



**GOVERNMENT OF GIBRALTAR**  
**PRESS OFFICE**  
**No.6 Convent Place**  
**Gibraltar**  
**Tel:20070071; Fax: 20043057**

<b>PRESS RELEASE</b>
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**CHIEF MINISTER'S NEW YEAR ADDRESS**  
**6<sup>th</sup> January 2011**

Good evening. I trust and hope that you have had a happy and enjoyable Christmas and New Year festive period with your family and friends.

**THE ECONOMY**

2010 has been a very challenging and difficult year for much of Europe and the world from an economic and therefore social perspective, as the financial crisis and global economic recession continue to undermine economies, employment levels, public finances and public services in most countries. In some countries the effects of the large scale loss of jobs and basic public service and welfare cuts have even led to significant social unrest.

Happily for us all, this has not been our experience here in Gibraltar. Our economy has continued to perform admirably: employment levels have held up well, the Government's budget remains in good surplus and we have been able to maintain, indeed to increase the level of pensions and public services (while other have had to cut or freeze them) and to continue with our policy of cutting taxation (at a time when others are having to raise them). This will continue, since Gibraltar continues to do well, and our economy continues to grow.

Yet despite the reality, as shown by the figures, and what you can see and experience for yourselves and can compare of Gibraltar's situation with what you see happening in other countries, Mr Bossano constantly tries to suggest a different economic reality. He tries to make you believe that the economy is not as rosy as the Government says.

Well, if he really believes what he says then, come the next Elections he must not offer his usual orgy of election goodies since he must think that they are not affordable. It has to be one or the other. It cannot be both depending on whether he wants to criticise the Government's handling of the economy or to try for a fourth

time to buy votes at election time. No one will buy his secret, miracle economic Plan stunt again.

The New Year saw Gibraltar's economy confidently entering a new era with a new company tax regime: the end of the Gibraltar exempt company and the introduction of a 10% tax rate, down from 22% but applicable to all companies. This took effect on 1 January.

The tax exempt company has been the mainstay of Gibraltar's finance centre (and therefore a crucial aspect of our economy) since the mid 1960s. It is a measure of the Government's success in repositioning and rebuilding the finance centre and the economy generally that it should be possible to abolish the zero tax exempt company without this undermining our economy and attractiveness as a place to do business. We are no longer a tax haven. We have become a mainstream, respected and reputable international finance centre and business location. This is the reward for Gibraltar now of 15 years of careful vision and economic leadership by the Government.

One of the ways in which Gibraltar has been affected by the global financial crisis is that it is harder for buyers to find a mortgage. Accordingly, the Government is examining a scheme that will ensure greater availability of mortgage finance especially to local first time home buyers.

### **MOD BUDGET CUTS**

As you will all know, the global recession and financial crisis has required the UK Government to cut back public spending significantly. This has affected the Ministry of Defence as well, causing implications for Gibraltar since the MOD's presence in Gibraltar cannot escape those budget cuts.

But, as a result of the foresight of the Gibraltar Government and the action already taken by it in signing the Global Agreements with the MOD in 2007, Gibraltar is well placed to face those MOD cuts, and the jobs of the MOD staff affected are already protected.

These 2007 agreements are one of many examples of how the good working relations between the Government and the trades unions has led to agreements that are good for the interests of workers in Gibraltar.

The 2007 agreements were proposed and negotiated by the Government in anticipation of the MOD budget coming under further pressure, and had two purposes: firstly, to provide job security to MOD employees in Gibraltar; and secondly, to help ensure the MOD's politically and economically valuable presence in Gibraltar in the face deep cuts to its operations and presence in the UK and around the world.

As a result of these agreements the MOD cannot now reduce its workforce below an agreed level except by voluntary redundancies. Any jobs lost above that level in most MOD work areas are picked up and protected by the Government. This also applies to local, ex MOD and Ex WSM employees in Serco, who thus have nothing to fear from Serco's replacement.

These arrangements deliver an unprecedented level of job security to local MOD and MOD ISP contractor workers, which is particularly valuable and reassuring to them at this time of deep MOD budget cuts.

At the same time they help the MOD by allowing them to pull out of certain activities in Gibraltar which are not core defence activities, by transferring them to the Gibraltar Government and becoming our customers in those services, for which of course they will pay the full cost.

In this way Gibraltar, MOD employees and the MOD itself all benefit.

## **INVESTING IN OUR FUTURE**

At the same time we are engaged in an unprecedented level of investment to ensure that Gibraltar continues to enjoy economic and social prosperity, high quality of life and standard of living, and thus political safety in the future for many generations to come, while remaining well within financially prudent limits on things such as the Government's annual budget spending and public debt.

As you know, our political opponents criticise everything that the Government does to invest for our future success: the size, shape, location, content and, if all else fails, the cost of all these necessary investments. Well, leadership is partly about vision, an understanding of what ensuring Gibraltar's success in the future requires you to do now, and the foresight and courage to do it. We have that responsibility to our children, grandchildren and future generations. Some would- be Gibraltar leaders clearly do not have this.

None of the Government's projects are too expensive, too opulent or too big or unnecessary. All of them are important to Gibraltar's modernisation and future economic and social prosperity. But, since the benefits come in the future it is, as you have seen, possible for visionless, politically opportunistic opponents of the Government to speculate now about size, cost, value and need. They are wrong, and time will show this.

As you walk or drive around Gibraltar you cannot fail to see the results of the Government's huge programme to modernise and transform Gibraltar through investments that both address our current social needs and ensure Gibraltar's continuing prosperity in the future. A number of significant projects were completed in 2010 and many more are at advanced stage of construction.

In relation to the Government's main area of focus this term: traffic and parking, last year saw completion of:

- the excellent Dudley Ward tunnel and access road project, one of Gibraltar's largest civil engineering projects of modern times, which now allows the safe use of Dudley Ward tunnel and the restoration of two way traffic around the Rock, helping in the process to ease traffic fluidity to and from the South districts. Only the most churlish of critics would fail to acknowledge the excellence of this new public amenity;
- The equally excellent Trafalgar Interchange, which apart from providing an attractive urban landscape, has successfully addressed and remedied one of Gibraltar's most historically troublesome traffic choke points, and hugely improved traffic flow;
- Phase 1 of the Devil's Tower Road Multi Storey Car Park, which has already transformed the parking situation in the area for residents,

church goers, visitors to the cemetery and businesses in Devil's Tower Road, as well as other people in Gibraltar;

And, as you can all see, many important projects that form part of the Government's Integrated Traffic, Parking and Transport Plan are well under way:

- The rebuilding of Devil's Tower Road into a dual carriage way with new utility services beneath it;
- The new tunnel under the runway;
- The new dual carriageway from Devil's Tower Road to the frontier via Eastern Beach and the tunnel;
- The new road linking Europort to Queensway via coaling island

These will all further contribute to a huge improvement in traffic capacity and fluidity in Gibraltar.

And on the parking side, further relief will be brought by the completion of Phase 2 of the Devil's Tower car park before the summer, and by additional new multi storey car parks that will start this year at Arengo's Palace, Engineer Lane and South Pavilion.

Parking will be further eased by the new Residents Permit Holder Parking Scheme that will be rolled out throughout Gibraltar this year after a trial in the North districts which gets under way in a few weeks' time.

In the area of leisure amenities, good progress continues to be made with the refurbishment of Europa Point and its conversion into a landscaped and planned leisure zone. The beautified Eastern Beach Road and surrounding areas adjacent to the beach and the new beach car park remain on track to be ready by the summer season. Parks, green areas and playgrounds will be expanded, refurbished and upgraded during 2011.

We are also adding to Gibraltar's leisure activities with Paint balling facilities. The rebuilding of the Westside rock revetment is complete and the restoration of an improved promenade and play area on it is under way.

During the next 4 or 5 months all bus shelters will be replaced, modern urban public toilets will be located in strategic places around Gibraltar and 'take, ride and leave' bicycle stations will also be strategically located around Gibraltar.

In other areas of life in Gibraltar, 2010 saw the coming into operation of the new prison at Lathbury Barracks which provides Gibraltar, as all civilised and prosperous communities must have, with a modern prison in which prisoners can be held with dignity and respect of European human rights standards.

Good progress continues to be made on the new Court Houses, which will increase capacity and facilities available and thus, together with other management and technical resources initiatives which the Government has taken will hugely modernise and improve the administration of justice in Gibraltar.

These are just some of the tangible benefits in this area resulting from the Government having taken direct responsibility for justice issues following the new Constitution and the appointment of a Minister of Justice.

The elegantly refurbished and redecorated public market and surrounding area has further contributed to the urban regeneration and environment of the Casemates area. I am particularly proud of my Government's overall record on housing. Not only have we refurbished old housing estates and installed lifts, but we have built and provided rental stock as well as affordable ownership homes, and also around 250 excellent rental homes specially designed for the elderly!

It is a joy to see the sense of security and happiness brought to elderly people by homes in Bishop Canilla House, and now 140 more in Albert Risso House. We shall build more houses for the elderly of this type.

After a struggle with failed developers and contractors the Government was finally able to complete Waterport Terraces, Cumberland Terraces, Nelson's View and Bayview Terraces in 2010. There is no denying that for reasons outside of Government's control these projects have been delayed. The Government deeply regrets the inconvenience caused to purchasers.

But, in contrast to previous home ownership projects these homes are of a high construction standard. And, again unlike previous home ownership schemes, this Government does not walk away and leave purchasers to fend for themselves with problems – we address the inevitable issues that arise in newly built properties and remedy them quickly and effectively.

Of course, at the same time we continue to have to deal with remedial works to housing projects constructed more hastily and less carefully under the auspices of those who now seek to make political capital about delays in our housing schemes. And so, you will see that, having completed very major remedial works to Brympton and Harbour Views Estates, we are now engaged in major remedial works to Montague Gardens and Montague Crescent Estates.

This brings me conveniently to a project which will be very important to Gibraltar's future prosperity: the magnificent new air terminal – which I promise will also fill you all with great pride. The Opposition says it is costing too much and is too big. Well, they are wrong but let's put that into perspective: this investment which will be of major benefit to Gibraltar for many decades to come is costing about the same as it has cost to put right the GSLP government's housing fiascos and waste to energy plant fiasco; or less than  $\frac{3}{4}$  of one year's worth of import duty; or the health budget for just 6 months; or just one and a half times last year's budget surplus!

And of course work continues on the new Power Station, the new Mental Health Hospital, the new old peoples' home and the new, dedicated residential homes for sufferers of Alziemer's and dementia.

### **CHALLENGES AND DISAPPOINTMENTS**

2010, as every year does, brought its quota of challenges and disappointments to Gibraltar. We have had to endure the antics of the Mayor of La Linea and the pollution of our Western Beach by sewage from that town. Our technical people have now demonstrated to the required technical standard that the source is indeed La Linea's storm water drains and so the Government is now taking the matter up formally with the Spanish Authorities and, if necessary the European authorities. The solution is physically outside of our control so we shall have to rely on the diplomatic and EU legal processes. In the meantime if swimming at Western Beach continues to represent a significant health risk, then regrettably swimming cannot be allowed until

Spain removes the pollution at its source in La Linea, which we believe is in violation of EU legal requirements.

In November we had the shocking and life threatening knife attack on Daniel Feetham, the Minister of Justice, which, happily he survived and from which he has made a good recovery, albeit with some lasting health implications. We all wish him a full recovery.

Sadly also, we said farewell to two much loved citizens, retired bishops Bernard Devlin and Charles Caruana. Both, in their different ways made important and lasting contributions to this community. We mourned their passing.

And, of course the problems on our territorial Waters escalated to a point which the Gibraltar Government could not accept since it represented the risk of real, damaging and irreversible prejudice to sovereignty of our Waters, as well as disrespect of the Royal Gibraltar Police and their jurisdiction in them. We dealt with the matter with the seriousness and firmness that it needed and deserved.

Cooperation cannot be a cover for the erosion or prejudice of our sovereignty. As you all know, I have made it clear from the outset that cooperation agreements under the trilateral forum would not be allowed to prejudice sovereignty. It will therefore not have come as a surprise to any of you that events on the waters, and off the waters but relating to them, since May 2009 led to the Gibraltar Government blocking the reaching of cooperation agreements affecting the waters until an acceptable formula can be found to properly and effectively protect exclusive British sovereignty and Gibraltar jurisdiction over them. That has not yet occurred. Our position will not change.

As I have always said, important as the Trilateral Forum is, sovereignty is much more important. As you know well, I do not shirk from decisions necessary to protect and uphold our sovereignty.

The recent public revelation by the ex head of legal services in the Spanish Foreign Ministry simply serves to confirm what we have always known, namely that there is absolutely no merit in Spain's position in relation to the Sovereignty of our territorial waters, and that Spain knows it.

There has been much politicking by the Opposition about my recent speech in Seville which included references to Andorra. I stand by every word of what I said in Seville. It is indeed my position, as I said in Seville that our present status is to our liking, and if anyone wants to put proposals for a different status, such as for example the Andorra Model, it would have to be put to the people of Gibraltar in referendum since only the people can decide the future of Gibraltar. I think that that is absolutely right and, while I shall continue to defend our sovereignty in the manner that I have done for the last 15 years, I will also provide Gibraltar with leadership on all aspects of its affairs, including relations with Spain, also in the way that I have done for the last 15 years.

But, I think that the whole Andorra debate tells you a lot that is worth noting about the Opposition, and their instinct and willingness to lie and deceive for their electoral gain, and thus about their political integrity.

Firstly, since in Seville I did not propose or call for an Andorra status for Gibraltar, an explanation of my Seville statement (which I hope you have all now seen on the Government website) does not require an explanation or defence by me of the

Andorran Model. Even so, that Model involves absolutely no rights or powers or role or status for Spain or the Spanish King or any Spanish prince. You wouldn't think so from reading and hearing the GSLP Liberals would you? Why then do they seek to leave you with the contrary impression?

Secondly, I said exactly the same thing in 2002 in the British Parliament's Magazine, in the Gibraltar Chronicle and in the Panorama. The Opposition did not utter a single word in reaction at that time: not even in the general election campaign the following year! Why not if it's such a political big deal? Obviously the distortion was too dishonest even for them in 2002. So what's changed now, except the GSLP/Liberals' political desperation and therefore the extent of their need for deception and distortion?

The political reality from which there is no escape for the Opposition is that as a result of the GSD Government's handling of our political external affairs in relation to Spain and the UK, Gibraltar's sovereignty and political position has never been stronger or more secure than it is now: a new maximum self government constitution; equal status in dialogue with our own voice and a veto; a new UK commitment to not even discuss sovereignty with Spain without Gibraltar's consent, ie an end to bilateralism. And all achieved in the face of obstruction and opposition from Mr Bossano and the GSLP/Liberals.

Two final but important points: Firstly, I would like to thank Kaiane Aldorino for the pride and honour that she brought on Gibraltar during her extraordinary reign as Miss World last year. Who would have thought that Gibraltar could achieve a Miss World Crown? No one, but she did it.

Secondly, everyone was delighted at the news that HRH Prince William is to marry next year. Since Prince William will one day be our King, and his bride our Queen, it is right and fitting that we should celebrate the forthcoming marriage. Accordingly, the Government has decided that Friday the 29<sup>th</sup> April 2011 will be a Bank Holiday in Gibraltar, resulting in a welcome four day break, since Monday 2 May is also a Bank Holiday.

I wish you and yours a happy and healthy 2011, which I believe will be another good year for Gibraltar.