**GOVERNMENT OF GIBRALTAR**
**PRESS OFFICE**
**No.6 Convent Place**
**Gibraltar**
**Tel:20070071; Fax: 20074524**

# PRESS RELEASE

No. 180/2008

Date: 29th July 2008

The Government notes the public statements by Mr Bossano relating to the two recent Bills, one to merge the various statutory benefits funds, and the other to release £17 million of Government money that is locked in the Gibraltar Savings Bank, both recently passed by Parliament without the Opposition's support.

Just as the Government did in the House during the debates on the two Bills, the Government rejects Mr Bossano's public statements which are misconceived both in principle and in practice.

Merger of Statutory Benefits Funds.

The merger of the statutory benefits fund is only a financial management arrangement.

The right of workers and others to receive statutory benefits is not related to the money that is available in a particular fund. It is a statutory right, payable by the Government (or the Gibraltar Development Corporation) in any event. It is therefore administratively totally unnecessary for the Government to keep four different funds and accounts for what is in effect a Government liability. Accordingly, the Government has merged into one fund the four existing funding and accounting arrangements in respect of all benefits which workers receive as a matter of legal right, and which are funded through the Social Insurance Contribution. This includes payments made by the Gibraltar Development Corporation to workers in the event of the employer's insolvency, which are payable by law, just as are old age pensions, employment injuries benefits and unemployment benefits etc.

Mr Bossano tries to create an objection of principle on the basis that Insolvency Fund contributions are made by an employer, and that funds contributed by employees should not meet employer liabilities. This argument is simply wrong because the contributions (wherever they come from) are just part of a pot of money placed in the Statutory Benefits Fund for the Government to meet a statutory obligation to pay the benefits, whether the fund has money or not. The fund is not owned by employees or employers. There is thus no such principle as Mr Bossano alleges. It is not a case of employee contributions paying for employer obligations. There is absolutely no change to anyone's entitlement, and the Government does not obtain the release of funds for any other purpose of the Government.

Savings Bank – Release of Government's £17 million.

The other Bill releases £17 million of Government money from the Savings Bank. Whether or not the Government has £17 million of its own money, as a reserve, in the Saving's Bank is irrelevant (and always has been) to the security of depositors' monies, which are in any event by law guaranteed by the Government. The amendment removes the need to leave Government money lying idle for no realistically necessary purpose in the Savings Bank, when Government could be using it for public purposes, e.g. building 500 new rental homes.

Not only do depositors' monies remain as secure as ever, but under the legislation the Government's position as guarantor of deposits in the Savings Bank is also improved because the Bank cannot in future invest in a way that exposes its investments to a fall in capital value, thus making it totally improbable that the Bank will suffer a deficit that would have to be met by the Government's guarantee.

Mr Bossano wrongly suggests that the result is "regrettably more likely to be one of contraction rather than expansion". This is also wrong. Nothing in the new legislation reduces the Savings Bank's ability to increase its deposit base, or to continue to pay a higher level of interest to depositors than is available in commercial banks. The Bank will certainly not become less competitive as Mr Bossano also wrongly says. Indeed, since 1996 the deposits from citizens have increased from £35 million to £121 million.

A Government spokesman said: - "These amendments are a prudent and sensible housekeeping exercise and Mr Bossano's opposition to them are based on unjustified arguments that he has dreamed up for the purpose of justifying his opposition. The amendments are a win, win, win, namely, (i) they release Government monies, (ii) protect the taxpayer from exposure to capital losses incurred by the Savings Bank, and (iii) these things are achieved without affecting the Savings Bank's ability to continue to pay depositors higher than commercial bank interest rates."