

**THE CHIEF MINISTER'S  
BUDGET ADDRESS  
2017**



**HM Government  
of Gibraltar**

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**Her Majesty's Government of Gibraltar  
6 Convent Place  
Gibraltar**

Mr Speaker

I have the honour to move that the Bill now be read a second time.

## 2. INTRODUCTION

3. Mr Speaker, this is my sixth budget address as Chief Minister.
  
4. It is in fact my second budget address since our re-election to Government in November 2015 with a huge vote of confidence from our people, and I now have the honour to present the Government's revenue and expenditure estimates for the financial year ending 31<sup>st</sup> March 2018.
  
5. During the course of this address, I will also report to the House on the Government's revenue and expenditure out-turn for the financial year ended 31<sup>st</sup> March 2017, which was the fifth full year of a Socialist Liberal Administration since we took office on a warm autumn day in December 2011.
  
6. Mr Speaker, as has been traditional now for almost thirty years since the first GSLP Chief Minister delivered the first GSLP Budget in 1988, my address will of course be NOT JUST my report to the House on the Public Finances of our nation and the state of the economy generally, but also a Parliamentary 'State of the Nation' review of the economic and political future facing Gibraltar.
  
7. There could be no better way, Mr Speaker for the GSLP to celebrate its fortieth anniversary than with the honour of a second GSLP Chief Minister delivering a Socialist Budget for Gibraltar.
  
8. It is indeed noteworthy Mr Speaker in partisan terms that the AACR and the GSLP are the only parties in Gibraltar's history to date that are able to boast two different Chief Ministers in their ranks. Moreover, Mr

Speaker, the GSLP is the only party to date to have two different leaders become Chief Ministers after leading the party to win elections.

9. Today, I will, of course, also outline the budget measures that the Government will introduce this year, in pursuance of our manifesto commitments and in order to continue to address the social and business needs of our community in the developing context of the decision of the United Kingdom to leave the European Union.

### **RECOGNISING THE WORK OF PARLIAMENT'S STAFF**

10. Mr Speaker, before I start the substance of my economic analysis today, I want to extend my thanks to the Clerk of the House and his staff. They do a huge amount of work unseen during the year in order to ensure that our democracy works.

11. Since the last Appropriate Debate in this House, there has been no election or referendum, but there has been a Gibraltar meeting of the Commonwealth Parliamentary Association. Members of the CPA who visited Gibraltar were, as ever, impressed by the magnificent locations they visited and by the organisation of the events they were engaged in. I know that took a lot of hard work from the Clerk and all members of the staff of the House. I am sure that there was a helpful guiding hand from you Mr Speaker. I therefore want to extend the sincere gratitude of the Government and I am sure all members of the House for the work you have done throughout the year to assist us all, from the eldest member to the newest member, as we all rely on you – in equal measure – for cribs, for questions and for answers to be provided when we need to ask or answer. As Leader of the House, my sincere thanks no doubt on behalf of all of us to Daniel, Frances, Kevin, Paul and you, Mr Speaker.

### **OBJECTIVES**

12. Mr Speaker, as has been the case with all my Government's previous budgets, this budget is designed with prudence in mind, to support our working families, young people, the elderly and the disabled.

13. Mr Speaker we will aim today to continue to put in place measures to make Gibraltar the most attractive place in Europe and in the Mediterranean to do business.
14. And we will do so whilst continuing to invest in our youth, because they are the future and we must never stop investing in the future.
15. And we will do so whilst continuing to support senior citizens in our community, because they built this nation and we must never forget their contribution to the prosperity we enjoy today.
16. And we will do so without forgetting those worse off in our Community who cannot help themselves.
17. But this is not a Budget, Mr Speaker, for those who won't help themselves thought they could.
18. This will not be a Budget for those who won't work when they could.
19. Because, above all else, Mr Speaker today this Chamber will receive a budget designed to encourage business, to continue to improve our public services and to deliver sustainable growth in our economy.
20. Mr Speaker, this budget reflects my Government's ongoing commitment to improve the quality of life and standard of living of all our citizens.
21. That has been our hallmark to date and we will not change the direction of travel.

## THE CURRENT POLITICAL SITUATION

22. Mr Speaker, last year I rose to address this house less than ten days after the result of the Brexit referendum. It is true to say that the United Kingdom had shocked us all as much as it had shocked itself with the result of that poll. Prime Minister David Cameron had just resigned and we awaited the outcome of a leadership contest in the Conservative party before the direction of travel for the United Kingdom might become clear.
23. Well, one year on Mr Speaker, can we say that things have changed or developed much?
24. The recent, inconclusive result of the unexpected General Election in the United Kingdom has left even the most seasoned political commentators scratching their heads as to what form of Brexit Britain is likely to achieve.
25. In recent days, there is even comment that questions the result of the referendum and whether leaving the EU is an objective that the United Kingdom can fulfil without considerable economic loss such that it may not be a deliverable goal that the public will accept.
26. Will the UK end up with an EFTA deal like Norway? Will Gibraltar's stalwart friend, Philip Hammond be Prime Minister Will the United Kingdom stare into the Brexit abyss in 2019 and decide it is not viable after all. All of that is in the informed, broadsheet comment just in the past forty eight hours from the best commentators and the most respected news sources.
27. But Her Majesty's Government of Gibraltar cannot deal in speculation or in hope. We must deal in facts and plan for eventualities beyond those appearing at first blush.

28. The facts as they are before us are clear: Article 50 of the Treaty of Lisbon has been triggered by the United Kingdom. The UK will not be a member of the European Union by midnight on the 29<sup>th</sup> March 2019.
  
29. If, as appears to be the case, the United Kingdom is leaving the European Union, then we are leaving the European Union with the United Kingdom.
  
30. No-one in Gibraltar has any interest in accepting an offer of joint Spanish or otherwise diluted British sovereignty in exchange for continued membership of the EU.
  
31. It is now finally accepted by all parties that Gibraltar is a part of the exit negotiations.
  
32. There is an attempt by Spain to exclude the application to Gibraltar of any new relevant trade arrangements between the UK and the EU.
  
33. The United Kingdom's Secretary of State for Exiting the European Union, David Davis has been clear and unequivocal in his conversations with me in saying that the United Kingdom will not do a future trade deal with the EU that excludes Gibraltar. In addition, the United Kingdom, through its Secretary of State for International Trade, Liam Fox, and its Minister for Exiting the EU, Robin Walker, has been clear in stating that, when it comes to financial services, there are strong mechanisms already underpinning Gibraltar's access to the UK market which are enshrined in UK law and that the UK government will maintain that access.
  
34. We have also agreed that, together, we will examine ways to broaden our economic cooperation and increase market access, and will take into account the priorities of Gibraltar as the UK looks to establish new trade and investment agreements with the wider world.

35. Mr Speaker access to the United Kingdom market is essential in financial services. Maintaining that position as it is today agreed with the United Kingdom. It is now a question of finessing mechanisms.

36. That is something tied in with the Great Repeal Bill to an extent, as the measure which today allows access initiated as a measure giving effect to the EU Single Market Passporting rules.

37. We are already engaged in detail in this respect with the UK. The Attorney General, Michael Llamas, is ably leading a team on these issues with Paul Peralta of the Government Legal Office's drafting team.

38. Similarly, access to the new trade deals the United Kingdom will do and its double taxation network is an important part of the future for Gibraltar. We are working closely with the Department of International Trade on these matters.

39. We genuinely believe that Gibraltar will be able to carve out an important niche as a gateway to the UK for business already in the EU. Those who might have been rubbing their hands with glee to take our EU business may in fact now find all their UK facing business come to us.

40. We shall see, Mr Speaker.

41. The decision of the EU Council to accept a proposal by Spain to seek to exclude Gibraltar from any future UK / EU trade agreement which was advanced by the Spanish Prime Minister at the partisan European People's Party congress held in Malta, disappointed many Gibraltarians.

42. Make no mistake about it, Mr Speaker, we expected nothing better from Spain. But the attitude of the EU Council disappointed every Gibraltarian who had voted to remain in the European Union. The inclusion of that clause felt like a slap in the face of the smallest jurisdiction in the EU by the most powerful of institutions.

43. Indeed, I doubt the EU will ever enjoy emotional support in Gibraltar again, even if we all would still see the benefits of remaining in the Union and even if, in the end, the United Kingdom were to remain the EU. The effect clause 24, however, will have to be seen. At the moment, that clause is just one of many guidelines given to the EU negotiators.

44. The position of the Gibraltar and United Kingdom Governments in respect of that clause is well known. In this respect, I would counsel our people to allow the Spanish media their time to gloat and to await the outcome of the negotiations.

45. I would put it this way, I have never seen a Spanish media outlet forecast a loss by their teams or competitors of any sporting event, regardless of how disastrous the final result may be end up being. The Government of Gibraltar will work to defeat any attempt to exclude Gibraltar from any measures which might be advantageous for Gibraltar, of that everyone in this community can be sure.

46. In that respect, Mr Speaker, I am able to announce today that the Gibraltar Consultative Council, which was created by this Parliament by statute is expected to meet for the first time on Monday the 24<sup>th</sup> of July. I will welcome the opportunity to share candidly with the members of the Council, the Government's ideas and concerns. Those who are not office holder members of the Council will shortly be notified of the invitation to be a part of the Council.

47. The Governor of the Bank of England, Mark Carney, has warned that Brexit is unlikely to be "a gentle stroll along a smooth path to a land of cake and consumption." Mark Carney warned that Brexit is likely to lead to "weaker real income growth" as new trading arrangements with the EU come into force. In a keynote speech last week at Mansion House, he said that "since the prospect of Brexit emerged, financial markets, notably sterling, have marked down UK's economic prospects".

48. Mr Speaker I think it is important to reflect that the two UK Cabinets we have seen in place since this speech last year contain past and new

friends of Gibraltar. Apart from Philip Hammond, we have seen a champion of Gibraltar's cause like David Lidington now elevated to the prestigious post of Lord Chancellor. We have seen long time friend of Gibraltar, Liam Fox, appointed to the crucially important post of Secretary of State with responsibility for International Trade. And we have seen Sir Alan Duncan, a former resident of Gibraltar as a boy, appointed as Minister of State for Europe. And a former Governor's ADC, the valiant Tobias Ellwood, who displayed heroic qualities on the day of the attack on Westminster Bridge, is now a Minister in the MOD.

49. But the most revealing appointment has no doubt been the appointment of Robin Walker as Minister of State in DeExEU. Minister Walker has been able to assimilate and understand the issues which affect Gibraltar. He has been able both empathise and analyse in equal measure the concerns we have put to the United Kingdom. Last year, Mr Speaker, in this debate, I told the House that after meeting the Minister for Europe, then David Lidington, I had received the British Government's assurances in writing that we would be "fully involved" in the process that was then getting underway in the UK to give shape to Brexit. Since then, after the two Cabinet reshuffles, both Robin Walker and Mr Lidington's successor, Sir Alan Duncan, have been extraordinary helpful advocates for Gibraltar into the wider UK administration as a consequence of the detailed exchanges we have had pursuant to the operation of the Joint Ministerial Council specifically created for Gibraltar in the context of that full involvement in the UK's exit from the EU.

50. In the year since then, I have given evidence to the Brexit Select Committees of the House of Lords and of the House of Commons. Both have issued reports referring to Gibraltar. The deputy Chief Minister and I, as well as the Minister for Financial Services, have featured on innumerable international television and radio interviews as well as hundreds thousands of references in print and online media reports on Gibraltar.

51. The exposure for Gibraltar has been remarkable and, indeed has helped to garner publicity that has turned to new business as opportunities start to become palpable even in the context of an as yet undefined final post-Brexit situation. But the certainty we have played over and over again has been access to the UK market and that has been the centre piece of all our interventions.

52. I will say little more now about the detail of the Brexit. Much has already been ventilated in our press statements, much cannot really be aired publically, and much will be said during the course of the intervention to come from the Honourable the Deputy Chief Minister.

53. What I want to stress to the whole Nation, Mr Speaker, is that, just like last year, the final shape of what will be our membership or association with the European Union after 2019 is not yet clear.

54. The future relationship between the UK and the EU is – one year on – not yet discernible in any analytically reliable way.

55. And just like last year we need to keep both united and very alert to all possible permutations facing us.

56. That is the key to being more than just taken along in the process.

57. That is the way the post-colonial people of Gibraltar must be ready to plan and act.

58. To be fully involved in shaping the post Brexit arrangements that will apply to us and not accepting that we might simply be told by others what is good for us.

59. Mr Speaker, in relation to this, the Honourable the Deputy Chief Minister has been, as throughout the past twenty seven years, been a rock for me as usual in my work on behalf of us all in respect of the Brexit. The team made up of him, the Attorney General Michael Llamas, the Financial Secretary Albert Mena and our representative in London, Dominique Searle are the core of the Gibraltar Brexit team.

60. Mr Speaker, what we have been at pains to say also is that we are not a part of the “anti-immigration” chorus that has appeared in the United Kingdom. I have emphasised over and over again, as I told the House last year, that Gibraltar remains a cosmopolitan Mediterranean business hub. We remain proudly and happily multi-faceted, multi-cultural and multi-ethnic. And that will not change.
61. Neither will our attitude change to the many people who cross the frontier every day to work in Gibraltar, of whatever nationality they may be.
62. At this point Mr Speaker I want to set out the position of Her Majesty’s Government in respect of EU Nationals in Gibraltar after the date that the United Kingdom leaves the EU.
63. Mr Speaker, from the first moment after the result of the referendum was known, I made clear that all those EU workers amongst who were welcome before the 23<sup>rd</sup> of June last year would remain welcome in Gibraltar.
64. We recognise their huge contribution to our success, which is tremendously valued by all in our Community.
65. Mr Speaker, twelve thousand people cross the frontier every day to work in Gibraltar. Seven thousand are Spanish. So Brexit affects British Gibraltarians, Other British citizens, Spanish citizens and other EEA citizens as much as it does third country citizens.
66. The House is aware of the details of the independent report of the Chamber of Commerce about the effect of Gibraltar’s economic activity on the neighbouring region. A quarter of all jobs in the Campo and a quarter of the GDP of the Campo linked to Gibraltar. Brexit does not change that.

67. In fact, it accentuates that. That is why I have continued my contacts since last year with the Mayor of La Linea, Juan Franco and with the Spanish Unions Comisiones Obreras, and UGT directly. I have continued to make clear to them that the Government of Gibraltar will not create any obstacles to the free movement of workers coming across the frontier.

68. I have also continued contact and support for the excellent Cross Frontier Group established by Unions and employers' representative organisations from both sides of the frontier.

69. Today I can confirm that we will join the United Kingdom in respect the acquired rights of all EU nationals established or working in Gibraltar before the final cut off date that might be agreed between the UK and the EU.

70. Neither will we have an issue with any disputes in respect of this class of EU Citizen being determined by the European Court of Justice.

71. Mr Speaker, our position in this respect has been clear from the moment that the referendum result was announced. We have not wanted any EU national to have any uncertainty in the lives in respect of this matter.

72. The Government of Gibraltar has full Constitutional competence in respect of matters of immigration.

73. The position of EU nationals in Gibraltar after Brexit is therefore one for this Parliament to determine in immigration legislation; whether in respect of those already established here or working here, or those who come in future.

74. And in respect of those who might come in future, it is of course, right, Mr Speaker, that as a matter of legal logic and international comity, that

the potential effect of Clause 24 of the EU negotiating guidelines should be clear.

75.If the UK and the EU enter into new, post-Brexit, trade arrangements in future which extend rights to EU nationals arriving into the UK to establish themselves or to work AFTER the UK has left the EU, those arrangements will NOT apply in Gibraltar if the effect of the application of Clause 24 has been to exclude Gibraltar from any such new trade arrangements.

76.In effect therefore, any new Spanish or EEA nationals entering the job market after the 29<sup>th</sup> March 2019 will – as things currently appear to stand – enjoy only the generous rights enjoyed by those who are today third country nationals, not those more extensive rights enjoyed today by EU nationals.

77.That position is, Mr Speaker, the position that Spain seeks for its nationals and other EEA nationals arriving in Gibraltar in the future after March 2019.

78.We will see how all that plays out Mr Speaker, but one thing is for sure, this Government of Gibraltar – and I am sure I speak for the whole House in this respect Mr Speaker - will not allow Gibraltar to be discriminated against and yet extend generous rights to the nationals of those who are discriminating against us.

79.For it should be clear that the people of Gibraltar are not going to be pressured to surrender sovereignty in exchange for EU rights or access to the Single Market or anything at all.

80.The mind boggles that there are still some in Spain who think we might. If there is one thing that has marked out our past five years in Government it is our resolute commitment NEVER to compromise the Sovereignty of our nation.

81. Indeed, Mr Speaker, that is the only ring of steel which I would recognise: the one around the sovereignty of Gibraltar!

## **EARLIER ACHIEVEMENTS**

82. And Mr Speaker in that respect, we are alive to the reality that the right to self determination is the preserve of those self sufficient economically.

83. In the past five years the administration that I lead has delivered continued prosperity to all sectors of our community.

84. During our first term in office the GSLP LIBERAL administration delivered economic growth of over 10% per annum against a backdrop of record levels of annual recurrent budget surpluses peaking at £61.1m in financial year 2013/14.

85. Revenue has increased from £350m in the GSD's last full financial year in office to £615m now. That represents a growth in government revenue of 75%. Expenditure in the same period has risen by 60% from £372m to the £597m we are debating in this House. Our income has increased more and faster than our expenditure.

86. That is exactly what the prudent and cautious way to grow!

87. There has also been a significant increase in our employment levels. In our first term employment levels went from 22,247 in October 2011 to 26,144 in October 2015.

88. Mr Speaker that is a growth of 17.5% in the numbers of people employed in our economy in our first term in office alone.

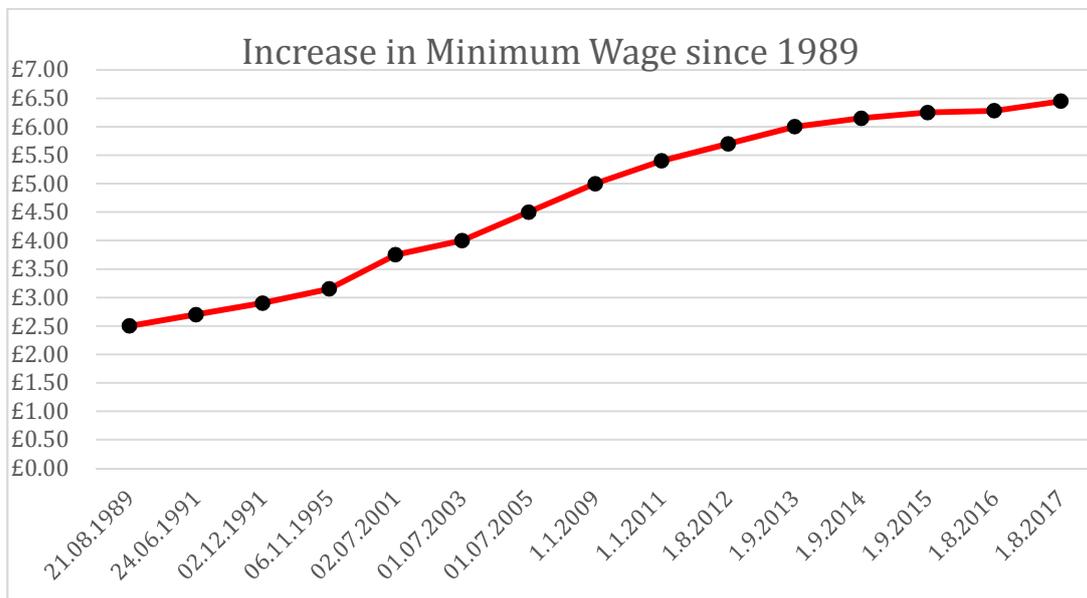
89. And the Government has delivered an overall reduction in the cost of doing business in Gibraltar.

90.The Government has provided support for our working families with income tax levels already being abolished for those with income levels below £11,050.

91.Mr Speaker, the first GSLP Government led by Joe Bossano introduced the Minimum Wage.

92.The Second GSLP Government, in partnership with the Liberal Party, went even further increasing the minimum wage by 16.3% since our first budget in June 2012 despite criticism from some that we had increased it too much.

93.Inflation in the same period has been 5.65%.



94.So, Mr Speaker, the minimum wage has increased in our time in office by just under three times inflation since we were first elected.

95. And in addition we have exempted the lowest paid in our economy from the tax net altogether.

96. That is our record so far.

97. At every stage, therefore, Mr Speaker, we have the lowest paid in our community in mind when setting policy and when determining how to budget the finances of our Community.

98. There have also been significant reductions in income taxes for all taxpayers and working families in Gibraltar.

99. So much so, Mr Speaker, that I am proud to be able to stand here and say that the Government that I lead is giving back MORE MONEY TO TAXPAYERS EACH YEAR BY WAY OF REBATES THAN ANY GOVERNMENT EVER BEFORE IN THE HISTORY OF GIBRALTAR!

100. I will say a little more about this later on in my speech, Mr Speaker, but it is a proud boast indeed for a Socialist Chief Minister to be able to say that our Government is calculating assessments more quickly than ever before and is rebating monies more quickly than ever before.

101. We are also, ironically, Mr Speaker, the Government that is owed the highest amount in taxes by increasing allowances.

102. Perhaps someone might be foolish enough to have come to this debate thinking that they might run an argument about the surplus being significantly reduced or extinguished by the amounts owed by the Government in tax rebates.

103. If so, they had better think again and quickly scribble that bit out of their speech and scrap it.

104. But we will come to that.

105. Mr Speaker, despite repeated criticisms in this House, the Government has also ensured that our partners in the delivery of this administration's policies, aims and goals, our magnificent public servants, have also generously benefited from the economic success they have worked to assist in delivering.

106. Public sector pay in Gibraltar has therefore increased, since the GSLP-Liberal Government was elected by 14.3%, well over inflation which was 5.65% for the same period, but nonetheless by a lower percentage than the increase in the minimum wage of 16.3% which I referred to earlier.

107. And that is despite public sector salaries in the United Kingdom, with whom our public sector used to enjoy "parity", salaries have been frozen or subject to increases of just 1%.

108. Indeed, our public servants have also benefited with public sector pay increasing annually by an average of over 2.8% over the five years when inflation in the same period has averaged 1.13%.

109. Mr Speaker, I am proud indeed of that investment in the greatest asset that we have in Gibraltar aside from our precious land: our people and in particular the people in our public sector.

110. And Mr Speaker the elderly in our Community have also been net winners in the past five years as we have also continually invested in their well-being, their care and their income levels.

111. Mr Speaker, the Gibraltar that we have today we owe to the generations that come before us.

112. I spoke two years ago, on the seventy-fifth anniversary of the evacuation, of the “Evacuation Generation.”

113. This year, as we celebrate half a century since the referendum when our people first made a free choice to remain British, our community needs to reflect on the generation that made that choice.

114. In those distant days of the Cold War and a different world, the threat they faced from across the frontier was as clear and unequivocal as it was belligerent. Facing restrictions at the frontier and other obvious coming discomforts, those of voting age on the 10<sup>th</sup> of September 1967 went to the polling stations and deposited ballots which were not designed to appease, they were designed to express a free choice uninhibited by the fear of bullying.

115. That, Mr Speaker, is the “Referendum Generation” that we must honour and celebrate this year. Announcements will be made by the Deputy Chief Minister of special events being organised in September to commemorate the referendum of 1967.

116. All of those who voted in the referendum are now senior citizens, although as I am repeatedly told these days, sixty is the new forty, seventy is the new fifty and, apparently, seventy eight is the new thirty! At least, so it would appear from seeing the work rate and sharp brain of Joe Bossano...

117. Anyway, Mr Speaker, that is why our senior citizens have shared in our nation’s economic success with annual increases in old age pensions amounting to 10.5% since 2011.

118. Again, Mr Speaker, it is worth remembering inflation for the same period has been just over 5.6%.

119. That illustrates that the GSLP-Liberal Government has delivered pensions increases at almost DOUBLE the rate of inflation.

120. For public sector pensioners, Mr Speaker, we have re-introduced WOPS. I will be opening the WOPS window again for a short period this year. Additionally, I will be making a change to the qualification criteria for WOPS towards the end of my address.

121. Perhaps most importantly, Mr Speaker, we have maintained a Savings Bank ten year product offering 5% interest per annum for our pensioners so that they have also been able to continue to enjoy above market interest rates on their savings with the continued availability of high interest monthly income Government guaranteed debentures. And this despite the spread with the Bank of England rate having got larger as the interest rates have gone down.

122. And Community Care has received a considerable part of the surpluses of each year, ensuring that the Trustees of that Charity have considerable assets available to them to ensure their ability to continue paying the House Hold Cost Allowance for years to come.

123. Yet not all is money, Mr Speaker. And our elderly citizens have also seen us benefit them by the establishment of better services which they are likely to need. The two most relevant are of course the Dementia Residential Facility at Hillside and the Dementia Day Centre at Bella Vista. These are two absolutely 'state of the art' facilities in which we have invested capital and in which we will now incur recurrent expenditure. But we do so, Mr Speaker to provide an important and first class public service from which senior citizens and their relatives will benefit.

124. In past years, I have also been able to point to the significant increases we have delivered in reducing the burden of taxation for our disabled on the allowance-based system. We have also introduced import duty reductions on goods used by disabled members of our community. Led by Samantha Sacramento and Joe Bossano, that policy initiative has been particularly positive in ensuring that our assistance to those in our community who are disabled has not been based on gifts, grants or

charity, but on dignity, respect and encouragement. That is why we have grown previously frozen “in work” allowances for the disabled and those they depend on.

125.Mr Speaker, on this side of the House we do not believe in discrimination. In particular, we do not believe in age discrimination, one way or the other.

126.For that reason, in the same way as we have supported the elderly in our community and those of working in age, in these past five years, we have also acted to support young people.

127.We have funded the creation of new opportunities and we have increased the funding available for studies abroad. Mr Speaker I am particularly pleased by the internships at the Washington Centre in the United States, which exposes our young people to US entrepreneurship as well as to the political system of that great Nation.

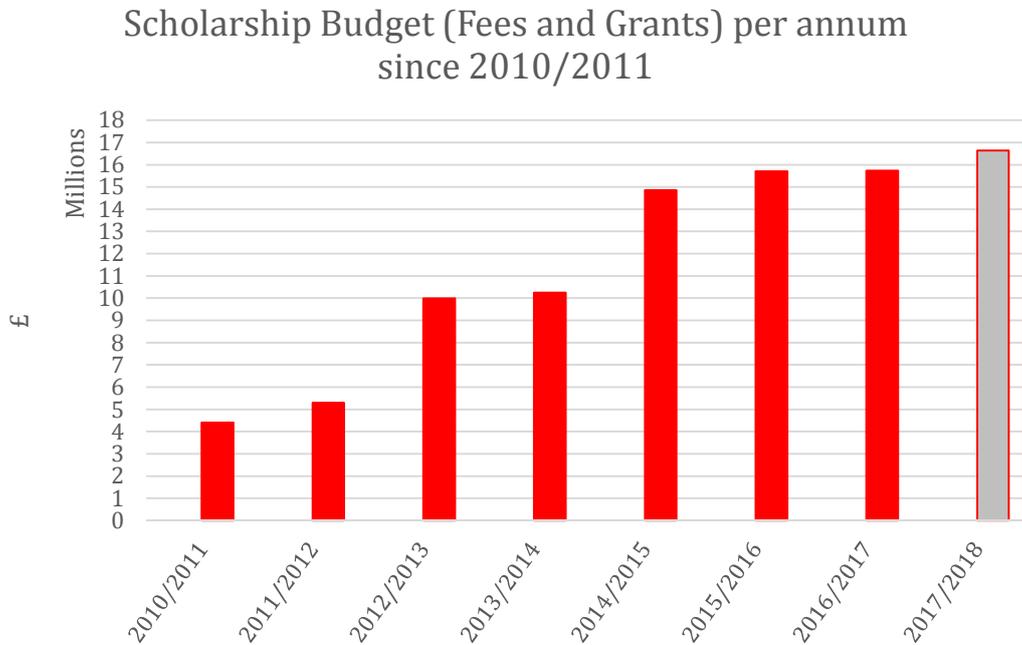
128.I am also very pleased to see that in the past five years student maintenance grants have risen by 16.1% or by three times inflation.

129.Mr Speaker it was the GSLP Government that introduced the compulsory student grant in 1988 to cover tuition fees as well as maintenance.

130.Mr Speaker we were against the requirement of the GSD when in office that Gibraltarian students should have to take loans from the Student Loans Company to fund their tuition fees. If that had not stopped before the election, we would have stopped it.

131.Now, again in Government, we have not just increased the maintenance grant, we have also increased the scope of scholarships. We have extended the right to a scholarship to cover post graduate studies also.

132. Mr Speaker, as a result investment in our students has increased from £5.2m in the financial year 2011/12 to £16.6m.



133. We have increased the investment in tertiary education of our students by £10m a year over the past five years.

134. There are those who argue for less spending who would not make these investments. We are proud to do so.

135. Mr Speaker we have increased spending on scholarships for our students by 214%.

136. Of that, Mr Speaker we are extraordinarily proud.

137. But the investment has not just been in scholarships for our university students travelling abroad. We have also built and developed a university.

138. And not content with that, Mr Speaker, we have also, already, in five short years, built two new schools for our infant and middle school pupils at St Bernard's school and we have increased the number of teachers in our schools.

139. We will go further Mr Speaker.

140. As previously explained to this House, a working party composed of teachers, parents and the teachers' association was set up by the Government to study the desirability or otherwise of converting our two comprehensives into mixed gender schools. The Working group on Co-Education has now reported back and presented its recommendations, which have been accepted by the Government.

141. The Minister for Education will be providing more extensive details in his budget speech, but I am pleased to announce that the process to introduce full co-education in the two comprehensive schools will now commence.

142. To coincide with this, there will also be a re-alignment of the key stages in the education curriculum, to follow the practice in England and Wales, with children entering the Comprehensive Schools one year earlier, at the beginning of year 7, and schooling will be provided for all children at pre-school level.

143. These changes will coincide with a programme to provide new schools to St Martin's our first priority, Notre Dame, St Anne's, Governor's Meadow, Bishop Fitzgerald, Westside and Bayside Schools.

144. Exciting plans are also being developed for both St Mary's Middle School and St Paul's School.

145. That is delivery of our *Manifesto-PLUS*, with the intention of these new educational facilities opening in September 2019.

146. At this time, the first stages of transition to mixed gender comprehensives will be made and the manifesto promise of providing hot schools meals will be fully realised.

147. Mr Speaker, the Community will want to listen carefully to the statement from the Honourable John Cortes who will provide greater details in his contribution to this debate.

148. We will also now carefully consider the introduction in Gibraltar of a new 'T-level' system as has been announced in the United Kingdom, which overhauls how technical education is taught and administered and aims to put the courses on an equal footing with academic work. The UK's plans were [announced in the budget](#) By Chancellor Philip Hammond and will increase the number of hours students train by 50% and replace the current 13,000 qualifications with 15. The Chancellor alluded to that fact that "There is still a lingering doubt about the parity of esteem attaching to technical education." We agree, Mr Speaker because as the Budget Document discloses, while the academic route through education, from GCSEs to A-levels and on, is well-regarded, more needs to be done for technical education. We will seek to bring about implementation of these new courses by 2019 as is the expectation in the United Kingdom.

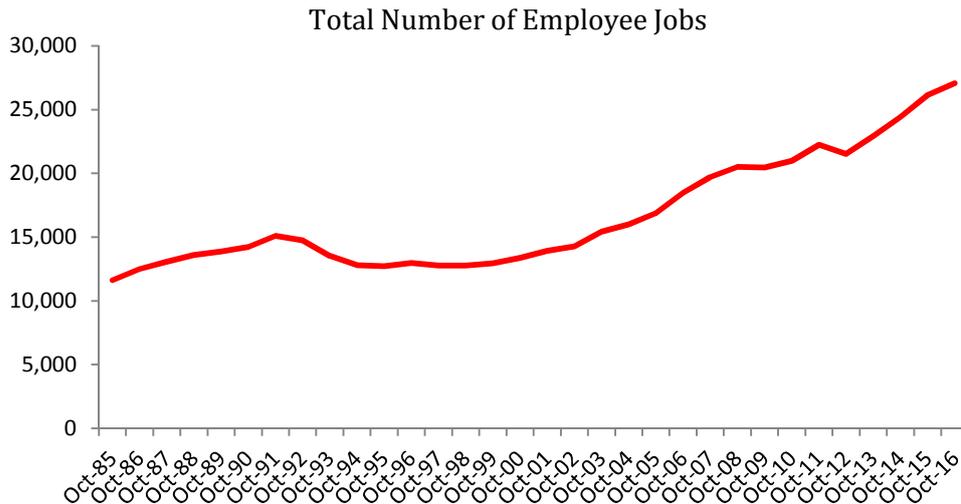
149. This new approach to technical education and new style apprenticeships will be in addition to the excellent work done already as a result of the Future Job Strategy. That highly successful mechanism has taken so many out of unemployment and given them worthwhile, meaningful jobs.

150. The reality of that can best be seen by looking at the reality of employment in our economy.

## **JOBS**

151. The number of jobs in our economy reached a record high of 27,073 in October 2016, representing an increase of 3.6% compared to the previous year.

152. Mr Speaker, I am proud to say that this represents an increase of 21.7% since October 2011 and it is this increase which gives the ring of truth to all of the data we are presenting.



153. That is to say, the GSLP-Liberal Government has presided over an increase of one fifth of the job market in Gibraltar.

154. That is huge growth by any measure and it leads to the increases in the tax take and the other economically beneficial data we are seeing take hold.

155. The number of Gibraltarians in employment also reached a record high of 11,065 in October 2016. That is huge increase of in five years 8.2% from October 2011, barely a month before we were elected into office. Mr Speaker, that is a particularly positive figure for this GSLP-Liberal administration to be proud of given that in sixteen years in office the GSD, the party of members opposite, increased Gibraltarians in employment by the same figure of 8%. In fact, their figure was 8.8% in 16 years or an average of 0.5% a year. Our figure is THREE TIMES THAT at 1.65% a year! Our dedication to getting Gibraltarians in employment is therefore demonstrated.

156. The strongest job gains came from the Private Sector, where jobs grew from 20,070 to 20,977 up by 907 (4.5%) over the period. The greatest increase in Private Sector jobs were registered in the Services, Hotels and Restaurants and Real Estate and Business Activities industries, where jobs grew by 430 (10.5%), 199 (11.3%) and 164 (5.5%) respectively over the period.

157. The largest industry job gain within the Services industry was recorded in the Gambling and Betting Activities sub-industry, where jobs grew to 3,494, up 9.0% (289) from October 2015. That is spectacular job growth in the gaming industry after the referendum result, Mr Speaker.

158. And Mr Speaker, in all this time, record low unemployment like never seen before. The numbers have been below two hundred consistently on

a month by month basis and I expect therefore that the quarterly average will be below two hundred too. That is the work of a dedicated Minister like Gilbert Licudi and a dedicated staff at the Employment & Training Board. I congratulate all of them. Employment up. Unemployment down. That is the result not of chance or coincidence but of hard work by the Minister and the ETB and they deserve the fulsome recognition of the whole House, Mr Speaker.

159. Interestingly, for the past year Public Sector jobs increased by 23 (or only 0.4%) over the period. Mr Speaker in the period from October 2010 to October 2011, the last year that the Honourable the Leader of the Opposition was a Minister, increases of jobs in the Public Sector, that which he appears to occasionally consider so anathema, went up by 2.6% from 4,460 to 4,574, that is to say, one hundred and fourteen. Shocking.

160. Anyway, onto more pleasant things...

161. Mr Speaker the larger the job market, the greater the opportunity for abuse. For that reason, the Government will now start work with Unite the Union and the Chamber and Federation of Small Businesses to establish principles for Trade Union Recognition in the Private Sector. A working group will be established on this in coming weeks.

## **162. PHYSICAL ASPECT OF GIBRALTAR**

163. Mr Speaker it is also true that apart from ensuring the well-being of our elderly and our young, we have also transformed much of the physical aspect of Gibraltar in the time we have been in Government.

164. Whether it is Commonwealth Park or the new bathing pavilion by Harbour Views, we have invested in the living environment of our people. We have built over 1,000 new affordable homes and homes for the elderly. We have invested in the estates our people live in areas that suffered many years of neglect. We are in the process of completing magnificent refurbishments of Glacis and Moorish Castle Estates as well as Laguna Estate. These have taken a little longer than expected because we have encountered technical differences that were not anticipated.

But we are on track to complete refurbishments in the next eighteen months.

165. But, Mr Speaker, for this Government as for everyone else, of course, Grenfell changes everything and if we have to undertake further works as a result of the inquiry into that fire, on the refurbished or any other estates, we will of course do so.

166. And if we have to change the law in relation to buildings standards applicable also to the private sector, we will do so.

167. Because, Mr Speaker, I have no doubt I speak for all members of the House when I say I am sure we were all equally shocked when we saw the images of the burning Grenfell Tower. No sooner were reports emerging of the potential relevance of the cladding used in that refurbishment than the relevant Government agencies, from Housing Works Agency to the Gibraltar Fire & Rescue Service alongside GJBS, were working on identifying if similar issues might affect the cladding used in our refurbishments.

168. Having carried out all necessary checks, we are satisfied that the cladding used in our refurbishments is completely different to that used in Grenfell Tower. The Grenfell Tower cladding system consisted of aluminium composite panels whereas the system used in the Government of Gibraltar Estates is an insulated render system.

169. The system of installation was different. In Grenfell Towers the panels were fitted to wooden frames: the Gibraltar system uses metal frames.

170. The cladding product in London is manufactured by Reynobond; Gibraltar's product is made by Weber. Fire risks were a paramount consideration in making this choice. The Weber system uses accredited and approved materials for this type of use and the design was developed in direct consultation with the manufacturers of the insulation system and was applied using their latest approved technical guidelines, which include a system of fire breaks, both horizontal and vertical, to ensure that any potential fire does not spread in an uncontrolled manner through the building.

171. The technical advice to HM Government of Gibraltar as regards the behaviour of the materials used when a fire breaks out is that the external surfaces of the system is classified as Class Zero or 'low risk' as defined in the documents supporting the national Building Regulations.

172. These matters were at the same time discussed with and approved and certified with the Gibraltar Fire and Rescue Service.

173. Most telling is the fact that since Gibraltar's estates were refurbished, there have been three recent incidents of fire - none of which spread past their immediate areas or caused any significant damage to external cladding. One was a substantial fire inside a flat in Laguna Estate, where the flames reached the external fabric of the building and only stained the external finish: there was no damage or propagation of fire upon contact of the external cladding. There was an external fire in Glacis Estate where, despite the flames reaching the second floor, again there was no damage other than staining. There was a final incident where a cigarette had been thrown from a window in Referendum House and fell on clothes hanging in the drying baskets, resulting in a fire. The damage was once again only cosmetic and there was no spread of fire. These incidents confirm that the quality of the materials used, the manner in which these are installed, and the design of the cladding is entirely safe.

174. Additionally, Mr Speaker, we have no gas pipes in our buildings and our Tower Blocks have two fire escapes staircases.

175. But that is not a reason for complacency, as a result, Mr Speaker, additional checks are being carried out and we will await the detailed inquiry into the Grenfell Tower events.

176. Mr Speaker, the Government does not discard, and is considering already, the possibility of installing sprinkler systems in our high rise buildings. We will also consider making it a requirement that such systems should be installed in all high rise buildings throughout Gibraltar.

177. Should additional work be required, we will make the money available to carry it out and ensure our people are kept safe at all times.

178. There may be a useful moment to thank the directors and staff of GJBS for the magnificent work that they do throughout the year as a company in public ownership with a commercial ethos. When we have to check the works done by them as a contractor for Government, they are never found wanting.

179. In addition to the on-going works we will complete the refurbishments also of Alameda Estate during the lifetime of this Parliament.

180. Additionally, we will commence the refurbishment of other areas of Government housing in a well designed programme that will address the need to invest in all our estates in a timely and affordable manner for the Community. The Minister for Housing will say more about those important developments for Government tenants.

181. But I will say that I am already talking in detail with Unite about how we will work together on how the Housing Works Agency will play an important part of the future in the management of the housing stock.

182. And Mr Speaker, I will soon be meeting the residents of a number of Government Co-ownership Estates who are talking to us about remedial works which need to be completed. That also includes purchasers of ex-MoD properties. I have been unable to see them earlier due to the additional burden of work that Brexit has produced. I very much look forward to seeing them in order to continue our work in partnership in respect of the works outstanding.

183. And all of this, Mr Speaker, in the context of a Government that is looking out for those who pay their dues, their rents and their taxes by chasing those who just don't bother.

184. We have been delighted to announce that the excellent work led by Samantha Sacramento at Housing has reached the next milestone in its strategy in the recovery of arrears of housing rent. The balance of arrears now owing is just below £5 million, this means that over £1 million have been recovered since the arrears collection strategy commenced just under a year and half ago.

185. The balance of arrears as at today's date is £4,995,427.

186. It must be recalled that at its highest in January 2016, before the implementation of the arrears collection strategy, the balance of arrears was £6,017,341.

187. Not only is it significant that over £1million has been recovered in just 18 months, but, perhaps more importantly, it demonstrates that the problem is now clearly under control.

188. Mr Speaker, the investment in our community that we have made in the past five years and which has been hugely criticised by some who argue for austerity instead of for investment, is paying off.

189. Not only is Gibraltar a more attractive place to do business due to the measures we are implementing, it is also a more attractive place to live.

190. And the investment produces income also.

191. I told the House last year that the Superyacht Berth along the outside of the Small Boats Marina in the centre of our city was already attracting new business to Gibraltar.

192. Additionally, I will be telling the house of a new project alongside this facility which will commence in the coming months.

193. I am happy to report that bunker supplies are up 1.7% last year already and they appear to be continuing to grow.

#### **THE PORT.**

194. Activity at the port increased by 2.4% in 2016 compared to 2015. The gross tonnage increased by 0.2% over the year.

195. The number of ships calling at Gibraltar for bunkers increased by 2.7% in 2016 compared to 2015.

196. Also commencing and already at the DPC approval stage are the projects that are going to revolutionise sports in Gibraltar. Steven Linares is leading on those incredible and transformational projects which are made possible by the GFA's commitment to pay £10m into the Improvement and Development Fund this year and £6.5m the next.

197. That will really make for an Island Games in 2019 which will be memorable and which will create a legacy for Gibraltar's sports men and women. Details have already been provided of that in press statements and in this House and Steven Linares will say more.

198. What is not yet public is the fact that the Government is working very hard indeed to ensure that accommodation requirements are also dealt with in a way that also creates a legacy rather than an irrecoverable loss.

199. In particular we are accelerating delivery of the relocations agreed by the former administration with the MOD so we can BOTH house athletes in the housing to be released by the MOD AND then be in a position to hand over possession of those MOD properties to their new owners.

200. The Government is already working closely with the MOD in this respect and we expect to be able to show properties and plans for sale of very very attractive MOD properties before the end of this calendar year for completion and handing over in the period immediately after the end of the Island Games.

201. Mr Speaker we must therefore see the Island Games not just as an opportunity to grow our sporting facilities, but also to see the transfer to Gibraltar families of some very desirable family homes. The Deputy Chief Minister, who ably leads the Government's work on land allocations, and the Minister for Housing, who is ably working on all aspects of housing, including aspects relating to ownership, not just government tenancies, will be developing this exciting aspect of Government policy in coming months.

## **TOURISM**

202. Mr Speaker, the Island Games will undoubtedly bring many people to Gibraltar in 2019. Many are already coming as the Tourism, Hotel and Air Passenger surveys show.

203. Visitor arrivals by air increased by 22.8% (+42,854) last year, from 188,217 to 231,071, the highest on record.

204. Visitors staying in Gibraltar grew to a record high in 2016 to 93,289, up by 17.0% (+13,543) from 79,746 in 2015.

205. Arrivals by sea increased overall by 17.5% (+62,747) from 357,832 to a record 420,579 over the year. This was largely as a result of a 17.8% (+61,063) growth in the number of cruise liner passengers compared to 2015.

206. The number of arrivals on yachts also increased by 12.9% (+1,861) over the year, with the number of yachts growing by 9.6% (+259) over the year.

207. Tourist expenditure for 2016 has been estimated at £211.91 million, an increase from £199.93 million in 2015 representing an increase of 6.0% (£12.0 million).

208. Air arrivals in the first quarter of 2017 continued to increase by 13.9% (+5,674) with arrivals staying in Gibraltar increasing by 20.7% (+3,605) and arrivals in-transit to Spain also growing by 9.0% (+2,015) compared with the same period in 2016.

209. The number of arrivals to our hotels reached a record high in 2016 at 79,349, an increase of 12,614 (+18.9%), compared with 66,735 in 2015. The largest gains came from Tourist arrivals that grew by 25.6% (+7,649) to 37,579. Other arrivals also increased by 13.5% (+4,965) over the previous year to 41,770. Other arrivals include visitors on business, sporting or cultural events, etc.

210. Room Nights Sold grew by 12,610 (+9.0%) in 2016 compared with 2015.

211. Guest Nights Sold grew by 29,456 (+13.3%) in 2016 compared with 2015.

212. Mr Speaker, we were clearly right when we took the decision to bring the Sunborn Yacht Hotel to Gibraltar. It has upped the game of all operators. It has added conference and banqueting facilities such as we

did not have available. From the moment we announced it was coming, the project was subject to unwarranted criticisms from members opposite and even to major scaremongering. We were right though Mr Speaker to have seen the potential and today it is almost impossible to get a room in that hotel! Indeed, the Sunborn, like all our hotels but in its own unique way also, has been an important part of our success, in particular in relation to the gaming industry and the financial services industry.

## **FINANCIAL SERVICES**

213. And as I told the Society of Accountants Annual Dinner last week, Mr Speaker, the FSC has issued 26 new licences since the 24th June last year since the result of the Brexit referendum was announced. I gave the House a breakdown at Question Time of the areas of business involved which is already on the record of Hansard and which I will therefore not repeat. In addition, I told the House that there have been two licence extensions in the insurance sector also.

214. Mr Speaker, remarkably, that area of business is not growing faster than it has for some time and that despite the result of the Brexit referendum.

## **ONLINE GAMING**

215. In the Online Gaming Sector what we have seen in the past year has been a truly remarkable vote of confidence in Gibraltar. We have already licensed 2 new firms and have 4, not 3 as I told the Chamber, in the pipeline. One has been added since my address to them.

216. Of course we will hear of firms restructuring, but this is normal and to be expected as firms grapple with the typical cyclical nature of their businesses and the looming Brexit changes.

217. What we are seeing is a real growth of the industry not a retrocession. The jobs in the industry show that jobs grew to 3,494 by October 2016 up 289 jobs or 9.0% from October 2015.

218. And we are seeing that greater growth is to come, Mr Speaker.

219. In the period since October the numbers are up even further to 3,353. That means an additional, further, 59 jobs or a total of 358 more jobs since October 2015.

220. Reality is showing remarkable growth and confidence in Gibraltar online gaming services. Because we remain the premier jurisdiction in the world for the best regulated online gaming services available to consumers.

221. Our success in Financial Services and Online Gaming Services is in no small measure down to the work of Albert Isola and his team led by Jimmy Tipping in Financial Services. It is also down to the reputation of our Regulator, Phil Brear, who has done a sterling job and is widely respected around the world as the best in the business.

222. I extend to all of them my sincere gratitude on behalf of the Government.

## **PRIVATE SECTOR PROJECTS**

223. Mr Speaker, despite the result of the referendum last year, Gibraltar continues to be an attractive prospect for private developers.

224. We continue working with a number of international developers and contractors on new projects.

225. Additionally, established developers are delivering projects and looking for new opportunities.

226. As I told the House last year, a new reclamation project in the area of Coaling Island is shortly to be launched. Government companies will have a fully secured financial interest in that project. More details will be made public on the launch of the project. This is a project that will see an investment from and produce a return on the £300m institutional investment secured for Gibraltar last year.

227. Negotiations continue on the Bluewater development, although Brexit

has made some of the matters in issue between the Government and the developers harder to resolve as quickly as we would have wished.

228. We are also advancing our discussions in respect of Rooke and the potential development of that area and Victory Place.

229. But most importantly, Mr Speaker, projects like the World Trade Centre have now become a reality.

230. The WTC is already full.

231. We are in discussions for more office developments.

232. The MidTown Project is already well under way.

233. The new Kings Wharf has already broken ground.

234. Eurocity has already gone for full planning permission.

235. Gardens of Beauty, Waterside Villas and two more of the Ocean Village towers are about to get underway, demonstrating a huge amount of confidence in Gibraltar.

236. This represents HUNDREDS OF MILLIONS OF POUNDS OF INVESTMENT IN GIBRALTAR BY THE PRIVATE SECTOR.

237. It is because there is great confidence in the Gibraltar market that there is therefore great investment into Gibraltar.

238. That is why members opposite would be foolish to talk down the economy or public finances of Gibraltar which are demonstrably strong.

239. They would be wrong to raise the spectre of our public finances being anything other than entirely robust.

240. Because this debate should be a little more sophisticated than them coming here to say things are not going well when they demonstrably are.

241. Our economic data shows robust growth and there is nothing for Gibraltar to gain by pretending otherwise.

242. In the United Kingdom the Governor of the Bank of England, Mark Carney, has warned that Brexit is unlikely to be "a gentle stroll along a smooth path to a land of cake and consumption." Mark Carney warned that Brexit is likely to lead to "weaker real income growth" as new trading arrangements with the EU come into force. In a keynote speech last week at Mansion House, he said that "since the prospect of

Brexit emerged, financial markets, notably sterling, have marked down UK's economic prospects".

243. We must be alive to the words of the Governor of the Bank of England but the data I will now disclose for the economic performance of Gibraltar in the last year will not reflect similar downturn for the Gibraltar economy nor that of our public finances.

### **ECONOMIC GROWTH, INFLATION & THE GROSS DOMESTIC PRODUCT**

244. Mr Speaker, Gibraltar's economic performance has been outstanding in this first financial year since the Brexit referendum.

245. There is no uncertainty reflected in brilliant the numbers for the past year that I report to the House today.

246. A strong economic performance is, of course, a part of what makes us attractive to the continued established here of international businesses.

247. But what is interesting is that revenues are not just up in one category, they are up across the board:

248. Income tax is up, from £148m to £154m, illustrating the value of growing employment;

249. Company tax is up, from £109m to £135m signifying good results from those performing here;

250. Import duties are up across all heads of duty from £152m to £166m, signifying that the falling value of the pound sterling makes our exports more attractive;

251. Stamp duties are up to almost £20m;

252. Gaming charges and fees are also up to over £15m, demonstrating this sector is vibrant and performing;

253. Rates and rents are up showing more effective collection, an aspect of revenue growth for which all credit must go to Minister Sacramento;

254. Airport taxes are up recognizing the increase in air traffic to Gibraltar;

255. Tourist site receipts are up on our projections;

256. Savings Bank deposits are up as well as reserves.

257. Port authority fees are up because bunker dues and Cruise passenger numbers are up.

258. We are well on target to achieve the commitment set out in our manifesto of achieving GDP growth of at least 7.5% a year.

259. Mr Speaker to paraphrase the Leader of the Opposition in a way I am sure he never intended: our decisions are coming home to roost but in a very positive way indeed.

260. I am therefore delighted Mr Speaker, to now undertake a substantive analysis for the past year of the performance of our economy and the state of our public finances for the financial year ending on the 31<sup>st</sup> March 2017.

**261. In this respect, Mr Speaker, we must equally be conscious of the fact**

that the process of Brexit has just begun, as we must be alive to the fact that the economic data available for Gibraltar's performance last year is worth celebrating.

262. Prudence and caution in our planning for the future cannot and should not ameliorate our ability – indeed, our obligation – to celebrate the excellent performance that our workers and entrepreneurs have delivered in the twelve months of the past year financial year 16/17.

263. In particular, we must reflect that nine of the months on which I am reporting occurred after the result of the referendum was known and Brexit became a reality.

264. Let us therefore see how we performed when our detractors were writing us off. Let us see how we reacted to the gloating of our neighbours and our competitors.

## INFLATION

265. Near zero inflation in the UK and Euro Area during 2016 was the result of the continuing low price of fuel, food and other imported goods. These had a knock-on effect on Gibraltar's rate of inflation that also averaged near zero until July 2016. Thereafter, what are the clearly Brexit-linked increases in import costs and the rising global price of fuel started to feed through to consumer prices where inflation picked up to 1.5% in October 2016.

266. Inflation has continued to rise in 2017, where the IRP stood at 2.7% in April 2017, up from 2.5% in January. The largest contribution to the rate of inflation in April 2017 came from transport and vehicles. These were partially offset by downward contributions from food, other goods and services.

267. Gibraltar's rate of inflation has averaged at 2.6% to date in 2017, higher than the same period in 2016 that averaged at 0.25%. The growth in inflation is largely the result of rising import prices from the fall in sterling since the EU referendum together with the higher global price of fuel that will continue to filter through to consumer prices with an inflation rate projected to remain above the 2% target in 2017.

## **THE GROSS DOMESTIC PRODUCT & NATIONAL INCOME**

268. Mr Speaker, I turn now to an analysis of the Gross Domestic Product and of average National Incomes.

269. The final GDP estimate for 2014/15 is estimated at £1.61 billion representing a growth of 9.1% by £134.64m.

270. The GDP preliminary estimate for 2015/16 is £1.75 billion, increasing by 8.5% by £137.53m.

271. Mr Speaker, for this year, the GDP forecast for 2016/17 is £1.91 billion, increasing by 8.9% or by £156.25m compared to 2015/16.

272. An excellent result for the whole Community to be proud off.

273. Mr Speaker, Government continues to working towards a target that would see increases in GDP to at least £2.4 Billion by the end of March 2020, exactly as predicted in our manifesto. We are on track to deliver that growth.

274. This represents a continued average annual growth rate of at least 7.5% and is the basis of the manifesto we presented to the people in November 2015 and on which were returned to office.

## **THE GDP PER CAPITA CALCULATION**

275. GDP per capita of an economy is often used as an indicator of the average standard of living of individuals in that country, and economic growth is therefore often seen as indicating an increase in the average standard of living. It is not a strictly scientific measure, but it has been referred to every year since before we took over as the Government.

276. As I have told the House, the latest forecast for 2016/17 estimates a nominal GDP per capita growth of 8.9% from the previous year.

277. On the IMF GDP per capita (PPP) rankings (see Appendix 2 and 3), the UK continues to feature in 28th position with a GDP per capita of \$42,481 and Spain in 37th position with GDP per capita of \$36,416.

278. Gibraltar's GDP per capita for 2016/17 is forecast at \$92,843<sup>1</sup> placing Gibraltar in 4th position, closely behind Macao SAR with a GDP per capita of \$95,150 – and ahead of Singapore, Switzerland, Hong Kong, UK and Spain. Macao SAR, China continues on the list at 3rd position.

279. As I have said before, my own view is that these measures are not entirely scientific because of the differing methodologies and fluctuating exchange rates on which they are based. Nonetheless, they are the measures that the rest of the world relies on.

280. As if to demonstrate how fluctuating and thereby potentially meaningless a calculation this is, the figures would of course have varied wildly depending on what day of the last two weeks one might have carried out the calculation because of the steep fluctuations the value of sterling against the dollar.

281. The important aspect of this exercise is really only to appreciate that the Gibraltar's economy is estimated to have grown in real terms by 7.5% in 2015/16 with average earnings going up by 7.9%. This growth places us ahead of other small countries including Malta, Luxembourg Singapore and Hong Kong.



<sup>1</sup> (£56,612 \* 1.64) per person – and in order to compare like with like for last year - using the latest published Census figure of population of 32,194 people. Given recent currency fluctuations, the exchange rate is based on a 20 year £Pound/\$Dollar average which provides a US Dollar exchange rate of U\$1.64 to the pound sterling, the same figure used the year before.

## **PUBLIC DEBT & CASH RESERVES**

282. Mr Speaker, the level of Aggregate Public Debt as at 31<sup>st</sup> March 2017 was marginally lower than last year at £443 million.

283. The level of Cash Reserves ended the financial year at around £123 million.

284. This reflects Net Public Debt in cash terms at £320 million.

285. Mr Speaker that is a Net Debt that has been reduced to 16.75% of GDP.

286. Mr Speaker, as is normal, Liquid Reserves held by the Government ended the year marginally higher than the Cash Reserves.

287. As is the established practice, a full breakdown of these Liquid Reserves and details of where these reserves are invested will be provided as part of the Annual Accounts of the Government, once these have been audited by the Principal Auditor.

## **THE GDP / PUBLIC DEBT RATIO**

288. Mr Speaker, our Public Debt continues to fall and to be low in relation to the size of our economy.

289. As a percentage of GDP, our Net Public Debt is currently among the lowest of the countries in the European Union.

290. Our overall borrowing is relatively low, even if we were to include the borrowing by Government-owned companies, which, as Honourable Members know, is not and has never been deemed to be part of the Public Debt when the party they represent was in office and when they therefore thought it was perfectly proper for the calculation to be done in that way. This is so because borrowing by Government-owned companies is serviced directly from the income accruing to these companies and is secured against income generating assets held by these companies and not against the Consolidated Fund or the general revenues of the Government.

291. Mr Speaker, the Government is nevertheless committed to continually reducing its debt servicing costs and it is fully engaged in restructuring

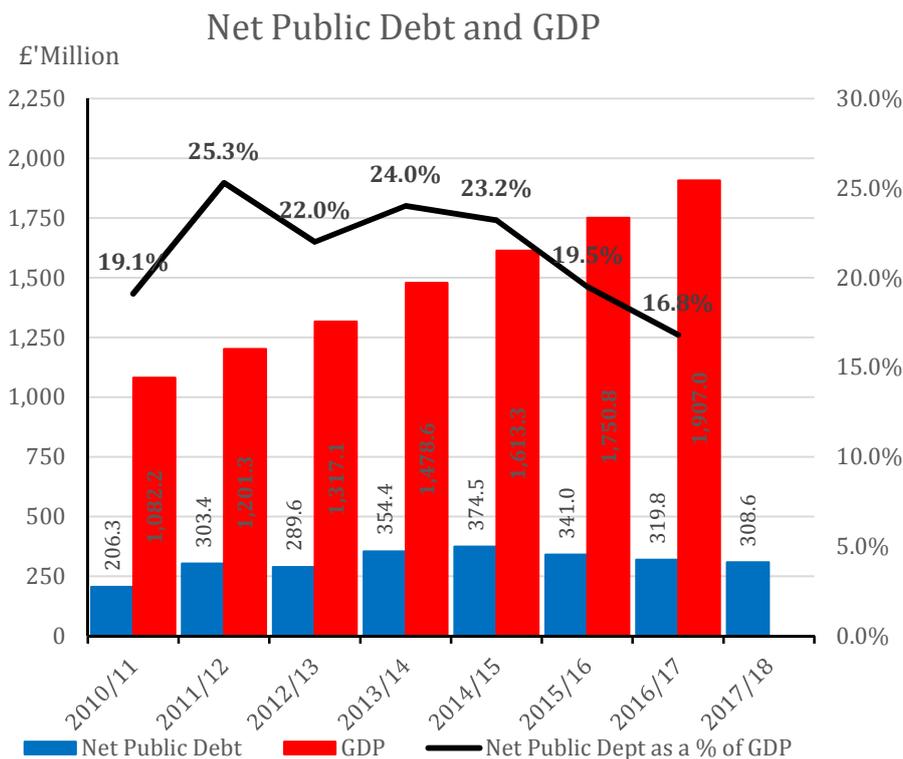
its borrowing in order to take advantage of the historically low levels of market interest rates.

292. In this respect and as part of ongoing management of the Public Debt, opportunities to extend the maturity profile of the Public Debt are also being actively looked into by the Financial Secretary.

293. The Gibraltar public debt/GDP ratio has fallen in aggregate terms from a high of 44.4% in 2010 to a ten year low of 23.2% in 2016/17 in keeping with the GDP forecast of £1.91 Billion.

294. In net terms, public debt now represents 16.75% of GDP in 2016/17, a decrease of 2.7 percentage points compared to 2015/16 when it stood at 19.5%.

295. The highest point of net debt to GDP was actually reached, surprise, surprise, under the former administration in 2011 when net debt to GDP rose to 25.3%.



296. Mr Speaker, we have reduced net debt since then by 8.5%.

297. These ratios, Mr Speaker, continue at a lower rate than that of the UK and most other European countries.

298. As we committed ourselves to do at election time, Mr Speaker, we will achieve the debt targets set out in our manifesto so that Net Debt will be £300m by 2019/20 which will be then be in the region 12.5% of GDP which will be £2.4 Billion.

## **REVENUE AND EXPENDITURE OUT-TURN**

### **FINANCIAL YEAR 2016/17**

299. Mr Speaker, I am delighted to announce to this House that during the last financial year 2016/17, we have once again achieved a recurrent budget surplus.

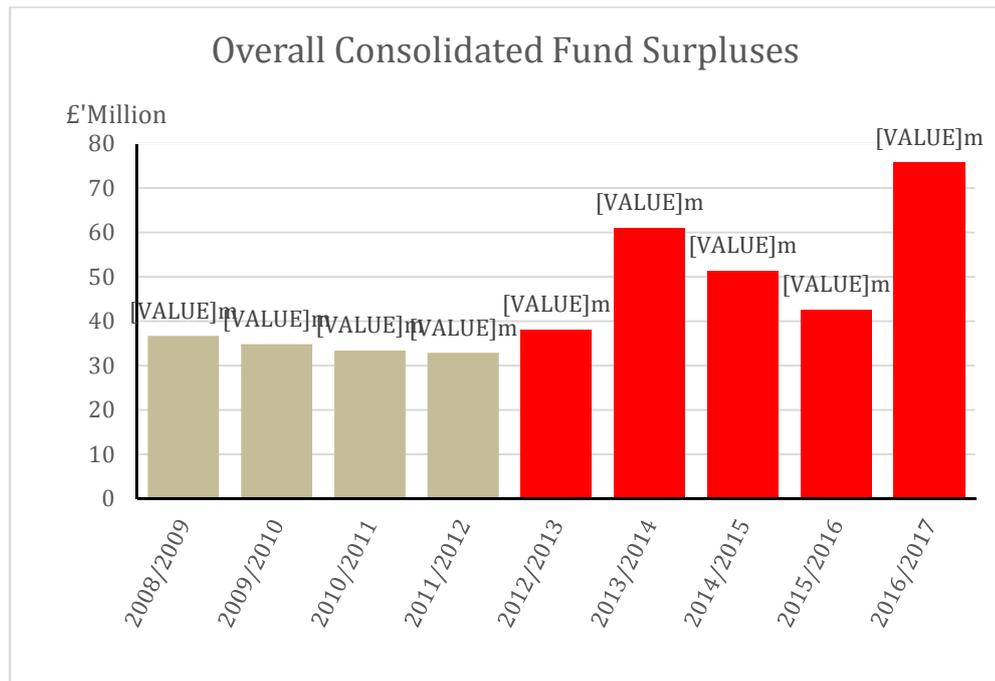
300. Just achieving a surplus is something which not all Governments manage.

301. In 2003/4, the year of the general election, the then GSD administration delivered a deficit of £7.8m, that is to say, the GSD fell short almost £8m pounds. They spent more than they collected. Indeed, Mr Speaker, I seem to recall that was the financial year in which the Honourable the current Leader of the Opposition joined the GSD. I guess it was their “budgetary prudence”, leading us into a deficit, which convinced him to join them!

302. Most nations work on the basis of projecting for a “not too big” deficit.

303. Well, Mr Speaker, in post Brexit Gibraltar, we are going to declare a surplus which will rank as the highest on record to date.

304. Mr Speaker, the surplus of revenue over expenditure for the financial year 16/17 was estimated at £75.8 million at the time that the estimates book went to press.



305. This is more than three and a half times the originally estimated surplus for the year.

306. This marks the hard work of everybody in our economy and the prudent stewardship of this economy for which we are responsible.

307. Additionally, Mr Speaker, this shows that we continue to build on the strong foundations of our first term in office.

308. In the past financial year we have not just paid our way, we have done so with £75.8m left over.

309. In fact, I am advised by the Financial Secretary that as the forecast outturn crystallises, it is actually likely that the surplus is going to be closer to £78m!

310. Government revenue during the last financial year exceeded the original budget by around £63 million.

311. As a reflection of the continuing growth in our economy, Income Tax receipts were up by around £5 million and Company Tax receipts were up by around £31 million.

312. Departmental expenditure during the year, on the other hand, has been contained by the Government and this ended the year slightly over budget at £6.6 million or 1.4% over budget.

313. Mr Speaker, Honourable Members will see that the estimated surplus for this financial year is once again set at £18m, as it was last year. That

estimate is of course a conservative assessment of what we believe is achievable.

314. In addition, Mr Speaker, it is worth noting that the surplus of £75.8m, or £78m as it now looks to be, is declared AFTER the deduction of £25m to fund the Government companies, something which was not done by the previous administration which preferred to accumulate losses in the companies. As I remind the House every year, we moved away from that approach in our first financial year in office and have consistently deducted £25m to fund company losses in each year since our first election AND declared record surpluses nonetheless. In this instance, for the sake of comparison, I should clarify that if we were declaring the surplus in the same manner as the former administration which members in the party opposite represent, we would be declaring a surplus of £103 million. We continue to believe it is more prudent and appropriate however to make the deduction in order to fund company losses as I have stated.

315. Mr Speaker, I want to once again congratulate controlling officers for their financial management in respect of these returns, although some departments where cost is demand led have exceeded their budgets for that reason.

### **DONATION TO COMMUNITY CARE**

316. Mr Speaker, as in previous budgets and in line with our manifesto commitment to help Gibraltar Community Care Trust build up its reserves so that it can become totally independent of Government grants, I am delighted to inform the House that a further sum of £20 million has been earmarked by the Government this year as a contribution to the Charity. This contribution will be paid out from the Government's recurrent surplus for the year and goes towards a rainy day fund most in our Community are very fond of.

317. By the donation of this amount, Community Care will remain on track to have reserves of £230m by 2019/20, as we are committed to do. That is the largest rainy day fund our Community will ever have had in its history.

## **REVENUE AND EXPENDITURE BUDGET**

### **FINANCIAL YEAR 2017/18**

318. 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 £615 million. For the first time, we expect to break the £600m barrier in respect of revenue.

319. This represents an increase in revenue of over £24 million or 4.1% over the previous year's Estimate. This is nonetheless a conservative budget going forward particularly when compared with the forecast outturn.

320. The overall recurrent expenditure budget for the year is £597 million, which reflects a modest increase of around 4.5% over the 2016/17 Estimate.

321. Mr Speaker, the Government is therefore once again conservatively projecting a recurrent budget surplus for this financial year of around £18 million. That is to say, Mr Speaker, all the spending in the book is achievable with £18m left over, even on the basis of conservatively estimated revenue.

## **GOVERNMENT'S CAPITAL INVESTMENT PROGRAMME**

322. Mr Speaker, during the last financial year 2016/17, the Government invested around £48 million on capital projects funded from the Improvement and Development Fund.

323. Around £16 million was invested on 'Works and Equipment' and a further £32 million was invested in specific capital projects. This includes £1.8 million of funding for the University of Gibraltar, £7.3 million on the access road to the frontier including the resumption of works on the tunnel. That project was re-mobilised last year in August and the progress is already quite incredible. I very much look forward to the completion of that tunnel given the positive effect it will have on traffic on our roads and access to the airport

324. Mr Speaker, there were also further capital projects funded through the Government-owned companies. These include a number of projects that have now been enjoyed by the community as part of daily life as if they had been there for years such as the Midtown Car and Coach Park,

Charles Bruzon House and Sea Master Lodge that has recently been handed to tenants.

325. Mr Speaker, the expenditure budget of the Improvement and Development Fund for the current financial year 2017/18 is around £65 million.

326. The capital investment in Works and Equipment is estimated at around £20 million and the provision for investments in other Government projects amounts to £45 million.

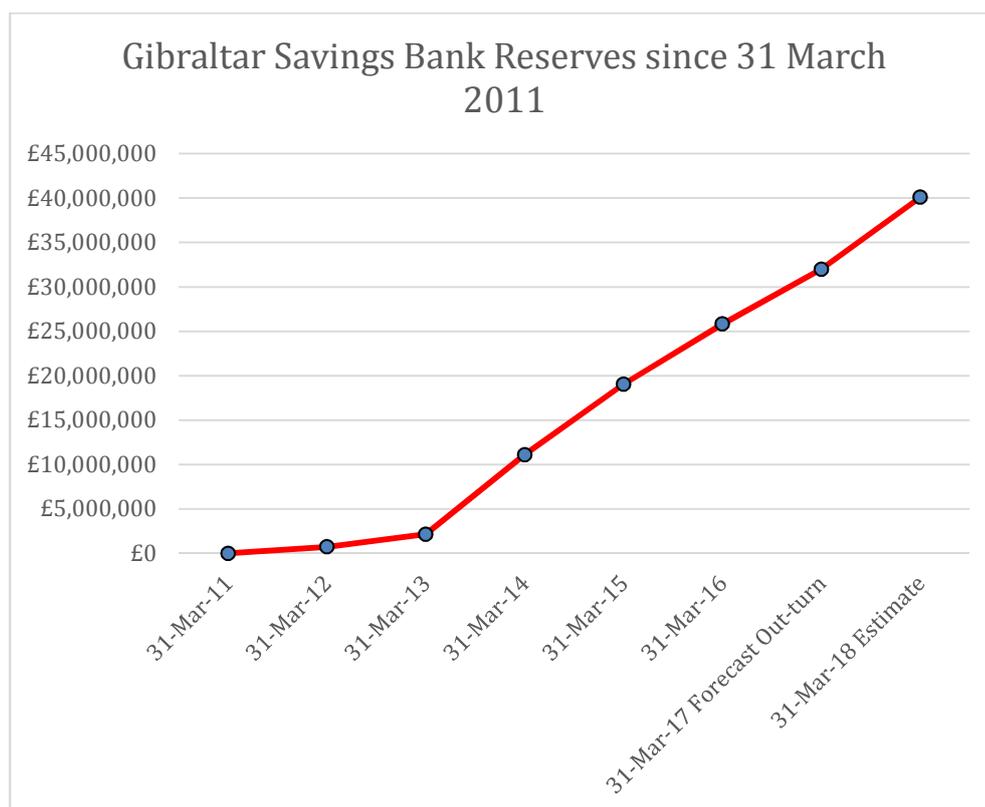
327. This includes further funding of £1.4 million for the University of Gibraltar; an investment of £11.8 million in our Roads and Parking Projects with the ongoing cost of the Tunnel across the runway being a key feature; nearly £15 million for the relocation of a large number of MoD estates in order to enable the continued release by the MoD of further land and properties for use by our community as we will see with the annual fair; £0.9 million for infrastructure works required for the New Power Station – another huge essential infrastructure development; £1.7 million for infrastructure works for new development and Housing Projects; £5 million for our ambitious programme of facilities to be ready for the Island Games but one that will leave a legacy for many years to come, and further provision to complete other ongoing capital projects.

328. All of these are important projects that are an important part of our delivering our growth as a Nation.

329. Nonetheless, as I told the House last year, the Government will nonetheless be keeping a close watch on expenditure and on continuing political developments should it become necessary to make the decision to reign expenditure and not incur costs on new projects, if the circumstances so require.

## GIBRALTAR SAVINGS BANK

330. Mr Speaker, I am delighted to report to the House that the reserves of the Gibraltar Savings Bank have continued to grow and that these reserves stood at £32 million at the close of the last financial year. The reserves of the bank are estimated to grow further to reach over £40 million by end of the current financial year.



331. Mr Speaker it is important that I should remind the House that we inherited the reserves of the Savings Bank at zero from the GSD which honourable members opposite represent. There was literally one thousand pounds in the kitty.

332. To have seen that grow to £32m in five years is a testament to the hard work and dedication of Joe Bossano and the Financial Secretary. And it will be a fund that grows to £40m by the end of this Financial Year. The Community must take its hat off to Joe and Albert for these magnificent results. Well done indeed. And what a great rainy day fund they have accumulated for us. And this, Mr Speaker in addition to a cash reserve of £123m also.

333. The Savings Bank Fund remains very much on track to reach approximately £70m by 2019/20. Together with Community Care, the

Community will have a total of £300m saved up in “rainy day funds” by 2019/20.

334. And let's be clear, all the funds were at zero when we were elected in 2011 and we started the process of rebuilding the rainy day funds the minute after we were re-elected. It was absolutely right that we should have done so. We are being proved right in having done so.

335. But anyone who was in Government in the administration we took over from, would really have a very hard face to pretend that they could preach to anyone about rainy day funds. They were the ones who left us Community Care at zero and the Savings Bank Fund at zero! So we will not take any lessons on rainy day funds from anyone sitting in this House under the GSD banner, Mr Speaker.

336. The current political circumstances entirely vindicate the view we have taken since we were elected, that we should build up these reserves. Already with a total of almost £177m in four years, Gibraltar now has the largest rainy day fund in its history. Add to that £123m in cash, we are already at £300m, which is the amount of the investment in Gibraltar we have seen via Gibraltar Capital Assets in anticipation of a possible Brexit decision.

337. Given the circumstances in which we find ourselves and given the baseless criticisms we often hear of the Government from members opposite, I am sure, Mr Speaker, that the House and all the Community will be very happy indeed that our repeated prudence and our consistent caution in how we have calibrated our spending has produced this magnificent rainy day or sovereign wealth fund in the sum of over £175m and well on target to reach the £300m envisaged in our programme for Government, as well as an additional £123m in cash reserve.

338. Mr Speaker for the GDP I congratulate the Community. For the rainy day funds I congratulate Joe Bossano, Albert Mena and the Government as a whole.

339. Mr Speaker, the Savings Bank continues to provide an excellent range of savings products for our community as indeed it has done since it was established over 130 years ago. The Deposit Base of the Savings Bank has now grown to over £1.3 Billion. The Gibraltar Savings Bank will continue to provide savings products to serve our community and will continue to offer special rates of interest to our pensioners. The bank is also working on improving the services it offers to savers by making use of the latest available developments in banking technologies. This complements the services that are now being provided to the community by the now well established Gibraltar International Bank Ltd, which include a full range of retail banking services, including mortgage finance to prospective home-owners and commercial lending to our local businesses. The Minister for Financial Services will report on the development of that bank.

#### **DEPARTMENTAL REVIEW**

340. Mr Speaker, I will commence now the process of dealing with the different departments that I have the honour of continuing to have responsibility for.

#### **PUBLIC SECTOR HUMAN RESOURCES**

341. Mr Speaker, as announced in last year's address, the Public Sector HR Business Support Unit continues to assist all government agencies, authorities and government owned companies. The unit has introduced a commercial approach to non-Civil Service Human Resources by aligning business objectives with employees and management in designated areas. The Unit is championing change and is assessing and anticipates HR-related needs by using industry best practice. It is working in tandem with Minister Bossano as we explore efficiencies and new working methods to improve delivery of service.

342. Standardising documentation and procedures and streamlining working practices has been at the forefront of the Unit. It has delivered tangible results in the approach to the disciplinary process, focusing on preventative measures, mediation and informal resolutions. The core of all industrial relations continues to be channelled through this department which works directly to me in respect of my responsibility for industrial relations. Our experienced team are now coaching and mentoring junior staff to ensure the long-term sustainability of the service.

343. The Unit currently offers these now centralised services to 14 separate organisations which previously all had their own HR departments or did not have any HR facility. These including the Borders and Coast Guard Agency, Gibraltar Development Corporation, the Port Authority and the London Office to name a few. Work is currently on-going on the integration of 3 additional organisations, the Gibraltar Health Authority, Elderly Residential Services and the Care Agency which will see the Unit's customer base increase to 2,300 employees. This work is scheduled to be completed by the Autumn and will coincide with the move into new office accommodation, releasing considerable other space and allowing us to bring all of these HR practitioners together. This will mean that the HR practitioner to employee ratio will be at an industry standard of 1 to 100. All of this will all be achieved within existing resources.

## **CUSTOMS**

344. In 2015, we introduced a new departmental structure to bring the Customs department in line with modern operational needs. This was always going to be work in progress and in the last twelve months the Collector in consultation with Government, identified a need to upgrade and restructure, using the existing complement, parts of the Investigation Branch following the introduction of the Proceeds of Crime Act and in advance of an evaluation against the Financial Action Task Force's (FTAF) 40 Recommendations on Anti-Money Laundering (AML) and Combating of the Financing of Terrorism (CFT). This restructure was fully supported by the GGCA and the staff.

345. In close consultation with the Collector of Customs, we have relocated the Entry Processing Unit in British Lines Road to a part of the Airport Building overlooking the Commercial Gate and vehicle holding area. In parallel, we have upgraded the ASYCUDA system and the Customs IT equipment so that at present over 76% of all commercial customs declarations are inputted electronically. In parallel, the Collector is working with officials at the Gibraltar Law Offices to streamline all Customs related legislation to make them easier to follow and consolidated into fewer regulations. Payment of import duties will be via electronic means or in Customs outstations where they will be credited to trader's prepayment accounts. The Collector has involved both the Chamber of Commerce and the Gibraltar Federation of Small Businesses who welcome this initiative. By the 1<sup>st</sup> August this work will be completed and customs import/export documentation will be 100% paperless.

346. The Controls Section at British Lines responsible for the physical checking of commercial vehicles, bonds and transit sheds will be relocated to enclosed purpose-built facilities in this Financial Year. Likewise Customs House, the Training Wing and Clubhouse in Waterport, the Marine Section and the Detector Dogs Unit will be relocated and the Collector is working on these exciting projects with the Chief Technical Officer to ensure the best possible location and equipment for all.

347. The Government continues to be proactive in the fight against drugs and tobacco. The Collector has introduced further conditions to the licences of tobacco wholesalers and retailers. A number of revocations have also taken place for those that have breached conditions of licences. Drugs detections, particularly for class 'A' drugs are up and are a credit to the departmental staff in all sections and testament of their close collaboration with the RGP and GDP.

348. Over the last twelve months, officers from HM Customs and other agencies both on land and at sea have faced many challenges when dealing with drugs and tobacco smugglers. Both His Excellency and I have personally visited them at their places of work to thank them and recognise the dangerous work they undertake to keep drugs and illicit activity off our land and at sea. I once again commit the Government to provide all officers with the necessary equipment which they may require given the increased threatening behaviour of smugglers. We have already worked hard to resource the department with adequate equipment and vessels. The Collector has already procured some defensive equipment which has already been issued especially to officers of the Marine Unit, and others are in the pipeline for the immediate future and for the next twelve months and the Collector has already been briefed on the areas which the Government wishes to address for the future. I also wish to thank the families of all officers for the continued support they give to officers. And I add my thanks also to all officers of the Royal Gibraltar Police and their families for the work they do in their areas of responsibility which include not just the work against traffickers and criminals but also in relation to security matters.

349. In that respect Mr Speaker, not only have we spent large amounts on resources like new marine assets and new weapons for our law enforcement agencies, as well as additional training. We have added complement also. As a comparison of our investment in security and in our investment Police and Customs, the two heads combined attracted £15m of resources in the last financial year members of the GSD in Government. This year their budget is at £26m.

## **BORDERS & COASTGUARDS AGENCY**

350. Mr Speaker I now turn to my responsibilities as Chairman of the board of the Borders and Coastguard Agency, yet another of this Government's Agencies that continues to strive to ensure it provides the best service possible to our public.
351. Mr Speaker, our border may well be small but it is very busy, with over 12 million people crossing it last year via the land frontier, the airport, our port and marinas. Mr Speaker, our borders are open for business; open for tourism; open for legitimate travellers; and we welcome them; but we are closed to terrorists; closed to drug smugglers; and closed to anyone else who seeks to break our laws.
352. Mr Speaker it is the BCA, together with its law enforcement partners, that ensure that we keep out those who we would rather not see in Gibraltar.
353. It may be of interest to this house to learn, and given recent events somewhat reassuring, that over the past year, the Agency has refused entry to some 40,000 people; many because they arrive at our borders improperly documented, and some because we would rather not see in Gibraltar.
354. Mr Speaker, it is unfortunate but indeed a fact that we live in a world where the threat of terrorism is all too real, the very recent attacks in London and Manchester have highlighted that it is indeed of great concern, and as such there is a real need for a robust security posture.
355. The Agency's approach to security is measured and flexible, and taking its direction from the Gibraltar Contingency Council and working closely with the RGP, it is kept under close and constant review.
356. The Agency's work at our borders has over the last year led to a number of successful RGP and HM Customs arrests and prosecutions.
357. Mr Speaker, you may well remember that only recently the Agency was involved with the foiling of a child abduction case, when a foreign national tried to transit through Gibraltar to Morocco with a child.
358. Mr Speaker, in the current climate of heightened security on the one hand, and the politics in general but of BREXIT in particular, on the other, the spotlight on our borders, and by default on the BCA, is intense, and the work it out is challenging, having to balance the very real need for security against the equally important need for a smooth flowing border.

359. They perform their duties professionally and diligently, and pride themselves in trying very hard to have a measured and balanced approach to their operation. They provide additional resources whenever possible in an attempt to cause the least disruption, and whilst I have no doubt that at times we get it wrong, on the whole they do the best of what is at times a very difficult situation.
360. Mr Speaker, the redrafting of the 1962 Immigration, Asylum and Refugee Act is progressing well, and the government will be in a position to bring the final version to this house soon.
361. The new Act recognises the professional development and maturity of the Agency and places additional responsibility on the BCA making it the focal point and leading Gibraltar authority for a more centralised immigration service in Gibraltar.
362. Only recently, the responsibility of authorising and issuing of visas and visa waivers has been transferred from the Civil Status and Registration Office to the BCA, as we believe that by the nature of their deployment at our entry points, it affords them the capability to deal with issues swiftly and thus facilitate a faster and thus more efficient process and service to our public.
363. Mr Speaker, the Tourist Visa Waiver initiative continues to be a great success, and I repeat what I have said every year since we introduced it, this Government continues to be very proud of our very successful initiative which saw over 14,100 visitors, whom would otherwise not have been able to visit Gibraltar, do so last year.
364. Mr Speaker, I mentioned in my report last year that one of the Agency's objectives for this year was to focus on working closely with shipping agents to facilitate and improve the immigration process of the 20,000 or so ship's crew that transit through Gibraltar every year. I am happy to report that the Agency, recognising the importance of shipping to Gibraltar, has made great inroads in this respect, and have met with most of the ship agents, providing advice and help to facilitate and ensure that the transit process for is as smooth and as uneventful as possible.
365. Mr Speaker, this Government continues to recognise that it is only by investing in our employees and working closely with the Unions that we can guarantee the service we seek to deliver to our public.
366. Together with the Agency's management, this Government has continued to work very closely with both Unite the Union and the GGCA to ensure the maintenance of good working practices and conditions. We have recently revised and improved the existing Collective Agreement addressing outstanding issues raised by both unions and

management alike, and I am confident we will be in a position to sign these changes very soon. In addition, and after having listened to proposals from the staff, the Agency is in the process of introducing a new uniform which will prove more practical and versatile.

367. Mr Speaker, this Government has a track record of recognising the benefits of investing in all of our employees, and indeed in training. We have also therefore worked with the UK Department for Transport, developed its training department, and now boasts two fully qualified UK Department for Transport Certified Instructors. This, Mr Speaker, provides the Agency with a very high degree of self-sufficiency, enabling it to regularly carry out mandated training without the need to fly out instructors from UK.

368. Mr Speaker, the Agency continues to be subjected to thorough and exhaustive inspections by the Civil Aviation Authority at the Airport and by the UK Department for Transport at the Port. These inspections ensure compliance with Her Majesty's Government and EU legislation, and the successful outcome of these inspections provide Gibraltar with the necessary credentials to successfully market our Airport and Port internationally.

369. Finally Mr Speaker, this Government has been pleased to announce the increase in the number of flights this year which will exceed all records. This corresponding increase in passenger numbers requiring processing will provide additional challenges for the men and women of the BCA who continue to work tirelessly to keep Gibraltar open for business!

370. From this House to the men and women of the Agency : Thank you and well done!

## **HUMAN RESOURCES DEPARTMENT / CIVIL SERVICE**

371. In relation to the Civil Service and in line with our manifesto commitments, a dedicated Training and Development Unit was established in February 2016 under the direct supervision of the Human Resources Manager, and from the existing complement of the Human Resources Department.

372. The Training and Development Unit ensures that all officers have the necessary knowledge, skills and experience to enable and empower them to contribute to the best of their abilities to the Public Service and its customers, throughout their career from recruitment to retirement.

373. Since the Unit's launch over 1,000 training opportunities in fields such as policies and procedures which have been designed and delivered

internally by Civil Servants who have qualified in Trainer Training, and in a wide range of management skills by external, recognised professional providers. It is envisaged that a further 1,100 training opportunities will be offered during this Financial Year.

374. Over the last couple of years the Human Resources Department has also moved towards 'professionalising' their officers, with most of the department's team having qualified up to Level 3 Human Resources Practitioner with the Chartered Institute of Personnel & Development.

375. In addition to its customary participation in the biennial Careers Fair, the department held its first Retirement Fair during this last financial year. The successful outcome had led to it now becoming an annual event aimed at informing Civil Servants of all aspects of the retirement process. Officers attending are offered concrete guidance on all the administrative steps in the process together with specialist advice not only on the all-important financial implications of retirement but also on matters relating to personal well-being. This process is also designed to ensure that there is better succession planning in the service and less need in future to re-engage retired civil servants, a practice that we have considerably reduced since taking office.

376. Additionally, huge progress has been made in relation to the new Civil Service Code to replace General Orders, which the Government expects will be in place by the end of this financial year.

## **CSRO**

377. I turn now to the Civil Status and Registration Office which continues to provide all services relating to citizenship, registration of births and deaths, marriages and deal with related civil status issues.

378. I am happy to report that a new Head of the CSRO has now been appointed and he has been charged with reviewing and evaluating current practices and procedures with the aim of identifying and addressing potential bottlenecks and delays in the system. The new head of department and his staff are also in the process of drafting a series of informative booklets, providing appropriate guidance and information, covering all the services currently provided by the department.

379. In-house staff training sessions are also planned with a view to updating specialist knowledge and skills as well as streamlining

procedures to ensure that services continue to be provided in a client-friendly and expeditious manner.

380. I am proud to report that the granting of British Overseas Territories Citizenship to long-term non-EEA nationals continues, as established when the GLSP/Liberal Alliance came into office in 2011. As I said in my last Budget address to this House, this policy aims to do justice to people who have been part of, and have actively contributed to, our community for the better part of their lives. The Citizenship Ceremonies held virtually on a monthly basis, will attest to my government's commitment to this.

381. December 2016 saw the passing of landmark legislation legalising civil marriage between same-sex couples. This amendment to the Marriage Act means that same-sex couples are afforded exactly the same rights as any other couple already married at the Registry Office. Mr Speaker, as a matter of interest, there have already been a total of 32 same-sex marriages since this became law.

## **THE INCOME TAX OFFICE**

382. During the financial year 2016/17 the Income Tax Office has continued its programme aimed at improving the assessment and collection of taxes in Gibraltar. Streamlined efficiencies have led the ITO to remain on track.

383. The ITO proactively manages its Refunds Programme implementing measures aimed at reducing delays and the level of refunds due. This is being achieved through the payment of £11.1M in refunds during the last financial year and future budget provisions.

384. The corporate tax yield in the financial year 2016/17 was £135.7M. This represents an increase of approximately 24% over the Government's corporate tax yield in the 2015/16 financial year an increase of almost a quarter.

385. Modernisation of systems this year sees the implementation of two major developments which will contribute significantly to the improved administrative efficiency of the department. The first development, already in progress, is the scanning and digitising of all taxpayers' files and records.

386. All relevant documents and returns are being packaged in appropriate bundles for the scanning phase of this project leading to a paperless environment and quick electronic access to all the required information.

387. The second development sees the implementation of a number of filing options that will shortly be made available to corporate taxpayers, including the introduction of machine readable tax returns using optical character recognition technology, on-line submission through the use of a dedicated platform as well as a bulk-filing facility for tax practitioners wishing to streamline their filing obligations.
388. These are the initial stages of a wider and more ambitious plan which envisages the transition of the Income Tax Office to a totally digitised department through which these facilities can be extended to all taxpayers. In a digital age, it is right that we develop a digital tax system.
389. Given the increased focus internationally in tax transparency initiatives and exchange of information, the Income Tax Office is expanding its approach in discharging its duties and functions in compliance with an ever-increasing number of international obligations emanating from the OECD and the EU.
390. The good news, Mr Speaker, is that as at 31 March 2017 Tax and Social Insurance arrears were 20% lower than at 31 March 2016. This has been as a result of the effective strategy and co-ordination between the Central Arrears Unit and the Income Tax Office.
391. Both these departments have been working together and continue to work closely with the aim of ensuring that all taxpayers comply with their obligations and pay their taxes on time. I congratulate them on their diligence in this respect. Payment of taxes and Social Insurance contributions is not a choice and it is right that everyone should pay, or else those who do are in effect being unfairly treated if the system does not chase and enforce against those who don't.
392. As part of the recovery strategy the Commissioner has published a "Name and Shame" list in the Gibraltar Gazette setting out the names of defaulting employers. This "Name and Shame" published details of self-employed individuals and companies as a consequence of the provisions introduced in the Income Tax Act 2010 empowering the Commissioner to do so.
393. Mr Speaker, new provisions are also being introduced to extend these legislative measures to social insurance and also to allow the Commissioner to publish the list in any newspaper circulating Gibraltar.
394. Advertising of important tax reminders in the local press has also assisted in ensuring greater compliance across the entire spectrum of taxpayers.

## TAX REBATES DELAYED BY GSD

395. The issue of mounting tax rebates dates back many years to 2007, where two events took place, caused by a change of policy that started to see an accumulation of the amounts due to tax payers.
396. The first was a change in the charging to tax of pensions.
397. What happened is that this income was exempted but pensioners took time to change their arrangements, meaning the amount due to them increased.
398. Around the same time the GIBs tax system was introduced, with its policy of always favouring the taxpayer irrespective of the system they chose. The additional work understandably delayed computations and the inadequacy of the provision started stacking up an arrears issue under the GSD which we inherited.
399. Indeed, the rebate arrears issue, far from leading to any undermining of our declared surpluses, could question the surpluses declared by the GSD.
400. Faced with the problem of accumulating rebates, Sir Peter Caruana, the man that the Leader of the Opposition has repeatedly said he considers to be the Greatest Gibraltarian of all time, took the opportunity to increase his administration's estimate for tax refunds from £20,000 to £5m in 2011. Some might think that was a debateable decision in an election year. A 250 fold increase by the GSD in monies to be paid to taxpayers in an election year might be something the Commonwealth Parliamentary Association would want to say something about.
401. Indeed, this increase was not initially disclosed during Sir Peter's budget address that year.
402. In fact, it was only revealed as a result of Joe Bossano's right of reply, and as a direct request for clarification.
403. This increase was not because the tax refunds in the previous year were down to only £20,000. No. It was because previous income tax receipts had been shown net of these refunds.
404. That is to say Sir Peter did not show these figures for many years, allowing the GSD to hide, these figures. The very lack transparency I am now being accused of by the GSD itself. You could not make this up, Mr Speaker.

405. The previous receipts had included the estimated tax revenue less the estimated amount of tax refunds to be made from this revenue.
406. This mechanism allowed Sir Peter to stop making repayments if the figures became too large and affected his revenue.
407. Really that the Opposition has the audacity to raise this shows how little homework and research they have done when coming to these debates.
408. They accuse us of lack of transparency when, in over 15 of his 16 years, Sir Peter masked the amounts due in rebates. Go figure.
409. And let's be clear he only grossed things up not out of some Damascien conversion to transparency, or because someone pointed out it made sense.
410. No. He did so because he did not want to come to Parliament, yet again, to change his brilliant debt ceiling formula - which as you know he had already changed twice. He was looking for anything that would provide some extra headroom for more borrowing.
411. This change in approach did precisely that.
412. In other words, tax receipts that would otherwise have been netted were grossed, thus meaning income was recorded as higher and Gibraltar could borrow more.
413. So before April 2011, the books would show a total estimated tax revenue that would have been reduced by anticipated tax refunds.
414. After the GSD reforms of April 2011, the total estimated tax revenue (without any deductions for tax refunds) and the total estimated tax refunds for that revenue would be stated separately.
415. It is clear that it was this transition to the Gross Income Based System that catapulted tax rebates from an average of £3m a year to between £6 to £7m per annum.
416. So knowing this in 2007, how come the greatest Gibraltar of all time only provided £5m for refunds in 2011?
417. Perish the thought that the GSD was keeping taxpayers money as they now liberally accuse others of doing.
418. I suppose like everything Mr Speaker it's ok when the GSD do it but a crime punishable with flogging when someone else does it.

419. So I'll let taxpayers judge who is prudent and who plays fast and loose with their money.
420. If you know you are storing up a problem at the rate of between £6 and £7m per annum, who is more prudent, the administration that provides £5m to repay or the one that provides £10m.
421. Mr Speaker, given that Mr Clinton is allegedly quick with numbers, perhaps he can tell us what he thinks during the course of his speech, given he is the one who shadows me on the public finances a responsibility the Honourable Mr Feetham has been the first Leader of the Opposition in history to forsake.
422. In essence, Mr Speaker, my administration inherited a tax refund policy of the GSD's making that, for the first time ever, set a yearly tax rebate budget of £5m.
423. Since taking office, we have progressively increased this £5m budget to the £10m that it is today.
424. We are in effect providing double for refunds than they did, Mr Speaker.
425. Double the amount provided by the Government of which Mr Feetham was a member and still he tries to criticise us.
426. I think you referred to a similar attitude in another context during question time as "cara dura".
427. "Cara dura" indeed, Mr Speaker.
428. Since taking office, we have reported solid, steady and reliable economic growth producing more jobs. More jobs means more taxpayers. The taxpayer base is now over 37,000 from 31,335. Higher wages across the board. So, whilst benefiting from greater tax revenue, we have cautiously planned for a proportionate increase in tax rebates and what's more we have kept to the same ratio against income the GSD had.
429. What we have been able to do is to work out the gross tax yield in 2011 (at £122.5m), when the new tax rebate policy was introduced. And we have compared this against the cumulative refunds that would have been due as at 2011 (which gives a figure of £22.7m). We appreciate that this is a calculation that was not done at the time because of the delay in making assessments assessment (in 2011) but it is one that we have been able to do now, looking back at historic tax data. It is also possible to work out a reasonable estimate contemporaneous if one is so inclined, which is what we have done to compare like with like.

430. The problem is the GSD operated an ostrich policy. They reckoned that just because they didn't work something out it was not owed. Hence they did not alight on the extent of their own problem with arrears which they are quick to chastise us for.

431. I can report to the House today that the percentage of tax refunds due versus gross tax yield in 2011 stood at 19%.

432. Today, our gross tax yield stands at £154.8m and our cumulative refunds due are £29.1m (taking into account the amounts we calculate are now due, including up to the most recent tax year, by bringing assessments up to date and doing a little extra work to estimate the most recent years).

433. We are NOT ostriches Mr Speaker.

434. It is not prudent or cautious to be an ostrich.

435. So Mr Speaker, I can report that the proportion of tax rebates that are outstanding today, as measured against our tax revenue, is the EXACTLY THE SAME ratio of 19% that had been established by the GSD Government of which Mr Feetham was "de facto Deputy Chief Minister" as he likes to say.

436. That is by no means to say it is right.

437. I want to ensure we catch up both with what people owe the Government and with what we owe people.

438. But it should put paid to the incessant criticism that things were somehow better in their day.

439. Also at £10m a year we should start making inroads into their problem, at £5m all that happens is that it snowballs.

440. But our policy on tax refunds goes further than that.

441. We accept that tax refunds are dynamic in their nature. Our policy, as I announce it here today, is to eliminate tax refunds cautiously and fairly. We are committed to increasing the £10m budget next year, and if there needs to be any further increases beyond next year to close the gap, then we will do so.

442. Because we've stuck to our economic plan and we can therefore deliver.

443. Mr Speaker, members opposite have had the audacity to accuse me of playing fast and loose with transparency and accountability by withholding tax refunds. The reality could not be any further from the truth. They have been fast to foolishly criticise a policy that was actually established by them and is a direct result of one of the flagship legislative amendments introduced by their former beloved party leader.
444. Any attempt to discredit our surplus is therefore simple nonsense as by comparison such an approach would undermine their own historical position.
445. It also fails to account of the £28m that is owed to the Income Tax Office in unpaid income tax and social insurance which would net off against amount owed by the Government leaving only £1m to account for.
446. So Mr Speaker, on the tax rebate argument, any attempt to discredit Government policy produces a slam-dunk own goal against the GSD.
447. Judged not against their words but against their actions and their record, members opposite have not one leg to stand on.
448. But I do appreciate, Mr Speaker, that the Honourable Gentleman opposite has come with a written speech and he has been working on this fatally flawed rebate argument for months now. So I do not expect he will abandon it, although as he reads it he will feel the legitimacy of it flowing away from it as a result of the information I have provided the House today.
449. I do feel for him and will do encourage him or Mr Clinton to read their no doubt carefully crafted “tax rebates versus the surplus” section, despite the fact that it is now logically discredited.

## **BUDGET MEASURES 2017**

450. Mr Speaker, I now turn to the specific Budget Measures for 2017:

### **IMPORT DUTIES**

451. Mr Speaker, for the differing purposes I will refer to as I explain each one, the following changes in import duty will be introduced with immediate effect:

452. In order to standardise with other high street products:

#### **Handbags**

453. Import Duty on Handbags is reduced from 6% to 3%

#### **Jewellery**

454. Import Duty on Jewellery and Imitation Jewellery is reduced from 4.5% to 3%

#### **Prams**

455. Mr Speaker, for reasons unrelated to the good news in my own family, but to keep our own traders competitive, import duty on childrens' prams is reduced to zero.

#### **Sports Equipment**

456. In line with the Government's commitment to the promotion of healthier lifestyles and making involvement in sport more accessible ahead of the 2019 Island Games:

#### **Sports Trackers**

457. Wearable battery operated devices commonly known as sports trackers or watches are reduced from 12% to 3% which brings the duty into line with that paid for wristwatches.

#### **Sports Apparel**

458. Duty is reduced to 0% on sports or dance apparel imported by or for a sporting or dance association (including, for example, rhythmic gymnastics etc).

### **Indoor Sporting Equipment**

459. Indoor sporting equipment such as that for billiards, pool, darts and chess is also reduced to 0%.

### **Tobacco & Related Products**

460. Mr Speaker, in support of this Government's continuing efforts to address the health problems arising from tobacco and smoking generally, a number of tobacco related import duty increases will take effect from midnight last night.

#### **Waterpipe Tobacco**

461. First, the import duty on Waterpipe Tobacco increases from the current £3 per kilo by £12 per kilo to £15 per kilo. This represents a five-fold increase in import duty on this commodity and reflects a huge increase observed by the Collector of Customs in respect of the importation of this particular commodity. Last year I imposed a three fold increase in the duty payable on this commodity from 12% ad-valorem duty to £3 per kilo. In effect, therefore, in the space of twelve months we have raised the duty fifteen-fold on this type of tobacco. Given the scale of the duty increase imposed today, if the Collector of Customs is satisfied that merchandise can be demonstrated to have been ordered before this announcement, and is in the delivery stage, it will be accepted on payment of a duty of £3 per kilo for that particular consignment only.

#### **Refills for Heated Tobacco Products**

462. Mr Speaker, many tobacco manufacturers are working on alternatives to burning tobacco. Some products I have been presented with recently by our tobacco importers and the representatives of the tobacco majors involve heating tobacco. The new, smokeless, heated tobacco products in the market will use electrical heat to create a vapour but without reaching the temperature required to cause combustion.

463. The producers of these products claim that they are less harmful than cigarettes because they generate no combustion and no smoke. According to the producers' laboratory tests, their aerosol allegedly contains significantly lower levels of harmful and potentially harmful constituents and is much less toxic than cigarette smoke. Indeed, according to the producers' air-quality tests, the aerosol emitted does not negatively impact indoor-air quality.

464. None of this is yet tested or clear.

465. It is true, however that some data published so far suggests that these products are likely to offer reduced toxic exposures of at least 90% relative to smoking. The World Health Organisation estimates there will be over a billion smokers by 2025. With so many people choosing to smoke it makes sense that we should promote less harmful alternatives to cigarettes.

466. Import duty on refills for tobacco products designed to be heated and not burnt is therefore set at £45 per kg of tobacco content.

467. I emphasise, however, Mr Speaker, that these are new products and that we will assess how duty should develop in respect of taxing them as their take-up develops.

### **Diesel**

468. Mr Speaker recent data shows diesel fuel, even in modern vehicles can emit more toxic pollution than was previously thought.

469. The reporting of the manner in which well known motor vehicle marques have published misleading information about the efficiency of diesel engines has once again brought this issue into sharp focus.

470. Mr Speaker, in line, therefore, with our policies on the promotion of the protection of the environment and the promotion of better air quality, the Government must act to promote less use of diesel automotive fuels by increasing the duty on such fuels.

471. Accordingly, in respect of importations occurring as from midnight last night, the duty on ordinary diesel automotive fuel will be increased by 3p per litre and the duty on premium diesel automotive fuel will be increased by 1p per litre.

472. Mr Speaker, I drive a diesel vehicle and I have not filled the tank for a month!

### **Electric Vehicles**

473. The purchase of electric forklift trucks already attracts zero duty but it attracts no additional benefits. As from today Mr Speaker any electric forklift will attract the same cash-back as for any electric road vehicle, and the cash-back for full electric vehicles that have no element of propulsion by a combustion engine is increased by a further £750. This will not apply to hybrids, in respect of which the position remains unchanged.

474. Additionally, Mr Speaker, all amounts spent on the Governments redi-bikes will be tax deductible.

475. The duty on plastic bags is doubled Mr Speaker from 5p to 10p

476. And as a further environmental protection measure, the deductions which apply to residential premises in respect of the installation of solar power will also apply commercial premises.

477. Mr Speaker Gibraltar needs to be flexible over the coming years and look at new forms of investment. We are seen by many as a place to hold assets securely with the benefit of dispute resolution subject to the common law.

478. We are already seeing interest with storing valuables here, with the wine storage project being developed and the number of data centres that exist. It was for that reason that the Government reduced the duty on works of art to zero two years ago and introduced a ceiling for vehicle duty of £50,000 (that has since been reduced to £ 25,000 (August 2015)).

### **Classic Cars**

479. In order to further promote the use of Gibraltar as a jurisdiction for the ownership and secure storage of high value items, as from midnight tonight, the duty on classic vehicles is reduced to zero.

480. Mr Speaker for the purposes of this measure, a classic car will be interpreted as defined by EU Directive 2014/45/EU as a vehicle of historical interest, that is no longer in production and is over thirty years old.

### **Gold Bullion**

481. Additionally, Gold Bullion is presently a restricted item which requires an Import Licence from the Collector of Customs. It is presently taxed at 6%. As currencies and stock markets have fluctuated, there has been a move to gold in many jurisdictions. With an import duty of 6%, Gibraltar has priced itself out of that market. Again, as we seek to develop a business in our tunnels for storage of high value goods that are “as safe as the Rock of Gibraltar”, we must ensure that the importation of such items into Gibraltar is not made unattractive. Consequently the import duty on Gold Bullion will now be decreased by 5% to 1%.

### **High Value Retail Bonds**

482. Additionally, the Government has been approached by traders to create a mechanism to allow for the importation into bond of very high value retail items sent to retailers “on consignment”, that is to say, items which the trader will only pay for if he sells the product in question. Many of these items are of very high value and are unique. Traders would find it difficult to import such items to show if they had to pay duty on them before they are sold. As a result, in consultation with the Collector of Customs, the Government will design a scheme for importations of very high value items, that is to say, items to retail over £25,000, where import duty will not be payable on importation but upon the sale of the item. In effect, traders will be able to hold a select number of items on show in retail premises on bond terms. This trade will be limited to Main Street, to premises approved by the Collector of Customs and each item so imported will require a specific permission from the Collector. The trader will have to demonstrate that the item is displayed for sale and will be required to communicate the actual sale to the Collector of Customs within 2 hours of the sale and the relevant duty paid within 48 hours. Items imported by a trader (or any trading entity in the same or a related group) in this way will have to be re-exported or the duty paid within 6 months of their first importation and an item exported if it is not sold will not be able to benefit from the application of this scheme again for another 24 months.

### **Jet Skis**

483. Mr Speaker, the Government reduced import duty on motor vessel to assist the many in our community who were purchasing small boats for the magnificent new small boats marina in the Mid Harbor basin. Recent news has highlighted the risk Jet Skis pose in the hands of inexperienced users. During Question Time last week the Minister for the Port, the Honourable Gilbert Licudi explained to the Honourable Lady opposite that we had already introduced competency and insurance requirements for jet skis and that following a recommendation from the small vessels advisory board he would be introducing an insurance requirement for all motorised vessels. Additionally, Mr Speaker, from the Ministry of Finance measures will also now be taken by the introduction of an import duty on Jet Skis will increase from 0% to 20%.

### **Utilities and Business Rates**

484. Mr Speaker, in order to assist with the cost of doing business in Gibraltar, electricity and water charges will again not be increased this year, despite the cost to the Government of providing these public utilities. Mr Speaker it is important that business and in particular business representative organisations value this important concession. Given that inflation since January 2012, the month after we were elected, to the beginning of this financial year on 1<sup>st</sup> April has amounted to 6.30%, that is the discount in real terms that businesses have had

already since our election against the amounts at which water and electricity are charged. The taxpayer is in effect subsidising the cost of doing business in Gibraltar to a great extent – but we do so in order to keep Gibraltar an attractive place to do business. That does not lessen the burden on the taxpayer though and it is important that it be fully understood by those who are taking the benefit of the subsidy. The subsidy applies as much to residential users as to business users, and it is important that everyone understands that they are already paying only about one third of the cost of generation of water and electricity.

485. General Rates payable by businesses will also remain unchanged and discounts for the early payment of rates will continue to apply.

486. As from the next quarter rates will not be charged on offices from date of certificate of fitness but from date of first occupation.

#### **487. Income Tax**

488. Mr Speaker, in pursuance of the Government's continued commitment to reduce the level of personal taxation, especially for the lower paid members of our community, with effect from 1st July 2017, the exemption from the tax system will increase.

489. Accordingly, taxpayers with assessable income of £11,150 or less will be brought out of the taxation system altogether and will pay no income tax. That is an increase in that exemption of £100.

490. This applies to taxpayers in both the Allowance Based System and the Gross Income Based System.

491. In accordance with our manifesto commitment, tax payers under the Allowance Based System will benefit from an increase in their Personal Allowances in line with inflation. With effect from 1<sup>st</sup> July 2017 the following allowances will increase as follows:

The Personal Allowance from	£3,215 to £3,300
The Spouse/Civil Partners Allowance from	£3,215 to £3,300
The One Parent Family Allowance from	£5,290 to £5,435
The Nursery Allowance from	£5,025 to £5,160
The Child Allowance from	£1,105 to £1,135
The Child Studying Abroad Allowance from	£1,255 to £1,290
The Dependant Relatives Allowance:	
a. where the relative is resident in Gibraltar	from £305 to £315
b. where the relative is not resident in Gibraltar	from £205 to £210

Disabled Individual Allowance	from £9,040 to £9,285
Blind Persons Allowance	from £5,020 to £5,155
Medical Insurance Allowance	from £5,020 to £5,155

## **INCREASE IN SOCIAL INSURANCE CONTRIBUTION**

**492.**As stated by the Government in March when Social Insurance was increased for the first time in seven years, the Government is committed to reform of the Social Insurance System.

**493.**The Government continues to tread a cautious path on this reform bearing in mind that the options available to Government will also be greater once the UK and Gibraltar have left the EU. Government continues to engage with the Chamber of Commerce and Federation of Small Business (GFSB) to appraise them of these matters and welcomes their understanding of the need for the increase in Social Insurance and support for the introduction of eServices across Government and has also informed the Unions of the steps being taken. There will not be a further increase in social insurance in the current calendar or financial year.

**494.**Mr Speaker, Gibraltar Law that states that young employees under the age of 20, whilst still paying Social Insurance Contributions, do not have these counted towards their pension. These start accruing only once they have reached the age of 20. This provision will be eliminated given its explicit age discrimination. In line with the position in the United Kingdom, Social Insurance Contributions will accrue for the benefit of the contributor starting at age 15.

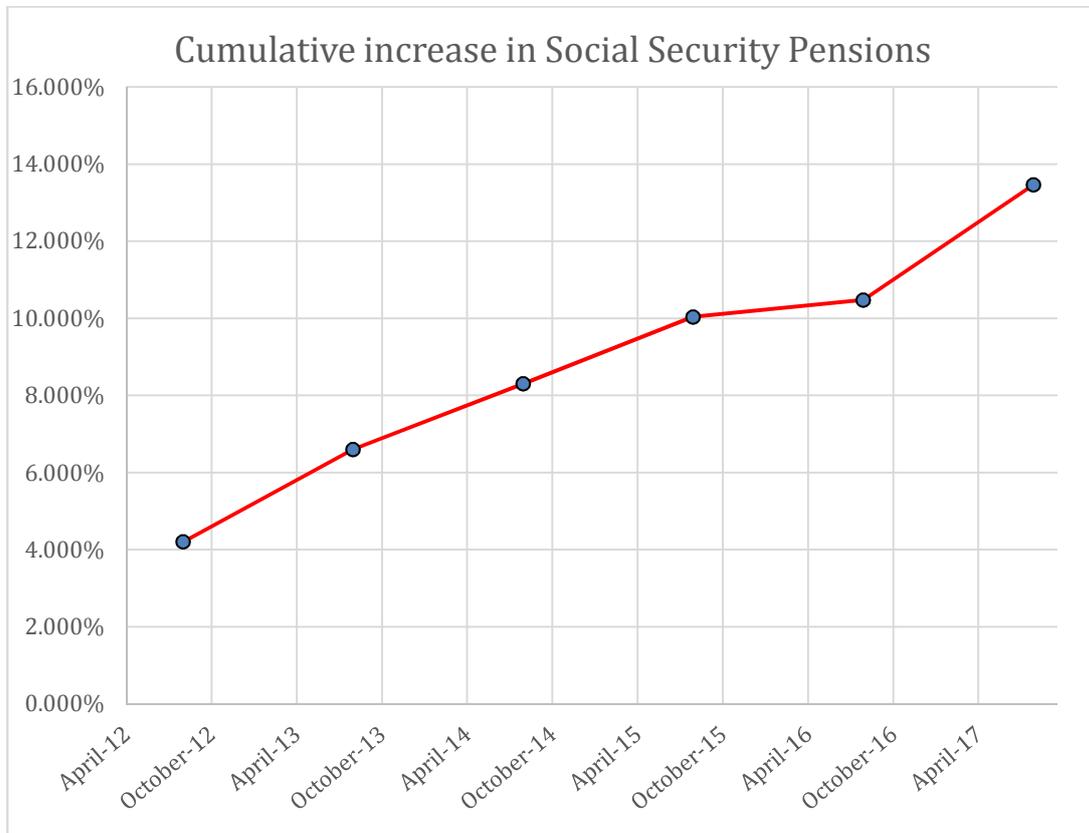
**495.**Additionally, Mr Speaker working with Unite the Union we will implement sick leave discount principles for all public sector workers with cancer related illness and in respect of bereavements as well as the annual leave aspects of Employees.

**496.**Mr Speaker, also after consultation with Unite the Union, the rule in the Pensions Act that saw non-industrial workers able to retire at the age of 55 whereas industrial workers would have to retire at the age of 60 will be removed to allow those who could only retire at 60 to retire at 55 if they agree to take a commutation of the pension entitlement.

## **THE OLD AGE PENSION & MINIMUM INCOME GUARANTEE**

**497.**Old Age Pensions will increase this year in line with the rate of inflation of 2.7% so that the single rate for Old Age Pension would increase from £440.54 by £11.90 to £452.44 and the couple rate would increase from

£660.85 by £17.85 to £678.70. The dependant rate will grow from £220.31 by £5.95 to £226.26 and the same the cash differentials will be maintained with the Minimum Income Guarantee as in previous years.



### INCREASE IN PUBLIC SECTOR PAY

498. In line with our manifesto commitment, and the three year pay deal agreed, the general level of Public Sector pay will rise by 2.75% with effect from 1<sup>st</sup> August 2017.

### 499. INCREASE IN NATIONAL MINIMUM WAGE

500. Mr Speaker, in line with this Government's commitment to keep the National Minimum Wage under constant review and to increase this at least by the rate of inflation over our term in office, the statutory minimum wage will increase from £6.28 to £6.45 per hour with effect from 1<sup>st</sup> August 2017. This represents an increase of 17 pence an hour or around 2.7%, which is the rate of inflation. Mr Speaker, additionally, the Government will provide the resources necessary to investigate any breaches of the minimum wage and the registration requirements for

workers in our laws. Mr Speaker, with the benefit of that increase on the minimum wage those who are lowest paid in our Community will have seen the GSLP-Liberal Government increase their salaries by just shy of 20% in the five and a half years we have been in office or £1.05 an hour. We are justly proud of our record in the increase of the minimum wage.

## **PENSIONS IN THE PRIVATE SECTOR**

501. Mr Speaker, we have commenced the process of consultation with Unite the Union and the Federation of Small Businesses and the Chamber of Commerce in respect of the potential introduction in Gibraltar of pensions in the private sector. Last year, I announced that given the result of the BREXIT referendum, we would not be progressing that process in the immediate past financial year whilst we observed the effects on the economy of the result of the vote of the British people.

502. This year, Mr Speaker, as we can see that Gibraltar continues to grow, it is right we should “unpause” that process and continue the consultation with a view to implementing the introduction of pensions for private sector employees. The consultation will continue to include the Unions, the Chamber and the Federation.

503. Mr Speaker, additionally, I have agreed with the Chairman of the Trustees of Community to Care to meet with the directors in coming weeks, to hear from them what they propose to do and announce in respect of the provision of additional minimum income guarantees for some PRIVATE SECTOR PENSIONERS AND DIVORCED WOMEN PENSIONERS. I look forward to meeting with him to understand what the independent trustees of Community Care propose.

504. Pensioners from the joint venture utility companies are in discussions with government on ensuring that they have not lost out on pension entitlement as a result of having left the Civil Service in the late eighties and early nineties. The Financial Secretary is doing a very detailed analytical exercise to share with them to ensure we see the reality of their situation and compensate any quantifiable actual loss. I expect we will be in a position to finalise that work in this financial year.

505. Also in relation to pensioners, Mr Speaker, the Government has been approached by a number of those entitled to re-enter the Widows and

Orphans Pension Scheme who were not married to their current partners at the time that they retired. The law states that any marriage of the pensioner whose rights would be assigned to a widow or orphan who was not married by the time he retired would not be eligible to entitlement. This is grossly unfair and is based on an old law which has not kept pace with modern life. It is, in any event, an issue that affects only a handful of those who would re-enter the old WOPS scheme. The law will therefore be changed to allow for marriages after the retirement of the contributor if he as opted back into the scheme.

506. The window to re-enter the WOPS scheme will be open again, from midnight tonight until the 30<sup>th</sup> September 2017 to allow those who have previously been denied membership on the basis of the application of this aspect of the law.

507. Mr Speaker, in the context of everything I have said already about pensioners and students, it is important that we should reflect as a Community that Gibraltar pensioners are amongst the best well off in Europe and probably the world. It is important that we recognise how well off we are in the context of the uncertainties Brexit may bring.

## CONCLUDING REMARKS

508. Mr Speaker it is my responsibility as Chief Minister to deliver a full address that deals in detail with areas of revenue and expenditure.

509. For that reason, this speech is a long one and the Estimates Book is full of information in respect of every area of Government revenue and expenditure.

510. I nonetheless want to ensure that our budget is more accessible and that more of our fellow citizens understand what we receive in revenue and what we spend on. For that reason, Mr Speaker, and in line with my Government's commitment to transparency we have prepared a shorter presentation of the budget to assist the viewers to follow the discussions. The presentation will be available online at [www.gibraltar.gov.gi](http://www.gibraltar.gov.gi). I will tweet the link to it when it is available. The presentation is not a substitute for reviewing the estimates book but rather an attempt to connect the viewer with where the money this Government raises in revenue is spent.

511. Preparing for this debate is challenging for all members of the House. We all want to do our best in this important Second Reading which

allows us to set out our policies and views in respect of our respective areas of political responsibility.

512. I want to thank all the staff of Number 6 Convent Place for their assistance in preparation for this debate and through out the year. They are the ones who keep a smile on my face at work every day of the year, whatever the headlines in the international press may say.

513. All the public servants of Gibraltar have worked hard in their respect areas of responsibility to deliver these results. I thank all of them, the Civil Servants, the employees of the Development Corporation, the Government agencies and authorities and the employees of the Government companies. A sincere thank you on behalf of all the Government.

514. And I want to thank all the Ministers in the Government for their endeavor in the challenging past twelve months. This Government is a team that only works because we work together. Thank you to all. We started this process as a group of excited friends with a common set of objectives and we continue in that way.

515. This weekend I have broken my preparation for this debate to celebrate the end of Ramadam with our magnificent Muslim community. I wish a great Eid Al Fitir to all our Muslims today.

516. I enjoyed greatly the events at the Ibrahim-al-Ibrahim Mosque with our Imams and with Ali Douissi of the Moroccan Community Association.

517. What I enjoyed most, Mr Speaker, was the presence at the Mosque of Hindus, Jews and Christians alongside the Muslim members of our Community for the breaking of the fast. That moment will be indelibly etched in my mind as an image of the Gibraltar we all love. The Gibraltar Momy Levy used to rave and evangelize about. The Gibraltar that we know and love and for which we work so hard on this side of the House.

518. Mr Speaker it is true that we have a jewel of a nation in our hands.

519. A rare jewel that we must treasure and nurture.

520. Today's debate is not about values or about religion, but former Vice President Joe Biden is reputed to have said "Don't tell me what you value, show me your budget, and I'll tell you what you value."

521. Because a budget is not just a collection of numbers, but an expression of our underlying values and our current and long term aspirations as a people.

522. And this budget is therefore calibrated not to discriminate.

523. It is calibrated to help the aged and the disabled and the young as well as the capitalist businessman and the workers he employs.

524. For we must nurture our businesses in order to nurture our workers and in that way enjoy the social peace we are basking in today.

525. This weekend we have also seen Team Gibraltar prosper and succeed in the Island Games in Gotland. The Minister for Sport has been with the team this weekend and is back in the House today for the debate. He will return to Gotland at the end of the proceedings of the House this week.

526. The next Games will be in Gibraltar and we will be ready for them.

527. From the whole Parliament, Mr Speaker, the very best of luck to all of Team Gibraltar in Gotland this week and congratulations to those of our athletes who are already medal winners: Harry and Tom who took gold in clay pigeon shooting; Wayne, Stephanie and Mairead the latter of whom is just 14 and who took bronze in the team air rifle; and our triathlon team who also took bronze in their event!

**528. For the Gibraltarians are a strong, resilient and robust people. Look at the magnificent efforts some are making for worthy causes they hold dear.**

**529. What makes a man swim across a busy strait like the Strait of Gibraltar and then, when he reached that distant shore, what makes him swim straight back.**

**530. What makes a man walk to Jerusalem, like Mark Randall did.**

**531. What makes a man and a woman swim in the sea every day – come rain or shine, warm or cold, like Stuart Felice and Debbie Ruiz are doing every day.**

**532. What makes a team of men get on their bikes in London and not get off until they have cycled 2,400 kilometres.**

**533. It's what makes us Gibraltarians, Mr Speaker.**

534. Pursuit of a just cause.

535. Courage. Grit. Determination. Rock Scorpions every single one of them. Heroes raising funds for those worse off than themselves. Champions.

536. The Government will match the amounts each of the ones I have mentioned have raised at the end of their challenges for the causes they have sponsored.

537. Mr Speaker: prudence, caution, optimism and investment. Those are the watchwords with which this budget has been laced. We must be prudent, but the results of the year just past and the year to date give us good reason for optimism. That is why with caution we must continue to invest in our Community.

538. If we have the income, as we do, we cannot fail to build much needed new schools because Britain is leaving the European Union.

539. Because what is the meaning of prudence and caution in relation to budgetary discipline?

540. Prudence is not an entreaty to not stopping all spending.

541. That is suicide in economic terms that would lead to a slow down and a recession.

542. Prudence is not austerity, as we hear others in this House advocate.

543. That is cutting spending and public services.

544. Prudence is also not a balanced budget, where you spend exactly what your income is.

545. Prudence is paying for existing public services and seeking to improve them in quantity, in quality and in efficiency; but doing so within our means.

546. That is what we are doing.
547. Prudence is paying for new capital projects in a way that ensures that they are not a drag on the exchequer but that they provide those new or improved services we want to offer and in a way that does not create new additional costs.
548. That is what we are doing.
549. Prudence means putting away cash in rainy day funds for a rainy day.
550. That is what we are doing, although we had to start from zero.
551. Prudence means funding the cost of the companies that the former administration created and not allowing them to build up deficits.
552. That is what we are doing and will not be deterred from despite having to reconstruct the accounts of the companies because the government of members opposite did not maintain them.
553. And that is how this budget is designed and why spending under each head has been carefully calculated in keeping with Government policy, so that it is reduced to the level it can be and so that reducing any further would logically simply lead to a necessary increase elsewhere.
554. Because “prudence” means doing all of that AND having money left over.
555. That is to say, prudence is a surplus AFTER pay increases, after new schools, after new sporting facilities and after great musical and cultural events.
556. AND THAT is what we have done and achieved for the past six years and what we will do and achieve for the next three.
557. And that is what this budget ensures.
558. You see, Mr Speaker, a Minister for finance has to see through the prism not just of austerity and saving, not just of protecting our heritage.
559. A Minister for finance has to balance the wealth of the nation with the health of the nation.
560. The promotion and growth of the nation with saving for the future.
561. The surplus and the reserves and the cost of things versus the value of things.

562. And once that balance is done in the context of these numbers, Mr Speaker, Gibraltar doesn't need austerity - it needs caution and prudence alongside investment and optimism.

563. The old St Bernard's school didn't need more austerity applied to it. The pupils of that school needed investment to create the new schools that they are being taught in today.

564. The old KGV didn't need more austerity applied to it. The patients of that facility required the investment to create Ocean Views.

565. Laguna and Glacis didn't need more austerity. They'd had plenty of that. What they needed was investment in the environment people are living in.

566. Investment in our public services and in our economy which is cautious and carefully calibrated. That is what this Budget delivers.

567. And so, Mr Speaker, I say to those outside this House:

**568. If you own a business, this is a budget for you.**

**569. If you employ people, this is a budget for you.**

**570. If you work in the public or private sectors, this is a budget for you.**

**571. And if you are elderly, a student or a school child, this is a budget for you.**

**572. But if you want to cut services to the public.**

**573. If you want to slash government investment in Gibraltar.**

**574. And if you want to sow panic for another year:**

**575. This is not a budget for you and we are not a government for you.**

**576. And if you don't want to work but you can.**

**577. Or if you don't want to pay your fair share though you can.**

**578. Then this is not a budget for you either and neither are we a government for you.**

**579. For we are a government for workers not for skivers.**

**580. We are a government for those who invest not for those who want to suck up without contributing.**

**581. We are there for those who need our help, not for those who won't get up to help themselves.**

**582. And we are ready to do our bit and lead this nation.**

583. Mr Speaker, whatever they think about me, Her Majesty's Treasury doesn't lie and the numbers don't lie.

584. Like everything this Government does, we reflect reality.

585. And as such the only ring that our people will associate with this Budget is the ring of truth.

586. And members opposite know that.

587. They know that this is the economy they would like to be reporting on. And they should be pleased for Gibraltar and they should be honest and say so.

588. They know that these are public finances that they would be proud to be presiding over. And they should be honest and say so.

589. They should not talk Gibraltar down when the numbers show that our performance is up.

590. A decade after the financial crisis, one year after the Brexit referendum: we are financially stronger than ever.

591. That is why this is a Budget that reflects economic performance to celebrate.

592. Unprecedented investment in our sports.

593. Unprecedented investment in our schools and education.

594. Unprecedented investment in our health, care and elderly services.

595. The unprecedented investment in public services our nation deserves.

596. All funded from the rising revenue that arises from unprecedented levels of investment in Gibraltar.

597. The prudent management of public finances our nation deserves.

598. This is a historic time in our affairs.

599. It is not a time for political novices, for political apprenticeships or political ambition.

600. It is a time for political leadership.

601. Mr Speaker: the economy is performing well.

602. The public finances are stronger than ever.

603. The nation is on a sound course to continued success.

604. Steady as she goes!

605. I commend the Bill to the House.

**ENDS**