



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 11.03 a.m. – 1.17 p.m.

Gibraltar, Wednesday, 21st July 2021

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The Gibraltar Parliament

The Parliament met at 11.03 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*]

Appropriation Bill 2021 – Second Reading – Debate continued

Clerk: Meeting of Parliament, Wednesday, 21st July.
We continue with the Second Reading of the Appropriation Bill.

5 **Mr Speaker:** The Hon. Sir Joe Bossano.

Minister for Social Security, Economic Development, Enterprise, Telecommunications and the GSB (Hon. Sir J J Bossano): Mr Speaker, the 23rd of last month was the 49th anniversary of my election to this House. On the 10th I had my 82nd birthday and GBC made a point of congratulating me, as a news item, which I appreciate very much. However, they said I was going to be 83 years old, an innocent error which I am sure does not mean they want to accelerate my ageing process. I have also been wished well by many people, not all of whom vote for me, with one person in particular doing so at one minute past midnight on the 9th to be the first. I am grateful for the warmth of all those well-wishers, irrespective of whether they agree with my political views or not.

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Given that I have in the past, some 20 years ago, said that I would offer myself as a candidate to the GSLP until I was 90, I would not want anybody to think there are now only seven years left as a result of the mistake made by GBC. In fact, I have since put the record straight and made clear that I could see no valid reason for throwing the towel in so soon and therefore my offer to my party is that they can continue to count on me for at least eight years and hopefully for many more after that. (*Banging on desks*) I know that this will disappoint some sectors of our community – obviously not on this side of the House – who have wanted to see my name disappear from the ballot paper for a long time, but since everything I have done as a Member of this House is driven by what I am convinced is in the best interest of Gibraltar, even those who want to see the back of me stand to gain if I turn out to be right in my analysis of what is best for us.

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Before I proceed with my analysis of the issues that are relevant to this year's Budget, I want to deal with accusations that have been made outside this House, where I have been the target. I am dealing with them here because those making accusations have been or are Members of the House. The Hon. Mr Bossino – who, at the moment, is not here – chose to launch an attack on me in an opinion published by the *Gibraltar Chronicle* on 15th March. In it he accuses me of doing a U-turn on my views in relation to Spain of such magnitude that he says it is the biggest U-turn in the history of humanity since the conversion of Paul. I will quote what he wrote:

The only U-turn, however, was in our midst that very night in the mouth of Sir Joe Bossano, who underwent a miraculous metamorphosis last seen on the road leading to Damascus when St Paul famously converted to

Christianity. I had been so struck by what Sir Joe had said that I had to watch his speech again like a doubting Thomas. The man who had been the incarnation of militant hawkishness for a generation and more, the man who said 'no' to every initiative at closer co-operation with Spain from the Strasbourg process to the Brussels and Airport Agreements (our very own Maggie with his 'no, no, no') was here telling us that a treaty had to be had with Spain because the pressure was too great – we were 'naked and crawling'.

35 Let me first correct the hon. Member's misrepresentation of where I was in the past, which incidentally is where I still am today and will continue to be in the future. I am the man who created the first initiative on mutually beneficial co-operation with the hinterland, as Chief Minister. This was done with Pepe Caracao, the then President of the Mancomunidad de Municipios. However, I insisted that the co-operation should be with individual municipalities as members and not the Mancomunidad because the Spanish government had intended that the
40 Mancomunidad should have a Gibraltar seat. The Our Lady of Europa Economic Co-ordination Council, as it was called, started originally with Algeciras and Gibraltar as members and then was joined by other municipalities from the Campo and finally Ceuta. The last session was held in Ceuta and after that it stopped meeting as a result of the implementation of the freeze on old age pensions for the Spanish pre-1969 frontier workers, about which I will have more to say at a later
45 stage.

At the same time as I was promoting co-operation with the nearby neighbours I was campaigning against the attempted betrayals of our sovereignty in the Strasbourg talks with Sr Oreja in 1976-77, the Lisbon Agreement in 1980, the Brussels Agreement in 1984 and the 1987
50 Airport Agreement. Both of the latter were then stopped and boycotted by the Socialist Government that I led between 1988 and 1996 concurrently with the initiatives on co-operation with no strings attached that I have previously mentioned. The fact that the hon. Member describes our opposition to these instances of attempted betrayal of our sovereignty as saying no to initiatives at closer co-operation with Spain says a great deal about who is the *palomo* in this House, him or me. May I also remind him that eventually the party that he hopes to lead when
55 led by Sir Peter Caruana also rejected, belatedly, the Brussels Agreement and the 1987 Airport Agreement. Was that saying 'No, no, no' like Maggie Thatcher?

Let's be clear in this House and let the people of Gibraltar be clear what the accusation against me is. If Paul shifted from persecuting Christians to advocating Christianity, then the hon. Member is suggesting that I have gone from no talks on sovereignty to make Gibraltar Spanish. I will not
60 say the hon. Member is lying, but I am urging him to seriously consider a visit to a psychiatrist because he seems to have lost his wits. If he had been telling the truth it would mean that in accepting the tax deal with Spain on the basis that in my judgement it represents no risk to our economy and no threat to our sovereignty, I would have been lying. It would mean that I have been lying to the Gibraltarians who have placed their trust in me for the last 49 years in the belief
65 that I would never put Gibraltar at risk of a takeover by Spain. That is the seriousness of the accusation against me from the hon. Member opposite.

So, when he witnessed this radical change happening, how did he react on 25th February – on the day, not 18 days later on 15th March? He did not react. No reaction at all, not a word. I am not saying that he was lying in the article to deceive the people of Gibraltar; I am assuming that
70 he believes this extraordinary nonsense that he has published. How else can a pious, traditional Christian like him act, other than by saying what he believes to be true? Is he not the equivalent in Christianity of someone with a fundamentalist faith – which of course he is perfectly entitled to be and is totally acceptable in our tolerant society, and for which I have not the least criticism at all? I respect his beliefs – I am a fundamentalist myself, a fundamentalist in saying no to Spain –
75 but I ask myself how could someone with those strict beliefs make a comparison with the conduct of St Paul? Is it not almost inevitable to argue that the monumental U-turn of Paul from persecutor to promoter of Christianity had a great deal to do with the success of Christianity?

Is that the sort of conversion of Joe Bossano, from fiendish opponent to even the very thought of discussing sovereignty with Spain, let alone conceding it? Has he undergone a miraculous
80 change to now becoming an advocate for a Spanish Gibraltar? The hawk has become the greatest

palomo in Gibraltar history – is that what the hon. Member believes? If this is all nonsense and this is what he compares to what happened to Paul, do we need now to go back and revise what might have happened to Paul on his way to Damascus after all? Is it that the hon. Member did not listen to me saying that if there was no deal I would be the one to put the first brick? Was that the
85 the dove going back to being a hawk? Will St Paul be retreating from the road to Damascus and returning to persecuting Christians?

That is a matter for theologians, but I will let this House into a secret. I had no intention of speaking in the debate, but when I arrived I was ambushed in the ante-chamber by the hon. Member before I entered. He said he could not understand why I was in favour of the Tax Treaty
90 and I explained it to him. He then said it was unfair to Gibraltarians who wanted to live in Spain. I said you could not have your bread buttered on both sides. If some Gibraltarians wanted to live in Spain, then then they had to comply with the Spanish laws. He then said he understood my position, and so I decided that this merited that I should explain it for the benefit of the other Members on the other side of the House. I have to say that I was not relying on any privileged
95 information that was not in the public domain and I was surprised that other Members should need any explanation from me which I think could have been given by any person who has been following the details of the events and analysed the reaction that emerged from the EU and Margallo and their behaviour after the 2016 referendum result was announced.

I will remind the House how the hon. Member opposite reacted after the 2016 referendum result was announced. This is what I said about it in the 2016 Budget:
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Last Thursday, Mr Speaker, the former Member of Parliament, Mr Bossino, put forward a very pessimistic view of the consequences of the decision to leave the EU and quoted me in support of his views, saying that I had said we would be doing well if we met my economic growth predictions included in the 2015 Manifesto, but that the future predicted growth that I had in mind was now out of the picture.

Well, Mr Speaker, I actually thought that what I have said on a number of occasions before the vote took place or the result known, and what I repeated in answer to a supplementary from the Leader of the Opposition last week, was actually quite positive for Gibraltar's prospects.

Mr Bossino also demanded that the politicians look him straight in the eye and tell him what the future holds for him. I do not know how many people he used to look straight in the eye and tell them what the future held for them when he was a politician. Nor do I understand why he believes that politicians have the power to see the future but that they lose it when they leave politics, as he has done. [...] However I am, I suppose, one of the few politicians that has regularly predicted our country's potential economic future on a four-year timescale. [...]

So I am quite happy to look Members opposite in the eye – since Mr Bossino is not here –

– which was the case in 2016 and it is the case again today –

and repeat my prediction; or maybe, since one is supposed to speak through the Chair, Mr Speaker, I need to look you in the eye when I say it. The projected growth of our economy, calculated and published in 2015, is an increase in our GDP of £600 million by the year 2019-20, being 33.3% of the estimated value for 2015-16.

That is what I said in the Budget in 2016. I am happy to tell him now that my prediction was right, as he will see when I deal with the economy, so his concern that Brexit would invalidate the prediction has proved to be unnecessary.

I have decided to take his advice, but I am frustrated that I am not able to deliver it, because I
105 would like to be saying all this and looking him in the eye.

Chief Minister (Hon. F R Picardo): Where is he?

Hon. Sir J J Bossano: Mr Speaker, what I told Mr Clinton in the debate was my simple
110 explanation of how the PSOE government would defend themselves in Spain. I said:

The one thing that PSOE could not do was to say, 'We are not going to put sovereignty on the table; we are not going to put anything on the table. We will go and ask Mr Clinton "Will you give us the standard OECD agreement?"'

– and then go back and say, obviously in Spain –

... what a great achievement! Having got all the aces and having these people naked and crawling, we have extracted from them the OECD agreement!’

115 That is what I said. Mr Bossino misinterpreted or deliberately misrepresented it as me having said that we are naked and crawling and as a result have had to accept the Tax Treaty with Spain.

When the mover of the motion on the Tax Treaty made his closing speech he referred to me as follows:

I am grateful to hear the Hon. Father of the House’s contribution, but let me start here on this point with him: he said that this debate has been unrealistic in part. Well, I am not sure if I would concede that to him, but if it has been unrealistic in parts, it has been unrealistic because it has been made by them as unrealistic up until largely his contribution, because at least in his contribution he recognised that this was the price for a Brexit transitional deal in so many words

At a later stage the hon. Member wrote the following in the media:

If the end-game is as reflected in the guidelines, sovereignty will undoubtedly be the issue. The nightmarish scenario is not only that Spain will hold the lock to our continued access to the EU single market but the further lock to the UK-EU deal. Talk about double-lock! As someone told me recently, ‘Yes, we could be British and bankrupt!’

120 That is what he said when he was scared in 2016. That is what can be interpreted as us having no choice, either being British and poor or continuing to be well-off and Spanish. That was his fear in 2016. This gave the impression that we were being subjected under pressure to a situation where the choice before us was that we would go bankrupt in order to stay British. This clearly implied that a deal on sovereignty would have to be done if we wanted to survive.

125 These are the sentiments that he attributed to me this time. I have no difficulty with the Leader of the Opposition saying that the Tax Treaty was part of the negotiations for Gibraltar to be included in the transition period. Whether we agree that the treaty is good or bad is a matter of judgement, but that is a totally different thing to saying we have bartered away sovereignty in order to be in the transition period. That did not happen, has not happened and will not happen in anything else that we do with Spain.

130 The second issue I want to place on the record of this House, Mr Speaker, is a letter written by Mr Netto on 11th May 2020 – which I would have dealt with in the 2020 Budget, if there had been one – entitled ‘Establishing historical facts’, which he signed in his capacity as a former Minister who served between the years 1996 and 2011 and is therefore relevant to the business of this House. I will read the letter for the benefit of Members:

In his May Day message published in the *Gibraltar Chronicle* on Saturday, 2nd May, the Chief Minister alludes to Joe Bossano’s introduction of the Minimum Wage way back in the latter’s tenure in government as something intrinsically socialist to be proud of. As I have repeatedly told Mr Picardo numerous times before,

135 – I did not know that he was on such close speaking terms –

introducing the Minimum Wage and keeping it in line with annual inflation rate increases certainly is something socialist to be proud of. Yet, how the Minimum Wage was legislated back then when Joe Bossano was the Chief Minister is nothing to be proud of as a socialist. So, once again, let me set the record correct.
In August 1989

– this is Mr Netto’s version –

the GSLP Government introduced the Standard Minimum Wage Order in Gibraltar for weekly paid employees only. The only discernible reason for negating the Standard Minimum Wage Order generally throughout Gibraltar was that at the time the Civil Service administrative assistants’ hourly rate of pay was £1.68 for a 16-year-old person, £1.82 for a 17-year-old person, £2.22 for an 18-year-old person and £2.36 for a 19-year-old person. These rates

were less than the hourly rate of pay for the newly introduced Minimum Wage at £2.50. Therefore the GSLP Government designed a Minimum Wage Order in which the GSLP Government as an employer could use the deliberate loophole of not applying the Minimum Wage to its employees because administrative assistants were employed and paid monthly.

So we had a so-called socialist Government (to whom our current Chief Minister thinks Joe Bossano is his socialist mentor),

– for which I am grateful –

deciding as an employer to keep its administrative assistants below the Minimum Wage. In addition to the above, when private sector employers found out at the time that by transferring their weekly paid employees to monthly they could pay less than the hourly rate of the new Minimum Wage, there was then a movement to circumscribe the legislation, therefore rendering the law almost useless to thousands of employees throughout Gibraltar.

I am proud

– he says –

that as Minister for Employment I closed the deliberate loophole created by the GSLP Government, thus making all employers in Gibraltar comply with the Minimum Wage both in the private and public sector and for weekly and monthly paid. The amendment to the Order was set as from the age of 16, thereby closing all the deliberate loopholes in 1989.

In all probability the Chief Minister's May Day message for next year will continue to peddle the line what a great socialist party the GSLP is, due to having enacted a Minimum Wage before the UK. Someone ought to inform him that being first does not necessarily mean getting a piece of legislation right. There are other vital issues for which the Chief Minister ought to steer away from having Joe Bossano as his socialist mentor, but that will have to wait for another day.

140 This letter is almost a repeat of part of his farewell speech to the House in the 2015 Budget, which was mainly about trying to convince everyone that I was not a socialist and in the process demonstrating that he did not have a clue that the fact is that socialism is a philosophy, not a social welfare programme for the capitalist system – in spite of the fact that he somehow managed to get a degree in philosophy.

145 Although I dealt with some of the things he said in 2015, I chose to ignore this point, so I feel the need to put the record straight now so that at least people will know that it is all nonsense if he wants to keep on peddling it.

150 It seems that Mr Netto feels offended that I should be considered a socialist, judging from the content of the letter. I believe Mr Netto was living in Wales in 1988 when the first socialist government was formed in Gibraltar and decided to introduce the National Minimum Wage in 1989. Of course, Mr Netto would not have had the protection of a national minimum wage in Wales – it took the United Kingdom 10 more years to follow the example of Gibraltar.

155 The legislation we brought was, of course, intended to protect workers in the private sector, not those in the public sector who were on UK salary scales as a result of the successful campaign for parity which I led with the UK employers when I was involved in negotiating for the unions, so I will now place on record the historical facts.

The Minimum Wage for weekly paid and monthly paid employees other than those on salary scales was introduced not to correct the National Minimum Wage; it was introduced for persons at the age 18 – so, nobody at 16 or 17, clerical or otherwise, was covered by the Minimum Wage – in August 1989.

160 In the 2001 Budget the Chief Minister announced the changes in the Minimum Wage to which Mr Netto refers in his letter, saying the following:

I think there has been unprecedented progress. By unprecedented I mean, in all the years that Gibraltarians have been conducting their own affairs, there has been unprecedented progress in the infrastructural improvement of the working conditions of thousands and thousands of ordinary working people in Gibraltar.

– this is the GSD's view of themselves –

The minimum wage has been raised from £3.26 to £3.75 and it now applies to all workers whether they are paid weekly or monthly subject only to a few logical exceptions.

To which, as the Leader of the Opposition, I replied:

To raise the minimum wage to £3.75, we are told is an improvement which has had no parallel since the Gibraltarians started governing themselves, that is since 1945, I almost thought he was going to tell us it was since 1713 or 1704, but no, he will probably do it in his closing speech, because having thought of it he cannot possibly think he is the most exceptional human being Gibraltar has produced since 1945, there must be something wrong with that, he is being too modest, It must be since 1704, Mr Speaker. The £3.75, if one is to believe the official statistics of the Government in the Employment Survey, is hardly going to be obtained by anybody because in the figures published by them on earnings in the Employment Survey, there is virtually nobody with a wage below £3.75, in October 1998. I do not know, what it is that made that made October 1998 the last Employment Survey tabled in the House, but if we look at the Private Sector distribution of earnings in terms of basic wages and overtime, which is detailed by Sector, there is hardly anybody, in fact the average is £4.00 or £3.90 and that does not exclude that there are some people below £3.75, that it is based on earnings and the only people that I knew of, that were earning less than £3.75 at the time were likely to be people like the Security Guards who got a pay increase as a result. That hardly qualifies for the adjectives that it was the most important advance we had seen in conditions of ordinary people since 1945 and that it benefit thousands and thousands of workers. Although the Chief Minister made no contribution to it, other Ministers did recognise that in fact the biggest change, workers had experienced in Gibraltar was in the Parity Battle, which took 4 years and resulted in UK wages. To Suggest that to put the minimum wage at £3.75 was to remove the differential treatment between industrial and non – industrial, all of which are welcome improvements and not to say that they had not done a good thing, but it's clearly not the best thing since sliced bread or the best thing since the Second World War.

165 The Minimum Wage was a flagship policy of the Labour Party in the UK during their successful 1997 General Election campaign and was introduced on 1st April 1999. The first rate was set at £3.60 an hour for adults aged over 22, covering then as many as 1.2 million adults, who had an average pay rise of 10% - which shows what wages were like for 1.2 million people in the UK.

170 I have quoted how the Chief Minister of 2001 announced the change in the National Minimum Wage, and as I have demonstrated in my reply, it did not close any loopholes because there were no loopholes to close. There was no evidence of private sector employers moving people from weekly to monthly pay after 1989, and if that had been happening then the unions should have brought it to the attention of the Government at the time it was happening, and action would have been taken to stop it.

175 The last increase under the GSLP was in November 1995. Mr Netto was a Minister in 1996 and he increased it in November 1996. He did nothing in 1996 to include the monthly paid or change the age – the so-called loopholes he said he had discovered – in 2015. They continued after 1996 until he stopped being Minister for Employment. Before 2001 he ceased being the Minister for Employment and all those loopholes that he claims he closed he did not close. He left them open.
180 It was the late Hubert Corby in 2001 who revoked the 1989 Minimum Wage Order and replaced it with the new conditions announced in the Budget. So, Mr Netto did not change the conditions and in fact did not introduce any pay increases for four years – very socialist I am sure, Mr Speaker; it enables him to give lectures to all the rest of us.

185 Having dealt with these issues, I will now revert to the state of the economy. The economic challenge, and more particularly the public finance challenge of the combined effect of Brexit and the pandemic lockdown is much worse than the challenges we faced as a people with the dockyard closure, the MoD rundown and the 1969 Frontier closure. This is not just my opinion. The International Monetary Fund view in 2020 was that the COVID-19 pandemic 'pushed economies into a Great Lockdown, which helped contain the virus and save lives, but also triggered the worst
190 recession since the Great Depression.' It described the prospect as a crisis like no other in 2020 and an uncertain recovery in 2021.

In our case, not only is the problem unprecedented but finding a solution is particularly difficult. This is for two reasons, one external and another internal. The external reason is obvious. On both of those occasions in the past the challenges we faced were faced exclusively by us. No
195 other country was affected by the closure of the Frontier, except the small percentage of the

Spanish population in the Campo area who finished up having to emigrate, mostly to Germany and the UK. In the second instance it was only the UK that was affected, in those other MoD dockyard towns that were also affected by cuts in the MoD budget. In both cases the UK provided long-term financial help. The Support and Sustain policy introduced by the UK after the 1969 closure paid for almost all of our capital investment. With the dockyard closure £30 million was provided by the UK for its conversion and many MoD assets, especially land, were transferred for civilian use. On this occasion the UK itself and much of the rest of the world are facing a huge drop in government revenues and are propping up their economies by issuing unprecedented levels of public debt. No country is any longer attempting to keep to any given ratio of debt to GDP, especially in the last 18 months, where global GDP has been shrinking and at the same time global public debt has been growing.

So what is the internal reason for the obstacle, the external one I have just explained? What is the internal reason for the obstacle we face today? It is the attitude that apparently exists in a large section of the electorate that the world owes us a living. I think the Hon. Mr Feetham was the first to call it the 'entitlement culture' and say we had to do something about it. The evacuation generation did not have an entitlement culture, except on the issue that after the War they were entitled to be brought back home to Gibraltar, a campaign led by Sir Joshua Hassan which resulted in lifelong following for the AACR. The closed border generation did not have an entitlement culture, and led by Sir Bob Peliza they took on a second job to help Gibraltar keep going with a closed Frontier – the 'two jobs society', as some critics called it. The trade union battle for parity was fought for the principle, and we said to the MoD at the time, 'If you give us more money then we will reject it because it is the principle we want.' In achieving the principle of parity with the UK, to which we are still fully committed in this party, the agreement produced from the payroll of the largest employer in Gibraltar at the time led to a secondary multiplier effect throughout the economy that helped us in the fight to survive the closed Frontier.

The 1988 transformation of the economy was not the result of an entitlement culture but the opposite, the realisation that we had to reinvent our economy and make it private sector led. It was the Gibraltar Government telephone department that led the way by voting in a secret ballot to accept leaving Government employment and transferred to a joint venture, which brought to Gibraltar the state-of-the-art technology that Nynex possessed and created the necessary infrastructure for the financial services and gaming companies that followed. A secret ballot of the membership was held, with only one person voting against, and I gave that person a written undertaking that would guarantee his job in the public sector, which was honoured subsequently by the GSD Government.

Today we do not appear to have that kind of solidarity and commitment, even though we are facing a European economy disrupted by Brexit, a global economy still in partial lockdown because of the continuing pandemic, and perhaps most important of all, the need to relinquish the consumerism that is related to the entitlement culture if life on Earth is to survive.

Today, Mr Speaker, I will deliver my assessment of the economy of Gibraltar for the 47th time. My first was in 1973 and it was acknowledged by my dear friend Adolfo Canepa, then in government, that it was not just my first time, it was the first time that an Opposition Member had provided an alternative analysis of both the economy and the public finances in contrast to that of the Financial and Development Secretary, whose analysis had never previously been challenged and was taken as if it were written on tablets of stone up to 1973.

The second occasion when I missed putting my views to this House was in 2009, due to having to be absent from the Budget debate for personal reasons. On that occasion my colleague the Chief Minister described my absence as impoverishing the debate. He said:

The Leader of the Opposition when Chief Minister, was the first Chief Minister to deliver the speech on the estimates himself as a politician, and not allow that those speeches be given by the then Financial and Development Secretary. Today would have marked his 37th speech in this House, on these estimates, since his first election in 1972, and I am sure that whether Gentlemen opposite agree with his analysis or not, the whole of the House will be the poorer for the absence of his analysis.

Well, he was sure, but he was wrong! The then Chief Minister obviously did not hold the same view of the value of the analysis that I had been putting in this House at Budget time every year and made it clear by saying, referring to my colleague:

He started by saying that the whole House was the poorer for the absence of Mr Bossano's analysis. Well, no, we do not agree, only his side of the House is obviously poorer for the absence of Mr Bossano's analysis. We do not agree with Mr Bossano's annual analysis on the economy and, therefore, its absence cannot therefore be poverty for us. But it must be clear to anybody that has heard the debate on this Budget this year, just how much poverty Mr Bossano's absence as Leader of the GSLP results on that side of the House. We do not regret the absence of Mr Bossano's analysis, although we do of course regret his absence, personally, and especially the reason for it. But we do not think that we are poorer for the absence of his analysis.

Since then, as Opposition, they seem now to value the accuracy of my analysis slightly higher, or maybe a lot higher, which incidentally is not determined by who is in government but by my interpretation of what the indicators are signalling in respect of how our economy is performing, and if this means being self-critical, so be it. None of us is perfect; we all make mistakes.

That was in 2009. I will come back later to remind Members what the GSD was up to in that year, which has some relevance to the question surrounding the decision of the independent charity Community Care to restore the original conditions for payments to individuals linked to a role of delivering community duties, applicable when it was first introduced in 1992.

The economic challenge and, more particularly, the public finance challenge of the combined effect of Brexit and the pandemic lockdown is much worse than the challenges we faced before. The position that we face now we have to compare with the projections that were made in the 2015 General Election when I had projected that the economy would grow at least to a level of £2.4 billion by 2019-20 with the possibility of achieving an economic output of £2.5 billion. Of course, in 2015 nobody could imagine what was going to happen in 2016, and even less what was to follow in 2020. I think Gibraltar must be the only nation on the planet where Opposition Members and sectors of the population behave as if these totally unprecedented events of Brexit and pandemic lockdown had no relevance for either the economy or the public finances and we can all happily carry on as we were doing before, and if we cannot then all we need to do is blame the Government and then everything will turn out all right.

In 2019, notwithstanding the 2016 Brexit vote, I predicted for 2019-20 a better result than the top estimate of 2015: a GDP level of £2.57 billion compared to the £2.5 billion I had originally set as a maximum – an improvement of £70 million. The latest estimate we have today, which was mentioned by the Chief Minister earlier, is that the economy attained a value of £2.566 billion in 2019-20, £66 million more than the top expectation I had predicted in 2015, but £4 million short of the figure I had calculated in 2019.

In 2019 I also set a target for our growth for 2023-24 at a GDP level of £3 billion, representing an improvement of £390 million from a level of £2.61 billion, or £500 million from the original estimate of £2.5 billion. At present we are looking at a base line before the impact of the lockdown of £2.566 billion instead of £2.61 billion and a drop of 4.9% to £2.44 billion for the second half of the 24-month financial period. This is instead of the projected 2½% increase that I was saying we could achieve with the National Economic Plan, which would have put the GDP up from £2.61 billion to £2.68 billion.

We are estimating, in terms of the performance of our economy as at March 2021, £60 million less in output than we were originally targeting without the pandemic lockdown, so, in terms of the effect, it is less than one would expect given the seriousness of the lockdown. This level of difference in most nations' projected GDP would be considered an acceptable error in estimating, even without a pandemic.

At Question Time some time back, when the UK published a drop of 10% in their GDP, I told Parliament that I had no solid data to calculate the GDP impact but that my gut feeling was that it would be less than the UK and could be half the UK rate. The estimate we now have is that we have done slightly better than that, with a drop of 4.9% instead of 5%. So, our economy has done

much better than others in the context of the projections we had for the post-Brexit growth, but not the sort of growth we experienced in previous years.

290 Does this mean we have no problems? On the contrary, we have a very serious problem because it clearly provides evidence of what I have identified as a problem of perception on innumerable occasions in the past. The size of the economy is not the same as the level of revenue that the Government receives. Economic output is £60 million less than we expected but our public finances have gone from surplus to a deficit of £138 million. Although a growing economy as a general rule produces higher government revenue, this is not based on a fixed proportion.

295 This is one of the errors that features as one of the factors in maintaining the entitlement illusion which now affects all Members of the Opposition as well. This phenomenon, which is that so long as you believe you are entitled to something, whether you are or not, and whether the money to pay for it is there or not, all you have to do is paint a few placards with what you believe you are entitled to, march up Main Street, and then, after that, your entitlement illusion becomes
300 reality and all your wishes and aspirations will be satisfied. Well, I am afraid in the real world it does not work quite like that, and therefore I can tell hon. Members it ain't gonna happen.

The Hon. Mr Clinton may not understand much about economics but presumably he does understand about finance, having been a banker and he is the shadow Member for the Minister of Finance. Indeed, he has given every indication that he does understand exactly how badly public
305 finances have been hit by the lockdown. In public interviews where he has dealt with the subject he has done so to such an extent that I do not think he could have explained it better if he had been in government. Indeed, I have even commented to my colleague the Hon. Finance Minister that the hon. Member opposite was doing a better job of explaining it than he was – which did not surprise me, since he has often been briefed on the financial impact in greater detail than I
310 was.

So, when I say we can protect the economy of Gibraltar and we can continue to grow, and that it is possible for me to aim at delivering the growth targets we set ourselves in 2019, I am not saying anything that indicates that the public finances are in a good shape, which manifestly they are not, just because the economy, in my view, is in good shape.

315 In my new responsibility for restoring financial stability, which is closely linked to my previous responsibility for public sector efficiency, I have of course a fundamental interest in ensuring that we maximise the use of our resources in the most efficient way possible so that we can restore the application of the golden rule that I introduced as Chief Minister after 1988. This, Members know, is that living within our means requires that we do not borrow to meet the operating costs
320 of the public sector. We were there before the pandemic and we are not there after the pandemic, and it is in the interest of every Gibraltarian citizen in the public and the private sector, in education, employment or retirement, that we get back there as soon as possible so that we can restore the stability that is vital for Gibraltar.

In looking at how that stability is reflected in our economy, we need to analyse what is
325 happening in the labour market. The period covering the two Employment Surveys which we have available in this Budget gives us a snapshot of the labour market as it was in October 2019 and October 2020. I think it is useful to see the changes from October 2011 to October 2018 and then see the effect of Brexit and the pandemic lockdown in October 2019 and 2020.

The 24-month period which has hit public revenues so hard has created a new labour context
330 for the planning of the economy. When we prepared the post-Brexit National Economic Plan we were expecting that the labour market would continue to grow in line with recent trends and produce a total employment figure of around 32,000. In the post-Brexit scenario we expected that the economy would be reshaped by us to produce less labour-intensive work. We therefore planned that the future market for the four years 2019-23 should be stabilised at a maximum size
335 of 32,000 jobs and that future economic growth should be delivered by increasing productivity from a static workforce rather than an ever-increasing workforce, as had been the case previously and which could not be extrapolated to continue indefinitely.

340 Even though we left the EU at midnight on 31st December 2020 and the free movement of labour under EU law no longer exists, the degree to which we shall be controlling the labour market is still pending the outcome of what is agreed in the proposed treaty on our relationship with Schengen. The EU will be setting out their terms and we shall see whether in the negotiation after that an agreement acceptable to us can be reached. Should there be no deal, we will be in the hard Brexit scenario that I have been suggesting would be the most probable outcome since the result of the 2016 referendum was announced, and there is no doubt in my mind that we would have been there already, a long time ago, if Margallo had remained in office.

345 The treaty's outcome in the next six months will put pressure on the labour market as regards dependence on frontier workers. Our dependence on that source of labour has to start declining, since if we have an agreement at this stage it may not survive the so-called implementation period if Spain and the EU expect Frontex to be removed and Spanish officials to take over four years after the treaty comes into effect.

350 The Hon Mr Clinton said:

Once we go down the route of the Customs Union it will be difficult to undo and we may have lost business and business opportunities and some freedom and control in managing our economy. There has to be a clear-cut economic case that joining the Customs Union, in whatever form, will prevent a loss of business without crossing the red lines of sovereignty, jurisdiction and control. This discussion has to be open and frank.

At present, there are conflicting figures as to the number of frontier workers between the numbers registered by the ETB and those declared by the employers in response to the October 2020 Employment Survey. The ETB figures at 31st December 2020 were compiled to establish who will enjoy continuing labour market access in accordance with the Withdrawal Agreement.

355 I agree with the view expressed by the hon. Member, but I think I need to point out that in fact we are not asking to have a customs union, and, as far as I know, nor are we being offered a customs union. The relevance of seeking some understanding or agreement or derogation is so that the movement of personal purchases does not stop the queues that no longer exist because we are in Schengen. At the end of the day, every time somebody comes in and buys something from Morrisons, or every time somebody goes into La Linea and buys something there, it has to go through Customs, and if there is a queue on the Customs side then in effect one thing would be negating the other. I think whether such a thing is possible we do not know, but what we are talking about is if we have managed to do the first and then find that the second negates the first, then the whole exercise would have been worthless; we would still have a situation of people having long queues to go in both directions.

360 The market for labour is likely to be stable or declining from now on, but this does not mean that they will be the same people doing the same work, as in the past the turnover has always been higher than the net increase. We have always had the situation of many people leaving every year and more people coming in than have left. That is because it is, in some instances, the kind of work that had this high turnover, was work where people do not go into it for a long time in the tourist industry.

375 For example, the labour market figure that we use for calculating the GDP and therefore planning the economy has always been the figure in the Employment Survey reports. Since these are the numbers reported by employers, they are likely to be accurate or, if anything, conservative as it is unlikely that employers will be recording workers they do not have, although they may be under-recording some of those they do have.

380 The size of the labour market consisted of 22,247 jobs in October 2011. This is the full-time and part-time figure, but not necessarily 22,247 individuals since there will be persons holding two jobs, although it is not likely to be significant statistically. The public sector was 4,574 and the balance was the MoD and the private sector. This is in October 2011.

The private sector, which is what concerns us now in the context of the policy on the labour market, was 16,960 in 2011, up from 15,561, an increase of 1,399 since October 2007. The last

385 term of the GSD administration saw a growth in the private sector of 1,399 jobs, from 15,561 to
16,960. In October 2018 the figure for the private sector was 23,969 compared to 16,960, an
increase of 7,009 individuals in seven years, compared to 1,400 in four. The increase was higher
than that when compared to 2012, since in our first year there was a drop of 1,116 jobs. Our first
year in government resulted in the figure falling and if we compare, therefore, the figure of 15,844
390 from 2012-2018, then it went up every year, and there was a total increase in six years of 8,125
persons taking up employment in Gibraltar.

The drop from 2011 to 2012 in private sector frontier workers was from 7,287 to 6,189, a total
of 1,099. The public sector in turn lost 79, making the total more than the contraction in the jobs
market, which in fact meant that we had lost more frontier workers than we had lost jobs, and
therefore some of the previous frontier worker jobs had been taken by resident workers. There
395 was a slight increase in the use of resident workers because we lost more resident workers than
we lost jobs in that time.

This was reversed from 2012 to 2018. Frontier workers more than doubled in the private sector
from 6,189 to 13,371, providing 7,182 workers for the increased demand for labour of 8,125 jobs,
which was what happened up to 2018 before the world changed. By contrast, with this higher
400 expansion in the private sector from 2018 to 2019 it only grew by 32 jobs and shrunk from 2019
to 2020 by 1,214 jobs. The frontier worker figures for 2019, however, grew from 13,371 in 2018
to 13,839 in 2019, an increase of 468. This implies that the net growth of 32 jobs meant a
replacement of 436 resident workers by the same number of frontier workers. We had 32 more
405 jobs in the private sector but we brought in 468 more workers, so it meant that 436 jobs fewer
were held by residents. This is entirely consistent with the fact that the public sector grew in 2018
and 2019 by 593 jobs and that, of these, 437 came from the private sector and were replaced by
frontier workers. Quite frankly, this is not good for the sustainability of the public sector or the
security of the private sector, which becomes more dependent on frontier worker fluidity as a
result.

410 From October 2019 to October 2020 the number of jobs in the private sector fell by 1,214. The
frontier workers in the private sector dropped from 13,839 to 12,571, a total of 1,268, which
implies again, as has happened before, that resident workers in the private sector went up by 54.
The correlation between the movement in the public sector and the frontier workers in the private
sector lends support to the complaint of private sector employers that the demand from the
415 public sector forces them to recruit frontier workers as replacements. The evidence is there.

Whereas the private sector reduced its dependence on frontier workers in 2020 by reducing
the number by 126, the public sector saw an increase in the number, of 57, with the biggest
element being those designated as 'other EU nationals'. It is possible that this increase was not
due to more people being employed in the public sector but employees living in Spain previously
420 using a Gibraltar address, which they were forced to change due to the controls at the frontier
during the pandemic initially and later our departure from the EU. It meant that people who were
supposedly living here but were living there had to give their real address because they were
facing problems getting home at night. The frontier workers registered in Gibraltar at the end of
December was a much higher figure than the number registered in the survey returns by the
425 employers, and this of course will need to be scrutinised as we go through the year to ascertain
the accuracy of the figure for economic planning purposes.

A new area that I have been made responsible for recently is financial stability, with which I
have been entrusted by the Chief Minister with the task of restoring financial stability, which was
not part of my responsibilities in the last Budget, two years ago. However, in practice it is closely
430 linked to the policy of increasing efficiency in the public sector, for which I was responsible already.

I said, when my additional responsibility was announced, that we had lost financial stability
because, by definition and by the determining criterion, stability in public finances requires the
implementation of the GSLP golden rule introduced by me from 1988 in the first socialist
Government. For many years financial stability has been maintained because it requires balancing
435 income with expenditure in respect of recurrent spending in the public sector and preferably

providing a surplus to fund, in our case, principally three areas: investment in the creation of capital assets, which the GSD also did between 1996 and 2011; contributing to the finances of the independent charity Community Care Ltd; and building a rainy day fund, which the GSD did not do between 1996 and 2011 and which indeed they rubbished as soon as they were elected in 1996
440 when the Chief Minister of the time announced in this House, 'The rainy day is today,' and emptied what he called all my piggy banks. This, of course, left Gibraltar more exposed to losing its financial stability than it would otherwise have been as a result.

Restoring financial stability, in our book, requires keeping a tight control on spending. Such decisions are taken by the Cabinet, which decides the policy of the Government – although I tend
445 to be blamed if there is a negative reaction resulting from such measures. The Chief Minister has recently told the House and the general public that we have been so badly hit in our revenues by the pandemic lockdown and extra public health COVID measures that we have finished with a deficit of £158 million, the largest deficit in Gibraltar's history but a similar situation to that experienced by many other countries in Europe and by the US, who incidentally have never
450 implemented our golden rule on recurrent expenditure and were in many cases running current account deficits and borrowing to cover it.

This year's Budget reflects the need to restore this stability. As the Chief Minister also announced in an earlier meeting, the result projected for the current financial year is a deficit of £51 million, almost £1 million a week. Let's be clear what this means: the projected expenditure
455 is expected to exceed the projected revenue by £1 million every week starting on 1st April, so anybody who wants more than is in the Book wants us to either cut somebody else's allocation or borrow more than £1 million a week. It is simple to understand. This is not a complex exercise.

Total departmental expenditure is £46.5 million more than the actual expenditure of 2018-19 compared to the annual average of £69.5 million in each of the 12 months in the preceding
460 24-month period. So, although we are still up on 2018-19, we are less up than we were in the last 24 months, partly because there is a lot of expenditure there which is not being repeated and because of the measures we have taken.

The Government is nonetheless committed to restoring financial ability, which means getting back to projecting recurrent levels of spending that come in at or below the expected levels of
465 income. To achieve our target for this year will not be easy and therefore a number of policies have been implemented that require that Cabinet approval be obtained before expenditure is incurred. This is as it should be, but in the past it has frequently been the case that the Cabinet position on approving additional spending has been a paper exercise since the spending had already taken place. This is not a new phenomenon and indeed I remember one particular issue
470 with the GHA spending on relief cover, which was removed from the Budget by the GSD administration so that the allocation would not be accessible without the prior approval of the Chief Minister's office in an attempt to keep control of the item – an attempt which, if I remember correctly, eventually failed to achieve the desired result, as so many attempts do.

The elimination of waste in the procurement process is also something that requires to be
475 looked into. There is a tendency for Departments to simply reorder supplies by repeating periodically what has been ordered in the past. It is an area that may not yield the kind of savings we are looking for, but we have to become conscious that every penny counts – and we have not been there for a very long time. The mind-set that has been created is that every year, without much effort, the revenue of the Government goes up and the expenditure goes up as well, as if
480 that were the natural order of things. It has not always been like that, but I accept that there are many people who have never known anything else and will need to get used to the new normal.

A recent press release from the hon. Lady's party said something to the effect that revenue has not increased under the present Government. This can only mean that whoever wrote the press release has never looked at the Estimates Book. Revenue increased from £383 million in
485 March 2011 to £708 million in March 2019. Eight years produced a growth in revenue of £325 million. There has been an increase in revenue in many areas without any increase in what people are charged, simply because there has been more activity in the economy.

490 What we have had in the last two years has not been what was normal but could become the new normal and may require the Government to look in future to new areas where revenue can be raised. A real test in the nine months ahead is to contain expenditure so that it finishes no higher than the amounts that we are approving this week.

495 We need to establish as a standard the notion that an increase in costs in one area must be matched by savings in another. The departmental spending in future should be constrained by accepting that the overall priority is that we, as a community, consider what is the most important expenditure from the limited resources we are going to have, so that they should be devoted to those areas. This is how the public judges us when they criticise a government for spending money in one area and then having to say no to something else that is more deserving of public funding. It happens to every government, it has happened to us, and the people are right when they criticise us for it. It also means that since we have to borrow £1 million a week to cover costs, it is more important than ever to spend money on things that cannot wait for better times ahead, which I have no doubt will come when we think of all we are going to do when we come to the rest of the elements in the economy.

500 Keeping the economy on an even keel is something that I am confident we can do in terms of the modest level of growth we are committed to. A target in the output of our economy of £3 billion for the end of financial year 2023-24 is what we aimed for in 2019 and achieving it is still possible. However, restoring revenue levels to what they were in the past is not going to be easy. I have already previously said that I do not expect to see the revenue level we attained in 2018-19, which was the highest ever at £708 million, before the next election and perhaps not even for some time after. The financial strategy we need will therefore require inevitably that we should address the efficient use of resources to contain expenditure, looking at what we charge for the services we provide and where in most instances what we provide is provided at a loss.

510 In considering the efficient use of resources, we cannot ignore the size and cost of the public sector payroll. The Chief Minister has given figures that show that although we are committed by our manifesto to maintain the number in the complement of civil servants that we inherited in 2011, in practice currently there are many more in employment and that complement is now far exceeded by the number of employees. The numbers employed in the public service have also grown substantially since 2011, not just in the Civil Service. It cannot go up any further and indeed it will have to come down, not by dismissing anybody but by redeploying people to meet changing requirements in the service. Doing this is not austerity but good management.

520 The Opposition have criticised us when it has been increasing and criticised us when it stopped increasing. In our first time term Mr Feetham in a debate accused me of having created a bloated Civil Service in the first few months when we were still filling vacancies created by them. The GSD had a system of keeping vacancies on hold and recruiting little over a period of time, and then opening them up in a pre-election boost to improve their chances of winning the election. We continued their pre-election recruiting for the first four years and added an extra 400 employees. When we put a stop to it after the 2015 election we were accused, by the same Mr Feetham who had said were creating a bloated Civil Service, of introducing austerity. Based on the numbers in the Employment Survey report for October 2020 and October 2011 and the subsequent recruitment of 94 AAs since last October, we will be talking probably of something like 1,800 more employees than in October 2011.

530 This is something that must be understood: controlling the numbers of jobs in the public sector is the only way we or any other government can protect the jobs of those who are in employment now and for the future. Every time somebody leaves, we need to ask ourselves do we really need to take somebody else on to do the same job, and if we find that we do not then the next question is how we can put that money to better use. That is not austerity, it is managing one's budget the old-fashioned way before the culture of entitlement became the norm. It is something that controlling officers should be doing all the time, because they are not there simply to control what has been approved by this Parliament but to make sure that in a world of changing methodology and new technology we are delivering the services we need in the most cost-effective way.

540 Restoring financial stability is not rocket science, it is simply politically difficult because it involves becoming unpopular for doing what is required, doing the right thing in the long-term interest of the public service and securing the future of our country so that we depend on no one. We must develop the capacity to be competitive, to earn a living that will enable us to maintain the quality and breadth of services that we have become used to having until now.

545 The antithesis of financial stability is the culture of entitlement. So, what is the culture of entitlement? Perhaps the first indication of a culture of entitlement – the Hon. the Leader of the Opposition may remember this – was the self-granted pay increase on 17th December 1998 which was presented to this House in the first GSD term, something they had not bothered to put in their manifesto, incidentally, during the election campaign. The Government had first granted the
550 Financial and Development Secretary a 25% increase and then they followed by linking their pay to the new enhanced salary, giving themselves a higher percentage than was the case in respect of the old salary. As Leader of the Opposition I pointed out that when salaries had previously been reviewed Sir Joshua Hassan had first discussed it with Peter Isola, the Leader of the Opposition, and myself as the sole representative of the GSLP in 1980. The GSD had decided that it should be
555 done by them alone, without any consultation. The reply from the then Chief Minister was that by bringing a motion to the House and the fact that we could speak – he actually allowed us to speak in those days – and vote against the motion, it meant that we were being consulted. That is what he said; it is in the *Hansard*. It is worth remembering what the definition of consultation was with a GSD Government, Mr Speaker. The basic argument for the need to introduce much
560 higher salaries, which reflected the values of the GSD, was explained by the Chief Minister as follows. He said:

The fact of the matter is that it is the Government's view that if as Gibraltar must in its long-term interests, if Gibraltar is going to attract into the field of politics and through the field of politics into these ventures people of the right calibre to govern Gibraltar they have got to be paid adequately, otherwise Gibraltar will be condemned to be governed either by people who have enough private capital to do it on a charitable vocational basis, in other words the stinking rich, or those people for whom a salary of £27,000 amounts to an improvement in their salary which of course was the case with most of the Opposition Members when they became Ministers of Government. It is the view of the Government that it is not in Gibraltar's interest for the categories of people who can afford to go into politics should be limited to that. The point is to give the electorate the choice of every category and not to use quite wrongly the system of remuneration to keep the competition out until eventually people offer themselves, regardless of the conditions to do something about it. The hon Members

– meaning us; I suppose he had no choice but to call us honourable –

are entitled to their views, which of course are as respectable I am sure

– meaning he was not –

as our own but I have not heard it articulated anywhere in Western Europe that those that govern should somehow not be paid a full and proper salary because there is some romantic value under-paying them because somehow it demonstrates their commitment to the people and it demonstrates their sense of sacrifice and their sense of commitment to the affairs over which they are responsible.

565 I would point, Mr Speaker – I am coming now to my voice – that although he tried to wriggle out of it later, the implication of what he had said was clear. This was at the beginning of the term. His message was that the existing system could only attract the filthy rich who were bored and were entering politics as a hobby, or the ignorant poor who would see it as an opportunity to get a pay rise. He went on to say that the second category was the one that had applied to the GSD Ministers in the previous administration. He argued that the word 'ignorant' was my
570 interpretation. Well, if it was not ignorant, in what respect was the GSLP Government of 1988 to 1996 made up of people of low calibre, attracted to becoming involved in politics in order to get a pay rise because we had no expectation of being able to earn £27,000 otherwise? One person

575 who was probably better off at that point in time was Minister Netto, who I suppose the GSD would have considered a low-calibre candidate, but I do not know if that was also the attribute that they applied to Peter Montegriffo or to the Hon. Mr Azopardi, who were also part of the team – perhaps they were the filthy rich. (*Interjection*) Yes, the filthy rich who were bored! There were only two categories: filthy rich or poor calibre! (*Interjection*)

580 In 1998, when I pointed out that the normal way we set guidelines in this House was by reference to getting advice from the House of Commons, as had been the case for Members' remuneration in 1979, the response from the Chief Minister was that by wanting to bring an expert from the UK I was undergoing a sudden conversion on the road to Damascus. There seems to be an urban myth within the GSD that I am constantly making trips to Damascus.

585 Calibre might be the yardstick that the GSD has used in selecting their candidates over the subsequent years, although I cannot say that I have seen any spectacular improvement over the years. I would not be expecting this for the GSLP since it does not classify people in terms of calibre but in terms of political conviction and commitment to the defence of Gibraltar against any possible attempt by Spain to take us over, the qualities that the GSLP requires from potential candidates. Those values and those convictions are not swayed by the size of the pay envelope, but the new value system that the GSD wanted to attract into politics people of calibre is a measure of how much some people need to be paid to be attracted by the opportunity of being involved in guiding our country's future. If it is a question of calibre, political ideology is not relevant in the system; it becomes just another job which pays well and allows you to lord it over your fellow citizens, which in the case of the then Chief Minister clearly was what gave him his adrenaline rush.

595 If Ministers only do a good job if they are paid enough money, why should anyone else in the public service be any different? That was the seed that led to the dismantling of the parity basis for relativity in the public sector that has had such a negative effect on the total cost of the public payroll. The introduction of the parity principle, which was seriously undermined, enabled people to accept pay differentials between different groups and trades on the basis that the rule was that you were being paid this for doing the same work as in the UK in the public sector, for better or for worse. Since then, with every departure from UK analogues the culture of entitlement has grown by discontent with the creation of internal relativities peculiar to Gibraltar. Why should a police constable earn higher pay at the lower part of an SEO, and not a nurse? Who is more valuable in our society? Well, it depends if we are in the middle of a crime wave or in the middle of a pandemic. How can such a system endure without being constantly affected by never-ending leap-frogging claims which people feel entitled to have met? It was what used to be the norm in the 1970s and was banished by UK parity determining the acceptable relativities. If someone is happy getting £50,000, he becomes unhappy if he sees a fellow worker overtaking him and jumping above, going from £50,000 to £70,000. It happened with the GSD in government and has continued since and is very difficult to put an end to.

600 The culture of entitlement grew under the GSD, was inherited by us in 2011 and has been growing since. Its most recent and worst example was at the beginning of this month. On Wednesday, 30th June the GSD in general and the Hon. Mr Clinton in particular were condemning the increase in contributions which will be paid as from this month and will go to restore the finances of the Statutory Benefits Fund. The payments, as I said in my interview by way of example, show that 30,000 workers pay insurance contributions and fund the old age pension of some 6,000 pensioners. Failure to raise contributions means having to borrow money and subsidise pensions which contributors of the past have earned with the contributions that went to pay pensioners of their time in the pay-as-you-go system we inherited in 2011, but not the 1996 model, which was to hold reserves that provided investment income and made pensions funding less vulnerable and less dependent on the size of the labour market and the level of insurance payments.

615 The next day, on 1st July, the GSD Members of Parliament participated in a demonstration which was calling for payments to persons who receive tax-free occupational pensions in excess

625 of £21,000, predominantly retired government employees mainly in previously highly paid
employment with Civil Service non-contributory final salary pension schemes, which they, the GSD
in government, shut down in 2011. This demand, the demo organiser says, is to be backdated as
if the charity that makes payments to persons in need had a legal obligation to pay anyone
anything, and must continue non-means-tested payments until the old age pension for men is
630 brought down from 65 to 60.

Introducing such a change, which Members support, is to increase the cost of what would be
the payment of an old age pension to five times as many men as is the case until now. So, if we
did what the Opposition wanted us to do in supporting the demonstration, we would be paying
pensions from the Statutory Benefits Fund, which has no money, to men reaching this year the
635 ages of 65, 64, 63, 62, 61 and 60 – all this year and at the same time. According to the stance of
the day before, we have to make no increase in the payment of insurance contributions, which
the legislation provides has to pay for the pensions. The policy of the Members opposite who have
previously opposed borrowing to create assets and fund fixed capital formation, even though they
did it in government but they opposed it in opposition, now were going to have to pay recurring
640 expenditure. Is that what they would do if they were in government? Would they be borrowing at
this stage to pay pensioners from the age of 60? The rest of Europe, which like us faces an ageing
and longer-living population, is going in the opposite direction and raising women's pensionable
age to 67, not reducing men's pensionable age to 60. I have to tell my good friend Roy Clinton that
I am disappointed that he should have participated in this blatantly obvious farce which destroys
645 any credibility he might have and indeed did have, in my eyes, for commitment to prudential
public finance policies. How can we be prudent in reducing the age for pensioners, in not raising
contributions and in borrowing more money than the money we are having to borrow already –
£1 million a week? The GSD has blown hot and cold on the question of public expenditure and the
entitlement culture to the point of being almost psychotic.

650 I have also recently undertaken the additional responsibility of Minister for Social Security and
my first responsibility was to put into effect an increase in Social Security payments, which had
not previously been raised since 2018. Mr Clinton made the point, in a public statement, that it
was the first act I did in my additional duties. I hope that does not mean that he believes or is
trying to persuade others to believe that the reason for increasing is the fact that I have been
655 given the responsibility for Social Security, which of course is not the case because it is the
implementation of the policy of the Government, with which I entirely agree of course but it would
have been done whoever was the Minister.

The rates of Social Insurance contributions are not government revenue, as every Member of
this House knows. The money that is paid in Social Insurance contributions goes directly into the
660 Health Authority as to 70% and directly into the Statutory Benefits Fund as to 30%. This has always
been the case, except in one particular year when the GSD broke the legal limit for the maximum
public debt and, to restore the ratio, they retrospectively legislated for the contribution to go into
the Consolidated Fund and out of the Consolidated Fund before it went to the GHA, and it has
continued since then like that.

665 The Social Insurance Pension Fund has been facing a potential crisis similar to the one faced by
the revalued pensions for pre-1969 frontier workers for years without the issue being addressed
by the GSD. I will give some details of the pre-1969 frontier workers situation later on.

The Statutory Benefits Fund, the current version of the Social Insurance Fund, has since its
creation received the Social Insurance contributions. These are not taxes, have never been taxes
670 and have never been credited to the Consolidated Fund. I hope the hon. Lady by now understands
how this works and that the statement from Together Gibraltar which says the opposite reflects
the ignorance of whoever wrote it, and not hers. I will read the statement and demonstrate its
inaccuracy:

Together Gibraltar says the Government's recently-announced increase in social insurance payments amounts to a
regressive tax,

675 – actually, it is not regressive and it is not a tax –

and damages an already battered private sector – adding any such measures should have involved consultation with the Federation of Small Businesses and the Chamber of Commerce. In a statement on the changes – which are set to come into force from the 1st July – the Opposition party says it believes that given the damaging effects the pandemic has had on the Rock's economy, it is not the time to increase social insurance payments.

– but just to increase Social Insurance pensions; of course, that goes without saying –

Together Gibraltar says the Government's assertion that those on the minimum wage will not be affected is 'disingenuous', as the rise will affect a large number of employees in the bracket only marginally higher – adding these numbers are especially high in the most troubled sectors, such as retail, wholesale and hospitality.

It also describes as disingenuous Sir Joe Bossano's argument that social insurance payment are used to pay pensions and healthcare – arguing that most government revenue is collected into one pot, and that therefore, if any expenses in healthcare happened to exceed the revenue from social insurance, the Government could source funds from other parts of the budget.

A budget which is in deficit, of course.

680 A tax, for those who do not know, is something we all pay to finance the provision of public services and pays for the salaries of public servants, government contractors and procurement of supplies. With Social Insurance, if you do not pay you do not receive a pension. The more contributions you pay, the higher the pension you get. These are not the characteristics of a tax. These are insurance premia, just as you contribute to an occupational pension scheme. If you do
685 not pay your taxes you can be prosecuted, but if there is a fire in your house the Fire Brigade will still come to put it out, notwithstanding that you have not paid your taxes. I hope this assists Together Gibraltar to understand the difference.

Not only is it not a tax, it just cannot be regressive if it is a percentage of earnings, because the higher the earnings the higher the contribution, though the cap can be said to be regressive and
690 that is what has been made less regressive by the increase.

There are, according to the Employment Survey reports, 29,516 employee jobs, of which 18,105 are above the cap and would pay more if the cap was at a higher level than the £363 weekly income. Of the 11,411 with incomes below £363 a week, 4,089 are between the Minimum Wage and the £363 and are affected by the increase in the cap. So, the cap increase affects 4,089 and
695 there are 7,322 at the Minimum Wage or below because they work less hours and have lower earnings. That group is not affected by the increase in the cap. That groups gets a pay rise by the increase in the Minimum Wage and they pay more insurance because they have higher pay. They would have paid the same higher level of insurance if there had been no movement in the cap.

The increase in the voluntary contribution eliminates the regressive nature of this contribution where the amount paid was lower than the rate paid by employees who were cross-subsidising the persons making the voluntary contributions, because the workers are paying £36 and the payment by the people who were paying voluntary contributions was £15 and has now been put to the same rate as the workers are paying. At the previous rate of payment of the volunteer contribution, if we compare it with, for example, the purchase of an annuity to understand how good or bad an investment it was, was the equivalent of being able to buy an annuity that gave a rate of 22%, and at the increased rate the comparable rate of an annuity would be delivering a return of 9%. The best annuities you can get in the United Kingdom now produce a return of 5%, so even at the new rate there is a 9% return on your money on what you are going to get in higher pensions, and before you were getting a 22% return on your money on what you were getting at
700 £15.
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In terms of what it buys in pension increases, this depends on how many employee contributions have already been paid, with the lower the number of contributions already paid the higher the benefit obtained. At the old rate of voluntary contributions, the contributor would get his money back from a higher pension within a time range of between six months and five and
715 a half years. So, he pays his £15 and when he gets his pension, six months later he has already got

his £15 back, if he has very few contributions. The average is the figure that I gave before of the percentages and this is the range between the people who benefit most and the people who benefit least. The more stamps you have already paid the less effect the ones you buy have, clearly. The position with the new rate is that instead of six months and five and a half years, they will get their money back in a period that ranges from one year to 13 years. Since almost everybody's expectation now, with the present life expectancy for men, is that when you retire at 65 you still have 15 or 20 years in front of you, nobody will lose money by paying the contribution at the rate it is at now. There are 232 voluntary contributors out of the eighteen thousand and whatever it is currently, and I have asked the Department to do an exercise to see what their personal circumstances are, to consider if any adjustment is required in any individual case. Any new volunteer contributor will be paying the new rate.

The Social Insurance Fund has been having serious problems of long-term funding as currently structured. This has been the view of the GSLP for a long time and explains why we are committed to deliver a new Social Insurance scheme in which the ages of the beneficiaries would be equalised, which is what our manifesto says. The new scheme cannot be prepared, let alone delivered, until we know what our relationship with the EU will be as a result of the Schengen access agreement. If there is an element that deals with the Social Security arrangements for EU workers, then it will mean that what we are able to do will be constrained as opposed to what would be the case if such a condition is no longer applicable. We are not going to do anything until we can deliver a system that will protect future generations, which is the responsible approach to take on what is a long-term intergenerational issue. At present, young people still working pay for the pensions of those who are retired. That is not a system that can survive and it is not how the scheme was intended to work initially. I illustrated in a recent example that I gave that as it stands at present, every additional pensioner added to the expenditure requires five new workers added to the workforce to contribute to the revenue, or if the increasing number of workers is not happening, as is the case now, then it would mean that future increases in contributions would have to be higher by the remaining working population.

The future of the pensions provisions that we make that are statutory is linked, and has been linked since 1989, with Community Care, so I will now deal with the issues of Community Care and aspiring community officers. The role of Community Care in protecting the standard of living of our senior citizens seems to have been forgotten by Members opposite, in spite of the fact that in government the party they represent acted in a totally disgraceful way, pretending to uphold the survival of the charity whilst planning its demise, as was revealed for the first time in an interview published in the *Chronicle* on Thursday, 17th July 2010. I quote what the then Chief Minister said:

For example, on the pensions and Community Care the complete abuse of a statement by the Leader of the Opposition

750 – me –

that the Government has allowed Community Care to run out of money.

– completely abused to say that –

He did not say that as a matter of bookkeeping. He said that to transmit to the elderly of Gibraltar the view that the Community Care payments may be in jeopardy, which he knows to be a complete and utter lie. But did he have any reluctance to worry elderly people in Gibraltar? No. It has been the Government's policy for 15 years

– 15 years of promising in this House to protect Community Care and 15 years of a policy being implemented –

to run down the fund in Community Care

– the lie that I am supposed to be selling –

So that he says we can make alternative and better arrangements.

755 And we welcome the better arrangements, but we do not know what they are. He says:

Does that mean that anybody's payments are in jeopardy? No.

So, he is telling us he has got better alternatives, better arrangements and everybody is going to be paid the same as they were being paid before. Okay.

760 I know they have since then disowned the policy of getting rid of Community Care, whilst in opposition after 2011, but they spent from 1996 to 2009 denying whilst in Government their plan to close down Community Care – that is until they owned up and admitted that they had been planning and doing it from 1996 to 2010.

765 I also know that they frequently claim they are not responsible for the actions of the GSD in government, except when it suits them, as was recently the case when Mr Bossino, who aspires to be the next leader of the GSD, told Parliament that he was proud of the GSD's record on tourism, as if he had had anything to do with it. I will not set out to demonstrate that even in that area there was little done to be particularly proud of, because what I want to establish is simply that the link with the past performance of the GSD Government is there when it suits them.

770 Much of what I am about to say is and was in the public domain already, and of course because of my long involvement I sometimes take it for granted that others in this Parliament, or outside it, while organising petitions, know the past and choose to ignore it. However, it is quite possible that there are people out there who have no idea of the past and are making false statements out of ignorance rather than malice, and I am prepared to give them the benefit of the doubt by putting the record straight.

775 It is also the case that much of what happened in the past in relation to the funding of Social Insurance old age pensions is very relevant to understanding what is happening now and what the future may hold. The creation of an old age pension scheme was the work of the AACR Government in 1955, following on the United Kingdom National Insurance Act 1948. At a later stage, collection for the Group Practice Medical Scheme contributions was added. The Old Age Pension Act was passed and created a scheme that was always intended to be self-funded with the revenues kept separate from the Consolidated Fund, legally held for the purposes of the Act and not available to Government to be used for any other purpose. The requirement of the Social Insurance Fund was subject to periodical actuarial reviews, usually five years, to establish the level of contribution that was needed to maintain its self-sufficiency and generate a surplus, as that would create a reserve which was considered by the actuary to be at least the equivalent of one year's estimated payments. That would be over £30 million now. That was considered to be the prudential level of reserves. So, those who say that this is simply a tax that the Government can use for whatever they want do not know what they are talking about. Given that the same system has been in place for 66 years, there is no excuse for not knowing this.

790 It was precisely because it was not part of the Consolidated Fund, where all taxation receipts go, that there was a special fund and a Spanish sub-fund made up of the contributions made by the withdrawn frontier workers with payments from 1955 to 1969. The total amount contributed by each worker was of the order of £38 each in the whole of the 14 years – under £38, actually. Based on their contributions, on paying the £38, they were then entitled, for the rest of their lives after retirement, to a maximum weekly pension of around £1 a week for a single person and £1.50 for a married couple. These were exactly the same benefits payable to Gibraltarians with the same contributions at the same time.

800 In 1973 the Social Insurance Ordinance was amended to give annual pension increases for those contributors who continued to work in Gibraltar and pay Social Insurance. The contribution rates and the pension payable for this second category was raised every year. The Spanish workers

805 did not contribute because they had been withdrawn by the Franco government. The Government of Sir Robert Peliza offered to transfer the accumulated fund of the Spanish workers, which was estimated to be about £4½ million, and their accrued rights to the Spanish government – well, no, it was £4½ million much later; at that time it would have been much less; at the beginning it would have been, probably, £1 million or £1½ million – but this offer was rejected by Franco and criticised by the AACR Opposition, who then, when they were in government, tried to do the same thing as Bob Peliza and offered it to the Spanish government, and that was also rejected.

810 The 1973 amendment which was made by the AACR, however, provided for pension increases for resident workers in Gibraltar who had not contributed to the pension fund at the new increased rates post 1969. So, we had the post-1969 contributions being increased after 1973 and providing increased pensions and increased payments for people who were retiring with 1973 contributions. People who had retired with pre-1973 contributions – in the case of the Spaniards, pre 1969; in the case of the Gibraltarians, between 1969 and 1973 as well – were getting the pension at the old rates, the rates that had never been increased. The number of Gibraltarian pensioners in this category claiming on the basis of residence because they did not have more contributions in the new system was minute.

815 In 1985 the Frontier was reopened following implementation of the Brussels Agreement. The Spanish government informed Spanish pensioners at the time that they would be able to collect their Social Insurance pensions at the 1969 rate of £1 from February 1985 and that this would be revalued to the level payable to resident pensioners in January 1986 when Spain joined the European Union. The GSLP in opposition proposed confidentially to the Government that the Social Insurance Ordinance be restructured to avoid the liability that would arise and which the fund was incapable of meeting. The Government of Gibraltar under Sir Joshua Hassan rejected the solution on the advice of Sir David Hanney, who said it would go against EU law. This advice was incorrect. 'Sir David Hanney was Margaret Thatcher's Mr Europe,' Joshua Hassan told me – how could I know more than him? Well, I did not know more than him but I knew in whose interest I was working, and that was Gibraltar's and not the UK's.

820 In December 1985 at the Brussels negotiating sessions in Madrid, even though the AACR was saying in motions here in this House that there was no connection with Brussels on the pensions saga, Sir Geoffrey Howe agreed with his Spanish counterpart to pay revalued pensions to former Spanish workers from 1st January 1986. They had not previously cleared this with Sir Joshua Hassan, who was present at the negotiations and who issued a public statement subsequently refusing to accept responsibility for this. An agreement was reached with the UK by the AACR, under which consultants were engaged to produce a report to examine how the Gibraltar Social Insurance Scheme could be refinanced to meet the liability and the ODA contributed some £15 million to meet the payments for the period from 1986 to 1988 – when another election was due and we were expected to win, so it would become our problem. The GSLP included a manifesto commitment in that election that it would not contribute one penny of Gibraltar's money to finance Spanish revalued pensions and campaigned in the 1988 elections on this basis and won on this basis.

835 The consultants' report commissioned by the UK simply came up with the self-evident conclusion that the liability, running then at £8 million a year, could be met by large increases in Income Tax or Social Insurance to be paid by the Gibraltarians. Immediately after the election I held meetings with Baroness Linda Chalker – a very good friend of mine subsequently – the Minister responsible for Gibraltar, and this was the first policy conflict of many over the pensions with the UK government.

845 The amount allocated to meet the pre-1969 revalued pensions which had been provided by the ODA proved too little and the first demand from the UK was that Gibraltar should pick up the tab and start paying after July 1988, when the funds available were exhausted. The UK wanted us to pay all of it. They said they were not putting in a penny. I remember in one of the conversations that we had that they said they would simply stop payment and there would be riots in La Linea. I said, 'Well, I suppose La Linea and Gibraltar are 5,000 or 2,000 or however many miles from you –

and it is the same, we are equally distant from you – but I can tell you that if I pay, the riots will be in Gibraltar, and if I have to choose I will choose the La Linea riots, which are a million miles away, as far as I am concerned.’ So, then they said they would be prepared to pay, but they wanted us to make a contribution because they said that we should pay £1 million, which the AACR had offered to contribute, even though they considered it was not enough and they were already generous to allow me to do a deal with just £1 million, and I was told that since that had been a commitment of the previous Government, which had put £1 million on the table, I had to honour it. My reply was that from the Opposition I had been saying not one penny, that I had a manifesto commitment saying not one penny, and that when the people voted for us they had removed the £1 million from the table and now there was not even one penny left on the table. So, the ODA diverted funds which had been voted by the UK Parliament to assist Gibraltar’s infrastructure projects a long time before and which the AACR had failed to spend and was still sitting in the ODA account, and used it to avoid ending the payments in August 1988. This was done, by the way, without the agreement of the GSLP Government, but we could not stop it; it was their money and they had it in their account.

The UK agreed to continue the payments beyond 1988 but attached two conditions. Pension levels would be frozen at January 1989. They had some argument, with some logic when they put the argument – some logic, not all logic because they were responsible for the whole business by giving the wrong advice to the AACR in the first place. They were saying, ‘If I am paying the pensions and you are deciding the increases, what is to stop you deciding tomorrow to double the increases and I have to pay? I will pay the pensions as they are when we agree, which means if there are increases you have to pay the increases to the Spanish pre-1969 workers because you cannot just increase it for the Gibraltarians.’ There was some logic in their analysis that we would have the freedom to impose on them what they had to pay.

In any case, we had no choice. Either they stopped paying altogether or they were willing to take on the responsibility for a period of five years. The first condition was that it was frozen and the second condition was that the Social Security system had to be dissolved – we had to scrap the 1955 Act and have no Social Security system – and that the balance of the accumulated fund would be distributed, with the UK paying pro-rata lump-sum payments to Spanish pensioners when this happened in December 1993. An insane proposition. As a Government, when you are negotiating, sometimes you have no choice. What was the alternative? The alternative would have been perpetual war with our neighbours, who would have blamed Gibraltar for them not getting a pension that the British government was prepared to keep on paying them. The UK actually informed the Spanish government of this proposal and the EU Commission, and nobody reacted. It seemed that only we were horrified at what they wanted to do. They thought it was quite normal, the Spanish government thought it was normal and the EU Commission thought it was normal.

In 1989 the Government established a Social Assistance Fund, which was entirely funded from the proceeds of import duty. The fund’s objectives included the making of grants to charitable organisations. And in 1989 a charitable organisation, Gibraltar Community Care Ltd, was set up by a number of individuals, not by the Government. It introduced a household cost allowance for assisting persons living in Gibraltar whose cost of living was and is and will continue to be much higher than those who live across the border. The housing cost allowance was paid in December 1989 at the rate of £26 per quarter for a single pensioner and £39 per quarter for a pensioner couple, irrespective of the existing level of pensions from the frozen Social Security system. Therefore, whether you got the full pension or the minimum pension, you got the same payment. There was no link to the contributions or to the size of the pension.

The structure that was to replace Gibraltar’s Social Security system post 1993 was the subject of discussions with the United Kingdom, which were never ending. At first the UK experts insisted that there could not be a state-run Social Insurance successor in Gibraltar based on Social Security legislation, as this would be caught by EU regulations and be seen as a device to discriminate against the former Spanish pensioners by ending their pension entitlement but reinstating a

905 pension entitlement for Gibraltar pensioners. They insisted that each pensioner and each worker contributing to the scheme up to December 1993 would receive a lump sum after the dissolution of the Gibraltar Social Security system and that this lump sum would be transferred to an occupational private sector pension scheme, which would be a money purchase scheme.

910 After innumerable meetings and considerable work to try and meet the UK's demands, the advice was reversed. The UK experts then decided that a private sector occupational pension scheme would not do, as it would breach the UK's requirements with aggregation and apportionment of Social Insurance pension rights based on contributions made in different member states, and the Gibraltar Government was told it had to replace the existing system with a state-run public sector successor scheme, which was what we wanted to do in the first place but
915 which they said we were not permitted to do. It shows that this reliability on the expert advice that they produced, which had been the source of the problem in the first place, was not advice as ... We were dealing with people who never made mistakes – they made colossal mistakes throughout.

The public sector scheme would then operate only on the basis of contributions made from
920 1994, without any credits for persons who had not retired but had been contributing under the scheme up to 1993. Let me see if I can explain that. The Spanish pensioners are the people who were withdrawn in order to cripple our economy and bring us to our knees in 1969, and they paid £38. In Gibraltar we had the two-jobs society, we tightened our belts, we did everything we needed to, the UK gave us some money and we kept on going with a closed Frontier and kept on
925 paying insurance. Now, because they decided at a meeting in Brussels – I mean the Commission – that we had to pay the people who left and paid £38, not £1 but the £38 that has been earned by the contributions of other people subsequently, in a bill that is £250 million – that we had to pay the £250 million was a physical impossibility; not even I can produce that kind of money – or we had to, first of all, not have a Social Insurance scheme, which everybody else had, which they had
930 had since 1948 and which we had in 1955, or we had to have a money purchase scheme ... And then they did not say, 'This is a wrong thing to do, this is immoral what we are doing to these people.' They said, 'The EU won't let us do it. No, you have to have a Social Insurance scheme, but all the insurance that you paid between 1969 and when we put the new one in, in 1985, all that money, all those contributions will not count in the successive one of January 1994. They will stop
935 paying in 1993. Everybody will then get their money back' – which was going to be distributed, or now their money back which has to be put in a separate fund and will not be used to [inaudible] So, people who were, say, 64 in 1993 would have had one year to pay for the new pension, because what had been paid in 1993 could not be counted. That was their second brainwave.

On the suspension of the pension payments the Spanish pensioners were informed that in
940 accordance with the 1989 UK-Gibraltar agreement accepted by the Spanish government at the time, they would receive lump-sum payments. Let me tell Members an interesting anecdote about what happened when that took place. I mentioned, in relation to the accusations from the Hon. Mr Bossino, that I am against co-operation, and I was against Brussels because I am against co-operation, and that we had set up a council which included Ceuta and that Ceuta was where we
945 had the last meeting. When we were in Ceuta and we had the last meeting I warned Pepe Caracao and the other leaders of the municipalities, 'The UK government is now going to remind the Spanish government what they told them five years ago, which is' – this was in December – "This is the last month that you can pay pensions." Since most of the people who were frontier workers are in your municipalities you are going to get a reaction, so I am just giving you a friendly warning,'
950 in this cordial co-operation council that we had, 'that this is going to happen.' Since we were having this meeting in Ceuta, I said at the end of the meeting, 'Off the record, not on it, I can tell you this is happening now in Madrid, so you had better think how you are going to deal with it. This is something that the Spanish government has known for five years and the EU has known for five years.' I came back here and we had a meeting of the House, and the then Leader of the
955 Opposition asked me how the meeting had gone in Ceuta. I said, 'It went very well. We are very optimistic that we can do lots of things together.' He said, 'How is it that Sr Caracao has just been

interviewed as President of the Mancomunidad and said that the work of the Our Lady of Europa Co-operation Council is now finished, that they are all withdrawing their participation in it because you kicked him in the shins under the table in Ceuta?’ I said, ‘I didn’t kick anybody in Ceuta at all.’
960 This is what politicians are like. I gave the guy a friendly warning and then he came out with this. It is all in the record of *Hansard* if anybody is interested in looking it up. That is what stopped the co-operation. The co-operation stopped because the politicians in the municipalities had to make some gesture to defend themselves and show anger at the action of the United Kingdom, which was totally irresponsible, of course, but in January people were left without pensions, there and
965 here.

The Junta de Andalucía then instructed all their pensioners in the Campo area not to accept the lump sum and advanced loans to them equivalent to the level of pension they were getting for the five years between 1988 and when the pensions were closed. So, I did the same. We did the same in the Government. What the Andalusian government was giving to the Spanish
970 nationals we gave to the Gibraltarian pensioners. Therefore, the UK had triggered what their plan was but the trigger failed because the Junta de Andalucía took compensatory action to protect their pensioners and obviously we did exactly the same, and they could not stop me doing it – because how could they defend that I could not do for my pensioners what the Junta could do for theirs? – but it meant that the money that was supposed to be given back to the pensioners as a
975 lump sum to get rid of the problem was never distributed because it was not accepted.

The situation then was that, on instructions from the Junta de Andalucía, the bulk of the pensioners refused the payment, they gave them loans and the UK then was faced with a problem at the EU level. The UK argued that they had no obligation under EU law to keep paying Social Insurance pensions for life or at any given level. The Spanish pensioners argued that there was a
980 legitimate expectation. Well, I do not think there was a legitimate expectation in the first place, but certainly by giving it to them in the Brussels meeting at the beginning the expectation was created that once you start paying the pensions they are for life.

The Spanish pensioners commenced legal action against the Government of Gibraltar, funded by the Andalusian government, using the Chambers of Messrs Triay & Triay, which at the time had
985 Peter Caruana as partner. The Gibraltar Government was alleged to be discriminating against the Spanish workers on the grounds that Community Care was continuing to pay Social Security pensions – which it was not – which had been suspended in the case of the Spanish workers. So, the Andalusian government were giving loans, or we were giving loans, and they thought it was not that we were giving loans but that Community Care was giving pensions and that that was
990 why people here were happy with the system. There was absolutely no substance in this allegation since the pensions had been suspended for both Gibraltarian and Spanish pensioners and Community Care Ltd had been giving the household cost allowance since 1989. So, it is not that they started doing it when the fund was closed; they had been doing it all the time. It was not from 1994, at the time of the suspension of the pensions, as they thought.

995 In 1994 the EU Commission took up the question of the dissolution of the Social Insurance Fund with the UK government as a result of receiving complaints from Spanish pensioners who at the time were in receipt of temporary loans from the Junta. The UK government refused to provide the Gibraltar Government – us – with details of its exchanges with the Commission and copies of the correspondence, claiming that these matters were confidential. They expected us to pay, but
1000 it was confidential and we could not know what was going on.

By October 1995 the Commission issued a reasoned opinion against the UK on the grounds that the decision to dissolve the Social Insurance Fund was in breach of EU law. The initial position of the UK on the replacement of the occupational private sector pension system was also
1005 considered by the Commission to be against EU law. The UK’s position at first was that they would defend the decision before the European Court of Justice on the basis that there was no obligation to have a state-run statutory Social Insurance system or to have a given level of pension rates, that this was up to each member state to do as it pleased and it was mandatory under European

law. However, early in 1996 the UK capitulated when faced with imminent infraction proceedings and decided to restore the frozen pension system.

1010 This history shows a relationship of struggle with the British government where consistently the Government of Gibraltar is proved right and the UK government is proved wrong, capitulates and changes its position – and we were supposed to be the aggressive side in that relationship in the campaign that the GSD had against us.

1015 They decided then to restore the position which had been terminated in 1993 and which had operated in 1989. In the course of meetings I was asked to agree to restore the frozen Social Security pensions, backdated to 1994 – which I had no problem with since I did not want to freeze them, to close the system in the first place. This was done to contain the 1988-93 cost to £50 million, as opposed to the £250 million that the whole thing would have cost if these steps had not been taken. So, now we were being told, ‘Okay, no lump sum. We are going back to the

1020 pensions, but now we do not just want them frozen for five years, we want them frozen until the last pre-1969 pensioner dies.’ Well, that would have been a very long time because there are a lot of stories about guys having their fund preserved, after then, to come and have a fingerprint here and still claim their pensions, so it could have been much more than £250 million.

Naturally I refused to give any such undertaking, so the United Kingdom said, ‘We will restore it on this condition,’ and I said, ‘I do not accept the condition.’ The United Kingdom position was that they would not proceed with paying for the restoration of frozen pension payments until this matter was cleared up. So, here we were. They said, ‘This can be done.’ They said, ‘We are going to fight it in the European courts,’ and then they said, ‘It cannot be done. The European court is right.’ They told us, ‘Freeze and close down.’ Then they said, ‘Unfreeze and come back, but keep

1030 the new one frozen forever.’

I had agreed to a text of a letter provided by them as to the commitments that they would require prior to this question of the household cost allowance being raised, but would not accept that the letter should be amended to include any reference to the payments by Community Care. My position was that since they were saying there was no legal obligation to continue with the

1035 frozen pensions they should go ahead and let the Commission commence infraction proceedings and defend themselves in the European Court of Justice using the arguments in the court that they had been using with me to persuade me in 1988 to agree to the dissolution of the system in 1993.

Following the 1996 General Election, in the Official Opening of the House of Assembly, in my statement as Leader of the Opposition I made these facts public, and then, later in 1996, the new Government brought legislation to the House of Assembly to restore the frozen pensions backdated to 1994 and claimed that there had not been any negotiations on this matter with the British government and that they were simply giving effect to what had been agreed with me, which was something that had not been agreed with me because they had refused to accept my

1045 condition to keep Community Care out. Apparently, without any effort on the part of the GSD they agreed with the GSD to leave Community Care out of the equation.

Having given this level of detail, Mr Speaker, let me now summarise how I see the essence of the detailed explanations I have shared with the hon. Members opposite and what this indicates about how they behaved in this context.

1050 In 1992 Community Care was providing support to pensioners and widows and was asked by Minister Robert Mor to introduce a scheme for over-60 unemployed men willing and able to work but not finding a job because of competition from younger applicants in the labour market, what he called a ‘social wage’, which meant that rather than people depending on social assistance, those in need provided useful duties in the community and received the equivalent of a part-time

1055 job on the National Minimum Wage, which had been introduced in 1989, doing 80 hours a month of community duties. This is what started in 1992 and continued after 1996 until 2008 – 16 years, most of the time under the GSD. It was changed after 2008. In 2008 Community Care was asked by the GSD Government to extend it to everyone, whether working or not, with an income from

1060 work, but not from occupational pensions, below £15,000 and not above £20,000, otherwise you were debarred. So, you had to have less than £20,000 and £15,000 or more as a minimum.

1065 By 2009, as a result of the change it grew so big that the charity could not provide enough community duties to those they paid, and reduced the requirement from 80 hours a month to eight. At the same time the GSD had been planning all the time to close down Community Care by letting it run out of money, as was revealed in an interview in the *Chronicle* in 2010 and had set up a committee to stop funding the charity and pay a statutory benefit system to have means-tested HCA or some other product.

1070 The GSD Government set up a committee of senior civil servants in 2009 and announced their plan as government policy in the New Year Message of 2010, in a lengthy interview in the *Chronicle* and in the Budget session in the House. They defended the policy on the grounds that it had to be done to protect government finances from claims for equal treatment from frontier workers which might be legally successful and create a liability on public funds described by the then Chief Minister as a ticking time bomb. The Government was not willing to provide the Opposition with any information of how this was going to be brought about. The implementation date was delayed, and during the election campaign of 2011 they confirmed it was ready to initiate in 1075 January 2012. In opposition, former GSD Ministers claim not to know anything about these plans, even though they were candidates in the election that contained the commitment. In 2015 they announced a change in policy and said they would continue the present system of funding for Community Care.

1080 We were elected in 2011 and started re-funding Community Care, which had no reserves when we came in. Therefore, when we came back and provided the funding, Community Care continued simply with the policy that the GSD had asked them to introduce in 2009. They found themselves with money. We did not tell them what they could use the money for or not use the money for. The result was that in the last eight years the charity has dished out almost £40 million from funding we provided in a scheme that was originally designed by us to help those in need. The 1085 recipients consisted of practically the entire male resident population between the ages of 60 and 65, including a former Chief Minister ... a former Chief Secretary – close to the Chief Minister – receiving £6,000 a year from the charity for supposedly doing some community service for eight hours a month. It is to perpetuate that that the Members marched.

1090 From day one the charity has been funded from the receipt of import duty, initially directly and later with the payment approved through the Social Assistance Fund but identified as to the source. This has been seen by both GSLP and GSD Governments as necessary to prevent anyone claiming an entitlement as a taxpayer or contributor to Social Security. We have known all the time that the word 'entitlement' was lethal. We knew it and they knew it.

1095 So, the GSD wanted to close it down in 2011 because there was a risk of challenge, changed their mind in 2015 agreeing there was no risk, and in 2021 took part in a demonstration on the basis that the payments from the charity are an entitlement which forms part of the statutory pension system, creating the very risk that their Chief Minister said he was trying to avoid in 2010 when they believed it was there. Mr Speaker, you could not make this up.

1100 Let me spell it out for the Opposition. What they are supporting is for community officers ... and what the lady hon. Member wishes to extend to everyone who has paid 50 contributions to our Social Security system in their lifetime, making it legally binding to make payments from the age of 60, for which there is no funding and no funding is ever likely to exist, which will probably finish costing more than the Spanish pre-1969 pension claim. The decision of the Members 1105 opposite to publicly support the argument of entitlement of persons who have retired from work, some voluntarily as early as 50, who already at the age of 50 knew they would be facing hardship at the age of 60 in the future if the system was not continued ... I wish I knew these guys. They are better than me at predicting what is going to happen. I have only got a four-year span. And then the decision of the Members opposite is to publicly support this argument of entitlement of persons who have retired with incomes of seven multiples of the National Minimum Wage, 1110 convertible or converted into six-figure lump sums. It is the most irresponsible, incomprehensible

and dangerous behaviour I have witnessed from elected Members in my 49 years of membership of this Parliament. It is a level of insanity without parallel, inexplicable and indefensible, to put our country's future at risk in order, presumably, to obtain some electoral advantage – because there is no other logic to this.

1115 If they were in government with a policy of delivering what they are now promising, which of course is not necessarily what they would do because for 15 years they promised to protect Community Care and they were making false promises, and instead of ensuring its survival they were planning its disappearance secretly for 15 years ... But at least Sir Peter Caruana, who was guilty of that deceit, eventually came clean, went public and explained why he was doing it.

1120 Let me remind the present Members of the GSD how the GSD Government planned to close Community Care. In the last quarter of 2009 the GSD Government set up a working party, which was formed to brainstorm ideas for the possible reform of the Social Insurance and Social Assistance systems. The working party consisted of the following participants: Dilip Dayaram Tirathdas, Financial Secretary; Mario Gomila, Principal Secretary DSS; Frank Carreras, Commissioner of Income Tax; Marie Carmen Davitt, DSS SEO; and Stephanie Saez, DSS HEO.

1125 The agenda included the following items: Gibraltar Community Care current benefits; Gibraltar Community Care cashflow statement; current Social Insurance benefits and Social Assistance payments; Statutory Benefits Fund current position and year-end projections; Social Assistance Fund current position; background information on criteria for inclusion of benefits as special non-contributory benefits (SNCBs); Council Regulation (EC) No 1408/71; introduction of new special non-contributory benefits.

1130 The party that had been empanelled by the GSD Government considered the following options. The existing Community Care benefits could either be *discontinued* in February 2010 when the Gibraltar Community Care ran out – so I was scaremongering was I? – or, alternatively, the payment of these benefits could be closed to new applicants only – the applicants only? isn't that what the people with the placards are complaining about? – and continue to be paid to existing beneficiaries – isn't that what Community Care has done? – on a closed-scheme personal-to-holder basis. Some transitional arrangements in the winding down of these schemes would also need to be considered. New benefits would then be introduced to enhance the basic state pension – the old age pension – in the form of SNCBs. A system of tax credits could be introduced for the over-60s. The existing pensioners' utility grants could be extended to cover the costs of electricity, water and telephone charges.

1135 Other areas of possible reform were looked into, as follows: the streamlining and simplification of the benefit systems under the Social Insurance and Social Assistance Schemes and the possibility of transferring some functions related to unemployment benefits in order to minimise duplication of work. They took into account that the qualifying period would continue to be 45 years for men and 40 years for women.

1145 In relation to the issue of the benefits currently payable by Gibraltar Community Care, the following was discussed: the possibility of integrating these benefits within the Social Insurance Social Assistance Scheme or replacing some or all of these benefits with other payments or benefits that could be classed as non-exportable under EU regulations. The integration of the Gibraltar Community Care benefits within the Social Insurance Scheme would increase the liabilities of the Social Insurance Scheme significantly. This is because state pensions are exportable and insured persons who work in Gibraltar for just one year are entitled to a pro-rata pension. Alternative benefits that would not be exportable or that could be classed as SNCBs were therefore considered to be more appropriate. The requirements under the relevant EU regulations were looked into in order to establish that these benefits were non-exportable. In order for a benefit to qualify it would need to be a cash benefit, non-contributory, funded out of general compulsory taxation, not based on aggregation of periods of employment or contributions and based on an individual assessment of financial need. Does anybody really think that that individual assessment of financial need would not apply to all the people who are now complaining? This was being planned in 2009.

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1165 The party submitted a report on 18th December 2009. That was the secret plan initially to be delivered before the 2011 General Election and then deferred to be implemented after Chief Minister Caruana said there was a ticking time bomb and, as long as Community Care existed, because its charitable payments could be challenged the challenge might be successful and the UK this time round would not pay and Gibraltar would face a massive bill.

1170 But what the present Leader of the Opposition and the rest of the GSD have just done by supporting the campaign, the arguments and the demonstration against Community Care, is a thousand times worse than what Chief Minister Caruana did. They have just legitimised what we have spent 32 years trying to protect Community Care from. The Members opposite told us in 2015 that they knew nothing of this, which they were committed to implement if they were elected in 2011. That is why I have difficulty in believing it. If they knew nothing, why didn't they ask? It was being said publicly. How can you be a Minister and hear publicly that Community Care is not going to be there after the election and not ask the person who is telling you, 'How is that going to happen?' I was asking. None of the Ministers were asking.

1175 This Policy was reflected in the Chief Minister's New Year message, which included the following passage, which shows the connection:

When in 2007 the UK paid the pensions claim of pre-1969 Spanish workers

1180 – that is to say the final settlement of the £250 million bill, which was part of the Cordoba Agreement –

based on their challenge to Community Care, which Gibraltar has always told the UK was its responsibility, the UK has made it clear that Gibraltar would have to meet the financial cost of any successful EU challenge by post 1969, i.e. current Spanish workers in Gibraltar, who eventually might make the same claim.

That was in Peter Caruana's New Year Message.

Whatever we may think of the merits of such a claim, it represents a financial time bomb ticking under our children and grandchildren in the future, for which they will have no recourse to the UK. I am not willing to bequeath this potentially lethal legacy of a massive and unaffordable backdated claim to our future generations, and so, this year the Government will, as I said at Budget time, introduce significant reforms to protect Gibraltar from this possibility. This reform will not result in financial loss to our pensioners or recipients of Community Care."

1185 Well, Mr Speaker, I am not willing to bequeath this lethal legacy of massive and unaffordable backdated claims to our future generations either. I do not believe what was there carried that risk. I believe that what is being done now does carry the risk because, before, there was not one Gibraltar saying it, it was all being said by people on the other side, but now there are Gibraltarians saying it, there are elected Members saying it, there is the Official Opposition saying it and there is a letter to the Governor saying it, no doubt for the Governor to relay it back to the UK.

1190 How can a Chief Minister deliver a New Year Message like that and his Ministers not have a clue what it is all about, on something which the Chief Minister says is so serious that it is an unforgivable act of irresponsibility? That is what he told me – it was unforgiveable and irresponsible of me to not give my support – and all I was saying was, 'I will support you if you show me how you are going to do it.' I was not saying, 'I will not support you'; I was saying, 'I will support you, but you have to convince me.' It was totally responsible.

1195 In 2015, Mr Feetham, as Leader of the Opposition, brushed aside all my arguments and said it was just a change of policy – a change of policy from believing it was a ticking time bomb to believing it was a damp squib, not dangerous at all. Some change in policy – what the Hon. Mr Bossino would no doubt compare with a St Paul's conversion on the road to Damascus. He then ridiculed my concerns and my request for clarification of what was being planned by saying I was caught in a time warp, I was living in the past. (*Interjection*) Yes. Well, Mr Speaker, if I was in

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a time warp in 2015 it was future time warp, because here we are – the problem is here and now, not past, so my concerns of 2015 have now materialised in 2021. Well, let me tell the hon. Members of the GSD that if Sir Peter Caruana – Mr Feetham’s hero, the greatest living
1205 Gibraltarian – was correct in identifying the danger, then they, and in particular those who were part of the Government at the time, have now increased the risk identified in 2009 exponentially.

As for the hon. Lady, words fail me to describe the insanity of the policy she has adopted and the language she has used in the article published in the *Chronicle* to defend it. I will remind the House, so that we have a record of this insanity if the time ever comes when we need to apportion blame.

1210 If ever the Spanish campaign needed an ally to improve their chances of success they have just found one in her. I will tell her what the Spanish campaigners think they are entitled to. They are entitled to not just pensions but schooling and everything else being paid by their taxes and they have put out press releases saying it. She has said the payments should be made irrespective of residence, which goes even beyond the Campo area and their claims, as there are persons getting
1215 Social Insurance pensions but never claiming housing cost allowance, and they are resident throughout the European Union, by virtue of having paid one year of contributions here in their lifetimes. We are talking potentially of hundreds or even thousands of new recruits to the entitlement culture.

The mistake by her father led to the first problems with the pension payment. Peter Caruana
1220 tried to remove the risk that the mechanism that was put in place he felt was creating, to put right what her father had done wrong. I did not agree that such a risk existed, but she has now made a statement capable of creating the risk that Peter Caruana envisaged, supporting the right to claim household cost allowance and included in it even those who have never ever thought of claiming it before. If the GSD was right in 2009, then what she proposes is not a just ticking time bomb, it
1225 is an atomic ticking time bomb.

This Government is not going to be the one that makes the ticking time bomb explode. Indeed, as the Minister responsible for restoring financial stability, if such a step were contemplated I would have to advise the Government that financial stability could not be achieved. The impact of such a policy on government finances would be much worse than the impact of the pandemic
1230 lockdown effect which we have experienced and which continues to be causing us to have deficits.

If this issue is not resolved by those complaining or those giving support and encouragement from the Opposition benches to the campaign, by them coming to their senses and abandoning the dangerous road they have embarked on, then the best thing might be to call an early election just on this issue and let those who want to implement the huge pay-outs explain to the electorate
1235 how they are going to save Gibraltar from the disastrous consequences of what they are advocating on public finance and the elimination of Community Care, which we have been defending since 1989 – the day it was set up, 32 years ago. A struggle of 32 years shared with the GSD – one of the few things that we both fought the same side on, to protect Community Care – now being put at risk for what? It seems as if they wanted to make sure that they inflicted the maximum possible damage on Gibraltar’s finances and viability. The hon. Members opposite have supported a petition which gets handed to the Governor, who presumably is expected to make sure it reaches the UK government, which does the very thing that Sir Peter Caruana claimed he feared could happen – that they say they do not pay – and set him on the course of dismantling the role of Community Care, because strictly speaking he could not dismantle the charity but only
1240 starve it of funding, which he had already been doing for 15 years.

The document they are supporting claims a version of history argued in the past in the UK and fought against by the GSLP Government up to 1996 and the GSD Government between 1996 and 2007. The document implies the UK was right and our defence of the role of the charity was wrong, a defence in which the Leader of the Opposition for a time was a Minister in the GSD Government,
1250 defending Gibraltar and putting the contrary view. He was part of the GSD that was defending what I am saying the same way we have defended it.

The Opposition have publicly and officially supported the incorrect argument that the household cost allowance provided by Community Care was created by a GSLP Government in 1988 in lieu of paying pension increases to all pensioners. In 2002 the GSD told the UK:

In 1989, there was established in Gibraltar by a group of private individuals

1255 – not what the people organising the petition say –

a private charitable trust (Community Care Trust) with the object of performing a range of charitable functions for elderly persons in Gibraltar. Amongst its objects, the Trust pays a financial sum to persons of pensionable age in Gibraltar to assist them in meeting household costs (i.e. electricity, water and other utility and household costs which are particularly high in Gibraltar given the diseconomies of scale which apply here). Housing Cost Allowance is paid at the same rate to persons on the minimum and on the maximum pensions. The minimum is 25% of the maximum.

1260 It is not therefore in lieu of pension increases, as the petition says, as the Governor has been told and as the British government is going to be told, as the Spaniards were claiming and as we were denying. It is not in lieu of anything. Furthermore, if it were a replacement for pension increases it would not be happening because pensions it was supposed to be a replacement for when they were frozen and they were unfrozen a very long time ago and are still being paid. They were frozen at the instigation of the UK and unfrozen as a result of the United Kingdom paying £60 million to pre-1969 Spanish pensioners under the Cordoba agreement. If that is what they were, they would have stopped when the Cordoba Agreement was done. They were not stopped and it was the GSD that was there.

1265 The housing cost allowance was not stopped when pension increases were reinstated after Cordoba. The petition the hon. Members support says the following:

The household cost allowance is a scheme for Gibraltar-resident men aged 60-plus and for men aged 65-plus that was created by the GSLP Government in 1988 in lieu of paying state pension increases to all pensioners.

1270 Is this the new policy of the Opposition, to say that this is true? How can you say, 'We support a petition,' and march up Main Street if you know it is not true? It was not what you were saying before. It is the first time you have said it.

If so, when did they decide to abandon the previous position shared with the GSLP which they have defended since 1996? Are they now reneging on the statement of Mr Feetham as Leader of the Opposition in the 2015 motion that I brought to the House, when he said a GSD Government would continue funding the independent charity as we were doing and retain its role?

1275 The charity's role is not and has never been to provide the combination of the household cost allowance and the state pension so that the two form the equivalent of this country's state pension, as the petition says. If that is now their position, then they had better start looking for a few hundred million pounds because the residence requirement would be in breach of EU law in how it has been paid in the past and would need to be stopped once this interpretation is accepted. They had better go back and review the results of the committee they set up in 2009 but pretended never existed or that no one in the Government knew it existed. Furthermore, they had better tell the people who signed the petition and those who wrote the text to get community officer allowance as a statutory payment, as the GSD-sponsored study group found in 2009 that all such payments could only be provided by the state if they were based on need. This means means-tested, and certainly not at £21,000 but inevitably at the rate of the National Minimum Wage, or even lower. Means testing the housing cost allowance would radically limit its application, which currently is that every resident pensioner gets it on top of pension increases. The pension is increased and the household cost allowance is on top, irrespective of any other income. And finally, the Members opposite had better put their thinking caps on and come up

1290 with how they get themselves out of their new policy commitment, because they have just opened a Pandora's box and we may not be able to close it.

I think I would like to tell them now about the National Economic Plan, the positive side.
(Interjection)

1295 Mr Speaker, the strategy I put together in 2019, which is reflected in the 2019-20 National Economic Plan, is designed to change how we deliver economic growth. It is about laying the foundations for Gibraltar's future as a trading nation. In the election I often reminded people how in 1988 we had to change the way we made a living after years of almost total dependence on the UK defence budget, which in Gibraltar had been declining since 1984, in my view as part of the process of talks with Spain initiated with the Strasbourg talks after Franco's death in 1976. He died
1300 in 1975; the talks started in 1976.

The transformation in 1988 was possible because people understood and accepted the need for change. It created an economic model with two elements: a global one in gaming and financial services based at Europort serving an international and United Kingdom customer base, and a local element serving visitor numbers arriving by sea, air and land, the day visitor traffic by land making the biggest contribution to revenues and employment. The tourist surveys clearly show
1305 this.

In 2019 tourist expenditure reached an all-time high at £308 million, and a year later, in 2020, an all-time low last seen in 1998. The principal source of the expenditure, the day visitors from across the border, in 2019 provided £255 million, the highest level since 2011, and fell to the
1310 lowest level since 1993 at £61 million. This is the context of what we might expect of a Schengen border or if there is not an acceptable treaty that provides fluidity for day trips in and out of Gibraltar. What we are seeing now could become a permanent feature. We need to know that and face it. The figures for the land visitors are unlikely to show much recovery this year. In the light of continuing COVID measures, even if there is more fluidity it is unlikely to go back to
1315 previous numbers since a high proportion of the visitors who came in coaches were UK citizens on holiday in Spain.

The fall in the numbers of customers was quite dramatic last year in respect of all three methods of arrival. The low-value, high-volume model required imports of labour and goods with the supply coming principally from the same direction as the bulk of the customers – overland.
1320 The new economy for which we are setting the foundations now is happening 18 months later than I intended, although as much preparatory work as possible has been done in the period since the General Election, which I hope will be reflected in showing tangible results this financial year.

What we have to move into now is the emergence of Gibraltar as a trading nation. We must see Brexit not as a disaster but as an opportunity to do in the future what we could not do in the
1325 past. The following data on some of our international trade indicates what has been happening and how well we are competing with other markets.

The potential volume of business we can deliver limited to activities within Gibraltar would be very small and incapable of restoring higher levels of economic growth if we just bring people to sell in Gibraltar. This will continue to happen in a small way, of course, but what is much more
1330 important and has more potential is attracting new businesses that will have their head office in Gibraltar and subsidiary companies in other jurisdictions. Currently the Ministry of Economic Development is engaged in discussion with a number of such potential new partners on a global scale that fit the characteristics of the new model, and if these discussions that are taking place finish with a successful outcome the details will then be published.

1335 Trade with the UK is one important part of the strategic development of the new economy and it is worth noting what has been happening in our bilateral trade following Brexit and the pandemic lockdown.

The Hon. Mr Clinton has said:

The subject of Brexit and indeed a 'Hard Brexit' is one that deserves closer economic analysis, because of course its meaning is different in a UK context to a Gibraltar context.

1340 I agree, and it is relevant to see how trade has affected the UK and Gibraltar. The UK's international trade is down with almost all its partners but is probably much more likely the result of the lockdown than Brexit, which in theory has not been a hard one since there has been a post-withdrawal trade agreement.

1345 Since 2011, the value of total trade with the UK per year with Gibraltar has been: 2011, £1.6 billion; 2012, £2.6 billion; 2013, £2.3 billion; 2014, £2.9 billion; 2015, £2.6 billion; 2016, £2.6 billion and the Brexit referendum; 2017, £3.4 billion; 2018, £4.1 billion; 2019, £4.6 billion; 2020, £3.8 billion and the pandemic lockdown. So, we see a clear movement when the Brexit referendum happens of an increase in our bilateral trade, and a slowdown in what has been increasing when the pandemic comes in. Gibraltar was at £3.8 million in the four quarters to the end of quarter 2020, that is by the end of December 2020. This was a decrease of 16.1%, or 1350 £740 million from the end of quarter 4 2019, climbing down from the £4.6 billion to the £3.8 billion. Of this £3.8 billion – because the billion is the combined amount in both directions – UK exports to Gibraltar amounted to £3.3 billion in the four quarters to the end of 2020, a decrease of 19.2% or £774 million, compared to quarter 4 of 2019.

1355 Gibraltar was the UK's 44th largest trading partner in the four quarters to 2020, accounting for 0.3% of total UK trade. In those four quarters the UK imported from Gibraltar at a value of £581 million, which was an increase of 6%, or £34 million, compared to the four quarters of 2019. We still run a trade deficit with them. As I recently pointed out to the people who came out from the Foreign Office, we are helping the balance of payments by having a deficit and we are also helping sterling.

1360 The UK trade with Morocco and Malta – which I have looked up in order to give some sort of comparator so that we can judge our performance, which looks very attractive and healthy – fell back in 2020. By comparison, the goods and services between the UK and Morocco was £1.4 billion in the four quarters of 2020. It had been £1.3 billion in 2011, so Morocco finished up not with a drop which took the trade back from 2020 to 2019 and is the pandemic; in the case of Morocco it 1365 went back from what it was in 2019 to what it was in 2011, £1.3 billion and £1.4 billion. In 2018 and 2019 they had £2.1 billion – better, 50% higher, but we are talking about £1.4 billion. The total in goods and services between Malta and the UK had been £1.4 billion in 2011. It went up in 2018 to £2 billion, to £2.8 billion in 2019 and then it fell to £1.2 billion in 2020.

1370 The total in goods and services between the next highest one after us is Slovakia, which is ahead of us with £4.4 billion. At £4.6 billion we were ahead of Slovakia in 2019 and we are now just behind them. Our trade after the drop is higher by £1 billion than the combined trade with Malta – which I choose because of the Mediterranean location, it is not the kind of relationship where the UK ... you would expect them to be buying UK products like we do – and with Morocco because this is where I see an opportunity for us to be enlarging our presence and being able to 1375 increase trade with Morocco and help in increasing trade between Morocco and the UK.

1380 These figures show that what I would like to see us being able to do is not pie in the sky. The evidence we have is that there is a potential there that perhaps we have tended to neglect because we have had money coming in fairly easily, frankly, without having to do a great deal. That is the truth of it. It is the reason for the entitlement culture and it is the reason for us not being more proactive in searching for new markets. Now we have to. It is not a question of choice anymore, and therefore putting this before the House is to make them understand that there are things that are being looked at which have serious potential for us being able to overcome the hole that we are in. I am talking still about the economy. I am not talking about the Government finances. The Government finances may take a couple of years to finally start getting the benefit 1385 of these new areas of activity. These things are not things that can be done in one day. The establishment of this will, in all probability, not hit Government revenues this side of the election because we have already used up one and a half years of the four and we want to be starting now, if there is no resurgence of pandemic and our people do not start closing down again.

1390 So, in 2018 our trade went up by £2 billion to reach £4.6 billion, compared to £1.6 billion in 2011. We are looking to increase this trade in 2021 and in future years. I am quite hopeful that I

shall be able fairly soon to lead a trade mission abroad with a number of projects which will entail inward investment in those countries from new investors setting up corporate headquarters for the investments from Gibraltar .

1395 I am particularly excited by one which involves an Israeli investor who is an inventor and who
has designed a car for the taxi trade which meets the criteria of the circular economy, which I will
explain later and which I consider to be so important for us to support, where the vehicle is not
sold but paid for by usage. The state-of-the-art design of the vehicle would be produced in micro-
factories in different jurisdictions. The micro-factory would be produced in Germany linked to a
1400 university – I have already talked to the professor who is in charge of this; he came in on a private
jet for one day to discuss it – that specialises in research in modern technology and the conversion
of these results in delivering it to the market. This approach to manufacturing is an alternative to
the mega-factory producing millions of cars and requiring vast movement of energy in the
transportation of components from one country to another. The micro-factory requires less
energy consumption. It is designed to meet local demand, so the product is not transported from
1405 one end of Europe to the other, and it is not just for Europe. It would employ a couple of hundred
workers in two shifts and on a footprint of 60,000 square metres, delivering something like 30,000
cars annually.

The investment for this option is in tens of millions of dollars instead of hundreds of thousands.
It is a much more environmentally friendly concept and it is designed to minimise waste. If we are
1410 successful in sponsoring the development, the micro-factories would be subsidiaries of the
Gibraltar parent, which is expected to have a quoted value, according to the people who want to
set it up, in excess of US\$1 billion. It would be the highest value UK company.

I am sharing this information with hon. Members to reassure them that I am thinking outside
the box on how to reposition our economy. I am not doing it to encourage them to start finding
1415 fault to try and stop me.

I would like to close, Mr Speaker, with my concerns for the environment, as I did in 2019.
Beyond the green economy there is the circular economy, which in my judgement is the only
initiative that has a chance of stopping the climate change catastrophe. The green economy is not
enough because it only addresses how we produce what we consume. It says nothing about the
1420 fact that we consume too much. What it does is say we should produce what we consume with a
less polluting, more environmentally friendly technology. If consumption of electricity is very high
and growing, what is wrong is that it is produced by fossil fuels. So, we have natural gas instead of
oil, which is less polluting, or wind and wave power, or solar power, which is greener, but we can
still continue consuming ever higher amounts of electricity per capita. Of course, even if the green
1425 energy source is less damaging and less CO₂ producing, it still needs us to use raw materials and
metals to manufacture the substitute technology. The scientific evidence is that 91% of the
resources we take from nature is wasted to enable us to consume the remaining 9%.

The really disruptive approach is to develop a new way of life, a new approach to consumption,
which many see as a novelty but in my view is going back to how we used to do things, and apply
1430 the same principles, the same approach, the same philosophy, except that we do so with what is
possible today and in the future with the latest technology. Let me explain what I mean.

I call it the Belling system. I can remember when in my household my mother used to cook
using charcoal. It may not seem possible, but it is true. At one stage we had the City Council, which
used to run municipal services before the 1969 Constitution merged the City Council and the
1435 Colonial Government – *el Citi Caunci y la Colonia* in Llanito. The Municipality came up with a way
of introducing a mass shift to electric cookers. They bought cookers and leased them, as well as
selling the electricity to the consumer. The rental of the cooker made it available to low-income
families who would not have been able to buy one, my family being one of them. The cookers
were manufactured to last. They were provided, repaired and replaced by the City Council and
1440 the scheme was self-financing for one reason and one reason only: the Belling cooker was built to
last 50 years, not designed to have a limited life and be cheaper to replace them to repair. Indeed,
I believe there are still some Bellings around in our city and still working. This, which is my memory

of the 1950s, is the hot technology of the future which is considered by many serious scientists our only hope of slowing, stopping and reversing climate change.

1445 The decision taken by the European Parliament in 2020 and this year promoting an alternative lifestyle and production model for industry seems to me to be the only real hope we have that may reduce and then reverse global warming and climate change. Based on this analysis, our National Economic Plan will include a strategy of sponsorship for inward investment projects that promote the circular economy and support local initiatives that are compatible with that
1450 objective. However, I have to say that the prospect of success for that approach developing at a strong enough pace and on a sufficiently global scale are not very high, in my judgement. We face the problem here on a miniature scale. Indeed in this very room, between the 17 of us elected to protect Gibraltar and its future can we protect Gibraltar from a catastrophic environmental disaster if the rest of the world does not act soon enough? The answer is clearly no.

1455 No one is safe anywhere on the planet. We have floods in the heart of the EU with no parallel in recent history, melting ice everywhere and in particular the two poles and Greenland, which can lead to rising sea levels and warming sea temperatures. We are experiencing, on the west coast of America and Canada, temperatures in excess of 45° and dry vegetation which is causing spontaneous wildfires, which in turn will accelerate the CO₂ content of the atmosphere and
1460 produce more climate change.

There is only one answer, unless by some miracle we make a technological change which enables us to find virtually free inexhaustible energy by harnessing the fusion process that provides the energy of the sun and in turn supports life on earth, which I imagine will happen sooner or later, as there is a great deal of research and investment, but the issue is will it happen
1465 soon enough? And if it were to happen, can it happen painlessly? Can we move from fossil fuels to inexhaustible clean energy without a huge disruption in the global economy and a huge shift in where the balance of wealth and political power will lie? Put at the simplest level, can we make people understand, in what is little more than a village of 30,000 – which is what we are – that we cannot consume more than we produce – or is that too difficult? – and that we cannot take more
1470 from the planet than we put back into it? Can we give leadership to people by telling them that it is not possible to have more of everything every year?

It requires disruptive technology because it combines the philosophy of the past – building things to last and repair and reuse – with the technology of the future. This will not happen on a global scale, but if it is adopted then it is the manufacturers and designers who will have to adopt
1475 is and they will not do it if the consumers are unwilling to become users of artefacts instead of owners. This may really be the ultimate stumbling block, given the place that ownership has in our social values as a way of reflecting the individual's importance in the eyes of the rest of the tribe, the person's peers, by whom most people feel they need to be judged in order to boost their self-esteem. In fact, it will only become possible if we are able to free citizens of the addictive condition that I described in the 2019 Budget, which I called 'compulsive consumption disorder' and described as the illness of western civilisation, an illness which poorer societies aspire to also be
1480 contaminated with, so that they can stop having to reuse, repair and recycle, and instead use and dispose, which is the lifestyle which is predominant as the sign of success.

It is easy to understand how we got here. It makes short-term economic sense because the concept of the polluter pays is just that, a concept, but in reality the polluters were in the west
1485 and have not paid the price until very recently; the developing so-called poor countries, coincidentally the least polluting, have been the ones paying. But whether what is done is what is needed is another matter.

The National Economic Plan will evolve from a post-Brexit future-proof plan to a post-pandemic future-proof plan by aligning itself with the future of where our civilization needs to be,
1490 the circular economy, promoting it, participation in it and investing in it profitably. We are not going to change the world, but we have to be where the world needs to be if it is to survive the climate catastrophe that is threatening life on earth.

1495 Paying more money to people who do not need it for doing nothing, and moreover with the money we do not have and need to borrow, and not so that they do not suffer hardship, is the opposite of what we should be doing, because to do that is to enable them to increase their already high level of consumption. It is the very opposite of what the world needs us to be doing. It is not what we need to be doing in what is, without a doubt, the most difficult time in human history.

1500 Is it that the 17 of us cannot agree or are not willing to accept that this is the reality, that we have to spend less to consume, that we have to consume less and that we have to pay ourselves less? If we do not, then the gap between us and the generations that follow us will go into the reserve of what it has been up until now – each generation worse than the preceding one, instead of better.

1505 Out destruction of the planet’s ability to support life makes the human species the worst and most dangerous life form earth has ever had. By comparison the COVID virus is benign. And in addition, our continuing to increase our consumption levels will be the most selfish thing that any humans and indeed any lifeforms have done in respect of protecting their offspring. This is very simple, Mr Speaker: the more we take out of this planet compared to what we put back, the less there will be for the generations that follow us. The rainy day fund concept of the socialist Government in the 1980s, originally rubbished but now welcomed, in theory at least, is the tangible proof of what needs to be done to provide for those who follow us. This year is the first time in our history that we are talking about a deficit of £138 million and projecting a further deficit of £51 million, and we still have a debate about spending more and not raising revenue.

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1515 If we think that this debate is all about who wins the next election, then let me tell the House that in the context of the issues that face Gibraltar as part of the global scenario in the field of economics and the environment, the actions that the members of homo sapiens take in what they do in the lower part of the Rock is about as important as what the Barbary Macaques do in their not dissimilar primate battles to gain influence in the upper part of the Rock: the natural behaviour of primates – in my humble opinion, of course – Mr Speaker.

1520 Thank you. (*Banging on desks*)

Hon. Chief Minister: Mr Speaker, in order to enable us to digest what we have just heard, which I think will be edifying for all of us, I would propose that the House should return at 4.15 to continue with other Members’ contributions.

Mr Speaker: The House will now recess to 4.15 p.m.

The House recessed at 1.17 p.m. and resumed its sitting at 4.15 p.m.