of town, not fit for purpose,

after many, many decades of recommendations that it should be moved? There had been massive investment in all public services.

In 1996, when we were elected, the spending on Social Services was £1.5 million – £1.5 million was what we inherited from the GSLP as the investment in Social Services – and that grew to
2430 £16.5 million.

The Health Services we inherited were completely under-resourced and spending increased from £20 million in 1996 to over £80 million.

The Budgets that the GSD had repeatedly saw recurrent surpluses, and, overall, the economy was solid and growing.

Jobs grew massively, from 12,000 when we inherited the administration of this community, to
2435 around 21,000, around a 62% increase.

There were massive tax cuts that returned money to the people. The top rate of tax was 49% when the GSD was elected and it was lowered to an effective 25%, the same that exists today because the Members opposite have done nothing to return more money to the people, despite
2440 their electoral promises.

And while borrowing grew significantly in the last three years of GSD administration – and I will have more to say about that later – this Government has broken all the records of borrowing, debt and lack of transparency on the use of the people's money.

But that does not mean that I agreed with everything the GSD did, and that is well known. Nor
2445 was our record a perfect one. No Government's record is perfect. The best you can hope for is a positive balance. I was never Finance Minister, so I ultimately could not design our stance on core public financial issues. None of that is an excuse, Mr Speaker, it is an explanation of why the Chief Minister wastes his time pointing his finger at the past. He knows it is just a political diversionary tactic, his usual smoke-and-mirrors effect. It is now with Roy Clinton that I have the chance to
2450 design our public finances offering. What matters is our commitments now and that we carry them out in the future. In 2011 he appeared to stand for things which seemed far removed from the GSLP past, so people will be bored by the Chief Minister harking on about the past, as if it is his perfect defence shield.

Mr Speaker, I believe in transparency of public finances and controls to ensure an end to abuse,
2455 waste and corruption. This is not new and nor am I breaking new ground. The GSD does offer a different approach and a different way of doing things to that offered by the Chief Minister. I believe in value for money, not austerity. I believe we should have a Public Accounts Committee. People should know fundamentally what the Government does with their money, the money borrowed in their name. That is not the situation today. It does not matter how the money is
2460 structured, it is still the people's money to account for clearly.

We will, when the GSD is returned to office, instil new controls over public finances to reduce the legacy of debt inherited from the Member opposite. I am sure he will point the finger, as he has been doing for many years, to say the GSD did not do this, that or the other, but it was a different GSD with a different leader. I accept the good things about our legacy, that we left
2465 Gibraltar better off than we inherited it, but I also accept that we did not get everything right and I would change how we would do some things in the future, when we are elected. I have been candid about that, Mr Speaker. There is nothing wrong with that. It is the value of correction and it is salutary.

Will the Chief Minister make the same admission, or is he so arrogant in his imperious Roman
2470 ivory tower that the emperor and his historic entourage do no wrong? Surely he does not believe the GSLP of 1988 got everything right or believe in everything they stood for. I am sure he sees that there were good things done in those eight years of government – so do I; I have always said that – but presumably there are other policies, traits or mistakes that he now recognises were errors of the old GSLP. Or is it the price of his former leader's loyalty that requires that he morphs
2475 himself into believing, or saying he believes, in everything they stood for, always, like a zealot?

I did not have him for a zealot, I had him for a chameleon, a shameless populist, all things to all men all the time, the defender of the elderly while he taxes them and takes away their

legitimate expectations, but as he sits usually next to his former leader to the right and his former leader to the left, I guess it is hard. Or maybe it is not so hard. Maybe that is precisely how he honed his art so well in his climb up the greasy poles. I say 'poles' in the plural, as he jumped from the party pole of his former leader to the right to the party pole of his former leader to the left, fully greased to ensure speed of ascent and armed with intoxicating invitations of departure to his rivals, pretending he was some form of double agent, and somehow still managed to make his feat look credible by keeping a poker face when presenting his contradictions of what they stood for in the past as something he apparently always believed.

If it were magic he would be a superstar, if he were an illusionist he would be in the hall of fame, but time is running out on the illusion. You can say you are the new dawn, but if the new dawn has not come in 10 years, maybe it was a false dawn. To many people it was a false dawn.

To those still waiting for housing after being told they would be housed before or after his first election in 2011 – there are still some people – it is a false dawn.

To those who were promised Community Care by the architects of the scheme only to have it arbitrarily removed on 17th February 2020, it is a false dawn. He can talk as much as he wants about Community Care, but during GSD times no arbitrary rules were introduced so as to deprive people of the legitimate expectations of Community Care.

To those people who wait patiently for improvements in public services, who were told there would be an e-government revolution – except that there are no guns or roars of change in this public services revolution, there are just whimpers and murmurs – it is a false dawn.

To those who fear they cannot express themselves publicly, who think we are back to the bad old days of the culture of fear, of jobs and contracts for the boys, of waste and abuse, for people who expected so much more given the gilded manifestos churned out by Members opposite, to those who have been left behind by this Government of broken promises, to all those people this has been a false dawn but an agonisingly long one at that, because it has been 10 years and the Chief Minister is still looking back and pretending it is someone else's fault.

Power cuts are a good example. First, the GSD were point-blank blamed, but as time went on it became difficult to blame the GSD because too much time had passed, so even that was a stretch for the marvel of spin that we have opposite. So, the blame passed not to the Members here, the blame passed to the GSD cable. Magically, a cable had been identified that was at fault and had been introduced at some point by ... Presumably, Peter Caruana, on one of his off days, had gone down and installed a cable. But even that was impossible. Ten years on they have found a new scapegoat. Now it is the falling instructions manual. When in doubt, the default mechanism goes into overdrive: find someone else to blame.

Mr Speaker, it has been 10 years and people expect responsibility for the Government's actions and acceptance that the state of our nation – for this is what this debate is about – is on their shoulders, that they have had long enough to fix things. This now cannot be blamed on everybody else. In fact, he has no one else to blame on the matters that matter to people, except himself.

Are the massive delays in delivering the houses at Hassan Centenary Terraces the fault of the GSD? They issued a press release in September 2017 headed 'Hundreds of new homes as from August 2019'. Four years on and two years from the deadline announced, where are they? Those houses will not be finished for another couple of years or more. In the same press release, they promised two other developments, Bob Peliza Mews and Chatham Views. They have not even seen a single brick laid, and yet there are people paying for those houses, struggling to make ends meet, being prolonged with their financial obligations. They promised that all three developments would be ready by the end of 2021, this year – another failure for which they cannot blame the GSD.

If the Chief Minister will give me any credit, he will at least recognise that in the borrowing debates I am the consistent one, not him. In 2011 I was clear about my concerns on the state of borrowing, and so was he, or so I thought. When I had been in government before 2003, the increase in debts was very small. The gross debt in 1994-95, the last full financial year of the GSLP administration, was £83 million. It was £78 million in 2002-03, the last full year that I was a

2530 Minister. It had come down. Net debt – calculated using the modern definition, if you were to go back and calculate it – was zero, or close to zero. I accept, however, that debt did grow significantly after financial year 2008-09 and by 2011 I shared the concern that the gross debt of £500 million was high, that it should come down and that net debt should not grow, so that is nothing new. What is new is that the Chief Minister changed his view and breached his promises on borrowing –
2535 or has he forgotten? In 2011 he took that promise to an election. In 2012, in his first Budget speech as Chief Minister in this House, he said, and I am quoting from his 2012 speech:

in Opposition, we raised issues about the creeping growth of our nation's gross debt and why we have a clear commitment to deal with gross debt and net debt levels, as we set out in our manifesto [...] That is why, Mr Speaker, our manifesto specifically provided, in clear and unambiguous terms, our approach to the reduction of national debt. Our manifesto provides on page 27 that in respect of gross debt:

'Our commitment is that Gibraltar's public debt will be brought down by half of its current level, whatever the current level is after the election, so that by the time of the next election in 2015 there will have been a 50% reduction. Gibraltar's gross debt is presently stated to be at £480,000,000.00 ...'

A commitment to halve it from £480 million. Well, Mr Speaker, we all know where that promise ended. Instead of halving the public debt of £480 million, he has more than tripled it, and the tripling has nothing to do with COVID. He has become addicted to debt, to use his phrase in 2011, but of someone else, his predecessor. I remember that night in 2011 in the Leaders' Debate when he repeatedly said to his predecessor that he was leaving the people of Gibraltar 'D E B T, debt'.
2540 Or has he forgotten? He clearly breached his promise to the people of Gibraltar and he should admit that. But I am not chastising him for changing his mind, if that is where he is. I am chastising him for breaching his promise while pretending he is not addicted to debt, which he clearly is now.

2545 Mr Speaker, the position now is even worse than the tripling of gross debt. This now stands at a vertigo-inducing £1.7 billion of gross debt, or, to use the example he gave in 2011, £51,000 for every man, woman and child; not £16,000, as he said in 2011, when he was so shocked at the level of gross debt, in his podcast. If that was bad, then what would the Fabian Picardo of 2011 have said about £1.7 billion of gross debt, £1,700 million? There would have been podcast after
2550 podcast. This is not just £20 million, £30 million or £50 million, it is £1,700 million.

I know that a few million apparently does not buy the Government much these days. Even a green triangle by Midtown costs nearly £4 million, but luckily there is someone to bail out the Government, this time, from its economic recklessness. Are we going to find the Government plough around the private sector to find someone to bail it out every time it makes a complete
2555 economic hash of it?

Does the Chief Minister not see how appallingly contradictory this looks to the outraged tone on debt he took in 2011, how politically hypocritical it is for anyone who voted for him thinking he would actually lower gross debt, that he actually meant what he said, that he would fulfil his promises, how this was just the first of his big breaches of promise to people? There have been so
2560 many since then that he may be banking on people forgetting, for this big broken promise to just dissipate into the ocean of broken promises, but we will remind him all the way.

Even in 2015 he was still carrying on the pretence of lowering gross debt in his Budget speech, but the rails came off badly in his addiction to debt as he parked hundreds of millions of pounds of debt off book to pretend the gross debt is smaller than it is. There is now almost £1 billion in
2565 off-book indirect gross debt. Worth saying again, because people will probably think I have misspoken: £1 billion off book.

He systematically ignored the warnings of my predecessors, especially Daniel Feetham, on where he was driving Gibraltar and the dangers of his economic recklessness. And of course this is the Chief Minister who said in 2011 that he would cut taxes to 18%. Have these tax cuts
2570 materialised? No, of course not. That, again, has nothing to do with COVID because COVID happened nine years after he was elected. The situation is what it is because of the other issues of mismanagement: a public sector out of control and a reckless spending programme.

Now we are told that nothing in their manifesto may be delivered. That is what they said in February: they cannot commit to say which of the commitments in their manifesto they might deliver. What he said in February was 'I cannot commit to telling you what we are going to deliver in our big, 140-page manifesto,' which the Chief Minister described as such a brilliant manifesto, 'because of COVID and Brexit.' But hang on, Mr Speaker, their last manifesto allegedly was devised with Brexit in mind and knowing full well the results. They said they had a post-Brexit plan and that we would be out and may well have a deal, so it cannot be because of Brexit that they cannot now fulfil their manifesto. Or is it that it was undeliverable anyway when they presented it to people in 2019 and they knew it was undeliverable in part?

The new development clearly is COVID, but let's be clear: while COVID has, of course, affected us deeply, our ability to emerge from all of this and bounce back or reposition ourselves as an economy has been hampered by years of mismanagement of our public finances and lack of controls. COVID has added a layer of £250 million of unforeseen expenditure, but our state is what it is because of the lack of financial leeway and mortgaging of our ability to manoeuvre to the hilt. Or are we really going to pretend otherwise, as the Chief Minister does, that, irrespective, if we did not have that £1.7 billion in debt, if we had £300 million, we would not have a bit more leeway? Of course we would have more leeway, and anyone listening to this debate would think it is a ridiculous point for the Chief Minister to make, that if we had lower debt we would not be better off.

This is years of the Chief Minister not heeding Sir Joe Bossano's own health warning on sustainability by giving in to his populist instincts and buying votes at any price. He is the one who has the gall to invite other parties at election time not to conduct politics by public auction and then proceeds to convert elections and the run up to them as a fire sale, where he gives away everything and anything just to keep the keys to No. 6. He is the one who, in the run up to every single election, systematically writes to anyone with a grievance or an issue, any sector, any union, any association, any business group, any individual with a housing or other issue. If you have an issue, you get a letter from the Chief Minister making a promise – promise after promise – that if he is re-elected, things will happen. Shamelessly. Who has not had a letter from Mr Picardo promising something? There must be hundreds, maybe thousands of people out there still holding letters of breached promises. Well, they will know it is a false dawn for them too.

COVID, Mr Speaker, cannot be used as a shield for the years of disarray and debt addiction. When the COVID pandemic arrived, we already had £1.45 billion gross debt. They already tripled gross debt instead of halving it, as they said. The net debt figure is unreal. So, when he says he has got these percentages, the net debt figure compared to the percentage of GDP is completely unreal, because it does not take account of the hundreds of millions of indirect net debt hidden away from public view. If that true picture were known, instead of the artificial figures presented today, it would be far worse. Again, all that was before COVID.

Of course the picture has been made worse by COVID, but if they had done what they said they would do in 2011 we would not be here today and we would have a buoyant position to bounce from with much more financial and borrowing flexibility. The fact is that he heeded no warning – not from this side of the House, from Mr Feetham, and not from his side of the House. I know he will respond in the way we are accustomed. He will treat us, once again, to a personalised reply looking at the past and vilifying all of us on this side of the House, one by one. This time he will not get his new people to do it for him, hiding behind them in a disgusting pretence that he is the altar boy, when really he is the sinner. (*Interjections*) This time he will do it himself, and we welcome it. Let me tell the hon. Member we welcome it, because I want the people to see the person behind the mask. The more the mask slips off, the closer his last day in office arrives.

In his reply there will be plenty of allusions to the past, as well as personal vilification of everyone on this side of the House. I am sure there will be plenty of references to the PDP in that process, as if the hon. Member thinks that is something I am sore about, or that I have a raw nerve about. The Chief Minister is wrong. To have the gumption to leave anywhere on a principle is something to be proud of. So what, Mr Speaker? Everyone knows that there was a time in my

2625 political past when I had my differences with Sir Peter Caruana. To leave simply to climb the greasy pole faster for political expediency just shows that principle is a foreigner to him. So the Hon. Chief Minister is wasting his breath if he thinks that makes any difference anymore, or inflicts any political damage. He is like a broken record, Mr Speaker, like a band that releases one good album and then disappoints with successive albums that all sound the same and bore the people. He was
2630 a fresh act once. His repertoire is now jaded and tired.

Mr Speaker, if mismanagement, borrowing, recklessness and waste brought us to the precarious position we are in today, what will get us out of it? Well, there should be efficiencies, control of waste, control of abuse and corruption, transparency so there is real visibility of the economy and actual debt information is out there, real prudence, targeted business assistance to
2635 deliver restart born only to invest and create economic activity, a programme of reduction and management of borrowing – one that he promised before the 2011 election. But where are these? There is no obvious indication of non-essential expenditure being looked at when you look at the Book. Why? Many Departments have been allocated money as if nothing has happened, as if we did not have to deal with COVID or the lack of a Brexit deal. How is that evidence that things are
2640 critically being looked at, or that the Chief Minister is setting a clear direction to get us out of *his* own economic mess?

People will be surprised to know that in the pandemic Budget over the last two years the costs of the Government's computerisation programme were huge at over £14 million. What is the value for money of that, given the creaking roll-out of that programme?

2645 They will be surprised that despite all the promises that the facilities would be ready for the Island Games several years ago, what actually happened was a papering over cracks to deliver a superficial façade that would allow the Games to take place. In fact, the Government then proceeded to rip up some of these facilities, to finish them properly at massively high cost, and that cost continues without any kind of apparent restraint. People will be surprised to know that
2650 the Government spent £15.3 million on further works to those facilities in the last couple of years.

What has been the collective cost of the Music Festival jamborees over nine years? Thirty million? It has certainly lost money like a sieve, maybe even lost £16 million. People will be surprised that even though we have not had a GMF or other concert in 2020, we still paid £6 million, paying further moneys to the costs of past concerts, in the last Budget.

2655 What evidence is there of efficiencies in Departments? We are not talking about essential services, Health or Care. What about the other Departments? If the moment is tough now, how are things being tackled to identify savings within Departments that could be made without compromising core services – there is very little, nothing really, being said by the Chief Minister about that – efforts being made to identify savings without compromising core services, without
2660 affecting the public, to get greater value for money without affecting services – indeed, improving services? Identifying savings does not need to compromise services; it can improve them if you find a better way of doing things.

Is this the year to spend £430,000 on a Customs launch? This is just a handful of examples – which are rife – of the Government's inconsistent behaviour.

2665 The Chief Minister made a few announcements of Budget measures and I want to go to those. Of course we welcome the measures to increase disability benefit and the pension. We welcome those, as of course we welcome the increase in Minimum Wage and indeed the allowances that have been given to a limited group of taxpayers that he rattled off. Those are issues that we welcome. As a whole, I would make the observation that the measures he announced are bad for
2670 business. They do very little for business: they increase corporate tax; they increase Social Insurance, if you put them alongside the other measures that have been announced already; they disincentivise job creation – despite him creating an allowance for tax breaks for employment, the reality is it will not go far enough. It is surprising that he looks at the fragile economy and the fragile sectors that have been deeply hurt by the COVID period, that are finding it very difficult to
2675 emerge in a post-lockdown scenario where there is a trickle of tourism, and yet then penalises

those businesses through a lack of assistance measures, a combination of Social Insurance and corporate tax. Business would have expected much for more from this Budget.

This Budget was also bad for ordinary working families because while the Minimum Wage has been raised, what he gives with one hand he takes with another by increasing electricity charges also. Isn't this just the general tactic of trying to pass the bill for his historic economic recklessness to the people of Gibraltar? If we had been in a better position, if we did not have £1.7 billion in gross debt, if we had three or four hundred in debt, then we would have more leeway and perhaps he could help business more and help ordinary families more, but he has done very little with this Budget, very little indeed.

On a technical point, before I pass on to deal with other matters in my speech, the Chief Minister at a given point in his speech said he had heard Members opposite and that he wanted them to, in effect, introduce an amendment to the Appropriation Bill to, in practice, give the Appropriation Bill a Finance Bill character, so that there is legislation introduced that allows them then to publish these Finance Bill measures. I am not sure, Mr Speaker, that that is possible. I am not taking a point of order on it, but it may become a point of order in due course. I am giving the hon. Member an opportunity to address it in his reply because I have in mind, in particular, Standing Order 32B of the Standing Orders that says that in dealing with Finance Bills:

The Parliament shall not proceed on the Finance Bill before the Appropriation Bill has been read for the Third time.

So, if there is going to be a mechanism introduced to make this a hybrid Finance Bill/Appropriation Bill, we just do not think it can be done. It would need separate legislation. I will give him the opportunity to deal with it in his reply, if he has an answer, and that would avoid any point of order when it comes to it. We will then consider the nature of his reply.

Mr Speaker, instead of commending controls or greater efficiencies and better value for money, the Chief Minister effectively now looks to people to bail him out by not giving the business sector greater assistance or raising electricity charges, but why should the people bail him out from his own economic recklessness? This is a Government that does not understand, or does not seem to understand, that the public moneys are not theirs. It is not your money, it is the people's money. When it is your money, you can spend it how you please, but it is the people's money.

So, basically, we now have a Government who, having mismanaged the historic situation, says to people, 'This is really bad and you must now tighten your belts.' So, forget the culture of responsibility, layer over it a tightening of your belt and give me more of your money, so I can plug all the holes and problems I have, some of which I created after years and years of mismanagement and broken promises.' It beggars belief, Mr Speaker, and is a fool's errand. What a request to make of people, and why should they believe him? Why should people hand over their hard-earned money to a Government that has systematically proved it cannot be believed when it has made economic promises about debt, taxes, management of the economy or value for money in the past? Would you give more money to someone who has lost it? Why should people trust Mr Picardo to manage us out of this financial mess, which he himself has partly created? He makes a big song and dance about 'I hope the Members opposite are not going to think that it is lavish spending, the fact that I am doing so well as giving people back their tax rebates of two years ago.' Well, I certainly do not think it is lavish spending, because it is not your money. It is the people's money. That is why they are entitled to a rebate. It is not even a positive mark in the tally against the Government for him to make a big song and dance about the fact that he is repaying a debt that the Government has to the people who are entitled to receive their money back. Government should be about giving money back to people, because the money is on sacred trust to manage and administer carefully and properly for future generations, not to spend it, like there is no tomorrow, on vanity projects or the glamour of selfies with pop stars, opera singers, film stars or retired presidents – because it is not your money. But, of course, when all that has happened for the better part of 10 years, it takes us to where we are today. This is a

2725 desperate scramble for cash, and people are entitled to ask who is next and what next, but let's be clear about why this is happening and why the scramble for cash, because things have been announced, even outside this House, that are part of the scramble for cash.

It is much worse and much more painful because of the terrible economic policies of the Chief Minister over the last 10 years. Who is going to suffer? The students, the elderly, the disadvantaged. Who will not suffer? The party apparatchiks, the friends who are close to the Government. Will students now see harsher conditions and a roll back on investment in training and skills and post-graduate qualifications for a new economy? The Social Insurance price hikes have been penal, hitting businesses that can ill afford them and are struggling, and discouraging job creation.

2735 Business groups have warned of the effect of these of fragile businesses now also deprived of BEAT measures going forward. What is the sense of that, other than evidence of the desperate scramble for cash? The Chamber, which he liked to quote so much in his 2019 manifesto, condemned the increases and lack of consultation. They said, and I quote from the Chamber press release:

The recent announcement of huge increases in social insurance payments highlights the precarious state of the Government's finances in the wake of not only the Covid Pandemic but also years of rampant recurrent and capital expenditure.

2740 It is worth pausing. The Chamber is making the precise point that it is not just about COVID, it is about their economic recklessness in the past. And it continues:

It also demonstrates the inconsistent approach which the Government takes on consulting on matters affecting the business community. It beggars belief that these measures have been announced without consultation and without notice to those most affected. [...]

Now the Government seeks to burden the taxpayer once again with very significant increases in social insurance of between 20-100%. This at a time when inflation is currently running at just 1.4% and a large number of local businesses are on the verge of collapse after having had to endure their worst year of trading in living memory. The fact is that even in the case of those businesses that survive these increases, many will be forced to cut jobs in order to be able to pay for them. These increases, therefore will not only leave many workers without a job but will not give the economy the type of stimulus it needs right now and is counter to all of the good work that came out of CELAC and the Beat measures.

I wonder if the Chief Minister will quote the Chamber in his next manifesto.

Mr Speaker, the Social Insurance hikes have been sudden. They range from 20% to 107% at one brutal stroke. Voluntary contributions have increased by 142% in one blow, amounting to over £1,100 to those payers of contributions, per year. The Social Insurance rises of 20% to 107% is just this year and the political hypocrisy is staggering, because in 2011, in his only contribution as Leader of the Opposition, in his swift ascent up the greasy GSLP pole, Mr Picardo was then shocked that Social Insurance contributions had gone up by 20% in four years. He said this, and I quote from his contribution:

Social Insurance employee contributions have gone up almost 20% in the past four years. When looked at since 2005, the increases are even more remarkable: increases in the employees' Social Insurance contribution of approximately 30% in the past six financial years.

2750 Shock, horror! An above-inflation average increase in Social Insurance contributions of 5% per year, on average. Five per cent, Mr Speaker. He was shocked at 5% per year over a six-year period, but he thinks that 20% to 140% increases in one year are okay. And if we add the additional 20% added in 2017 and 2018, we have a staggering set of increases, far in excess of the ones he complained about in 2011. Hollow words indeed in 2011 from the fresh-faced then Leader of the Opposition, Mr Picardo.

2755 There was a promise of no austerity, but of course even then the inconsistent messaging is rife. We were told on the morning of the election – the re-election – after the most shameless

campaign of giveaways by the Chief Minister, who promised everything to everyone and presented a manifesto that would cost hundreds of millions of pounds to deliver, that suddenly it was the end of the culture of entitlement and the dawn of the era of responsibility. One would have thought that such an important measure and announcement would have been made during the campaign, that he would have deemed to have told the people of Gibraltar from whom he was seeking re-election that, by the way, if I get re-elected, there will be a new age of responsibility and an end to the culture of entitlement. Did he not think it worthwhile mentioning while he was presenting his gilded manifesto? Or is it just another example of political inconsistency and hypocrisy?

A second dawn, this time of responsibility, and we are getting tired, Mr Speaker, and so are the people of Gibraltar, of so many false dawns. In this culture of responsibility he adopted a Kennedy-like mantra of asking people to do more for less. The irony cannot be more galling, given his contribution over the last 10 years to the age of entitlement. The inconsistencies are rife and he cannot help himself by slipping back into spending rhetoric when pressed. And it did not stop the promises to bail out developers, of course. Students, the elderly and the vulnerable suffer at the hands of the Government's directionless and inconsistent approach to spending and borrowing.

Joe Bossano has always said we need to be economically self-sufficient to be politically self-sufficient, something drummed into me as a young man listening to politics, which I believe. He also said that you borrow to create infrastructure or generate activity. Again, I agree. All those golden rules are being broken by Mr Picardo. He threw away Bossano's red book while simultaneously pretending he was eulogising it. If there was ever an *Et tu, Brute* moment, it was when the old GSLP's economic rule book was burnt in the Blairite bonfire of Mr Picardo's false dawn. Or is it, in fact, that there are still some embers on the fire where their red book lies, some tension perhaps between the present GSLP leader and his former leader to the left? The thinly veiled conflicts of position on these economic issues when they surface publicly suggest that, for sure.

So, Mr Speaker, we cannot support this Budget because it does not give a true picture of public finances, and because we do not endorse Mr Picardo's approach to economics or the management of public finances. It is as basic as that. In doing so, we are not voting against the salaries of the Civil Service, as the Chief Minister has previously and ridiculously said. This is not about our hardworking public servants. Anyone listening to the contribution I have made will know it is about him and his disastrous approach to the precarious economic cliff that he has taken us to. After all, we cannot vote on individual issues. Sometimes they do in the House of Commons, but we cannot vote on individual issues for us to signify the fact that we are content on some aspects. This is an all-in vote and a state of the nation debate, and in this state of the nation, which it has been for decades, it is much more than a book-keeping exercise where we simply castigate the Chief Minister's accounting sleight of hand but still then vote for it. This is the moment, once a year, when this House hears extensive debate about the state of our nation, and in doing so, it is an opportunity to say that we stand for something else, that we do not support *his* direction of travel of *our* nation, that we think that the financial and economic approach is wrong and setting generations of Gibraltarians up with a legacy of more debt.

Mr Speaker, if I thought £500 million was too much gross debt in 2011, why is it a surprise that I think that close to £2 billion is too much gross debt now, and that I think the present levels of net debt are also too high? If I thought that around £250 million of net debt, which was the 2011 net debt figure, should not increase, why is it a surprise that I think the figure of closer to £580 million net debt, in his view, or the reality perhaps of a figure of net debt much higher than that, and perhaps closer to £1 billion if you include the off-book figures, is not too high?

The official gross debt figures presented by the Government are artificial. The fact is we do not know the complete overall net debt position, because he will not tell people how much money, of the hundreds of millions of pounds borrowed off-book, remains. The real net debt could be massive. This is the people's money, they have a right to be told, and the Government needs to stop behaving as if they do not have an obligation to tell the people, whose money it is, what

2810 precisely they have done with it and how much remains of it. Putting it in wholly owned Government structures does not mean that magically the obligation to account for it disappears. And if there was ever a damning admission we had it earlier in the debate, in the Chief Minister's contribution when he said if we had to reflect the borrowing rule directly, we may have exceeded to 40% legal limit ceiling. That is the real issue. The real issue is that the actual figure of net debt
2815 is much higher than they are reporting when you take account of all other moneys that are off book. However you look at it, in gross debt or net debt figures, the Chief Minister has broken all the records of debt, and the people are entitled to know. If this was a film and I was the star, it would be *Jerry Maguire* and I would be shouting 'Show me the money!'

The overall picture of our public finances is that he has massively increased the public debt of
2820 Gibraltar when he said he would lower it, and in that, he has to account to the people of Gibraltar for a massive failure, a massive breach of promise, or, worse still, a political lie. Why is that important, Mr Speaker? Because of precisely where we find ourselves, in a fragile economy, in a small place without many natural resources, other than its people and our endeavours, facing a hostile Spain, an unhelpful EU and a lethargic, sometimes, United Kingdom. We have to do much
2825 of this on our own, so we cannot endanger our ability to survive and prosper. If there is something we surely have learnt over the last 12 months, it is that there can be future uncertainty, and, as such, that the warnings we have been giving about the unsustainability of the Government's approach should be heeded. This is a message that we have been giving for years. And nor is it the case that we are saying that we do not want new schools, better services and no housing, because,
2830 after all, the GSD delivered new facilities in health and improved public services as we massively invested in those services.

So, the choice is not between his addiction to debt and no improvements to public services. The choice is between his way and another way, a more prudent and economically responsible way, where there are still affordable and deliverable changes and improvements to public services
2835 but not ones that rack up historic, worrying legacy debts. If there are three words to describe his legacy to the people of Gibraltar when he leaves office, whenever that is, they are 'debt, debt, debt'. It is no longer a surprise that the Chief Minister has breached his promises on debt and taxation. Maybe it is because he never meant them. I meant what I said. The many people in Gibraltar who have been made promises that he then breaches, those people who shouted 'No more lies!' to him in a demonstration in 2019, may think that in fact that is his golden great. After
2840 he retires, when all he can do, like an old singer, is release his old hits of 30 years ago, surely 'No More Lies' will be his big theme song.

Many oppositions around the world ... indeed, it is customary for oppositions around the world who disagree with a government's approach to vote against the budget because they disagree on
2845 the principles. This is no different. This is not a policy we are following because we are stuck with it since Mr Clinton arrived, which is what he said in his 2019 speech. This is a policy that I have re-evaluated since I became GSD leader and Leader of the Opposition, and endorse as the only way to send the strongest signal that we disagree fundamentally with the Chief Minister's economic management. That is why we vote against it. Let there be no equivocation. This is about a style
2850 and approach to public finances that is different – it has always been different between the GSLP and the GSD – that we promise to deliver in a different way, more transparent, more prudent, less reckless and more mindful that it is the people's money. So, if people want better control, less waste and abuse, greater transparency and better management of public finances – their money – then it is clear, from the way this Government has behaved for the last 10 years, that it is only the
2855 GSD that will deliver it.

Mr Speaker, in 2011, at the end of his Budget contribution, the hon. Member said that there were people saying that it was time for Peter to go. There are many people saying it is time for Fabian to go now. He was the future once, but he was a false dawn and many people cannot wait for him to be the past. (*Banging on desks*)

2860

Chief Minister (Hon. F R Picardo): Mr Speaker, after the re-run of the 2011 General Election campaign, I wonder whether we might adjourn and return to the 2021 Appropriation debate at 5.15 p.m.

2865 **Mr Speaker:** The House will now recess to 5.15 p.m.

The House recessed at 3.45 p.m. and resumed its sitting at 5.15 p.m.