



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 11.00 a.m. – 1.45 p.m.

Gibraltar, Monday, 22nd June 2015

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The Gibraltar Parliament

The Parliament met at 11.00 a.m.

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

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

Order of the Day

GOVERNMENT BILLS

FIRST AND SECOND READING

Appropriation Bill 2015 – First Reading approved

Clerk: Meeting of Parliament, Monday, 22nd June 2015.

Order of the Day. Bills – First and Second Reading.

5 (1) A Bill for an Act to appropriate sums of money to the service of the year ending on 31st day of
March 2016 and further sums of money to the service of the year ended the 31st day of March 2014.
The Hon. the Chief Minister.

10 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that a Bill for an Act to
appropriate sums of money to the service of the year ending on the 31st day of March 2016 and further
sums of money to the service of the year ended 31st March 2014 be read a first time.

15 **Mr Speaker:** I now put the question which is that a Bill for an Act to appropriate sums of money to the
service of the year ending on the 31st day of March 2016 and further sums of money to the service of the
year ended the 31st day of March 2014 be read a first time. Those in favour? (**Members:** Aye.) Those
against? Carried.

Clerk: The Appropriation Act 2015.

Appropriation Bill 2015 – For Second Reading – Debate commenced

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

Mr Speaker, this is my 12th budget session as a Member of this Parliament and my fourth budget
address as Chief Minister, and I now have the honour to present the Government's revenue and expenditure
estimates for the year ending 31st March 2016. I will also report to the House on the Government's revenue
and expenditure out-turn for the year ended 31st March 2015, which marked the third full financial year of
a Socialist Liberal administration since we took office in December 2011.

25 Mr Speaker, as has been traditional since Joe Bossano first grasped the economic nettle for us as a people, this budget address will include *not just* my report to the House on the Public Finances of our nation and the state of our economy generally, but also a review of many other pertinent matters affecting our economic outlook, making this very much more than just an address on the Second Reading of an Appropriation Bill, but a ‘State of the Nation Address’.

30 I will also, of course, outline the Budget Measures that this Government will introduce this year in pursuance of its manifesto commitments and in order to continue to address the social and business needs of our community.

This year, Mr Speaker, I will also be undertaking a review of the work we have done in the time since we were elected, highlighting how the Budgets I have introduced in this House have helped deliver a stronger, more prosperous and more secure nation.

35 Mr Speaker, in terms of the quality of our democracy, we have now had 34 meetings of the House since our election. We have demonstrated our commitment to democratic reform not least in opening up our debates to video cameras, which has transformed the way the public interacts with this Parliament when in session. But we have still some work to be done, and some of it will shortly be introduced, but the work of this Parliament has advanced and modernised hugely and people know, see and feel that.

Perhaps the most exciting development to come shortly, Mr Speaker, will be the debate on a Freedom of Information Act, which will fulfil one of our important manifesto commitments.

40 Last year, during the course of this debate, I spoke of my decision to introduce legislation to create a Chief Minister’s Consultative Council. After the intervention of the Hon. Backbencher, I agreed that it should be called the Gibraltar Consultative Council. Mr Speaker, the legislation has already been published as both a Command Paper and now as a Bill, and can be proceeded with by the Parliament before the summer. I look forward to leading the debate on that Bill also.

Indeed, Mr Speaker, no-one can argue that we have not delivered anything other than root-and-branch parliamentary reform, adopting already many of the key proposals of the Commission on such reform which you presided over. Even the reference to ‘Command Papers’ demonstrates how things have changed and the level of consultation which there now is where possible in relation to legislation in new areas.

50 This year the Parliament has been involved in the preparation of a new register of electors. Already much work has been done in this respect and the year will see a General Election held. This will as ever require huge organisational effort and on behalf of all Members, I want to thank the members of your team for the work they have done and do to support us in our work as Parliamentarians whilst they also do the hard work of delivering a new register ready for the General Election. Thank you all very much indeed for your assistance.

55 Mr Speaker, I want in particular to congratulate Ms Frances Garro for her receipt of the Gibraltar Award for her services. Frances is a joy to work with and always a huge help to all of us who need her. She is blind to what side a Member sits on or to partisan affiliation, and she is selfless in always being ready to go above and beyond the call of duty for Members of this House, other public officers indeed or any member of the public who may need her assistance as a servant of this House. Her award is well deserved. (*Applause*)

60 Mr Speaker, the World Bank Outlook on Global Economic Prospects considers that developing countries face a series of tough challenges in 2015 which will result in a fourth consecutive year of disappointing economic growth this year. Developing countries are now projected to grow by 4.4% this year, with a likely rise of 5.2% in 2016, and 5.4% in 2017.

World Bank Group President, Jim Yong Kim said, as part of that report, that the World Bank Group

‘believes that countries that invest in people’s education and health, improve the business environment, and create jobs through upgrades in infrastructure will emerge much stronger in the years ahead.’

That is exactly the sort of investment we are making Mr Speaker. Because we face a period of some uncertainty in many respects, where the greatest certainty is offered by our own determination.

70 It is not clear, Mr Speaker, whether the Eurozone will end the week with Greece as a member or not. In Spain, the effects of a chaotic departure of Greece from the Euro could create major economic problems once again. The EU referendum is now a reality and we ourselves are going to see this Parliament have to transpose legislation to provide for the vote in Gibraltar. Mr Speaker our future is in Europe, in access to the single market, but what will that market look like in two years and what will be the shape of the renegotiated proposals put to us as British people?

75 Mr Speaker, we have seen the effect of the past seven years of crisis in Europe. In Spain, some children still only eat at school because their parents are unable to provide nutrition at home. As ever, Mr Speaker, we can but wish to see positive developments for the economy of our neighbouring nation. The less a Spanish Government might consider that it needs to deflect attention away from economic woes at home, the less likely we are to be the defamed scapegoat.

In this respect, Mr Speaker, I was – as most Gibraltarians will have been – unsurprised to hear Spanish Tax Minister Sr̄ Montoro once again nonsensically suggesting that Gibraltar should be on the EU’s tax haven lists. He was sorely disappointed, Mr Speaker, and expressed his bitter disappointment in such media as were prepared to listen. I am writing to him again, despite his failure to respond to my previous letter, setting out in black and white the many reasons why he is wrong in his analysis. The open letter will go later today, depending on what time we adjourn the House.

More locally, Mr Speaker, there has been a change of political parties in the municipality in La L̄nea, but we have already established contact with the new mayor and trust that we will be able to enjoy a cordial and mutually beneficial relationship for the good of both cities.

For the UK, Mr Speaker, the reputable accountancy practice PWC reflects that economic growth was around 2.6% in 2014, the fastest in the G7, but is projected to slow to around 2.5% in 2015. This would be behind the US and Canada, but still the strongest of the large European economies.

Last night, Mr Speaker, I was at the opening of a second US trade mission to Gibraltar, organised by the American Chamber of Commerce in Gibraltar, where I was pleased to see that you and your lady wife were also present. I was very happy indeed to see that our initiative in spreading Gibraltar’s business and political influence is bearing fruit. Fourteen US companies are visiting Gibraltar on this occasion. As we will see, the economic performance of Gibraltar is strong, and in great measure, despite the difficult times facing Europe and attempts by those outside of Gibraltar to strangle our economy and the efforts of some inside to talk it down, we have prospered because we continue to spread our wings as a Government. We are leading the private sector in opening new avenues for trade and new routes into Gibraltar for international businesses.

But the world, Mr Speaker, is not just a place which we open ourselves to in business terms. It is also an increasingly dangerous place these days, with transnational terrorism being a constant danger to peace-loving communities such as ours. We are not far enough from the disturbing problems in North Africa and we must remain ever vigilant and support our law enforcement agencies in the work that they do to keep us safe, giving them the physical and legislative resources they need to do so.

Mr Speaker, as with my Government’s last three Budgets, this budget has been designed to support our working families, to support our youth and our students, and to support our senior citizens and our disabled.

In personal terms, this is a budget for those who put their hands out to work and not for those who unfairly put their hands out to receive. Mr Speaker, we are as ever setting out to protect those who cannot work and not those who will not work.

In corporate terms, this is a budget designed to encourage business, to encourage start-ups, to encourage our entrepreneurs, to improve our public services and to deliver sustainable growth in our economy.

In short, Mr Speaker, it is a budget that reflects my Government’s mission to improve the quality of life and standard of living of all our citizens.

Mr Speaker, let me first start then by undertaking a detailed analysis of our own economic performance.

Inflation in Gibraltar averaged at 1.8% in 2014 compared to 2.1% in 2013. Over the lifetime of this Parliament, the average rate of inflation has been in the region of 2.75% a year.

The Government’s Statistics Office reports that the largest contribution to the slowdown in the rate of inflation in April 2015 came from food, alcoholic drinks as well as tobacco and fuel prices and the slower price rises in clothing and footwear. These were partially offset by upward contributions from other travel and transport, the services industry and housing. Falling prices are however expected to be short-lived and prices are forecast to rise towards the end of the year or early next year, when the effect of the fall in oil prices and import prices with the weak Euro, begin to drop out of the annual rate.

Mr Speaker, the inflation rate is therefore expected to remain below 1% during 2015, rising towards the 2% target in 2016.

Mr Speaker, last year I was able to tell the House that the figures then available in respect of GDP Estimates prepared by the Statistics Office reflected that Gibraltar’s Gross Domestic Product for the financial year 2011-12 was £1.17 billion and that the GDP figure for 2012-13 was estimated at £1.28 billion and the forecast for 2013-14 was £1.41 billion. These figures, as hon. Members know, are annually recast as more reliable information comes in and the estimate becomes a firmer calculation.

Mr Speaker, I am today able to provide the House with firmer figures in respect of each of those years with the latest information available from the professionals at the Statistics Office.

The information available confirms our estimate at the time, an estimate made by the Hon. Mr Bossano from the Opposition benches, that the GDP for the year 2010-11 was £1.082 billion, i.e. literally just £18 million shy of our estimate of £1.1 billion. An incredibly accurate prediction on the part of Mr Bossano, the Father of this House, demonstrating in clear and tangible terms why so many in this Community rightly have such a high regard for his ability to understand our economic model, one that he has largely been responsible for developing almost single-handedly. He loves it when we talk positively about him, Mr Speaker! *[Laughter]*

Mr Speaker, the latest data available also reflects that for the financial year 2011-12, the first full year of this GSLP/Liberal administration, the GDP estimate of £1.17 billion must unfortunately be revised. Unfortunately, however, for those who would wish ill on this nation of ours, the revision is one to be made *upwards* to a now more reliable figure of £1.2 billion. This represents a growth of 11% on the first year's GDP.

For the financial year 2012-13 the estimate last year was that GDP for that year had reached £1.28 billion, as I told the House a moment ago. In fact, that estimate also fell short of where the actual figures appear to be pointing. The final GDP estimate for the financial year 2012-13 is now more accurately stated by the Statistics Office, with the more real and up-to-date data available to them, as being *higher* and in the region of £1.32 billion.

Mr Speaker, that represents an impressive growth in GDP terms for that year of 10%.

The GDP figure forecast last year by the Statistics Office for 2013-14, as I told the House a moment ago, was then £1.41 billion. In fact, Mr Speaker, the more accurate preliminary estimate now requires a further *upward* revision of £83 million, giving an estimated GDP for the financial year 2013-14 of £1.484 billion. Mr Speaker, that yields a GDP growth for the year 2013-14 of 12.7% in money terms.

Mr Speaker, the figure that hon. Members and the public will most want to know, however, is the forecast GDP for 2014-15, i.e. the last financial year which ended on 31st March 2015.

Mr Speaker, it gives me great pleasure and satisfaction to announce that the forecast of the Statistics Office for the Gross Domestic Product for the last financial year 2014-15 is now £1.64 billion. (*Banging on desks*)

Mr Speaker that represents a GDP growth of 10.3% in money terms for that year! Another year, Mr Speaker, of *double digit* economic growth. Another *major thrust forward* for the Gibraltar economy.

My pleasure, Mr Speaker, is enhanced by the fact that our manifesto commitment to the people of Gibraltar had been to grow the size of our economy from £1.1 billion in 2011 – where we accurately predicted the GDP to be – to £1.65 billion in 2015-16.

In fact, Mr Speaker, we have reached £1.64 billion in the early estimates for the financial year 2014-15. As we have seen in the figures I have just been able to provide the House, it is likely that this figure will in any event be revised upwards next year as more detailed information is received by the Statistics Office. We have, in effect, reached the target that we believed was reachable in four years in just over three and a quarter! A truly remarkable achievement Mr Speaker, although I expect our opponents will now want to airbrush aside their scepticism when we embarked on this ambitious endeavour three and a half years ago.

Most importantly, Mr Speaker, we have reached in three years the target that many of those who oppose us said could *not* be reached in four. Ironically, Mr Speaker, it is those who said we could not reach our GDP targets who continue to make the mistake of saying that we cannot achieve other things we propose for the benefit of our community. They should learn the lesson of our *constantly* proving them wrong!

I am sure, Mr Speaker, that during the course of his address in reply, the Hon. the Leader of the Opposition will want to congratulate us for this massive success in achieving our ambitious growth targets a year early.

And that of course means, Mr Speaker, that these GDP figures demonstrate that by the end of the next financial year – that is to say, the end of 2015-16 – we will not just have comfortably reached our target of £1.65 billion, requiring only a growth of £10 million in our economy to achieve that, but that we will have comfortably exceeded our prediction, achieved our target and delivered for our people even greater economic growth than we had predicted. And to think, Mr Speaker, that they said it could not be done!

This increased level of growth in our economy during the past three years, with an average growth rate of over 10% per annum in nominal terms means that Gibraltar continues to rank among the fastest growing economies in the world. That is the product of our collective effort as a Community. That is the effect of our hard work as a nation. That is another reason for us all to be proud of our iron determination as a people.

Let us now break down per capita, Mr Speaker, because the GDP per capita of an economy is often used as an indicator of the average standard of living of individuals in a country, and economic growth is therefore often seen as indicating an increase in the average standard of living.

Mr Speaker, per capita on a GDP of £1.64 billion, that gives us an estimated GDP of £50,941 per person using the latest published figure of population of 32,194 people, which was published last week in the Census.

In US dollar terms, taking the monthly average US dollar rate for the calendar year 2014 which is US\$1.64 to the pound sterling, the GDP per capita stands, in dollar terms at US\$83,544.

Mr Speaker, together, what we have achieved with the leadership of this GSLP/Liberal administration is to maintain Gibraltar once again in third place on the International Monetary Fund, World Economic Outlook Database of GDP per capita rankings. *Third place* out of 187 countries. We trail only Luxembourg with a GDP per capita of US\$92,000 and Qatar with a GDP per capita of US\$143,000.

I tell the House each year, Mr Speaker, that my view is that these measures are not entirely scientific because of differing methodologies and fluctuating exchange rates; but they are the measures that the rest of the world relies on. And I am reminded that the Hon. the Backbencher used to put great store by this measure when he used to make the announcement. (*Laughter and interjections*)

205 Mr Speaker, when we took over in December 2011, Gibraltar had placed *ninth* on that index. Ninth I am very proud indeed that we have risen to third in the time of my leadership of our small nation. Indeed, I know the whole of my ministerial team feels huge pride in this respect, but I would also call on the wider community to feel that pride too. Because this is at the achievement of all of us combined. The product of the work of us all as a people.

210 As was the case last year, the main drivers for this positive growth, Mr Speaker, are primarily the continuing increased employment and turnover in the online gaming and financial services industries, and the very increased levels of construction now evident in our economy, with the private sector taking more and more of the lead in that respect. Mr Speaker, one of the most exciting things that is happening in our economy is now the rise of the private sector as the main driver of GDP growth for the future.

215 Well, Mr Speaker, having almost entirely delivered our main manifesto commitments and being in the process of delivering those still not finalised, we can now see that the private sector is in fact starting to work on developments that were previously just not taking off.

The World Trade Centre is now becoming a reality. Two new blocks of flats at Ocean Village are likely to start construction in the next 12 to 24 months. Quay 29, alongside King's Wharf, is expected to break ground in the same timeframe, with the public benefiting from our insistence as a Government in the reduction of the height of that development.

220 The same developers are already talking to Government about the development of the site at Coaling Island where there may shortly be an announcement of another interesting development involving further reclamation, which will also provide a huge boost to GDP and will involve positive effects on Government revenues by way of premium.

The MidTown development is already underway. This development, importantly, Mr Speaker, will *not* benefit from the Government investing £20 million in the equity of it, as the previous administration had planned on doing. But it is going ahead, reduced in size after we pushed for a better deal for the taxpayer.

230 The area of Victory Place is also slated to begin development in the next 12 to 24 months, and Rooke is shortly to be handed over and will be the subject of a request for expressions of interest for its development also. A number of potential uses could provide major economic value for Gibraltar beyond the simple redevelopment as flats or offices, and there may be an interest in combining it also with some social or community uses.

235 But Mr Speaker, the *best* example of private sector investment is the recent announcement made by the Deputy Chief Minister and myself in respect of the Eastside.

Mr Speaker, Blue Water Resort will equate to an investment in Gibraltar of a total of £1.1 billion of outside investment into Gibraltar. The largest amount of money ever invested in our nation: £1.1 billion represents a huge boost for our GDP, not funded by the Government and the Taxpayer, but from investors from outside Gibraltar. In addition, Mr Speaker, the developers will be building affordable homes on the Eastside plot and in the area currently occupied by the Customs Department at Waterport. They will be financing the development of the affordable homes with the Government being only a purchaser in partnership with the homebuyer at the end of the building period, should the purchaser require. Mr Speaker, the Ombudsman states, in the introduction to his recently tabled report for 2014, when referring to the 900 affordable homes about to be delivered, that:

‘without doubt, this development has done away with the huge pressures that the Housing Authority has historically been subjected to and that Judging by present trends we could for the first time see housing issues being removed from the top of the complaints league.’

245 Well, Mr Speaker, the Government believes that the development and delivery of these additional 1,700 homes, which we announced last week, will achieve exactly that.

Of course, Mr Speaker, the decision to invest £1.1 billion is also a huge statement of confidence in our economy, in our public finances and in our parties' stewardship of our nation's affairs. It demonstrates in real terms that whatever else might be said about public finances and our economy, when we are X-rayed by outside investors, they see what they like and give no credibility to the hell and brimstone being preached by others.

Another great driver of economic growth for our future, Mr Speaker, will be the establishment of an entirely safe Liquefied Natural Gas storage, re-gasification and bunkering facility.

255 The Government's discussions with interested parties suggest that the facility is likely to be financed entirely by third parties, giving the Government the option to invest in such a facility but not requiring us to do so. This will be the beginning of a new industry for Gibraltar which, given current predictions, is likely

to dominate the maritime transport industry in coming years. Recent statements from Carnival Corporation demonstrate that even the maritime leisure industry see LNG as a safe and less polluting fuel which is the future.

260 Mr Speaker, Gibraltar needs to be at the forefront of these developments if we want to continue to be the largest bunkering port in the Mediterranean. I know Gibraltarians are proud to say that we are such a port and will not want to see the bunkering industry disappear from Gibraltar, as diesel slowly disappears as the fuel of choice in that market.

265 Ill-informed comment and opportunistic scaremongering will not blind the people of Gibraltar to the importance of developing our bunkering industry in that way. In fact, Mr Speaker, the Government expects that the mature proposals it will put before the people of Gibraltar in respect of the LNG facility will be markedly safer than the operation of aircraft within the distances currently relevant between the airport and residential areas.

270 Indeed, Mr Speaker, we confidently believe that the risk analysis to be put before the people will show that there is a greater chance of an airline pilot or an air traffic controller making a human error and landing or directing an aircraft onto Waterport Terraces, or Marina Bay, or Glacis or Laguna than the risk of anything going wrong with the operation of an LNG facility. Indeed, Mr Speaker, members of the public will know that operations with aircraft fuel, known as JET-A1 are hugely more dangerous than operations with LNG. And yet JET-A1 re-fuelling operations are carried out each day within spitting distance of

275 millions of airline passengers, outside of Gibraltar and here, within metres of residential facilities like Laguna, Glacis, Devil's Tower Camp and Four Corners.

Nuclear powered submarines have long been made welcome in Gibraltar and berthed within short distances of established residential areas, and very welcome they are too, Mr Speaker. Indeed, air traffic controllers at Gibraltar reputedly land large and unwieldy military aircraft, loaded with missiles and war-heads to refresh those on board those nuclear powered submarines, and they think nothing of it. Never mind the potential consequences if something went wrong once in a hundred million years with one of those, Mr Speaker. But there are some who will not face the facts and nothing will get in the way for them of a spurious argument when they are not the ones making the decisions, Mr Speaker.

285 And it is not just the Government of Gibraltar and most responsible governments and organisations around the world that are working on the basis of the safety of LNG as a fuel, as we have seen from the Carnival announcement two weeks ago. Indeed, Mr Speaker, in years to come, the LNG bunkering facilities at Gibraltar are likely to make us attractive not just as a bunkering port, but also as a cruise port, given that the Carnival lead is likely to be followed by other cruise operators.

290 In a nutshell, Mr Speaker if an American cruise corporation, risk averse and litigation averse as they naturally are, is prepared to have 6,000 passengers sleeping on top of a gas storage and re-gasification facility, then we can understand that with proper planning and technology, we can operate a safe LNG storage, re-gasification and power plant.

But Mr Speaker, we all in this place know that. It is just that some just do not know what else to say to try and scare a few more people into voting for them. But anyway, let us move on to other matters.

295 Mr Speaker, one of the largest components of our GDP growth is of course the growing levels of employment in our economy. The number of jobs in our economy is at a record high of 24,422. This represents almost a 16.4% increase since 2010.

300 In comparison with October 2011, the last survey relevant to the time the hon. Members were in office, the growth has been huge in particular in terms of Gibraltarians in jobs. Year-on-year growth, Mr Speaker, in respect of this hugely important figure, the number of our compatriots in full-time employment has been superb.

305 In terms of all Gibraltarians in employment, whether full or part-time, once again we are breaking records. In October 2011 when we took over, the total number of Gibraltarians in employment had suffered a huge decrease under the previous GSD administration. The figure had *sunk* by 4.5% from the year before under the previous administration. In fact, in October 2011 the total number of Gibraltarians in employment was 10,220, having fallen by 486 in just one year.

310 In just our first year of administration, the figure of Gibraltarians in employment, full or part-time *jumped* by a huge increase of 511. That is to say, Mr Speaker, in one year we were able to see more Gibraltarians find jobs than had lost their jobs in the year before. 486 had lost their jobs in the last year under the Members Opposite, whilst 511 found jobs under us, even though we had to stop all the Government projects because the Members Opposite had left us almost no useable cash reserve.

315 In percentage terms, Mr Speaker, what the GSD saw diminished by 4.5%, we increased by 5% in just one year. A *stunning* reversal, Mr Speaker of the bad fortunes many had suffered, losing their jobs during the last days of the previous administration. The final figure of Gibraltarians in employment in 2012 was thus 10,731.

In the following year, reported in the survey of October 2013, the number went up again from 10,731 by a further 126, to 10,857 or 1.2%. Another record year – the *highest figure ever* of Gibraltarians in employment at the time.

320 And this year, Mr Speaker, I am delighted to be able to inform the House that the total number of Gibraltarians in employment has risen *again*, and is up by 134 jobs or 1.2% in the year from October 2013 to October 2014, taking the total from 10,857 to 10,991. *Another record year*, Mr Speaker! (*Banging on desks*)

325 *Again, Mr Speaker*, more Gibraltarians at work than ever before, and as socialist and liberal parties, Mr Speaker, this is the part of our record of which we are proudest: creating sustainable employment; putting people to work, Mr Speaker; real jobs bringing real dignity to the lives of real people.

The people, Mr Speaker, who Members Opposite used to say were ‘unemployables’, because they could not understand how to make the job market work for our people as well as it works for others. Indeed, Mr Speaker, Members Opposite used to say that 300 registered unemployed would constitute ‘full employment’.

330 Actually, Mr Speaker, as with so many of the ‘hostages to fortune’ which one can see developing in Gibraltar politics these days, that phrase lies on the lips of the now Leader of the Opposition who uttered the phrase on a television programme with the Hon. Mr Bossano, as I understand it.

Well, the latest unemployment figures available to the Ministry of Employment tell us that the number of unemployed in Gibraltar is now 190. Not 300, Mr Speaker; not 200, Mr Speaker; but 190!

335 I therefore would expect that the Hon. the Leader of the Opposition will also want to congratulate the Government for that remarkable achievement during the course of his address. By *his* standards, Mr Speaker, we have achieved ‘full employment’.

And we have done so despite 486 Gibraltarians having lost their jobs in the year up to October 2011, two months before Members Opposite were themselves dismissed by the great Gibraltarian public!

340 But one Gibraltarian unemployed, Mr Speaker, who genuinely wants a job is one unemployed person too many, as far as we are concerned. We consider any person’s unemployment to be a tragic issue for that person, for his or her family and a matter which we must work with them to resolve. So we will not rest on our laurels, Mr Speaker, and we will not just be there to help people find jobs. We are also here to help people improve themselves and to better themselves. That is why we are providing continuing education for those who want it, because we want to help people also to develop.

And the two Ministers who have been involved in the Ministry of Employment since our election deserve praise in this respect. The brilliant Joe Bossano broke the back of the... I think he would rather I attacked him than praised him, Mr Speaker, I think he would enjoy it more! (*Laughter*)

350 The brilliant Joe Bossano broke the back of unemployment, and the efficient and disciplined Neil Costa demonstrated his great ability by improving even further on Joe’s huge achievements over the three years in the post. I am proud indeed to share a Cabinet with both of them – and I promise Mr Bossano, I will say nothing nice about him for the rest of the speech, just to ensure he is not uncomfortable!

Mr Speaker, let us look also at what has happened to the earnings of those in employment in the time that we have been in office.

355 Mr Speaker, average annual earnings in Gibraltar were £23,575 in 2010. By 2014, average annual earnings in Gibraltar had grown to £28,244. That amounts to a 19.8% *increase* in average annual earnings under this administration. Almost exactly 20%, Mr Speaker.

Inflation for the same period is 13.5%, giving earnings an inflation-busting headroom in that period of 6.3%.

360 So we are delivering, Mr Speaker, double-digit GDP growth, alongside double-digit growth in the job market and double-digit growth in average annual earnings. A *double whammy* of growth, Mr Speaker, in respect of every positive economic indicator! (*Banging on desks*)

I don’t see them clapping Opposite, Mr Speaker. Are they not happy for these developments for the people of Gibraltar, I wonder?

365 Mr Speaker, the level of Gross Public Debt as at 31st March 2015 was lower than last year at £448 million. This sum is already £72 million lower than the level we inherited of £520 million.

The level of cash reserves is estimated to have ended the financial year at around £72 million. That means that we have exceeded the estimate for cash reserves which the Government had anticipated would have been £70 million by £2.3 million. Another very positive development of the estimate being exceeded by better than expected economic performance.

370 Our current estimate is that cash reserves will hit £85 million next year. Mr Speaker, in effect, this reflects a Net Public Debt at £375 million, or 22.8% of GDP.

375 Mr Speaker, our borrowing level continues to be low in relation to the size of our economy and, as a percentage of GDP, is currently among the lowest of the countries in the European Union. This is so even if we were to include the borrowing of some Government-owned companies, which as hon. Members know, is not and never has been deemed to be part of the Public Debt, since borrowing by Government-owned

companies is secured solely against the assets held by those companies and is serviced directly from income derived by the Government-owned companies.

380 As a percentage of annual recurrent Government Revenue in the previous year, Net Public Debt carried forward to 1st April 2015 was 65%. This leaves a clear margin of 15% – around £82 million – of further borrowing capacity, or permissible drawings from useable cash reserves, under the Public Finance (Borrowing Powers) Act. This compares very favourably indeed with usable cash reserves of just £20 million when this Government took office on 9th December 2011 and just 2.5% – £2.5 million, sorry – at the end of March 2012.

385 Mr Speaker, I was pleased to be able to table in the House at the beginning of this session, in the context of the management of our Public Debt, the renewal that the Government has managed to agree in respect of the £50 million Revolving Loan Facility with the Royal Bank of Scotland for a further period of five years up to 31st March 2020. The interest payable on the loan is LIBOR plus 0.875%.

390 Mr Speaker, I would like to commend the Financial Secretary for having negotiated and arranged this excellent loan facility, which will provide the Government with additional flexibility in the management of the Public Debt. Mr Speaker, the low margin agreed on this loan is also a reflection of the increasing level of confidence by international financial institutions in our economy and Government – and this, Mr Speaker, despite a backdrop of locally engineered negativity. Which serves to demonstrate that international institutions are not following the lead set by those ill-informed and self-serving commentators who peddle a negative story about the state of our Public Finances.

395 Mr Speaker, in fact the Government continues to be fully committed to reducing the level of Public Debt and we expect that in the coming months in particular, with exceptional income expected, this will fall to in the region of half the level that it was when we took office. Indeed, just the sale of some apartments will provide a considerable payment to Government from the purchasers, given the numbers of them.

400 However, Mr Speaker Public Debt is expected to edge upwards again in the latter part of the financial year – given that there will be at some stage a new administration, with new projects to start – to end the year with a Gross Public Debt at around £400 million – down approximately £50 million – and Net Public Debt at about £314 or £15 million, representing a further significant reduction during the financial year.

405 Mr Speaker, it is hugely important to recall that at the time we took over as a Government, the Gross Debt, which is the measure used in every serious measure of debt, was at £520 million. The Gross Debt of our nation had peaked at over half a billion pounds on a GDP of £1.1 billion. In other words, Mr Speaker our Gross Debt under Members Opposite was 47% of GDP. And that was without including company debt, which is not and never has been included as part of the Government debt.

410 Today, it is clear, Mr Speaker that the Gross Debt is considerably lower than it was under the GSD. Indeed, let us do the exercise, Mr Speaker, together in this House of looking at the debt in the context of the past seven financial years since 2008 – the first financial year after the 2007 General Election – so that we look together at the lifetime of the last two Parliaments and the life time of this Parliament until now. What does the history of two full Parliaments tell us?

415 In 2008, Mr Speaker, the GDP was £898.7 million. The Aggregate Public Debt, or the Gross Debt, the measure which really matters and which is the internationally accepted measure, was then 21.3% of GDP. So, 2008 – £898.7 million; 21.3% of GDP. Net Debt was 6.9% of GDP.

420 The following year, the GDP was up to £1 billion – 2009. That was the time that Members Opposite went on the largest spending spree in the history of Gibraltar politics, Mr Speaker. Before their term was up, they would from this moment go on to spend more in the three financial years that followed than they had spent in the previous 13. Unlucky for some.

That year the Gross Debt jumped to an astonishing 38.4% of GDP. Yes, Mr Speaker a growth in Gross Debt in one year from 21.3% of GDP to 38.4% of GDP. That means that Gross Debt, Mr Speaker more than *doubled* in one financial year in respect of GDP. The Gross Debt actually increased by 80.3%.

425 The most astonishing thing, of course Mr Speaker, is not just that the party Opposite were in power at the time, but that the Hon. now Leader of the Opposition was Minister for Justice in that Government! He expresses concerns about debt these days, Mr Speaker, and yet he was a member of the Government that more than doubled Gross Debt as a measure of GDP.

430 In Net Debt terms, the debt went from 6.9% of GDP to 13.8% of GDP. It *exactly doubled*, exactly doubled, in Net Debt terms. A 100% increase in the Net Debt, Mr Speaker. And not over the lifetime of the Parliament, but in one financial year!

So it is really quite incredible, Mr Speaker, to see that the person who was a Minister in such a Government might now be concerned when Gross Debt is actually down at least to below the levels which they left it at £520 million.

435 But let us continue the exercise of looking at the debt as a percentage of GDP, because hon. Members on this side of the House will be very interested to hear how things pan out and Members Opposite will no doubt on this issue also question the Leader of the Opposition's wisdom in having made debt such a central issue of his criticism of this Government.

By 2010, Mr Speaker, GDP had grown to £1.08 billion. Gross Debt as a percentage of GDP continued to shoot up to 44.4% of GDP.

440 Mr Speaker, that is the high point of GDP to Gross Debt that our nation has ever had to labour under. The highest point of GDP to Gross Debt ratio. Not today, under this Government. *Then*, under the GSD, Mr Speaker – 44.4%!

That means that for every pound that went to the calculation of the size of our economy, 44½ pence was Government debt, Mr Speaker. Quite incredible, really.

445 Mr Speaker, for those who might have just started listening, they might think that this is the situation now, given the hell and brimstone argument we hear constantly from the Leader of the Opposition. But no! This was the position in 2010, when he was spending on courts and prisons, and his then Leader was spending on airports.

Gross Debt, Mr Speaker had shot up to £520 million – and there is a moment, Mr Speaker, in that Leaders' debate, which I had with the hon. now the Backbencher, then the Chief Minister and Mr Azopardi, where I think the sharp intake of breath from Mr Azopardi and me, when the Hon. the then Leader of the House announced that debt had shot up from the £480 million that we had been told to expect it should be in the Estimates, to £520 million, over half a billion pounds, I think may even have been audible at home.

455 From 21.3% of GDP – Gross Debt went up from 21.3% of GDP – to 44.4% of GDP in 700 days! In two years. That means that Gross Debt had grown by 108% in two years under the GSD, when the Hon. the now Leader of the Opposition was Minister for Justice.

I know it makes uncomfortable listening for them, Mr Speaker, but it is important for our nation to understand how the party that the Hon. Mr Feetham now leads approached debt when they were in Government, despite what they are saying now.

460 Net Debt, in that year, 2010, went up to 19.1% of GDP, up from 6.9% two years earlier. A 13% increase, Mr Speaker!

Mr Speaker, our people need to understand that in those two years, the GSD, the Members Opposite, Mr Feetham, the Hon. now Leader of the Opposition amongst others, presided over an increase in Net Debt, not of 1.7%, not of 17%, but of 176.8%! One hundred and seventy-six percent increase in Net Debt in two years!

Mr Speaker, talk about unprecedented growth, but perhaps of the wrong type!

470 Imagine, Mr Speaker, if we had grown Debt by 176%. The Hon. Leader of the Opposition would have made an application to court to have me burnt at the stake! Never mind, Mr Speaker, their steak is about to get even better cooked. Although I do like mine rare, Mr Speaker, theirs is about to get very well done indeed!

In their last year in office, Mr Speaker in 2011, GDP had grown to approximately £1.2 billion. That is the latest revised figure that has been made available to me by the Statistics Office who do such a magnificent job of like-for-like calculations, and which I mentioned earlier, Mr Speaker.

475 Remember, Mr Speaker that for the first three quarters of that year, Members Opposite had been in Government. For the last quarter of the financial year, the great New Dawn of the morning of the 9th December 2011, which had swept in a new broom into power – the GSLP/Liberal Administration which I proudly lead was in power.

Mr Speaker, confronted by the memo from the then Financial Secretary, telling us that we had only £20 million of useable cash reserve – the hon. Members might recall that memo, Mr Speaker; I think I referred to it in shorthand terms as the 'Doomsday Memo', from Mr Daryanam Tirathdas last year – which told us that usable cash reserves would fall to £2 million by the end of that financial year, the lowest it has ever been, we had to take some very painful decisions indeed.

485 The position, Mr Speaker, of the former Chief Minister, the Hon. the Backbencher, Sir Peter Caruana QC, at the Ceremonial Opening of the House, was to invite me to bring a resolution to the Parliament so that I would be free to borrow more, accepting in that way that the debt ceiling was to be reached if we continued to spend or burn money at the rate that we inherited.

490 The most important decision we took was to stop all Government projects which were still ongoing under the previous administration. Despite that third quarter of strict financial control, the year ended with a Gross Debt, Mr Speaker of 43.1% of GDP. Gross Debt was 43.1% of GDP. Our full, full quarter of financial control resulting, Mr Speaker, only in a reduction of 1.3% of Gross Debt to GDP – but it was at least a start.

The Net Debt, Mr Speaker, continued to rise that year to 25.3% of GDP. Imagine where it would have gone if we had not stopped the projects. That means that the Net Debt of our nation had gone up in the last three years of the administration by Members Opposite from 6.9% of GDP to 25.3% of GDP. That increase, Mr Speaker is an increase of 266%! Two hundred and sixty-six percent increase in the Net Debt. Not now, when we hear all this criticism of debt, but in the final year, that Members Opposite were in power.

So, Mr Speaker, the Net Debt as a share of GDP increases from 2009 to 2011 under Members Opposite, with the Hon. the Leader of the Opposition then in Government spending on prisons and courts –

500 overspending in fact, as we will come to – by 266%! Mr Speaker, how can the people who presided over such increases in ratio terms now be preaching concern about Net Debt under this administration?

The ratio element, Mr Speaker, is hugely important of course because it is about comparing the debt to the size of the economy. But that is how they left things.

505 Now, let's look at the position today. The debt is decreasing and the economy is growing. After three and a half years of GSLP/Liberal administration, where are we taking Gibraltar in debt terms? Have we cured things or has the debt gone up? Mr Speaker, in doing this analysis, we will look at the cash position, real terms and ratio terms.

Mr Speaker, the GDP estimate at the moment for this year is, as I told the House a moment ago, £1.64 billion – just below the position we anticipated it would be at the end of the 2015-16 financial year. I have said more about that already, Mr Speaker.

510 But Gross Debt is *down* to £448 million and will be going down even lower by the time of the election. That means a cash terms reduction, Mr Speaker from £520 million of Gross Debt by a total of £72 million already.

515 Now, in ratio terms, as a percentage of GDP, Gross Debt is *down* from 43.1%, as it was under the GSD, to 27.3%. Mr Speaker, that is a reduction in Gross Debt of 36.6%. Mr Speaker, that is a very creditable reduction in Gross Debt of almost 40% in just three and a half years.

And this is a percentage that has been reducing year on year. In 2012 the Gross Debt to GDP ratio had been a massive reduction from 43.1% to 28.5%. In 2013 a reduction to 29.6%, and ending as I said a moment ago at 27.3%. Mr Speaker, if I may say so, exactly the right direction of travel!

520 And the same is true of Net Debt. From the GSD historic high of 25.3% Net Debt to GDP ratio of their last year in office, Mr Speaker the Net Debt to GDP ratio has now been reduced to 22.9%. And as debt has reduced, revenue has increased and expenditure has fallen as a ratio to revenue.

525 Mr Speaker, I am, in fact, delighted to announce to this House that during the last financial year 2014-15, we have once again achieved a budget surplus which is amongst the highest on record. The amount of the surplus this year is higher than any surplus ever predicted. It is higher than the surplus predicted last year. We have therefore once again exceeded our income by our expenditure to a greater extent than predicted.

Mr Speaker, the estimate had been for a surplus of £34.65 million. In fact, I am very happy to report, both to the House and to the nation, that we have exceeded that estimate by a surplus of almost 50%.

530 Mr Speaker, all will be, or at least should be, delighted to note that this year's Budget reflects a surplus of revenue over expenditure standing at a staggeringly high £51.3 million, (*Banging on desks*) and let me add, Mr Speaker, that this surplus is calculated *after* the deduction of £25 million as a contribution to the Government Companies.

535 Mr Speaker hon. Members will be aware that the systematic contribution to the Government Companies was a process commenced by this administration when we found ourselves, just after our election, staring at a black hole in the company structure of £100 million, and with the Government Companies losing money every year which had to be made up from the Consolidated Fund and for which there was no provision made by the previous administration.

540 This year's contribution to the Government Companies is, as I have said, £25 million. If we had followed the model of the previous administration – that is to say, if we were comparing like for like our calculations with those of Members Opposite when they were in administration – if I had dealt with the surplus and the contribution to the Government Companies as the previous Leader of the House, Sir Peter Caruana, who some have even described as the greatest Gibraltarian of all time – we would have been declaring this year, a surplus of £76.2 million. That would have been the highest surplus ever on record, Mr Speaker. But instead of recklessly failing to fund the Government Companies as they did, we prudently set aside £25 million above the line and thereby reduced the surplus to a nonetheless record breaking £51.3 million, still the second highest actual surplus on record only after last year.

Another GSLP/Liberal record year, Mr Speaker. One after the other, Mr Speaker, another record year of growth. One after the other, Mr Speaker, another record year of surpluses.

550 But we are prudent Mr Speaker. We do not fund the Companies to fill in the black hole of expenditure left by the previous administration – we make sure that the money is there. And even then, we declare the second largest surplus in the history of our nation.

555 And so that the public can understand the huge scale of this surplus being declared today, Mr Speaker, it is more than *twice* the size of the biggest surplus *ever* declared by the GSD when in office. More than twice the size! And that, Mr Speaker, despite the fact that they did not make above the line contributions to fund the Government Companies.

Mr Speaker, as in previous Budgets and in line with our manifesto commitment to allow Gibraltar Community Care Trust to build up its reserves so that it can once again be totally independent of Government grants, I am delighted to inform the House that, out of this record budget surplus for the year, a further sum of £30 million has been earmarked by the Government as a contribution to this Charity. This

560 brings the total contributions made by this Government to Gibraltar Community Care Trust, during the past three financial years, to £134 million. (*Banging on desks*) One hundred and thirty-four million pounds, Mr Speaker.

In this respect, Mr Speaker, I note statements from the Hon. Leader of the Opposition on television when asked questions by journalists, in which he said he would not fund Community Care. I am very grateful to him, Mr Speaker for having made his position so clear. We entirely disagree with him on that, as on so much else.

565 Because Mr Speaker, once again, a GSLP/Liberal Government is ensuring that Community Care is properly funded. Once again, Mr Speaker, a GSLP/Liberal Government is protecting our elderly. And once again, Mr Speaker, a GSLP/Liberal Government is honouring the generations that came before and that built the Gibraltar that we have today.

570 Mr Speaker, Government revenue during the last financial year exceeded the original budget by around £24 million. As a reflection of the continuing growth in our economy, income tax receipts were up by around £8 million over the budgeted figure and Company Tax receipts were up by around £9 million. In fact, year-on-year growth in respect of income tax and Corporation Tax amounted to 6% and 7.8% growth respectively.

575 Indeed, Mr Speaker, in relation to both income tax and corporation tax, I want to highlight the remarkable growth that we have been able to achieve and how it has been achieved.

In respect of income tax, for example, we have gone from a collection of £122 million in 2010-11 to a collection of £144 million this year. That is an increase of £22 million or 18%, whilst at the same time the tax rates have been decreasing.

580 In the Insurance Industry we collected £2.87 million of PAYE in the last full financial year when Members Opposite were in administration compared to £4.3 million this year. This represents an increase of 50% just in that sector. Indeed, Mr Speaker, if we look at financial services generally, the growth in PAYE receipts is being led by a growth in employee numbers. In October 2011, the number of employees in the industry was 3,109. By October 2014, the number has risen to 3,388. This represents a percentage growth of 9% in an already mature industry.

590 In the Gaming Industry, Mr Speaker, we collected £16.3 million of PAYE in their last year compared to £22.5 million this year – an increase, Mr Speaker, of almost 40%. It is worth noting, Mr Speaker, that behind these collections in PAYE are the rising numbers of employees in the industry also. These can fluctuate in some measure, depending on the corporate fortunes of one company or another, but the growth in the time since we were elected has been remarkable and resilient. Open contracts recorded by the gaming regulator as at 31st October 2011 – the date of the annual Employment Survey – reflects a total of 2,665 employees in the industry. October 2011 that number has now risen to 3,423, representing a growth of 28%, more than a quarter more employees in the industry in the time that we have been in administration!

595 Mr Speaker, before I move on to an analysis of Corporation Taxes, I want to report to the House that I have recently received the recommendations of the Committee I established to advise on the Personal Tax offering of Gibraltar. I want to thank Nick Cruz, Peter Montegriffo, Peter Isola, Stephen Reyes, Freddie White and Melo Triay for their hard work and diligence in the preparation of these recommendations. The Government is presently considering their very detailed recommendations and expects to be in a position to work on the implementation of some of their more high level proposals very shortly. They have produced an excellent report and some very sensible recommendations which we will further stress test, in order to be ready to progress matters in the direction I indicated would likely be necessary given recent international initiatives in respect of corporate taxes.

600 Indeed, the effects of FACTA and other international measures may already be to affect individuals ability to plan their tax affairs as much as those of the affairs of corporations, especially given the moves towards more and greater tax transparency. And that transparency agenda means not just that individuals from large economies will see information provided to their home exchequers, but also individuals from small economies will see their information shared with their tax authorities also. I will later introduce a measure today to address these issues also.

610 Mr Speaker, that is a convenient moment to move onto the analysis of Corporate Tax receipts.

In relation to Corporation Taxes, Mr Speaker, the growth has been even more remarkable in our time in office.

615 In Insurance we collected £1.8 million in 2011, growing to £22.6 million now, a growth of 1,155%. One thousand, one hundred and fifty-five percent growth in the corporate tax receipts from the insurance industry!

In the Gaming Industry, we collected £7.98 million in 2011, compared to £33.42 million in the last financial year. That represents a growth of 318%. Three hundred and eighteen percent growth, Mr Speaker, in corporate tax receipts from the gaming industry!

620 Indeed, in corporation tax generally, Mr Speaker, growth has been steep. From £29 million collected in 2011 to £89 million collected last year. That is a growth of 206%, Mr Speaker.

And it is that growth, Mr Speaker, of 206% in Corporation Taxes and approximately 40% growth in income tax that is principally delivering our economic growth and funding Government expenditure.

I would just add, Mr Speaker, that this has been achieved whilst not in any way scrimping on rebates. We have paid approximately, Mr Speaker, £28 million by way of rebates to personal and corporate taxpayers in the past four years. We, Mr Speaker, are not hanging on to people's money!

Importantly, Mr Speaker, these increased collections of Corporation and income taxes have occurred in the context not just of lower rates at the personal level, and increased allowances throughout, but also in the context of taxation reducing as a share of GDP. In fact, tax as a share of GDP has been reduced under this administration from 13.5% in 2010-11 to 10.6% today.

As Gibraltar has repositioned itself as an open and transparent financial services centre with a competitive rate of tax acceptable to the OECD, the International Monetary Fund and other objective international institutions, we are reaping the rewards of seeing real business done from here which accrue and derive their profit here and are taxed here. That is one of the principal drivers of sustainable economic growth.

Too often people think growth is just in import duties, Mr Speaker. People think of our economy as growing because of revenue from tobacco sales. Well, Mr Speaker, they are wrong. In fact, import duty receipts are down 2.7% against the estimate from £170 million estimated to £165.4 million of actual collections. In fact, the total for Duties, Taxes and other Receipts at Head 2 of the analysis of Consolidated Fund Recurrent Revenue is actually up from an estimate of £178.492 million to £180.831 million or a growth of 1.31%. But there is therefore no need to have concern as to overall revenue, but the import duty element is down as I have indicated.

Departmental Expenditure, on the other hand, has been contained and has ended the year at less than £7 million over the original budget.

Mr Speaker, I am very happy to be able to share that figure with the House and with the Community as a whole as that demonstrates excellent and indeed remarkable control of expenditure which has brought in the forecast outturn to within 1.6% of the estimate. So we have hit the target within 1.6% of the estimate.

Indeed, Mr Speaker, if we are to hear from anyone about that not being anything other than an absolutely excellent figure demonstrating real control of expenditure, let us not forget that control of spending was not the *forte* of those who might now preach to us.

In respect of Capital Projects, for example, Mr Speaker – I&D Expenditure – remember the 236% overspend on the airport, which went from £24 million to £84 million; or the New Prison, the now Leader of the Opposition's own project, which started life as a £5.2 million project and then came in at £8.1 million – a 55% overspend. And the Courts which resulted in an 82% overspend.

So Mr Speaker, a 1.6% overspend in departmental expenditure, although in respect of recurrent and not capital expenditure, reflects remarkable spending discipline which the Members Opposite have shown that they could not deliver. So the public will not want us to be taking any lessons from them on spending control, Mr Speaker.

Indeed, Mr Speaker, the recent Chamber of Commerce Report suggested that the public finance debate might actually benefit from the adoption of some external measure or standard, as if none applied. In fact, Mr Speaker, the many statistics I am disclosing in the context of this debate delivers the indicators which are internationally recognised as relevant in measuring Public Finances and the performance of any economy. I recently met with the President of the Chamber, Mr Christian Hernandez in order to consider with him his organisation's wishlist for this year, something which I have done since elected with both the Chamber and the Federation of Small Businesses. Christian has since confirmed that his position is that adequate comparators are available in order for a proper analysis to be reliably undertaken, making like-with-like comparisons with past years and that the adoption of new standards would potentially distort the ability to compare like with like. I agree with his conclusions, but we will continue to work with the Chamber in identifying any appropriate new measure which may assist the public in clearly being able to see through the distortions peddled by some in order to try to obscure the outstanding success of our economy and the remarkably strong and resilient performance of our public finances.

Mr Speaker, I now move on to the Revenue and Expenditure Budget for the current financial year.

Estimated recurrent revenue for the year is budgeted at £559 million. This takes account of the significant increase in recurrent revenue achieved in the previous year but is nevertheless a conservative estimate going forward. Mr Speaker, just to ensure that everybody in our community understands the growth of revenue we have presided over in our public finances in clear terms since we took over, let us look at the exact growth in revenue.

Mr Speaker, revenue estimated by Members Opposite when in Government for the year 2011-12 was £393 million. Today, at £559 million, the growth is of £166 million more. That is a percentage growth of 42.2% in respect of Government revenue in the time since we were elected.

Perhaps the Members Opposite can now start to understand why the Government *does* have the money to carry out all its projects.

The overall recurrent expenditure budgeted for the year is £541 million, which reflects a modest increase over the previous financial year of around 4%.

685 Mr Speaker, the Government is therefore taking a very prudent course and conservatively projecting a recurrent budget surplus for this financial year of around £18 million. In this respect, Mr Speaker, we always definitely prefer to under promise and over deliver, as we have since we were elected, so that we are never caught short!

690 Mr Speaker, in the financial year 2014-15 the Government invested around £104 million on capital projects funded by the Improvement and Development Fund. Around £21 million was invested on 'Works and Equipment' and a further £83 million was invested in specific capital projects, including £10.2 million on the conversion of the refurbishment of the Old Naval Hospital Dementia Facility; £11.5 million on the demolition and conversion of the Old St Bernard's Hospital into two new schools; £4.1 million on the St Bernard's Catering Facility; £12.2 million on the 700-berth Small Boats Marina. A total of £9 million was also provided as Equity Funding for the initial share requirements of the Gibraltar International Bank.

695 Mr Speaker, the expenditure budget of the Improvement and Development Fund during this financial year is around £95 million. The capital investment in Works and Equipment is estimated at around £19 million and investments in other Government projects totals £75 million. This includes equity funding of £15.9 million for the Gibraltar International Bank, which has already been contributed; equity funding of £5 million for the University of Gibraltar; and funding to complete ongoing projects including £4.8 million for the continuing works on the 700-berth Small Boats Marina; £4.8 million for the demolition and conversion works of the Old St Bernard's Hospital into two new schools; £3.1 million for the St Bernard's Catering Facility and other projects include the development of Wellington Front with provision for a new Bathing Pavilion; investments in infrastructure for our housing estates; and the relocation of a large number of MOD estates to enable the continued release by the MOD of further land and properties for use by our community. That, Mr Speaker, relates to lands agreements done before we were elected.

700 All of this, Mr Speaker, represents, a huge investment in our community for the long-term benefit of current and future generations and for future prosperity. And two new schools, Mr Speaker – not one; two. And in only three and a half years.

710 Moreover, Mr Speaker, that is more schools, Mr Speaker, than Members Opposite provided in the time that they were in office for 16 years. So it would be foolish, Mr Speaker, for anyone on the other side of the House to suggest that we should have prioritised new schools over other projects, when we clearly have already done so. We took the two schools that needed most work and immediately have re-provisioned them.

715 An excellent track record on its own in respect of education, before even starting to talk about the mandatory postgraduate degrees that we now provided, the 47 new teachers, the arrangements with the Washington Centre and, of course, the crowning glory in respect of our achievements in education in this first term – the new Gibraltar University, which will open its doors in September.

720 The Hon Minister for Justice has done an incredible job in respect of education. He really has been able to show his remarkable dedication in delivering a project that has eluded so many others in the past in being now on the cusp of opening the University of Gibraltar, as well as delivering those two new schools *and* a 700-berth marina. What a record for any Minister in less than four years – an achievement indeed, especially whilst also shouldering the burden of his Justice Ministry.

725 Mr Speaker, there is also continued positive news in respect of the Gibraltar Savings Bank. As hon. Members are aware, when this Government took office, the reserves of the Savings Bank had fallen to almost zero with the actual reserves of the bank at the end of March 2011 having fallen to just £1,444!

730 The £17 million the bank had built up over the years had been taken into the Consolidated Fund by the previous administration. And Mr Speaker, let me preface this part of my intervention by saying that I can understand why, because the Hon. the Backbencher, when he did this, explained his logic to the House. As the bank's deposits are guaranteed by the Government, there is no need for it to have a reserve like a credit institution, he told us. He is right Mr Speaker, because the Savings Bank is *not* a credit institution and does not need to behave like one. But we are nonetheless, Mr Speaker, of the view that it should have a fund in the bank for its reserves.

735 Mr Speaker, I am therefore very pleased to report to the House that the reserves of the bank have continued to grow during our term in office and now stand at £20 million as at the end of the last financial year. More importantly, Mr Speaker, the reserves are now estimated to grow further to reach almost £27 million by end of this financial year.

The Deposit Base of the Bank has also grown from around £330 million when we took office to almost £1 billion – yes Mr Speaker, *one thousand million!*

740 Last month, Mr Speaker, was a record month. I am informed that the Savings Bank took more deposits last month than in any other month in its history. It was, of course, the final month in which some very attractive rates were available. But I am further informed, Mr Speaker, that this month deposits continued to run at a very high level also, despite the reduced rates.

Indeed, Mr Speaker, in this respect, it would appear that the prophets of doom are not prophets in their own land!

745 Mr Speaker, the Gibraltar Savings Bank will continue to provide a good range of savings products to our community, as indeed it has been doing since it was established over 130 years ago.

These developments will complement the services that will be offered by the Gibraltar International Bank Ltd, which will be providing a range of retail banking services to members of our community, including mortgage finance to prospective home-owners and commercial lending to local businesses.

750 Mr Speaker, this is an appropriate place to pause and thank Dilip Dayaram for the work he has done on the Savings Bank through the years as Financial Secretary and indeed to congratulate him on his recent recognition of his work by Her Majesty in the award to him of an MBE.

755 It is also now the work of Albert Mena, the new Financial Secretary, to work on issues relating to the Savings Bank with Minister Bossano. Both are doing an outstanding job. And the increased deposits demonstrate that the public continue to have huge confidence in the Gibraltar Savings Bank as an institution and in the administration of its affairs by Financial Secretary Mena and Minister Bossano, as both men are renowned for their integrity and ability in respect of financial management. Both are equally highly regarded in this field and their reputations have sustained the most unsavoury attempts to discredit them and the important job that they do.

760 Many elderly members of our Community have in fact contacted the Government to express their concerns about the level of disinformation which is being put in the public domain by some who should know better. In fact, it is very easy to scare elderly people with reckless statements, but those who do so demonstrate their own lack of respect when they do so.

765 Indeed, Mr Speaker, the Government has maintained the interests previously available for deposits in the Savings Bank for pensioners because this is one way of honouring the generations who have come before us and built the Gibraltar we enjoy today. The previous Leader of the House established that principle and we have continued it. And in doing so, and in delivering those interest payments without fail and investing the monies in the Savings Bank wisely under the auspices of titans in their respective fields, like Mr Mena and Mr Bossano, we honour the generation of people who have given us all so much.

770 And Mr Speaker, let me say that the depositors in the Savings Bank include very close relatives of mine, whose life savings I would never want to see in any way endangered. And I am satisfied, Mr Speaker, that they are not only safe, they are safer than ever! And anyone who suggests otherwise simply does not have the understanding of the workings of public finance to realise how wrong they are in their analysis. They simply do not understand the difference between an investment and a loan. They simply do not understand how to make a bank grow from £300-odd million to almost a billion pounds in just over three years. They simply do not know how to grow a profit from a thousand pounds to what will be £27 million by the end of this financial year. And of course, Mr Speaker, they simply do not care if they scare an elderly person with talk of funds not being available for repayment.

780 But people do see through that, Mr Speaker, and quite quickly. And they have voted to demonstrate how they feel. They have voted with their monies, Mr Speaker. They have voted with their confidence, Mr Speaker. And when they vote with their votes, they will deliver the same verdict; no doubt punishing those who have been reckless in setting out to create panic and fear when there is only reason to rejoice and celebrate in a fantastic performance by those now directing the affairs of the Savings Bank.

Finally, Mr Speaker, I want to move from the Savings Bank to the International Bank.

785 I want to thank the team that has helped to establish the Gibraltar International Bank so quickly. They have done a *sterling* job – if you will excuse the pun! Of course there are problems and today's customers want glitch-free operations from the word go, and are entitled to that. They are entitled to demand that and the bank *must* deliver that. But when you see an established entity like NatWest labour under technological problems, we have to understand what a superb job has been done by the independent board of directors of the bank, by the hands-on managing directors of the bank, by the builders that delivered its premises, GJBS, as ever brilliant at what they do, and by the staff of the bank, who already show they have tremendous pride in the institution they have actually themselves been partners in creating. So from Albert Langston, the Chairman, who did not hesitate when I asked him to serve in this hugely important role for our nation, to the teller who deals with basic queries, all have done an absolutely fabulous job.

795 I must also pause there, Mr Speaker, and reflect on the brilliant job done by Albert Isola, the Minister for Financial Services, who in the short time available has galvanised everyone to deliver with him – not under him – on this fantastic project. There is of course a lot of work to be done, but Gibraltar now has its own bank and we are all in this Community justly proud. Another building block of nationhood firmly established, Mr Speaker. Another milestone achieved. Another strong foundation laid.

800 Mr Speaker, the Government has already awarded the tender for Gibraltar's new power station. We will shortly also be in a position to make an announcement about the choice of option for an LNG storage, regasification and bunkering facility. This is one of the biggest capital projects for the Government and will guarantee Gibraltar's power needs for the next three decades.

805 As has already been reported to this House, and as I referred to earlier when setting out the commercial opportunities which may arise from it, the new power station will be located in the North Mole and will be a dual fired, by liquid natural gas-fired engines, as well as being able to burn diesel, should gas supplies not be available at any time. It would be criminal, Mr Speaker, to burn diesel if LNG were available.

This is a highly important project for our Community that cannot be mired in blatant electioneering. Indeed, Mr Speaker, delivering sustainable power to our nation is one of the most important things we do, 810 finally undoing the failure of the previous administration to do so in their time.

This is an *essential* project. All economies rely on the ability of each to provide energy to its businesses and people, and Gibraltar is no exception. Gibraltar's long-term energy needs have not been catered for by the previous administration. Gibraltar is reliant on what, in a home or business, would be classified as 'emergency' generators – or for spin purposes, were called 'skid' generators.

815 Without power, Mr Speaker, Gibraltar has no economy. That is why we must undertake this new, less polluting project and do it quickly and in a cost-effective manner, which means that just the savings in the cost of the type of fuel will fund the ability – and indeed the ability to stop paying the costs of those 'skids' or emergency power I referred to – will enable us to finance the cost of the station in great measure. The previous administration has the prime responsibility to explain itself on this core policy failure during its 16 820 years in Government, Mr Speaker. This omission could have disastrous consequences for Gibraltar on its economy, but we will ensure it does not. We will not allow it to do so and have planned to ensure that we are able to deliver the power we need with a modern, clean and safe plant. The previous administration, Mr Speaker, left us a massive legacy problem for Gibraltar. It will be resolved in the best interests of Gibraltar.

825 Mr Speaker, the decision to use liquid natural gas-fired engines for the new power station will result in very significant savings in the cost of fuel, which now represents almost 60% of the total recurrent costs of the Gibraltar Electricity Authority. These savings will generate enough additional cashflow to meet the cost of any finance that may be required to meet the investment to fund this project – that alone, Mr Speaker.

This is also in line with the Government's manifesto commitment to investigate alternative sources of energy and eradicate the noise pollution and emissions in residential areas.

830 Another important Government project is the tunnel or underpass under the runway. Work continues in this respect of delivering that project, although the litigation process has slowed us down. De-watering has or is about to start and the road and roundabout south of the runway will actually shortly be finished, Mr Speaker.

835 And we will continue to defend that litigation and seek a substantial payment of damages to cover the extra over costs of completing the tunnel and related works. As we will continue to fight the complex Bruesa litigation, where claims against the Government now exceed €26 million, as well as the litigation by the OEM liquidator which seeks damages of £4 million from the taxpayer, which I believe Mr Speaker does not include the £4 million loan made by the previous administration to OEM.

840 Mr Speaker, all of these are the so-called 'golden legacy' of the previous administration, which we have been left to deal with.

Mr Speaker, this might actually, in fact, be an appropriate place to do something much more pleasant than go through this allegedly golden legacy, and congratulate Michael Gil, the previous Chief Technical Officer of the Government for the work he did with the inter-ministerial team on these projects before his retirement. His work also has recently been recognised by Her Majesty in the very richly deserved award to him also of the Order of the British Empire.

845 Mr Speaker, a number of further projects continue to be developed by the Government in order to make use of alternative energy sources and in order to reduce energy consumption where possible. This includes the use of solar energy for street lighting and Government buildings and the replacement of high-consumption lighting in Government offices and buildings for more energy-efficient LED lighting.

850 In respect of the Income Tax Office, in the financial year 2014-15 the office has continued to develop a programme of improvements aimed at providing a more efficient assessment and collection of taxes in Gibraltar. In this connection, the introduction of amendments to the new legislation introduced in 2011 is in its final preliminary stages.

855 In relation to assessments made on taxpayers, the Income Tax Office is currently issuing assessments for the tax year ended 30th June 2011, in respect of those individuals paying tax under the PAYE system, and assessments for the year ended 30th June 2014 in respect of self-employed individuals. In the course of this financial year, the Income Tax Office intends to issue PAYE assessments up to the year ended 30th June 2013.

860 In relation to tax arrears, the Income Tax Office continues to take a very serious view of employers who do not comply with their tax-paying obligations and the Commissioner will shortly be 'naming and shaming' employers who are not up to date with their PAYE payments by publishing their names in the Gibraltar Gazette – and I have no doubt all Members of the House will want to support him in that.

The Income Tax Office has, as part of its programme of improvements, introduced a more streamlined, accessible and user-friendly service to the general body of taxpayers in Gibraltar. In line with other

865 Government Departments, counter hours have been extended to provide a continuous uninterrupted service from 8.30 a.m. to 3.00 p.m.. In the implementation of HM Government's e-Government and modernisation, the Income Tax Office has now a new webpage including user friendly portals – for example, with question and answer sections.

870 And indeed, the ongoing modernisation of systems within the Income Tax Office has commenced with a comprehensive streamlining review of taxpayers' files aimed at improving back-office administration efficiency for the benefit of taxpayers whereby time spent re-filing and accessing files has been significantly reduced. The objective of the Income Tax Office is to continue this process as a phased project to scan the contents of all taxpayers' files and moving towards the digitisation of all records.

875 In conjunction with the new Office of Fair Trading, the Income Tax Office is actively involved in the introduction of the 'single point of contact' scheme through which businesses will be able to register on-line.

Improved systems for payment of tax via debit cards has already been introduced and refunds directly credited to taxpayers' bank accounts will be introduced shortly. Indeed, Mr Speaker, the House will be interested to know that 15,000 taxpayers have already submitted their bank details.

880 As part of its multi-faceted, user-friendly strategy to make taxation easier to understand – and, Mr Speaker trust Mr Frank Carreras to believe that that is actually *possible!* – the Income Tax Office has ambitiously embarked on a public awareness initiative with the publication of information leaflets. These initiatives also include advertising in the local press – for example, reminders on important payment-on-account dates – Business Support Unit Seminar presentations in August 2015, which are coming, and on Understanding Corporate Tax & Self Employed status, organised by the Office of Fair Trading. And it is intended to extend these outreach initiatives further to the public.

Mr Speaker, as the House has seen in respect of these fabulous figures on collection of personal and corporate taxes, the work being done by the men and women of the Income Tax Office is really superb and I wish to thank them for it on behalf of the people of Gibraltar and this House.

890 I will turn now Mr Speaker to my various departmental responsibilities beyond finance. I will start with matters relating to immigration.

895 Mr Speaker, the backlog of applications for exemptions from immigration control to enable persons to be granted British Overseas Territories citizenship – British citizenship – has now been eliminated. From April 2014 to date, we have processed a total of 135 applications, bringing the total number of applications that have been processed since December 2011 to 1,027. Of these there are 769 Moroccan nationals, 42 Indian nationals and 62 Spanish nationals, most of whom have been resident in Gibraltar for well over 25 years. Almost all of these applicants have also opted to register as British citizens and to help them to achieve this we have conducted 25 British citizenship ceremonies since December 2011.

900 The House will be pleased to hear, Mr Speaker, that Ms Dorian Reyes, long of the Civil Status & Registration Office has actually moved to physically work from No. 6 Convent Place in order to assist with the ongoing work that is created in relation to the day-to-day applications coming in so that we do not fall into backlog territory again. I welcome Dorian to my team.

905 Mr Speaker, in March 2015, we opened the 'One-stop shop' under the banner of 'Tell us once... we'll tell the others'. This has enabled the public to conduct their business related to the registrations of births and deaths from a single office without the need to visit other Government Departments and Agencies throughout the town. Registration of births averages at approximately 40 per month – I am only responsible for one this year, Mr Speaker! – and to date we have attended to over 150 families who have registered the births of their new-borns in these new offices.

910 Registration of deaths averages at approximately 20 per month and a total of 72 deaths have also been registered since opening.

915 In an effort to further improve the service, an appointment system has been started for the registration of births whereby persons are now able to pre-arrange the time and date that is most convenient for them to register the births of their children. The aim of this initiative is to minimise the waiting time for members of the public once they get into the office. With the co-operation of maternity staff in the GHA, our officers are advised of births together with a contact name and telephone number of the parents. The men and women of the CSRO then proactively call to arrange the appointments for the registrations.

The total cost for all of the above has been approximately £30,000, of which £28,393.53 has been spent on capital works.

920 This year we hope to further enhance the service with the introduction of an appointment system for the registration of deaths with the further co-operation of the GHA and funeral directors, and on-the-spot production of birth and death certificates for all new registrations. Too late for Oliver though, Mr Speaker!

925 Since the introduction of the Civil Partnership Act in March 2014, we have seen conducted a total of 35 civil partnerships – 18 in 2014, all of which were same-sex couples; and 17 from January 2015 to date, all but one of which were same-sex couples. At the moment, Mr Speaker, we also have five civil partnerships which have been booked in advance for later this year.

Mr Speaker, the fact that there has been one opposite-sex couple that has entered into a civil partnership demonstrates that we were right to listen to the initiatives of Unite the Union that sought that we should include opposite-sex couples in the right to enter into civil partnerships.

930 Mr Speaker, on the marriages front, we have conducted a total of 1,229 marriages from April 2014 to March 2015. That represents 288 more than in 2011-12, or a 31% increase, despite the introduction of the requirement for those who come from outside to spend a night in our hotels.

Mr Speaker, even the *love* indicator is up under the GSLP/Liberal administration! (*Laughter and banging on desks*)

935 Since the introduction in June 2014 of the reduction in the qualifying period for Gibraltar status from 25 to 10 years, we have received a total of 167 applications under section 9 of the Gibraltar Status Act and of these 51 have already been approved.

In March 2015, we finalised a three-year negotiation to seamlessly introduce the centralisation of the printing of all passports to mainland United Kingdom – which was not a policy initiative of the Gibraltar Government, or indeed of any government of any UK Overseas Territory. The total cost of this project to date has been £621,664 including the cost for a contingency stock of passports to last until 2020 – which has cost £413,000 – and £120,000 in capital costs. We still have an outstanding balance to pay of approximately £158,000 in respect of uncompleted milestones for that project.

940 As part of the negotiations, we have been able to retain our status as an issuing authority; guarantee the 10-day maximum turnaround period in the production of the passports; maintain the same cost for the passports to the public, with no increase; and retain the ability to print passports locally in emergency situations. Later this year and in par with the United Kingdom, we hope to introduce a new-generation passport which will incorporate extra security features together with wet signature and an on-line smart application form. The cost of this is as yet not known.

945 The first of the new e-ID cards will be issued at the end of June and will continue to be a validated travel document throughout the EEA. The new e-ID card will also incorporate many enhanced security features to form the back-bone of HM Government's e-Government initiative. It is envisaged that during the switch-over, the new e-ID cards will be issued without cost for a limited period of time and the existing laminated cards will be phased out during the course of the year.

The total estimated cost of this project is £1.9 million, of which £1.4 million has been spent to date.

950 Mr Speaker, I want to thank Paul Balban for the work he has done in assisting me in delivering this very exciting project which is the new e-ID card project, given the experience he had garnered in delivering the new driving licence project when we were first elected. I am very grateful indeed for his consistent help in delivering on this important project, not just for those wishing to travel with the new e-ID card but also because of the importance the card will have in respect of interaction with the Government's e-Government services.

955 Mr Speaker, I will now address my responsibilities as Chairman of the Borders and Coastguard Agency.

The Agency is now in its fourth year and continues to respond and adapt to the significant changes in demand. This year it is facing increased but welcomed challenges at the airport where the number of flights have increased, as well as at the port where throughout 2015 we will see the number and size of visiting cruise ships increase. At the frontier it works tirelessly with the current threat level to balance the very difficult challenge of fluidity versus risk and is being particularly challenged this summer as works on the Spanish side, scheduled to be completed this month, are delayed and expected to go on through the summer. No surprises there, Mr Speaker.

960 The Government continues firmly committed to providing opportunities for professional development for all staff, and as such continues to support the Agency's training and development initiatives. It embarked last year on the process towards Investors in People recognition and managers at different levels continue working towards Chartered Management Institute professional development qualifications.

965 Mr Speaker, by developing its staff and setting challenging objectives, the Agency continues to work hard to become the focal point for a more centralised immigration service in Gibraltar, working in partnership with other Government Departments and Law Enforcement Agencies to improve the level of immigration service Gibraltar provides. In the last year alone, the Agency has processed approximately 12 million people at our borders.

970 In addition, Mr Speaker, this Government's initiative to introduce amendments to the Immigration, Asylum and Refugee Act, granting Tourist Visa Waivers to Moroccan, Russian, Chinese, Indian and Mongolian nationals in possession of Schengen visas, continues to prove extremely successful, and close to 13,000 visitors, whom would not otherwise have been able to visit Gibraltar, have done so to date.

975 Mr Speaker, the Agency continues to develop its international links and works very closely with the RGP, with whom it continues to operate in partnership a very successful Ports Policing initiative. Internationally, it works closely and shares information with HMG's Home Office and Border Force – with whom it is in the process of signing an MOU – Spain's *Policía Nacional*, Interpol and more recently with Morocco's *Direction Générale de la Surveillance du Territoire*.

In addition to their immigration duties, the Agency continues to carry out aviation and maritime security duties at the airport and port, and have been subject recently to a thorough and exhaustive inspection by the Civil Aviation Authority to ensure compliance with HMG's Department for Transport and strict EU legislation. The aviation industry is thankfully highly regulated, and I am happy to report that despite the challenges, the Agency continues to meet the high standards set by the DfT and the EU.

The Agency Mr Speaker, has continued to prove that it remains committed to making a significant contribution to the security of Gibraltar and acting as a facilitator and working in partnership with the private sector, keeping Gibraltar open for business.

The Borders and Coastguard Agency goes from strength to strength, Mr Speaker, and I am working with Union colleagues in understanding and addressing concerns of some staff members there. What is clear is that this is an organisation which is professionalising what it does, under strong leadership, in a way that Gibraltar can be proud. They deal daily with an extraordinary number of visitors to Gibraltar at all our entry points and do so with discretion and nous. Recently we have seen how they and the Royal Gibraltar Police have worked with other international agencies all over Europe and even in Spain in order to stop a people-trafficking scam which sought to involve Gibraltar being used as a transit point. I extend our Community's sincere congratulations to all in the BCA and the RGP for that excellent result.

I turn now, Mr Speaker, to my responsibilities for Customs.

At the 2014 Budget Session, the Government announced the successful completion of negotiations with HM Customs Management, staff and the unions to implement what we called a 'roadmap for a change programme' to be introduced in the Department. Throughout this year we have been working closely with all stakeholders to introduce individual points of this agreement, as and when these were ready to come into force.

We have already seen the introduction of a new structure to bring the Department in line with modern operational needs. This has included the creation of 66 new posts to man the new marine section, commercial control units that will deliver timely revenue collection, statistics, trade facilitation and improved import/export controls, dedicated rummage teams for commercial activity, and a drug detector dog section to enhance import and export controls. An increase of the shift workers to deploy staff according to operational needs whilst maintaining core manning levels at entry points, the Training Unit to deliver in-house recruit and continuous development training and the IT Section to introduce new electronic modules.

The final recruit class of 2015 will start in September, and all induction training programmes run for 11 weeks. It is expected that the completed structure will be in place by December.

Gibraltar Customs have been around since 1750, when the then Governor, Lieutenant General Humphrey Bland made certain appointments. This year, however, was the first time that an official 'passing out parade' in recorded history of new recruits was held in the presence of their families and dignitaries.

All officers up to and including the Collector of Customs are now wearing a uniform to demonstrate the transition to an acknowledged, disciplined, law enforcement department. As a result, we have lowered the retirement age and years of service in line with other law enforcement or essential services.

This is a real success story of restructuring a department that was riven by division and is now unified in purpose. And I want to thank John Rodriguez and all the unions and the individual members of the Department for the way that they have responded to the Government's initiatives to develop the Customs Department in this way.

We have worked to resource the Department with adequate equipment and vessels. The Government has already procured two fast RIBs, which will enable HM Customs to safely conduct chases and patrols in Gibraltar's waters. These are the first new vessels acquired for Customs in nearly 20 years and have advanced safety features, thermal imaging and night vision cameras. Customs officers previously had to rely on forfeited vessels to do their work, Mr Speaker.

Moreover, works at Four Corners Station were completed, including the addition of two further incoming vehicular lanes to enhance searching facilities and traffic flow. An enclosed purpose built search bay with car lift was also built and we have recently finalised the installation of CCTV and ANPR cameras administered by Customs near to the frontier to monitor and tackle illicit activity.

Mr Speaker, this Government has demonstrated to all objective observers that we are determined to curtail illegal tobacco activity. In addition to the legislative measures already announced in this respect, we have also provided for the introduction of security gates to restrict access to the Commercial Gate during silent hours.

Outgoing vehicular barriers are now deployed which can allow us to carry out non-systematic checks on vehicles and persons. Changes to the Tobacco Act have included extending Special Zones which give additional powers to Customs to stop and search and limit the possession of cigarettes on persons, especially in the area adjacent to the frontier. We have seen the closure of tobacco retailers in Laguna and Glacis Estates, provisions to suspend tobacco retail licences or wholesalers who are in breach of the Tobacco Act, extended concealment and forfeiture powers, to the limit quantities of cigarettes to be kept in

shops, limit the hours of sale of cigarettes. The Collector of Customs, Mr Speaker, does not now consent to a change of director or shareholder of a body corporate if any person associated with that body corporate has been charged with an offence under the Tobacco Act.

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Moreover, Mr Speaker, a Direction to the Trade Licensing Authority, published in the Gibraltar Gazette on 14th August 2014, which I referred to during the course of my Budget address last year, to strongly discourage the TLA from issuing any new retail tobacco licences unless an existing retail tobacco licence is surrendered has been issued.

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In the final paragraph of that Direction, Mr Speaker, I have told the TLA that the Government expects it to keep HMGoG's policy on what is in Gibraltar's public interest at the forefront of its considerations and that a deviation from these directions will be an extremely rare and exceptional occurrence.

The investment in respect of the recruitment and development of Customs is already reaping benefits, Mr Speaker. Drug searches and arrests are up, including for Class A drugs. Tobacco operations to curtail illicit activity are on the increase and detections of commercial evasion of duty are on the rise. Very shortly, we will see the completion of the new EPU to house all officers dealing with commercial imports and exports, and we will be constructing new 'fit for purpose' premises for the Shifts, Marine and Dog Sections. What is particularly significant is the new buoyant mood within Customs, who have embraced this change programme. All see the exciting developments taking place and want to be a part of these and contribute to them.

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Mr Speaker, I turn now to my responsibilities for broadcasting.

I am pleased to report that this financial year has been another successful period for GBC. This Government has made substantial investments in broadcasting over the past three years, and the results are there for all to see and hear. Better television, better radio and better online services – it is what the public expects, and I pay tribute to all those at GBC who have made it happen – although there is no doubt still a long road for GBC to travel.

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That investment, Mr Speaker, has resulted in a number of additional media professionals being recruited, not only providing improved programming, but also enjoying quality careers in journalism, in radio and TV production, and in the technical professions too. And I am pleased to say that the feedback I receive is that the vast majority of GBC's employees are happy in their workplace and look forward to rewarding careers within the Corporation. This has all been possible due to the funds required having been made available by this Government, as well as the drive and determination of GBC's new management to introduce and develop the changes required. A big difference to the sorry situation endured by GBC in previous years.

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The enhanced budget now available to the Corporation has allowed the introduction of further improvements on air. On GBC TV, *Newswatch* has been revamped, as has the weather forecast. New programmes have been introduced, and the current affairs series, *Viewpoint*, is now scheduled on a weekly basis.

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The Corporation has rightly directed its resources to the type of programming that according to a recent survey is preferred by viewers, with continuity sequences also brought up to date, giving GBC a much more professional feel that is befitting of the community in which we live.

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On Radio Gibraltar, Mr Speaker, programming has been extended on some evenings, taking advantage of new technology that our improved funding has allowed to be acquired.

GBC's online services have been totally updated, with a brand-new website providing on demand programming, as well as a continuously updated local news section seven days a week.

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The GBC News and Radio Gibraltar apps have also been updated, with these having already been downloaded by thousands of users, with many others also following the news and radio services on social media too.

GBC's Chief Executive is ensuring that programming remains of the best possible affordable standard, for which a policy of long-term planning has been introduced at Broadcasting House. A number of specials are planned for the summer, as well as several new series starting in the autumn, other specials at Christmas, and with pre-production already having begun for programmes planned for 2016.

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Mr Speaker, I am also glad that after some very tough negotiations GBC acquired 'affordable' rights to screen all of the UEFA European Qualifier 'Gibraltar' matches as an official host broadcaster. These have so far been hugely successful, and are scheduled to continue until October. The intention is for GBC to also negotiate the rights for the broadcast of any future UEFA Gibraltar national team matches, as and when these arise. It is right that our national team games should be available on our national TV channel.

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Mr Speaker, our investment in local broadcasting has allowed more people to be employed in the industry, and new technology to be purchased. This year the Corporation has ensured that its IT infrastructure is upgraded in order to cope with the demands placed on it by the greater trafficking of digital video files, whilst also introducing a digital video archive, which until now had not existed at Broadcasting House resulting in many historic images being lost forever. It is the Government's intention to provide the

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GBC archive on the Gibraltar National Archive, for this continuously growing bank of valuable images to form part of our national heritage going forward.

1110 Despite the positive advances at GBC, there are two aspect of the Corporation that we have not been able to solve so far during this term of office. The first is the withdrawal of GBC from the market in commercial advertising, which in our view can distort the advertising market. I am working on this with the CEO and the Financial Secretary.

1115 The second, Mr Speaker, is the relocation of Broadcasting House, which is now very much a necessity. With around 80 employees and a greater number of services provided, the Corporation has outgrown its current home in South Barrack Road, where it has been based for nearly 40 years. Although some very necessary works have been carried out to improve the working environment, there is no escaping the reality that it is not fit for purpose.

1120 Accordingly, the CEO and I continue to explore alternatives, having not been able to deliver the ones we had previously identified together and we are confident that in the not-too-distant future we will identify a new location, that could potentially also allow GBC to diversify and attract new forms of revenue. We have many ideas to explore together in this respect, and our joint aim remains a self-financing GBC, using Gibraltar's fiscal advantages as the main draw for others to use GBC's services.

1125 Mr Speaker, I am confident that GBC has a bright future ahead of it. GBC is increasingly attracting more positive feedback, especially in respect of its local productions and coverage of local events. Radio Gibraltar remains very popular within our community, where evidently many listeners like its programming style and choice of programmes, and GBC Online has become the 'go to' website for reliable local news updates 24/7, as well as on-demand programming. Gibraltar deserves a professional and reliable national broadcaster, Mr Speaker, and I am glad to report that this Government's trust in local media talent has paid off, with GBC now being a far cry from what we had inherited three years ago.

1130 In respect of other media, Mr Speaker, I continue to salute all our national print and internet media. I believe we have continued to be fair in our treatment of each of them and all of them. They are our fourth estate and a hugely important part of how our democracy works.

1135 Mr Speaker, the brilliant performance of our economy that I have been able to disclose today is not the product just of my work, and I do not present it as such. It is not the product of just my Ministers' work, and I do not present it as such, although we are clearly the lightning rod for its delivery. This is the product, as I do not tire of saying, of the combined effort of all of us in this economy. The combination of what the Hon. Father of the House called the real twin pillars of our economy: the use of our land and the employment of our human resources in the most efficient way possible.

1140 In this respect, Mr Speaker, Government's relationship with local unions, who represent the labour side of that equation, is an essential ingredient in delivering this great success. In my view, the Union/Government relationship is stronger than it has ever been. Unite, the GGCA and the GTA/NASUWT are our partners in delivering social justice and safe and secure places of work. In my role as Minister for Industrial Relations, I work closely with those responsible representative organisations for the good of their members and our citizens. And believe me, Mr Speaker, no-one sells out to the other, no-one kowtows, but everybody understands the mutual benefit in pulling together towards agreements that work for all sides.

1145 In respect of the Civil Service, we are working well to deliver a new Public Sector Code that has seamlessly implemented new working hours in a manner that has not caused any major issues for businesses.

1150 The progress we are constantly making in respect of e-Government is helping in this respect. There are areas where we progress faster than we expect and others where we do not, the introduction of pensions in the private sector being one, where we are nonetheless making strong progress. That is not to say we do not face challenges with each other or together on occasions, as it could not be otherwise. But the principles of social partnership are the ones we keep in mind, and with this we resolve matters together in a way that is most inevitably mutually beneficial.

1160 I would describe the relationship with the Ministry of Defence, Mr Speaker, in the same positive light and believe that there is much that we can achieve with colleagues in the MOD, as has been shown by the recent announcement of a new Lands Agreement. My Government is particularly happy that we are moving towards a transfer of the Defence Fire Service to Government and we are already talking about talking about the Global Agreement which will become relevant again in 2017. Again, many challenges on the horizon, but none that cannot successfully be dealt with if we are open, honest and frank with each other with a positive attitude to mutually beneficial outcomes.

1165 As we approach the end of our first term in office, Mr Speaker, the results achieved by my Government in the last three years speak for themselves: economic growth of more than 10% per annum; record annual budget surpluses; employment levels up to 24,422 – an increase of 13% or 2,903 since 2012.

And employer and business representative organisations will have been delighted, Mr Speaker, with the annual reductions in the cost of doing business in Gibraltar which we have delivered, including the fact that there have been no increases in electricity charges, which is in effect, Mr Speaker, a discount of the rate of

1170 inflation for the period, namely 11%; similarly, Mr Speaker, no increases in water charges, which is in effect also a discount of 11%; and also, perhaps more importantly, no increases in the employer social insurance contributions, which is also in effect also a discount of 11%. But in addition, Mr Speaker, reductions in import duties on most goods; discounts on early payment of rates; the abolition of salt water charges; and a £250,000 fund established to support start-up businesses.

1175 And support for our working families has also been forthcoming. In the past three years we have already taken important steps in this regard with income tax abolished for those with incomes below £10,500; indeed significant reductions have been delivered in income tax across the board for all taxpayers. A 50% increase in Nursery School Allowance; support on the purchase of the family home – with abolition of Stamp Duty on the first £250,000 for first-time and second-time home buyers. And we have delivered increases in Maternity Grants and we have led increased levels of death-in-service gratuities to afford protection and security for working families in the Public Service. All, Mr Speaker, in just over three and a half years.

1180 Mr Speaker, support for our senior citizens has also been strong. We have made donations of the surplus to the independent Trustees of Community Care, having discovered it empty of all its own resources. The Old Age Minimum Pensions and Minimum Income Guarantees have been increased every year. The Pensioners Utility Grant has been increased every year; and the Widows and Orphans Pension Scheme has been re-introduced, with an option for existing pensioners who were in it to re-join the scheme. In this respect, Mr Speaker, in line with our manifesto commitment, we will re-activate the Widows and Orphans Pension Scheme and to give those officers who opted out of the scheme in the late 1980s, as I have said before, the option to come back in. The required amendments to legislation have now been drafted and a Bill is due to be published shortly. The effective date of the amendments will be backdated to 9th December 2011 and all officers in service, retired officers who have expressed an interest in re-joining the scheme also since that date will be able to re-join upon payment of their arrears of contributions.

1185 And support for our youth has also been forthcoming, with increased levels of scholarship grants for all our university students; increased numbers of teachers in our schools; and increased investment in school infrastructure.

1190 Support for our disabled has already been outstanding with 50% increased rates for sponsored patients, significant increases in income tax allowances for our disabled; reductions in import duties on goods used by our disabled and elderly community.

1200 Well, Mr Speaker, building on those foundations of social justice and fairness already delivered in our first three and a half years in office, I now turn to the Budget Measures for this financial year 2015-16.

1205 Mr Speaker, in my Budget Speech last year, I announced that the Government were considering the introduction of a Payroll Giving Scheme which would allow tax-free charitable donations to be made regularly and automatically through employment earnings. I am now happy to report that following a study carried out by the Commissioner of Income Tax, Government will soon be announcing the introduction of the Scheme. Mr Speaker, Gibraltarians are an extraordinarily generous and charitable people. Many I know give out of religious conviction. Many give out of sheer generosity. And many others give simply because it is in our culture to provide for those who have less or need help at any particular time.

1210 We as a Government are helping with the magnificent new Calpe House at Norfolk Square, but the foundations of that brilliant establishment were laid by the generosity of our community's charitable giving and, of course, Joe Bossano's courage in matching the public's donations. But as philanthropy is more and more professionally associated with Gibraltar, we must also make it easier for our professionals to give money regularly and easily in a more modern way. That is why I am going to be leading a review of our Charities legislation alongside this very positive introduction of facilities for payroll giving. It will be a hugely exciting project and I am very much looking forward to it in the coming weeks and months.

1215 Mr Speaker, in order to further stimulate the retail sector and to make Gibraltar a more attractive place for national and international purchasers, the following reductions in import duty will be introduced, with immediate effect.

1220 Import Duty on flooring, carpets and construction materials will be reduced for trade imports by half from 12% to 6% in order to assist local retailers in these products to be competitive, as individuals set out to decorate the almost 900 affordable homes that will shortly be conveyed to purchasers, as well as the almost 1,700 new affordable homes that are shortly to be marketed. In this respect also, a new mechanism will be introduced, on which I am already working with the Collector of Customs, the Commissioner of Income Tax and the Financial Secretary, to ensure that those who sell services into our Community from outside our frontiers will do so in a way which is fair to those who are established here. We envisage that all services being provided here will be subject to pre-notifications to the Collector and Commissioner and will therefore be subject to withholding taxes on payments. This will in particular apply to the sale of services into the home such as the sale and installation of kitchens, bathrooms and other fitted furniture. All of this presently comes blatantly through the frontier and only import duty is paid.

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1230 The new system being devised will be a simple one to operate for the consumer, who will no longer
 even have to come down to the frontier to pay for an importation. All will be able to be paid for online, with
 a credit card and a notification e-mail of duties paid and works value declared will be sent to the Customs
 and the Income Tax Offices and payments of duty and withholding taxes made on line. We do not want to
 hinder cross border services, Mr Speaker. Consumers must have choice and if they want to buy a kitchen, a
 bathroom or a fitted wardrobe from retailers outside our borders, they must have the choice to do so. But,
 1235 indeed Mr Speaker, that is the single market we reap so many rewards from ourselves.

But the work done in Gibraltar, which is taxed in the hands of national retailers, must be executed by
 those from outside on the basis of a level playing field if they come here to do it, paying all taxes and duties
 that an established Gibraltar business also pays. Only in that way will a product or service provided in
 Gibraltar genuinely be subject to comparison with a similar product or service provided by a business
 1240 outside of Gibraltar. This is a genuinely exciting development that e-Government will deliver and one that I
 know the business representative organisations will very much welcome.

Mr Speaker, trade imports of white goods rated A and above are reduced from 6% to 3%.

1245 Import duty on the following items for the elderly, disabled and infirm is reduced to 0%, namely,
 hearing aids, walking aids, wheelchairs, glasses and frames for prescription spectacles, contact lenses and
 dentures.

Import duty on toys is reduced from 6% to 3%.

1250 Import duty on hybrid vehicles by those with a valid trade licence is reduced from 2% to 0% and for
 private imports the import duty is reduced from the current range of between 12.5% and 17%, to a flat rate
 of 5%. In addition, Mr Speaker, the hybrid & electric vehicle new car registration cashback is increased
 from £750 to £1,000.

Import duty on inboard and outboard marine engines and marine engine spares is reduced from 6% to
 0%.

1255 In line with import duty on televisions, which was reduced to 0% in our first budget in 2012, import
 duty on television spares is now also reduced to 0%.

The duty on suitcases is reduced from 6% to 0%.

A one-off tax deduction is introduced against assessable income, with the percentage to be verified and
 subject to the discretion of the Commissioner of Income Tax, on the investment made by an individual,
 company or business that makes a significant improvement to the EPC rating of their premises.

1260 In keeping with our manifesto commitment, electricity and water charges will again not be increased
 this year, despite the increasing costs of providing these public utilities.

1265 Mr Speaker, our social insurance benefits will need to be funded, as far as possible, from the income
 receivable in social insurance contributions, with less reliance on Government contributions. As I
 announced last year, the Government continues to study a number of proposed innovative reforms to our
 social insurance scheme in order to make this self-financing for future generations of our community. An
 announcement in this respect will be made when the study has been completed. However, there will be no
 increases in social insurance contributions this year, meaning that in real terms, social insurance
 contributions have now been reduced in effect by 11%.

Mr Speaker, I will now deal with various changes to import duties which take effect as from midnight
 last night.

1270 Mr Speaker, in support of this Government's continuing efforts to address the problems arising from
 tobacco and smoking generally, we will once again raise the import duty on rolling tobacco from £42 per
 kilo to £45 per kilo.

1275 In line with our policy to encourage the use of LED lighting, including LED bulbs and LED torches, the
 import duty on which has already been reduced to 0%, the import duty on filament bulbs and other non-
 LED lighting is increased by double, from 12% to 24%;

Mr Speaker, the import duty on appliances as well as domestic appliances, known as white goods, with
 a C or D rating was doubled last year from 6% to 12%. This year we will also double the import duty on
 white goods with a B rating from 6% to 12%.

1280 Two stroke motorcycles will see the duty levied on the importation rise from 30% to 50%, making the
 less polluting four stroke motor cycles more attractive since duty on those will remain at 15%. This
 measure will not apply to two-stroke motor cycles already held in bond in Gibraltar.

Mr Speaker, the import duty on wines, beers and spirits has remained unchanged for a number of years,
 in some instances for over a decade. These will be marginally increased this year but ensuring that the
 selling prices of these products in the market remains competitive.

1285 Import duty on wine is increased from 39p to 50p per bottle; import duty on beers is increased from 27p
 to 30p per litre; and import duty on spirits is increased from 80p to £1 per bottle.

Mr Speaker, in order to assist working families with the purchase of their homes, as well as those
 families who may need to move to alternative accommodation as their family composition changes, no

Stamp Duty will be payable by first-time and second-time home buyers on the first £260,000 of the cost of their property, irrespective of the total cost of their homes.

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In addition, purchasers of new Affordable Homes will benefit from a Rates Holiday, so that no Rates will be paid in the first full Rates year, then increasing by 10% every year until 100% is reached on the 11th year. Additionally, the Rates Holiday will commence on the 1st July following completion of the purchase of an affordable apartment so that no rates will be paid for that portion of the year earlier.

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Maternity Grants are increased from £600 to £700.

In order to further assist our senior citizens, the Annual Pensioners Utility Grant is increased from £100 to £120. This represents an increase of 100% in this grant since the Government took office.

Old Age Pensions will once again increase this year as will the Minimum Income Guarantee in line with increases in the Index of Retail Prices.

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In order to assist our pensioners with their investments, and address their need for instant access to their investments together with a reasonable rate of return, the Gibraltar Savings Bank will issue a new Savings Bank 'Instant Access – 5-year Pensioner Bond'. This five-year bond will pay monthly interest at 2% per annum; will allow our pensioners to have instant access to their investments whenever they need it with no early redemption penalty; and will pay an additional 10% bonus on maturity on any amount that remains invested for the full five years.

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In addition to any other pension contributions to an Approved Pension Scheme and in order to encourage our community to save for their retirement, a new 'Retirement Savings Bond' will be issued by the Gibraltar Savings Bank. Investments will attract interest at 2% above the Bank Base Rate – currently 0.5% – and these will be redeemable on the investor's 60th birthday. Contributions to the GSB's Retirement Savings Bond can also be made by employers on behalf of their employees, with such employer contributions being allowable as a business expense for tax purposes. Up to £1,000 of contributions by the investor will also be deductible from the individual's assessable income for tax purposes, under both the Allowance Based System and the Gross Income Based system.

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Mr Speaker, in pursuance of the Government's commitment to reduce the level of personal taxation for every taxpayer in Gibraltar, and having already complied with all our manifesto commitments in this respect, the following reductions in income tax will apply, with effect from 1st July 2015:

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In relation to taxpayers on the Allowance Based System, the following reductions will be applied to the tax bands, namely: the first £4,000 of taxable income, currently taxed at a rate of 15% is reduced by 1% to 14%. The next £12,000 of taxable income, currently taxed at a rate of 18% is reduced by 1% to 17%.

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The remaining taxable income – that is to say, income exceeding £16,000 – currently taxed at 40% is reduced by 1% to 39%.

In relation to the Allowances in the Allowance Based System, the following measures will be applied, namely: the Personal Allowance was £2,812 when we were elected and was increased to £3,100. This year it is further increased by £100 from £3,100 to £3,200, representing a total increase since our election of 13.8%, almost 14%;

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The Spouse or Civil Partners Allowance was £2,632 when we were elected and was increased to £3,100. This year this allowance is further increased by £100 from £3,100 to £3,200, representing a total increase since our election of 21.6%;

The One Parent Family Allowance was £2,632 when we were elected and was increased to £4,000 last year. This year this important allowance is doubled from the figure we inherited from Members Opposite and is therefore further increased to £5,264 representing a total increase since our election of 100%, or 200% of the allowance;

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The Nursery Allowance was £1,023 when we were elected and has been increased steadily to £4,000 over the years since we were elected. This year it is increased by a further 25% or another £1,000 from £4,000 to £5,000, representing a total increase since our election of approximately 500%, Mr Speaker.

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The Child Allowance has not increased for some years. It is now increased from £997 to £1,100;

The Child Studying Abroad Allowance has not increased for some years either. It is now increased from £1,105 to £1,250.

The Dependant Relatives Allowance is increased from £190 to £300 where the relative is resident in Gibraltar; and from £139 to £200 where the relative is resident outside of Gibraltar.

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Mr Speaker to further assist the many working families and young people who will be buying affordable homes from the Government and who complete on purchases after 1st July this year, the House Purchase Allowance will now be increased for the first-time homebuyers. This will be an increase for the first time since 2001. The allowance is increased by £500 from £11,500 to £12,000.

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The Medical Insurance Allowance, which was £1,120 when we were elected, has steadily risen to £4,000 over the years since we were elected. This year it is increased by a further 25% or £1,000 to £5,000 representing a total increase since our election of approximately 450%;

Mr Speaker the Disabled Individual's Allowance was £2,724 when we were elected and was increased to £6,000 over the years since we were elected. This year it is increased by a further 50% from £6,000 to

1350 £9,000, representing a total increase since our election of the Disabled Individual Allowance – an important allowance for those who have a disability – of 330%;

The Blind Person’s Allowance was a lowly £627 when we were elected and was massively increased by us to £4,000 over the years since we were elected. This year it is increased by a further 25% or £1,000 from £4,000 to £5,000, representing a total increase since our election of approximately 800% of this hugely important allowance.

1355 The Special Deduction for Senior Citizens, which has not been increased for some years, is increased from £10,887 to £12,000.

Mr Speaker, at present, persons who are aged 60 years or over and need to carry on working because they have no occupational pension receive a tax credit of up to £4,000 in respect of their earned income. However, this tax credit is not available to persons who have commuted their occupational pensions for a lump sum or are in receipt of or are entitled to receive an occupational pension in excess of £2,000 per annum. In order to assist such persons, the £2,000 pension cap is, with effect from 1st July 2015, increased to £6,000. This means that all persons who are aged 60 years or over and remain in employment to supplement their income will receive a tax credit of up to £4,000 so long as their pension does not exceed £6,000.

1365 Mr Speaker, at present, new life insurance policies or increases to existing policies currently attract tax relief at 17%. We are today removing this cap and will now allow premiums paid in respect of new policies and increases to existing policies to attract tax relief at the taxpayers’ personal rate of taxation.

In respect of taxpayers on the Gross Income Based System, the following increases in Deductions are introduced.

1370 An increase, Mr Speaker, in the private medical insurance deduction from £2,500 to £3,000 in respect of premiums paid for such cover with effect from the tax year commencing 1st July 2015; an increase in mortgage interest deduction from £1,000 to £1,500.

1375 In order to further assist working families with the purchase of their first-time home, a deduction from assessable income of £6,500 will be made to taxpayers under the Gross Income Based System in respect of approved expenditure incurred towards the purchase of their home if completion on the acquisition of the property occurred after the 1st July this year.

1380 And an increase in deduction for contributions to an approved pension scheme from £1,200 to £1,500 is introduced in respect of any such pension contributions made with effect from the tax year commencing 1st July 2015.

Also in the Gross Income Based System, we are reducing the high-end tax band from 10% to 5% for all income exceeding £700,000. This measure will affect very few taxpayers at present but is an important part of starting to have one uniform personal taxation code across the board as we harmonise our system of personal taxation away from special statuses into one uniform code applicable to all residents.

1385 Mr Speaker, a number of other measures are introduced in respect of taxation which are designed to assist individuals and businesses alike.

In relation to individuals, the Government will shortly be publishing the details of a *tax amnesty*. Mr Speaker, I believe this is the first in our history that a tax amnesty has been introduced. As I said earlier, the international initiatives on transparency and information sharing that Gibraltar has signed up to will mean not just that we will have to provide information to other states, but also that other states will have to provide information to us. That will mean that our tax office will see if some taxpayers have failed to declare income in past years. It is time to allow people to rationalise their tax affairs *before* they are caught out.

1390 In order to do so, for a period of six months from midnight last night, individuals who repatriate monies held abroad which are the product of income accrued and derived in Gibraltar, or which on remittance to Gibraltar would have otherwise attracted taxation, will be able to wipe the slate clean on payment of 5% of the total amount remitted to Gibraltar and deposited here. Any individual who fails to avail themselves of this amnesty and in respect of whom the Commissioner of Income Tax subsequently finds taxable income abroad will be subject to a penalty charge in respect of the totals of such monies of 100% of the tax that would have been due if properly declared at the time.

1400 Also in relation to individuals, Mr Speaker, currently, the income received by students from employment during vacation is exempt from tax. This only applies to students who are in full-time education and will continue in education following the vacation period. There are a number of full-time students who work the whole year round – part-time and weekend jobs – and are being taxed on the income earned outside the vacation period. It is proposed that the tax exemption be extended to the income earned by a full-time student outside the vacation period.

1405 Not in relation to tax but also to social insurance, Mr Speaker, currently where an individual has a secondary employment both employers are required to pay social insurance contributions. It is proposed that the employers’ contribution in respect of an employee’s secondary employment be abolished, and it so is hereby, Mr Speaker. This is subject to the full contribution having been paid at least once in Gibraltar.

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In relation to corporate tax, Mr Speaker, I will be commencing a detailed consideration, with the Gibraltar Society of Accountants and other business representative bodies in order to agree the treatment of capital allowances for intangible assets and the potential for the introduction of an Allowance for Research and Development Expenditure. This exercise has to be carefully undertaken to ensure that EU State Aid Rules are not in any way infringed.

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In order to further incentivise new businesses to set up in our thriving economy and generate even more economic activity, companies, partnerships and self-employed individuals shall be able to claim 100% of its eligible Capital Allowances in the first year of trade. This will provide new businesses with maximum cash flows in their first year of trade, which is when they most need it, by providing immediate set-off of their start-up costs, thereby increasing their chances of success. This measure will apply to all *bona-fide* new activity for new businesses in Gibraltar on the purchase of new equipment. The provisions will not apply to restructures of existing businesses seeking to take advantage of this initiative.

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Also in relation to corporation tax, and following proposals from ATCOM, in order to incentivise training in the workplace, training costs will be allowed as an expense against the profits of a business or a company at the rate of 150%. In other words, a company that invests £1,000 in training its employees with a view to them obtaining a qualifying qualification, will now be able to claim £1,500 as a deduction against its profit for the accounting period in its tax computation. As professional trust and company managers face the burden of continued training and retraining in new transparency initiatives such as FATCA and the like, this will help ensure that our professional intermediaries are able to provide the training their staff need. This allowance will nonetheless be valuable in many other sectors also and will no doubt stimulate further training being available to employees in diverse industries.

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Mr Speaker, the audit threshold – that is to say the level of turnover beyond which audited accounts are required, is raised by a quarter of a million pounds from £1 million to £1.25 million, although a discretion is retained to the Commissioner of Income Tax to require an audit should he consider it necessary.

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Also in order to assist small-scale start-ups, a capped 200% credit is introduced in respect of the cost of any architect's fees incurred in respect of successful planning applications under the Town Planning Act, and any fees charged by Government in respect of any such planning application, made by such a company in respect of its own property in the first 24 months of operation of any new company. The credit will be available to be deducted from tax liabilities in the first three years of operation of any such company. The cap will be at a total of £5,000 as this is *not* designed to be a measure to help large scale developers of land, but to assist small scale businesses who may be incurring planning fees in remodelling business premises.

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Mr Speaker, to further encourage and assist small businesses and start up companies, a Social Insurance Credit is introduced of £100 per employee in respect of the employers' contribution for companies who have who have 10 or less employees. The credit will be made only against the final payment of the year and companies will only be eligible if the required payments have been made on time throughout the year.

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For a new company, the credit will apply to companies with up to 20 employees in the first year of operation.

I turn now, Mr Speaker, to the annual consideration of Public Sector pay and the Minimum Wage.

Mr Speaker, despite the continuing pay restraints in the United Kingdom public sector pay over the last few years, the Civil Service and Public Sector pay in Gibraltar has continued to rise over the years and has kept up with the increases in the cost of living. The Government will once again increase Civil Service and Public Sector Pay under the 2015 Pay Review.

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In order to give certainty to members of the Public Sector, many of whom will also be purchasing affordable property in the coming months and years, the Government is today committing itself to a three-year pay deal. The rate will see a pay increase linked to average rates of inflation of the past four years.

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Mr Speaker, the average inflationary rate for the past four years amounts to, approximately, 2.75%. The Public Sector will therefore benefit from a pay increase of 2.75% per year for the next three years of pay rises of the rate of inflation in any one of those given years, whichever is the higher.

Let me just make that clear: it is 2.75% per year for the next three years, or the rate of inflation in any one of those years, whichever is the higher, should inflation go above 2.75%.

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That means that public sector pay will rise *by a minimum*, by a minimum of 8.25% over the next 36 months, starting with effect on 1st August 2015.

Mr Speaker, in the Royal Gibraltar Police, the Prison Service, Her Majesty's Customs and the Fire & Rescue Service, an additional quarter of a percent will be added to the annual increases in the next three years.

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Mr Speaker, the Government has been in negotiation with members of the Prison Service for some time now, in view that no meaningful review had been undertaken since the introduction of the Fresh Start Agreement in 1988. The Government values the service delivered to the general public by this highly professional body and we are committed to improving their terms and conditions. We have already undertaken an important step in modernising their working conditions with the abolishment of TOIL in November last year. Now every additional hour worked by a Prison Officer is paid for, and as from the

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1st July weekend premiums will also be paid, bringing them in line with the rest of the Service. In addition to this, I am today able to announce that the present 3% abatement applicable to their pay is henceforth eliminated.

1475 In relation to the Royal Gibraltar Police, I am also very happy to announce that last week the Government and the Police Association agreed a way forward for the establishment of the new Gibraltar Police Federation, which I certainly believe will be an important step forward for the representation of the men and women of that force.

1480 And now, Mr Speaker, to the lowest paid in our Community who deserve our consideration as much if not more than any others.

Mr Speaker, before New Labour in the United Kingdom and before many other nations around the world, the first GSLP administration introduced the Minimum Wage in Gibraltar. We are justly proud of that achievement and our pioneering move in that respect. We were right to introduce the Minimum Wage and we are right to ensure it is kept under annual review.

1485 Therefore, Mr Speaker, in line with this Government's commitment to keep the National Minimum Wage under constant review, the statutory Minimum Wage was increased in our first Budget from £5.40 to £5.70 in August 2012; in our second Budget from £5.70 to £6.00 in August 2013; and in our third Budget from £6.00 to £6.15 with effect from 1st September 2014. Mr Speaker it was important that the Minimum Wage should have caught up with the cost of living as it now has.

1490 The Minimum Wage will now be increased further – in line with the increases in Public Sector Pay – by the average rate of inflation in the past four years, which amounts to approximately 2.75% and which equates to a Minimum Wage rise of 10p from £6.15 to £6.25 with effect from 1st September 2015.

Mr Speaker, the Minimum Wage will therefore have risen by 15.7% since our election, whilst inflation has risen 11% and nothing can make us prouder on this side of the House.

1495 Finally, Mr Speaker, in order to help the lowest paid in our Community, the tax-free threshold is increased from £10,500 to £11,000 for low earners. Mr Speaker this means that anyone who earns less than £11,000 will now pay no income tax. A fair measure by a fair Government that is fair to the lowest paid in our Community.

1500 Mr Speaker, there is a Bill before the House to amend the Income Tax Act. I have not proceeded with it before so that, by giving written notice of the amendments necessary to give effect to these Budget measures, when it is passed it will be up to date with the latest changes in our tax laws. Probably the first time that we are entirely up to date in many years.

1505 Well, Mr Speaker, before I sit down I will share with you that last year, as the year before, I was very disappointed indeed that the Hon the Leader of the Opposition did not actually provide any meaningful reply to my Budget address. I have this year, again, made a very large number of announcements about increased allowances, about GDP growth, about the important reductions we have seen in Gross and Net Debt as a share of GDP. All of these things are massively important for our Community. I have provided the detail behind the important figures that demonstrate that the criticisms we have heard throughout the year from our political opponents have been entirely unfounded. The falling debt, the growing rate of Government Revenue, the tight control we have demonstrated on recurrent expenditure – all of these things are good for Gibraltar and demonstrate that our economy and our public finances are strong and resilient.

1510 In the circumstances, and given it is an election year, I wonder whether the hon. Member Opposite might be prevailed upon to actually reply to what I have said, instead of simply reading a speech he prepared earlier and which he reads out now with little regard to what I have to say. Maybe, Mr Speaker because it is an election year he will treat us to a detailed response? But, of course, I won't hold my breath!

1515 On a more positive note nonetheless, Mr Speaker, I want to thank the unions who have worked with me this year, the Chamber, the Federation of Small Businesses, ATCOM and the Finance Centre Council for their input. As usual, it is not possible to give effect to all of their mostly sensible recommendations in their entirety, but the responsible feedback that they provide certainly helps me and my team to better calibrate this appropriation and to make innovative changes for business. I look forward to continuing my full engagement with them.

It is also right of course that I should, on behalf of the whole of Gibraltar, also thank all public servants of Gibraltar without whom Government cannot operate and who, I will never tire of saying, are in the great measure as responsible for these great results as any of the 10 of us on this side of the House.

1525 In particular, Mr Speaker, our thanks go to you, the Clerk and the staff of the House for bearing with us this year. This year we have concluded the work of refurbishing the areas of Parliament behind the Speaker's Chair and the effect I think has clearly been favourable to you all in particular, as the environment in which you now work is more modern and dignified than it had been for many years. And I thank you again, Mr Speaker for the work being done on establishing the new register of electors. The installation of the lift to make the Chamber accessible remains outstanding, pending a further round of consultation which I sincerely hope will happen quickly and be resolved positively so that we can finally make the Parliament an accessible building.

1535 Mr Speaker, I must now also pick out for particular tribute and thanks the people who work with me in my corner of the Public Service at No. 6 Convent Place. According to some of the more short-sighted, it is wrong that we have invested in bringing our offices up to scratch. According to some, you are not entitled to the modern types of offices delivered to others at even greater cost. Well, you have my warm thanks extended to you all on behalf of all of the Government and a special acknowledgment, of course, to the staff of No. 6 Convent Place; amongst in the public service especially the team that works on my corridor of the building immediately to me.

1540 It seems incredible to think that it is three and a half years ago that the Deputy Chief Minister and I walked into No. 6, with our wives, excited but with trepidation, feeling almost as if we were walking into someone else's domain. From the car to the desk and through to our modest corridor of 'power' as it might be called, all of those at No. 6 have made us feel at home and they have enabled us to deliver the best of ourselves for the benefit of our people.

1545 And, Mr Speaker, I must tell you the truth: when the chips are down and Gibraltar is under attack, those people at No. 6 ensure that I feel surrounded by support and by the most effective team on the planet at the most emblematic address in our small nation that has finally being transformed into a representation of the modern Gibraltar. Because at the craziest moments, at the time when the world around us seems to be going mad, the people at No. 6 keep me sane. And now, Mr Speaker, after the short time that we have been in Government they have made us become and feel more than just colleagues. They are friends and I thank them sincerely not just for their work this year, but in particular for their friendship. I thank them for these first four years as we seek the people's confidence for four more years.

1555 Mr Speaker, in this final Budget opening address of the lifetime of this Parliament, I want also to continue the tradition I established in my first year, when I addressed the House as Chief Minister for the first time, and which I think is particularly fitting in the system of real Cabinet Government such as the one I lead, and that is of thanking all other members of the ministerial team for their effort and determination in the course of the past financial year.

It is our work and the work of the public servants who so tirelessly work alongside us and the work of the rest of the nation each in their own sectors that delivers these excellent results.

1560 Because the numbers in the Estimates Book, the growth in our economy, the increases in allowances and wages are just the metaphor of the success that our nation is enjoying under this administration.

This is a Budget that has confirmed that what so many called a mission impossible when we embarked on it, has become a mission accomplished in economic terms.

What they said could not be done, we *have* done.

1565 This Budget demonstrates to our Community that we have mapped out the right long-term plan for our economy and our public finances: with Community Care having received £134 million; with the Savings Bank reserve estimated to be at £27 million by the end of the year; with a GDP of £1.64 billion and likely to reach between £1.75 billion to £1.8 billion next year; with debt down by £72 million; with average earnings jumping up; with more jobs than ever before.

1570 Mr Speaker, this is the Socialist Liberal Government's fourth Budget, and for all of those reasons it is one to go forth and brag about – because this Budget delivers for those who work harder because they aspire to more. This is a Budget for the hard-working men and women who are the backbone of our economic success story as a nation.

1575 Because this Budget shows that we work first for the people who cannot pay their bills and who cannot afford the cost of living, and we care about those businesses that need help to better establish themselves as the employers that drive our growth.

This is a Budget for the start up businessman and the working man. A Budget like all we have delivered before, not for those who put out their hands just to take; it is a Budget for those who put out their hands to work and for those who genuinely cannot work.

1580 And we are delivering exciting opportunities for businesses in Gibraltar: working on the side of business and not setting out to hinder business; understanding the needs of those who want to create wealth and in that way spread wealth; a Government that wants to work to stimulate continued growth extending to every sector of the economy; a Government that is committed to seeing each taxpayer as a shareholder in this common enterprise that we call the nation we are building; a Government which is maximising shareholder value, delivering innovative solutions and making real the dreams of previous generations of leaders.

1585 Creating an International Bank and a University; finishing off 900 new affordable homes and starting work on 1,700 others; turning our backs on a culture of professional mediocrity; and demanding higher standards of ourselves and others; and that is delivering growth in jobs and revenue and demonstrating the confidence of the diverse sectors of our economy that are not allowing the negative narrative of a desperate few to get in the way of the positive work of this dynamic executive team.

1590 From the gaming industry to the financial services and from the Chamber and the Federation to the Unions in each sector, we are working together with all to deliver better ideas than just one of us might produce. Joined up Government. Joined up ideas. Joined up delivery.

1595 And in the same way as we have worked with all sectors, we have worked with people of all partisan opinion because we put Gibraltar first always and we make no apology for that!

A Government for *all* of Gibraltar, as we pledged to be. A Government delivering a Budget for low earners and for high achievers in equal measure. A Budget that delivers social justice for all of our people, as we will always seek to do in every Appropriation Bill we bring to this House.

1600 A Budget, Mr Speaker, that evidences why we have been right to pursue the course we set and take no lessons from those who left us an empty Community Care, an empty Savings Bank kitty and an empty useable cash reserve kitty. Because as will always be the case with us, this is the Budget of a Government that will always put country before party, people before politics and service above self.

1605 This is the Budget of a nation coming of age, Mr Speaker – the Budget of a Government delivering estimate busting surpluses; a Government presiding over a record high in Gibraltarians in employment; and Gibraltar maintaining and consolidating its position as third in the international rankings of GDP per capita.

Mr Speaker, more reserves, more jobs and more cash surplus. And not a pre-election give-away Budget, not a Budget of goodies but a responsible Budget, delivering an adjustment and rebalancing of allowances where it is fair and equitable to do so.

1610 Breaking records in employment, Mr Speaker. Breaking records in average earnings, Mr Speaker. And breaking the broken record of negativity that a disgruntled few have made their mantra.

And we can show, Mr Speaker, that we have not cynically held back in previous budgets. We have been generous throughout the four years in increasing allowances and deductions, so that no-one can reasonably suggest that we are doing so only this year.

1615 So, Mr Speaker, it is therefore as ever with both great pride and equal humility in having been allowed by colleagues the honour of presenting once again the fruits of the work of our whole team in the opening address of this debate, that I commend the Bill to the House.

(Banging on desks)

1620 **Mr Speaker:** Before I put the question, does any hon. Member wish to speak on the general principles and merits of this Bill?

The Hon. the Leader of the Opposition.

1625 **Hon. D A Feetham:** Mr Speaker, the Leader of the desperate few request just a five-minute adjournment, just to use the bathroom, if I may, before I come back. If the hon. Gentleman agrees.

1630 **Hon. Chief Minister:** Mr Speaker, this is a highly unusual request, but given...and in most parliaments the Leader of the Opposition prides himself on being able to get up and answer immediately, but given that his request is related to issues related to bladder and not anything else, I propose that the House should recess for a very short two-minute or three-minute adjournment, as long as it may take.

Mr Speaker: The House will now recess for five minutes, which will come very welcome to those who have older bladders! *(Interjections and laughter)*

The House recessed at 1.35 p.m. and resumed its sitting at 1.45 p.m.

**Appropriation Bill 2015 –
For Second Reading –
Debate continued**

1635 **Mr Speaker:** The Hon. the Leader of the Opposition.

Hon. D A Feetham: Mr Speaker, it is an honour for me to rise and deliver my third speech as Leader of the Opposition, and my eighth overall.

1640 I start, Mr Speaker, before I examine the figures, addressing this House on the complete lack of openness and transparency with which this Government, and this Chief Minister in particular, have dealt with the management of our public finances. A lack of openness and transparency that goes to the very heart of whether this Chief Minister deserves the trust of the people of Gibraltar.

1645 And it would be wrong for anyone, Mr Speaker, to assume that issues of openness and transparency simply go to the quality of our democracy, important as that is in its own right. They also impact on the ability of the Opposition and the community that we all serve, to identify emerging financial problems, before they become too big to deal with.

Today the hon. Member, the Chief Minister has said and I quote, ‘Gibraltar is more financially secure than ever before.’ But what we have witnessed over the last four years, is the systematic destruction of parliamentary governance in Gibraltar and, in particular, the deliberate disablement of the ability of this Parliament to scrutinise the public finances in any meaningful way.

Mr Speaker, this Government and this Chief Minister have made an absolute mockery of these annual debates. He can talk all he likes about root-and-branch reforms of this Parliament, but the reality is that the Government is effectively operating two sets of accounts. One set of accounts funded through the Consolidated Fund debated today, and the other funded through the Gibraltar Savings Bank.

The GSB is funding Government owned companies, Government expenditure and manifesto promises to the tune of £400 million, Mr Speaker. None of it appears in these accounts; none of it accounted for to this Parliament.

It is quite simply impossible, to take most of what the hon. Gentleman says about the state of public finances seriously, when he is treating the GSB as the Government’s piggy bank to fund Government expenditure, and more than half of Government spending and Government debt is hidden away in Government-owned companies in respect of which he either refuses to answer questions in this Parliament or when he answers questions, Mr Speaker, he does not provide accurate answers. And I do not use a stronger word than the adjective ‘accurately’, Mr Speaker, because I would fall foul of the Rules of this House.

But this False Dawn Chief Minister, Mr Speaker, does not comprehend, that when he is not open, that when he is not transparent, that when he is not straight with Her Majesty’s Opposition of Gibraltar he is not being open, he is not being transparent and he is not being straight with the people of Gibraltar, Mr Speaker.

Mr Speaker, trust is a word that is often abused in politics but it will feature very highly indeed during the course of my intervention today.

And I ask people of this small but great community, every single person that is listening to this debate today, does the man sitting opposite me deserve your trust, when he was elected on a New Dawn mantra of openness and transparency, and he has done everything that he possibly can to keep from you the taxpayer, from you savers, what he is spending your money on and he has, quite frankly, not played it straight with you?

Mr Speaker, a Chief Minister who is prepared to answer ‘no’ to the question, whether the Government has directly or indirectly provided any loans to the owners of the Sunborn, when in fact a Government-owned company had provided a loan of between £30 million and £40 million – we do not know how much because he refuses to tell us – a company which he had incorporated in secret and had hundreds of millions of pounds of savers’ money transferred into it.

Mr Speaker, for a Government that issues press releases like confetti at a wedding, Mr Speaker, he forgets to announce the fact that hundreds of millions of pounds of savers’ money has been poured into Credit Finance Company Limited, which he was using to provide loans to nameless third parties and to pay for Government expenditure.

Imagine the outcry if a government minister in the United Kingdom had decided to incorporate a Government-owned company, had hundreds of millions of pounds of savers’ money transferred into it, provided loans from the proceeds to third parties and made no announcement to Parliament about it, Mr Speaker. And then, when a question is asked in this House about loans to the Sunborn he answers, ‘No.’

Mr Speaker, there is absolutely no doubt about it, that Minister in the United Kingdom would have been forced to resign, Mr Speaker, and that is what the hon. Gentleman should have done when he answered in the way that he did in this Parliament, in the way that he did, Mr Speaker.

And he denied that a loan had been provided to the Sunborn right up to the day after the by-election, Mr Speaker. He only came clean with the people of Gibraltar the day after the by-election when it could no longer cause damage to his party. And he is going to give me sermons today, Mr Speaker, about putting country before party, Mr Speaker! (*Banging on desk*)

That is the New Dawn Chief Minister we have in front us. A Chief Minister who asked the people of Gibraltar to trust him on his management of these issues, but on 29th May 2014, when I asked him whether the Sunborn had paid that debt on its due date or whether it had been rescheduled he said yes, it had paid on its due date and no, it had not been rescheduled. Then when I asked the same question earlier on this year, he refused to provide me an answer, Mr Speaker.

Well what does he have to hide? What is he trying to keep from the public, Mr Speaker?

A man who refuses to tell me how much consultants are being paid, including the well-known Juan Verde, and whether they have any links, or have had any links, with any commercial entity awarded contracts in Gibraltar.

A Chief Minister, who somewhat surreally, it has to be said, talks about political corruption on the part of the Opposition, because we do not disclose who funded the Lloyds Register report and he does not tell this House and refuses to say whether his one-time business partner in a sunglasses shop who is the owner

of a company that has been awarded a tender for the ‘not fit for purpose’ new buses, Mr Speaker, was the lowest tenderer. That is the Chief Minister we have in front of us, Mr Speaker, who is asking for the trust of the people of Gibraltar on these issues and perhaps whilst he contemplates that, Mr Speaker, he should also perhaps come clean and say how much that individual has paid GSLP coffers over the years, Mr Speaker.
(Interjections)

A man who wants us to disclose who paid for that expert report but refuses to disclose who paid for the US\$110,000 tickets to allow him to take a cropped photograph with President Obama, or whether that person has or has had any interest in any commercial entity bidding, or having been awarded, public contracts – to use Mr Speaker Jesse J’s immortal words, ‘What was the price tag on that, Mr Speaker?’
(Interjections)

We are not using the people’s money; *they are*, and production and disclosure of the Lloyds Register report was in the interests of the people of Gibraltar.

A Chief Minister, who insults the people’s intelligence by appearing on public television, publishing a so-called balance sheet for Credit Finance Company Limited, when anyone with any rudimentary knowledge of these things knows that it was nothing of the sort. Who, in that same broadcast, said that not one penny of the monies in Credit Finance Company Limited were being spent on Government expenditure, but perhaps does not communicate with his Minister for Economic Development who, a couple of months later, comes to this House and in response to questions accepted that £347 million of savers’ money transferred to Credit Finance Company Limited and then to Gibraltar Investment (Holdings) Limited, was being used to allow Government-owned companies to meet their cash flow requirements. Mr Speaker, I never thought that I would live to see the day where the Father of the House, Minister Bossano was more open and more transparent, playing it more straight with the people of Gibraltar than the Hon. the Chief Minister Mr Speaker. (Interjection)

A Chief Minister that allows the unprecedented issue by the Gibraltar Savings Bank of a press release the day before the by-election saying, and I quote, ‘the Gibraltar Savings Bank does not provide any loans’, when that was not true because from 2012 to 2013, the GSB had been lending millions of pounds to Gibraltar Investment (Holdings) Limited, evidenced by Fixed or Flexible Rate Loan Notes, Mr Speaker.

And the fact is that on the issue of the public finances of Gibraltar, the hon. Gentleman has been leading people up the garden path since he became Leader of the Opposition in 2011, and he does not deserve the trust of those listening to him on these issues.

It was the Chief Minister, not Minister Bossano, as the Father of the House, emphasised in his intervention on one of the motions debated here a couple of months ago, that told the people of Gibraltar that the previous administration was addicted to debt; when our debt was three times lower than it is today, as we will see in a moment. Indeed, the Father of the House was at pains to make the point that he had never criticised the level of Public Debt when we were in Government. It was the Chief Minister, Mr Picardo, that had done so when he was Leader of the Opposition – and that is certainly true.

It was the Chief Minister, who when he was Leader of the Opposition, started a relentless campaign, which we described as the ‘Big Lie’, to persuade people that our Public Debt was too high, that the previous administration had exceeded legal borrowing limits and that our public finances were in a ruinous state, whilst promising absolutely everything to everyone. Promises that included £750 million in capital projects, the freezing of rates, rents, electricity, huge increases in the public service and therefore in the recurrent expenditure, to reduce the Gross Debt by half, and to donate every single last penny of Government surpluses to community care.

Talk about trust, Mr Speaker.

I described it last year as a ‘veritable miracle of biblical proportions’.

Well, Mr Speaker, the miracle continued, because on the 18th January 2012, in his very first address to this community, putting on his most serious face as only he can, he spoke, and I quote ‘a serious public finance problem’, ‘a serious Public Debt problem’, ‘an impenetrable curtain’ Mr Speaker behind which he found a ‘£100 million black hole’.

Well, Mr Speaker, despite that ‘serious public finance problem’, despite that impenetrable curtain behind which he found a £100 million ‘black hole’ within a year his Government was spending money as if it were going out of fashion Mr Speaker. No rainy day predicted or rainy day funds needed, whilst the GSLP sun shines over Gibraltar, Mr Speaker. No, Mr Speaker. He was the Bank of England printing money. When a GBC reporter challenged him on Government spending in the light of the statements that he had made a year before, he then said ‘we have cured’ any public finance problems that he had inherited. Another miracle. Mr Speaker the hon. Gentleman’s talents are absolutely wasted in Gibraltar. He should be leading the Eurozone, Mr Speaker, out of a potential double-dip recession, Mr Speaker.

But more importantly, for the purposes of this debate, it is precisely because the hon. Gentleman promised so many things to so many people whilst at the same time saying that our Public Debt was too high when we were in office, that the Government has had to structure the public finances in a way that keeps £400 million away from the scrutiny of this House. He could never in a million years have delivered

1770 on his manifesto commitments by borrowing within the legal borrowing limits or using reserves. And I remind the House that apart from the huge increases in spending, the GSLP/Liberals also promised to donate every last single penny of Government surpluses to Community Care. In other words, all the Government's spare cash was already committed.

1775 Mr Speaker, I will come to Public Debt later, but in February of this year Net Public Debt reached £400 million, very close to the legal borrowing limit of £447 million – just £47 million short of that limit. To pay for their promises, they have had to resort to the use of the Gibraltar Savings Bank, because they could not legally borrow directly what they needed in order to pay for their many expensive promises, and they have taken advantage of the fact that any debentures issued by the Gibraltar Savings Bank, which is what they are using to fund their programme, is a debt of the bank and not a debt of the Government. But what they are effectively doing, is using the money that does not belong to the Government, Mr Speaker, 1780 without accounting for it to this House.

1785 Mr Speaker, the legal borrowing limits have been set by Parliaments in order to ensure that Governments do not borrow in a manner that becomes unaffordable to this community. Parliament has deemed that last year it was only safe and prudent for the Government to borrow £447 million. This year that legal borrowing limit, based on 80% of recurrent revenue, is £457 million. Until Parliament debates the implications for this community of raising the legal borrowing limits, and approves any increase, the Government should not be manufacturing artificial devices to circumvent those legal borrowing limits, Mr Speaker. And that for us is the bottom line. Leaving aside the fact that the Government could not borrow another £400 million directly, if it had spent that money it would not only have wiped out the surplus, we would be operating under a deficit, Mr Speaker.

1790 How can one trust a Chief Minister that is running the public finances on that basis, and all to cover up his Big Lie at the last election, Mr Speaker?

1795 He should have the courage of his convictions and if he thinks that £800 million – it is over £800 million and I will come to the figure in a moment – Gross Debt is affordable by this community, he should to have the courage of his convictions to come to this Parliament to raise the legal borrowing limits and indeed have this Parliament debate whether it is safe and it is prudent. Not to have artificial devices, all self-serving, just simply designed in order to circumvent that legal borrowing limit because of all the promises that he made which he knew he could not pay for conventionally at the last election. Mr Speaker, and it is not true to say that they are doing the same thing that we did when we were in Government.

1800 And I now turn to examine the Gibraltar Savings Bank, Credit Finance Company and Gibraltar Investment (Holdings) Limited in more detail.

1805 What we have been seeing since the Chief Minister was elected in 2011, is a huge increase in debt security – either bonds or debentures – issued by the Gibraltar Savings Bank, which as I have said, does not rank as Government debt because it is legally a debt of the Gibraltar Savings Bank, even though the money is guaranteed by the Government. As at December 2011, the total value of debt security held by the Gibraltar Savings Bank was £24 million. The total debt security held by the Gibraltar Savings Bank today, excluding deposits, is £738 million. If you take into account deposits, Mr Speaker that figure is close to £1 billion.

1810 Mr Speaker, when we were in Government, money deposited in the Gibraltar Savings Bank had to be invested in cash deposits, or cash deposits equivalents in terms of the protection of their capital value. That was a requirement in the Gibraltar Savings Bank Act. Effectively, monies in the Gibraltar Savings Bank had to be invested in very safe, liquid forms of investments where the money was easily and readily accessible by the Gibraltar Savings Bank.

1815 In March 2012, the Chief Minister moved a Bill amending the Gibraltar Savings Bank Act and took out the requirement that investments of the Gibraltar Savings Bank had to be held in cash or cash equivalents. We voted against the Bill.

1820 The importance for the purpose of this debate is that it allowed the Government to invest Gibraltar Savings Bank deposits in riskier, non-cash investments. It is the only reason why the Gibraltar Savings Bank is able to invest £400 million in Credit Finance Company Limited, which was incorporated barely a month before that amendment was moved by the Chief Minister. It could not have happened under the GSD Government.

Admittedly Mr Speaker, I have to say I am not even sure that the Chief Minister really knew the underlying purpose for that amendment that he, himself, moved in March 2012. And I say that, because on 15th November 2012, eight months after he had moved that amendment, in supplementary to Questions 1001 and 1002, the Chief Minister was asked whether he was able, and I quote:

‘to confirm that all the money represented by the issue of debentures by the Savings Bank is held in cash or near cash by the Savings Bank’.

1825

That was the question. The answer was this:

‘Mr Speaker, that is what the Savings Bank Act provides, that investments must be held in. So unless somebody is in breach of the Gibraltar Savings Bank Act, then yes, I can confirm that’.

And later he repeated:

‘As far as I understand it, all investments of the bank are in cash or near cash, which is what the Gibraltar Savings Bank Act requires’.

1830 Well, Mr Speaker, he obviously did not understand it, because he had already amended the law eight months earlier, in order to do away with the requirement that the Gibraltar Savings Bank invest in cash or near cash equivalents, Mr Speaker. Eight months after he moved that amendment to the Gibraltar Savings Bank Act, and he was blissfully unaware that the Father of the House, Minister Bossano, was about to transfer nearly £300 million at the time of savers’ money from the Gibraltar Savings Bank into Credit Finance Company Limited, Mr Speaker.

1835 Mr Speaker, what happened to the much-vaunted communication in his New Dawn Cabinet, Mr Speaker? ‘Oops, I forgot to mention that the purpose of the amendment that you moved in March allowed me to transfer £400 million for the Gibraltar Savings Bank into Credit Finance Company Limited’, Mr Speaker!

1840 Mr Speaker, pre-empting this year, his right-left, right-left jibe – which he uses every single year, Mr Speaker – perhaps it was my Socialist roots and my fondness for the Father of the House, as opposed to his Liberal roots and his rather frosty relationship with his former, and I emphasise *former* Minister for Employment, that made me spot how he was going to fund his manifesto before he did. Because, Mr Speaker, during my maiden Budget speech, during the debate in 2013, as Leader of the Opposition, before I knew anything at all about Credit Finance Company Limited, I said this:

‘Mr Speaker, I have been observing the Hon. the Minister responsible for the Gibraltar Savings Bank, Minister Bossano, for many years now. I may not always agree with what he does or the manner in which he does it, but he does everything for a reason.

I hope, Mr Speaker, that I am wrong and that the Government is not contemplating using that money to fund its capital projects and expenditure simply because it is committed not to borrow or to donate Government surpluses to community care.

The consequences for these annual debates and the transparency of Government finances would be devastating because it would blow a massive hole in the Government’s duty to account to this House at Budget time for expenditure because, as we all know, the Gibraltar Savings Bank expenditure is not reflected in these estimates’.

1845 Mr Speaker, it was the only possible explanation for the huge explosion of Gibraltar Savings Bank debentures, where the Gibraltar Savings Bank was paying between 4% and 5% in interest. No credible bank in the world is paying that kind of interest. Those interest rates are there to attract more debenture holders, so that the Government can then use the money for its own expenditure and its attempts to fulfil the many promises that it made at the last election. That is the reason why there is that huge explosion of debentures in the Gibraltar Savings Bank. The ability to repay depositors and service their interest is something that we
1850 have absolutely no objective basis for assessing, Mr Speaker, because they refuse to provide us with information to enable us to do so.

1855 That is the economic miracle that the Father of the House always spoke about, and that is the real driver behind this Budget, Mr Speaker. Let us spend somebody else's money without accounting for it as Government debt or Government spending. And it is on that basis that the hon. Gentlemen opposite, and the Chief Minister, expect the people of Gibraltar to trust him, Mr Speaker and he hails this Budget as a magnificent budget.

If he had had to spend £400 million – which he could not have – but if he *had* had to spend £400 million out of the Government’s own pockets, out of the Government’s own money, he would not be making the surpluses that he is making today, Mr Speaker.

1860 Mr Speaker, I hope that the hon. Gentleman does not, once again, deny that the £400 million invested by the Gibraltar Savings Bank in Credit Finance Company Limited has not been used to fund Government expenditure, when it is clear beyond peradventure, that the reverse is true. If the Government decides to pay the commuted pensions of civil servants or provide a loan to third parties, either to improve housing estates as he has done with Gib 5, or to pay their taxes, or to help people with commercial interest relocate to
1865 Gibraltar, they should do so directly and account for it in these estimates of revenue and expenditure. These items – those that I have just described – account for £108 million of the total spending of Credit Finance Company Limited, Mr Speaker. Those items in themselves would have wiped out the surplus. And even if one credits the expenditure of last year to last year, the expenditure of this year to this year, Mr Speaker, for

1870 reasons that I am going to be explaining in a few moments in the way that he has calculated the surplus, it would certainly have wiped out, just those figures would certainly have wiped out the surplus.

The remainder, now some £321 million, has been loaned to Gibraltar Investments Holdings Limited, which according to Minister Bossano, is using that money in order to fund the cash flow requirements of all Government-owned companies. That, unfortunately, is the extent of the generosity of the Father of the House, because what he will not tell us is either how exactly the money in Gibraltar Investments Holdings
1875 Limited is being spent or what it is being spent on, Mr Speaker. I do not blame him, because I realise that he is probably under instructions from the Chief Minister in that regard.

Gibraltar Investments Holdings Limited is, of course, the company that has historically been used by successive governments to fund the capital and cash flow requirements of all Government-owned companies from the Consolidated Fund. If the Government is no longer funding Gibraltar Investments
1880 Holdings Limited through the Consolidated Fund, it will have more money in its pocket either to spend or by way of surplus and this, as I have been constantly repeating, has huge implications for the public finances of Gibraltar, Mr Speaker.

Mr Speaker, today he said that the debt in companies is being serviced by those companies. Well, Mr Speaker, Gibraltar Investments Holdings Limited makes no money, Mr Speaker. It makes no money. GRP
1885 may make some money, for example, from the sale of the properties, but to actually say that £321 million is going to be serviced from money generated by those companies Mr Speaker, on what planet does the hon. Gentleman live?

These companies will not be able to generate £321 million, if that money is being spent and of course we do not know how much of it is being spent because they refuse to answer questions in this House and to
1890 properly account for it in this House.

Mr Speaker, that is not the only concern we have with the use of the Gibraltar Savings Bank by Members opposite: 70% of all the assets of the Gibraltar Savings Bank as at 31st March 2015, some £738 million is being invested either directly or indirectly in Government debt; £251 million is owed directly by the Government in a Government debenture due by it; £400 million in indirect Government debt via Credit
1895 Finance Company Limited and Gibraltar Investments Holdings Limited. The balance has been used for the purchase of Gibtelecom shares for £37.7 million and £11 million in ordinary shares in something called GSBA Limited.

By way of illustration, Mr Speaker, of some of the points I have been making during the course of my intervention, if the Government had borrowed £37.7 million to buy back the Gibtelecom shares, which is how the Chief Minister in an interview with GBC sold it to the public – he said, ‘It is the Government that
1900 is buying back these shares’ – it would have been £10 million shy of the legal borrowing limit at the time of £447 million. That is the closeness of the margins that we are talking about.

There is not a bank in the world, Mr Speaker, that has so many eggs in one basket, and for the hon. Member to suggest that this is all within approved Bank of England guidelines, as he told Peter Schirmer of the *Chronicle*, is absolutely ridiculous. The hon. Gentleman just thinks that he can make statements of this sort and expect no-one to pick him up on it. Everyone wants the Gibraltar Savings Bank to succeed Mr
1905 Speaker, but the hon Gentleman cannot expect us to keep quiet about the risks associated with their policy particularly when we are faced with an impenetrable curtain, to use his words of January 2012, when we are not told precisely how that money is being spent – and in particular the money in Credit Finance Company Limited and Gibraltar Investments Holdings.
1910

Mr Speaker, I now turn to an analysis of the Public Debt position.

The Gross Public Debt as per the forecast out-turn for 31st March 2015 stands at £447.7 million and cash reserves stands at £72.3 million. That gives a net debt of £375.4 million – up Mr Speaker significantly from the £354 million of last year. It is the second highest Net Public Debt figure in the history of this
1915 community even without taking the money in Credit Finance Company Limited into account. The highest was in February of this year when Net Debt reached £400 million. Ever since, Mr Speaker, the Government has been scrambling to put a break on spending in order to ensure the Net Public Debt did not increase even further before these debates.

Even without taking Credit Finance Company Limited into account, the Chief Minister who said that the GSD was addicted to debt in 2011, when Net Public Debt stood at £240 million, Mr Speaker, now presides over a Government where the Net Debt is £125.4 million higher! So much for the myth that everything that
1920 has to go up is going up, and everything that has to come down is coming down, Mr Speaker.

Mr Speaker, during a recent Viewpoint debate, the one that we had on the public finances, he told viewers that the Net Public Debt was £325 million Mr Speaker. The Net Debt this year has never been £325
1925 million. He under-estimated in that debate on public television in front of all those viewers, the Net Public Debt of this community, by £50 million. And he expects the people of Gibraltar to trust him on these issues Mr Speaker.

Of course, what is £50 million to the Chief Minister who is the most high-spending, high-maintenance Chief Minister in the history of this community, Mr Speaker? (*Interjections*) What is £50 million between friends, Mr Speaker?

Even if you analyse the Public Debt in Gross Public Debt terms, which is what they spent the last election saying we should do, the forecast out-turn as at 31st March 2015 is £447.7 million in Gross Debt. It is noteworthy that in 2015-16 the Government intends to reduce Gross Public Debt by £47.7 million and yet there is no provision in the Consolidated Fund for that reduction. We can only assume that this money is to come from a sinking fund whose movements we have not yet seen but will include receipts from the sale of property and perhaps even the premium from the Eastside development.

I have asked in the past about this before, and the Government refuses to say how Gross Debt will be brought down in line with their manifesto commitment to £260 million – from £447 million to £260 million.

But, of course, any reduction using a sinking fund will be a temporary fix because unless the Government wants to avoid a cash flow problem in the future, it will need to increase Public Debt yet again. In other words, any reduction in Public Debt using the Eastside Development premium or the proceeds of the sale of properties, will be a political and financial sleight of hand designed to temporarily massage the figures prior to the next election – but it will be very short lived indeed.

Mr Speaker, there is no provision for example, in these estimates, for the new power station which in anyone's view will cost over £100 million. And let's not forget, the Net Debt is £375 million, the legal borrowing limit is £457 million. They cannot spend, they cannot borrow another £100 million, because they would be in breach of those legal borrowing limits, Mr Speaker. Or the sewage treatment plant: how are they going to be paying for that? Government projects have still not been paid in full. And there is only one way that debt is going to go up in the next few years – and that, Mr Speaker, is up.

Mr Speaker, none of this, of course, takes into account the £400 million which the Gibraltar Savings Bank has invested in Credit Finance Company Limited. And if you take that into account, the Gross Debt of this Community is not £447.7 million; it is an eye-watering £847.7 million, Mr Speaker, – 51% of GDP on his own analysis. And if you take into account not only the money that has been invested in Credit Finance Company Limited but also the purchase of the Gibtelecom shares which he said was a purchase by the Government when it is the Gibraltar Savings Bank and the other £11 million that I spoke about earlier, it is £886.7 million, Mr Speaker, – 54% of GDP.

And there is no point, Mr Speaker the hon. Gentleman telling me that he has not spent the money in Gibraltar Investment Holdings, because he refuses to account to this House about the precise way the money is being spent. It is the fact that we are met with an impenetrable curtain, again using the words that he used during his address to the nation on 18th January 2012.

And it is precisely, Mr Speaker, because of all the reasons that he outlined during the course of his speech about crisis in Greece and potential crisis as well, Mr Speaker, in Spain, that the Government ought to be cautious and ought to be prudent – and in my view borrowing at 54% of GDP with a Gross Debt of £886.7 million is not being prudent, Mr Speaker, in the current international climate.

Mr Speaker, I now turn to Government spending.

The reason why we are seeing unprecedented levels of Public Debt, is because the Government is spending at an unprecedented rate. In the year ending 2014, the Government had overspent by £50 million across Government Departments, and this year it has overspent by £28 million. This figure includes £16 million which in previous years had been paid to the Social Security Fund and from there to Community Care and which, since last year, has been transferred to a one-off payment out of surplus to Community Care. In other words, in previous years the money was paid to the Social Security Fund and then from there to Community Care. For the last two years, it has been added to the surplus and from there been paid to Community Care. This not only inflates the surplus but also deflates expenditure both in the Government's favour by £16 million. More smokes and mirrors, Mr Speaker. Importantly, however, that overspend of £28 million comes on the back of an increase in expenditure in this year alone of some £29 million, Mr Speaker.

Such is the level of Government spending that it is giving the Father of the House sleepless nights – and I regret that he is not here today, Mr Speaker, to listen to what I have to say. Because the architect of the rainy day fund, the disciple of budgetary discipline and of not living beyond one's means, Mr Speaker, has left a man in charge of his party that has absolutely no conviction for the core values those of founding fathers of the GSLP as far as these issues are concerned. Would the Father of the House have spent £6 million on a plush extension to No. 6 Convent Place; £1.2 million in travel and entertainment for No. 6 Convent Place; and all those new Mercs that the hon. Gentleman has parked in the Government garage?

And I genuinely felt sorry for the Father of the House, when he was left to explain, Mr Speaker, to Jonathan Scott of GBC that all this overspending, and spending on luxuries that are a million miles away from his core values, Mr Speaker, was due to consultants brainwashing Government Ministers. Mr Speaker that is the excuse that he gave to GBC. It is worth repeating: the Government is spending so much money

and is overspending because mischievous Government consultants are brainwashing Government Ministers into overspending, Mr Speaker.

1990 There is obviously a very serious trust issue going on there in the Government benches. I can just imagine an office at the semi-Venetian palace that has become No. 6 Convent Place, with a plaque outside it: 'Government Hypnotist, Spend without Guilt', Mr Speaker.

1995 Yes, Mr Speaker, I have to say, yes, it is absolutely ridiculous, and at one point during that interview, Mr Speaker, I thought he was going to say, 'I know that I told...' – and it is a shame he is not here, Mr Speaker, because he would recognise his words, in that interview that he gave in 2002: I know that I told Steven Neish in an interview on GBC, that I am not in the business of grooming horses, but the horse that I have in fact groomed to succeed me, Me Speaker, is the most high maintenance horse in the history of Gibraltar politics, Mr Speaker.

2000 At this rate the Hon. the Father of the House – dare I say it – will feel more at home on these benches than on the Government benches, because it is us who are talking about prudence and it is us who are talking about not living beyond your means. In the twilight of his career he is surrounded by Champagne Socialists and Liberals (*Laughter and interjections*) and he knows that when I tell him, Mr Speaker, when I tell him, Mr Speaker, [*Interjection*]... yes, and it is a shame he is not here, Mr Speaker... [*Interjection*] Champagne Socialists and Liberals, that is absolutely right. When I tell him that our ability to stand up to both Spain and, at times, the United Kingdom goes hand in hand with prudent and stable financial management, he knows that I am right; because I am taking a leaf out of his book, the leaf that appears to have escaped the Hon. the Leader of the House, the hon. Gentleman's successor to the post of leader of the Gibraltar Socialist Labour Party.

2010 Mr Speaker, on 31st March 2012 the overall recurrent departmental expenditure stood at £332.7 million. It now stands at £433.8 million. In other words, it has risen by £100.1 million per annum, or 30.4%, or £8.4 million per month. This figure does not actually take into account the change of practice in relation to the Social Security Fund and Community Care payments which I have alluded to before, in the sum of £16 million.

2015 Next year it is expected to rise by 36% from the position it was in March 2012 to £453 million and that is probably an underestimate because this year has seen a huge increase in the public service.

Mr Speaker again, as with last year, there have been huge increases in expenditure and overspending in Government Departments from the levels predicted in the Budget: 23 out of 41 Government Departments have spent more than their allocated budgets.

2020 Mr Speaker, the pernicious effect of those Government hypnotists have been fought more severely at No. 6 Convent Place, the hon. Gentleman's Department, Mr Speaker. No. 6 had an estimated expenditure of £15.6 million for 2014-15 and the actual has exceeded £20.4 million. It is in excess of a budget of £30.8 million in his own department, Mr Speaker. No wonder the Father of the House is having sleepless nights.

2025 No. 6 Convent Place is spending £20.4 million today compared to £7.5 million in March 2012 – a rise of 272% in expenditure! And the increases are across all expenses within his Department. Total payroll for No. 6 Convent Place has increased from £2.2 million in March 2012 to £4.5 million as at March 2015 with a further increase to £4.9 million by 2016. As at March 2014, No. 6 was spending £2.3 million, or a rise of 105% more, in salaries than it was in March 2012.

2030 Legal and consultancy fees for No. 6 Convent Place have increased from £666,000 in March 2012 to £3.7 million in March 2015 – a 560% increase. This, despite the fact that we have seen significant increases in legal staffing levels employed by No. 6 Convent Place during that very same period.

The mysterious Media Monitoring comes in at £450,000; travel and entertainment £1.2 million – it was £427,000 in 2012; Government communication, information and lobbying £1.25 million – it was £308,000 in March 2012; grants and donations came in at £1.84 million – it was £369,000 in 2012.

2035 Are some, Mr Speaker, of those expenses justifiable when there are schools in Gibraltar that have a huge and urgent need for attention?

2040 Mr Speaker, more is spent on travel and entertainment by No. 6 Convent Place than on books and equipment in all our schools combined – and the figure there is £980,000. Some of our schools are in dire need of refurbishment. Does he not feel a sense of embarrassment, Mr Speaker, that Bayside School is in the shabby state that it is today and that he has plush offices at No. 6 Convent Place that have cost the taxpayer £6 million? Does he not feel a twinge, Mr Speaker, of embarrassment in the contrast of those figures?

And this, Mr Speaker led by a Socialist – a so-called Socialist, Mr Speaker – a Liberal converted to Socialist, but a Socialist Government nonetheless, Mr Speaker.

2045 The Government has shown an abysmal lack of priorities in other areas too. The Marrache legal aid, £10 million: where is the priority, Mr Speaker, of spending £10 million in legal aid and legal assistance which is a combined of both, Mr Speaker, (*Interjections*) – why would he change the law which would benefit only a handful of defendants, when Bishop Fitzgerald school is in the state that it is today, Mr Speaker?

2050 They can laugh all they like, Mr Speaker, but I will be judged by a jury of the people of Gibraltar and I ask the people of Gibraltar to compare those figures; (*Interjections and banging on desks*) £10 million for a handful of defendants where Bishop Fitzgerald school is in the state that it is today, Mr Speaker.

And £3.6 million spent on the Dr Giraldi home, the conclusions of which the Government then spent its time systematically trashing... not forgetting the way that they also trashed the reputation of a highly reputable judge of the United Kingdom and of our present Court of Appeal.

2055 Mr Speaker, Gibraltar is still suffering power cuts as a consequence of the failure of the hon. Gentleman opposite to prioritise power supply, Mr Speaker, which I shall return to in a few moments – but, of course he has a plush extension to No. 6 Convent Place to show for it.

2060 Mr Speaker, turning now to recurrent revenue: recurrent revenue increased by 25% since March 2012, from £454 million to £571 million whilst as I have already said that expenditure has increased in the same period by 30%.

2065 Mr Speaker I was quite astonished when during the course of his intervention he said this – and I do not want to mis-quote him, he said: ‘Recurrent revenue increases explain why the Government can spend so much money.’ Mr Speaker, that is a complete and utter nonsense. That cannot explain... rises in recurrent expenditure cannot possibly explain why the Government is spending so much money, when the current expenditure, Mr Speaker, is increasing by more than the current revenue and the Government is spending nearly £700 million, Mr Speaker in capital projects, most of which we say – certainly Government expenditure – we say, he is tapping into money that has been transferred to Credit Finance Company Limited.

2070 So therefore, from March 2012 recurrent revenue has increased by £117 million. Of that, Mr Speaker, £48.9 million, or 41%, was accounted for by an increase in import duty, the bulk of which is of course tobacco revenue, Mr Speaker.

2075 Mr Speaker, as I said last year, increases in recurrent expenditure are expected to continue to outstrip increases in recurrent income in percentage and monetary terms next year. In fact, there is an expected decrease in recurrent revenue next year of some £11.6 million and departmental expenditure is expected to rise by £19.5 million. That is a worrying trend, Mr Speaker, that I have been alluding to and pointing to for the last two years.

2080 I now turn to economic growth. The forecast Gross Domestic Product for the financial year 2012-13 was £1.32 billion, and the forecast GDP for 2013-14 was £1.484 billion. Today the Chief Minister has said that economic growth for the year ending 31st March 2015 was estimated at £1.64 billion, an increase of 10.3%.

2085 These figures are very good figures, and yes, I have no hesitation in saying that. But that growth, as the Chief Minister readily admitted in an interview with Peter Schirmer of the *Chronicle*, is being driven almost entirely by Government projects which we would say are funded by direct or indirect Government borrowing. So it is not the case as he has said today that the main driver of economic growth is the private sector, and there is an inconsistency yet again, one of many, between what he said to Peter Schirmer at the *Chronicle* and what he has said today during the course of his intervention.

Indeed, that growth is being funded by direct and indirect Government debt, is what the Father of the House said – Mr Bossano – in a debate on one of the motions in relation to my Magazine interview a couple of months ago, when he said – and I quote:

‘The entire global economy is engaged in quantitative easing. Engine of growth is government selling debt to central banks. The entire global business community also does gearing by which they invest more than they have and they make a profit because the result in borrowing and investing at a margin means the equity holders get a better return. Without borrowing we would be living like Neanderthals in Gorham's Cave. It is true that in Opposition the GSLP criticised the level of debt but it is also true that I never did.’

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– and that is the point that I made earlier before–

‘I always said the important thing is not how much you borrow; the important thing is how you use the money that you borrow. If you use the money to invest profitably it allows you to service the debt and pay the loan and have money for something else. If you borrow £100 and you waste it that's bad borrowing. And if you borrow £1,000 and make a lot of money that's good borrowing. So the judgment has to be if the money borrowed is going to result in the creation of growth. What you don't do is borrow to create pay rises because then you can never escape that debt trap’

2095 Well, Mr Speaker, he is absolutely right. Government growths in the economy are being driven by increases in debt by what the Government is borrowing both directly in the £347 million Net Debt, £447 million Gross Debt, and also the money in Credit Finance Company Limited.

But, of course, at some stage the £886.7 million gross will have to be repaid and we cannot judge the ability of the Government to do so from the information that he has provided. So we cannot say, we cannot

judge whether it is good borrowing or bad borrowing to use the Minister for Economic Development's words. It is certainly *not* economic growth generated by huge investment and that is why it is important that the Eastside Development commences as soon as possible. It cannot come too soon, Mr Speaker.

The Hon. the Chief Minister has been promising inward investment since he was Leader of the Opposition when in an interview with Gerard Teuma in May of 2011, he said that he had investors up his sleeve and all that he has been able to show for it so far, has been a coin-minting company from Austria.

That is why, Mr Speaker, we welcome the Eastside Development. But it is also fair to say that we have been here before on the Eastside Development. The first GSLP Government in the 1990s came very close to concluding a deal, and in 2005 the then Chief Minister, Peter Caruana, and the then Trade and Industry Minister, Joe Holliday, signed an agreement with the Reuben brothers and Multiplex Construction Limited, Australia's largest construction company and a leading property developer in the United Kingdom, for an investment in the Eastside worth well over £1 billion. Unfortunately the economic slump post-2007 prevented the project from prospering.

The GSD hopes, in the national interest, that this latest project prospers and wishes the Government every success in that regard. Anything that creates jobs and economic development in Gibraltar will be welcome and will be supported by the GSD.

Mr Speaker, there are a number of further issues that I want to touch upon before I conclude, that do not relate to the figures in this year's estimates and expenditure.

I start in this regard with the LNG power station. I remind the hon. Gentlemen opposite that it was their manifesto commitment that they would honour any binding agreements that we had signed in respect of Lathbury Barracks Power Station if they won the 2011 election. And of course we had signed binding agreements with the French company for a power station at Lathbury Barracks; and if they had honoured that contract, then power cuts would have been a thing of the past because that power station would have been built by now. There is absolutely no doubt.

So when he talks about power cuts being the responsibility of the GSD Government, he is talking absolute nonsense and I do not understand how on earth he can make that point. That power station would have been built by now and the decision to scrap it is entirely theirs.

And it is not only the fact the power cuts would have been a thing of the past had they built that power station, it is the safety that concerns the GSD Opposition, because what they have done is not only do away with a contract that we signed for the Lathbury Barracks but to plunge headfirst into plans to build an energy power station at the North Mole, without having any safety reports at all that tells them that it is safe to do so, Mr Speaker. The timeline, that we know from press releases, that the hon. Gentlemen opposite had themselves published, is that the first time that they went to the Health and Safety Executive in the United Kingdom, that they first made contact, was on 7th June 2013 and the Health and Safety Executive came to Gibraltar for the very first time in January 2014.

The policy decision for the LNG power station was made in 2012, it went out to tender at the beginning of 2013 and tenders closed in August 2013. It is just simply impossible for the hon. Gentlemen to have had any safety reports of any kind of cogency, before they made that ill-fated decision to locate an LNG power station at the North Mole. And if I am wrong, I challenge him in front of all the people of Gibraltar in these debates to publish the expert reports that he had in 2012 and 2013 when he made those decisions. He cannot, because he had no expert reports, Mr Speaker, and he still does not; and when he gives his personal guarantees that he has given today about having a mature operation for LNG, a risk analysis that will be put to the people, there is going to be less risk than an aeroplane crashing, he is talking without having the tools at his disposal because he has no expert reports at his disposal – and if I am wrong let him prove it, let him publish it.

And before I go from this particular issue I should say this: over the last couple of weeks when there have been renewed power cuts, the GSLP Party machinery has gone into overdrive, claiming that somehow all those power cuts were due to sabotage on behalf of the GSD. (*Interjections*) Well, yesterday there was a power cut of some 10 minutes and I have a cast-iron alibi, Mr Speaker, because I was at the American Chamber of Commerce conference with the hon. Gentleman and he saw me there. But of course I cannot account for the movements of Mr Netto (*Interjections*) who may have been spotted wearing a balaclava with wire cutters, jumping fences into the Spark's generators, pulling the plugs so that we had the power cuts of yesterday. (*Interjections and laughter*) What an absolute nonsense, Mr Speaker, what an absolute nonsense, and it just reeks of absolute panic on the part of the gentlemen opposite!

Mr Speaker, I, too, want to pay a tribute; I, too, want to thank all the members of staff of this Parliament for the assistance that they gave to the Opposition during the course of these last four years. If it was not for the assistance that your staff provide, Mr Speaker, our job which is already a difficult one would be doubly difficult.

I also want to congratulate Frances Garro, on her award, it is a very well-deserved award indeed (*Banging on desks*) and I have no hesitation in joining the Leader of the House in his voice in that regard.

2160 Mr Speaker, I also want to pay tribute to a man who has spent 23 years in this Parliament, 16 of which he served as Chief Minister of Gibraltar, 22 years as leader of the party that I have the privilege to serve. It is his last budget and I want to say to him that it has been an absolute privilege for me, an absolute privilege, and an honour to form part of his Executive for the last 11 years, eight of which he was the leader, four years as his Minister for Justice. I have described him as the greatest Gibraltarian of our time and without denigrating anybody, I do not resile a single word from that description. (*Interjections*)

2165 I want to thank him, [*Laughter*] I want to thank him for giving me a political home, Mr Speaker, [*Laughter and interjection*] and for taking me under his wing nearly 11 or 12 years ago. And I wish him, on behalf of the GSD – and I am sure that I do so on behalf of this entire House – all the best, all the success for the future in his legal practice and whatever else he decides to do. Anything away from politics is well-deserved for all the service that he has given the people of Gibraltar. (*Banging on desks*)

2170 Mr Speaker, in the final analysis, and to conclude, this Chief Minister is leading a Government that does not deserve the trust of the people of Gibraltar: a Government that is going to extraordinary lengths to keep half the Public Debt and spending from the scrutiny of this House and from the public that we are all here to serve; a Government that is effectively using the Gibraltar Savings Bank to circumvent legal borrowing limits established by this House in order to prevent any Government from borrowing in a manner that becomes unaffordable for this community; a Government that has shown itself to be the most opaque in the history of this House and through that opaqueness is in practice preventing this House from spotting emerging financial problems before they become too big to deal with.

2175 A Government that, even when one excludes hidden spending and hidden debt, is spending money as if it were going out of fashion and has saddled this community with the highest levels of Net Debt we have seen, in circumstances where the Chief Minister told the people of Gibraltar that we, the GSD, were addicted to debt when Net Debt stood at a fraction of what it is today. A Chief Minister that prioritises expenditure in his own Department and luxuries rather than on schools; a Government and a Chief Minister, Mr Speaker, who in short, does not deserve the trust of the people of Gibraltar. (*Banging on desks*)

2185 **Chief Minister (Hon. F R Picardo):** Well, Mr Speaker, I hope at least his friends and family tell him that was a good speech.

I propose that we come back at 4.30 p.m. to hear something much more insightful from the Deputy Chief Minister.

2190 **Mr Speaker:** The House will now recess until 4.30 p.m.