

## **GIBRALTAR CHAMBER OF COMMERCE**

**Chief Minister's**

**Mid-Term Address**

**4th December 2013**

Mr President, Fellow Ministers, ladies and gentlemen,

Much more convivial Thursday than last Thursday in Algeciras.

It is now almost exactly two years ago that I addressed you as Leader of the Opposition, in the run up to the general election of 2011.

Time does pass quickly.

For two years now, we have been your government.

For two years, I have been honoured and privileged to be Chief Minister of our small nation.

They have not been easy years but in many respects they have been amongst the most successful years in our nation's history.

You have seen a government that has in many positive ways started to undertake a transformation of our democracy.

You know that we have introduced monthly sessions of Parliament instead of 2 or 3 a year and that the proceedings from the heart of our democracy are now televised.

Government information and data, which used to be disclosed only after a question in Parliament, is now published monthly on-line.

If the sounds esoteric in terms of your own business, think again.

You now have online access to information about how your Government spends your money.

You can see, that in the past two years we have, for example, spread the Government's legal work out amongst a much larger part of the legal fraternity – always choosing the best lawyer or firm for the job – quite unlike the position before we were elected when a favoured few got all the work.

You can see, transparently, what each minister's costs of travel amounts to and who is the agency selling the relevant tickets.

In fact you know have so much access to information that you may not even bother to look!

The DPC has also been made open, accessible and regular. Remember 2 years ago – meetings behind closed doors and secret minutes. For your businesses, open, regular and online meetings of the DPC are an essential tool of modern commercial life.

We have re-introduced the discount for business rates on early payments.

This has been coupled with a higher discount of 50% for start-up companies in the first year.

And, of course, remember that we have frozen electricity charges.

You may not have felt the relief in the respect because we have not reduced a charge that has been removed.

But remember that if we had not won the election you would have had electricity charges increased on a compound basis 5% a year for 20 years.

So when you look at what you consider to be the cost of doing business in Gibraltar, you do so no doubt delighted that we have kept that 10% (to-date) increase away from your bottom line – what would have been a 20% increase by the next election.

Imagine how much your costs would have risen if we had not frozen that cost.

And you have also not suffered any increases in the cost of social insurance in the past two years.

Another frozen cost of business.

At the same time we have reduced import duties considerably on a huge number of lines, to help ensure that Gibraltar retailers remain competitive in the many lines that distinguish Main Street.

In this respect, I know many of you are concerned about the rise of online purchasing. These days you will have been reading about Black Friday – the high street retailers' bumper day; and Cyber Monday – the online retailers' bumper day.

Online retailing is part of the globalisation which offers us and you in particular so many opportunities.

We are conscious of the fact that online trading can hurt Main Street.

Indeed, the entirely unjustifiable frontier controls which I will come onto later are preventing people from shopping in Spain.

Some may take to their tablets or PC's to buy online instead of in Main Street.

People must be free to do so and the postal services here must deliver to them on time.

But in the same way, people must pay their import duties on dutiable items.

In the online trade – that may even be easier to address than in the cross frontier trade.

The Government will – after consultation with the Chamber – be running an information campaign in the run-up to Christmas, reminding people that many of their online purchases are dutiable and that import duties must be paid.

We have also reduced duties on marine fuel to zero.

The income tax burden has also been reduced, via allowances and reductions in rates in the past two years to comply with our electoral obligations in this respect.

In the Allowance Based System the tax rate on the first £4,000 of assessable income was reduced from 17% to 15%.

Tax on the next income bracket of £4,001 to £16,000 was reduced by 6% from 30% to 24%.

And in doing so our economy has continued to grow.

We have delivered those cuts in duty and cuts in income taxes and the fastest growing economy in southern Europe at close on 8%.

And we have grown GDP from £1.137 to £1.226 bn.

Well on track to meet the £1.65 bn GDP we had predicted two years ago.

Full delivery of our obligations is on track. Strong growth has become a reality. Our predictions of 2011 are on track.

And to top it all – a record annual surplus of £37m.

Our critics said it could not be done – yet it has become a reality before your eyes.

And in delivering all of this to you, we have this year reduced gross debt to an estimated £376m from £520m where the GSD left it – 27.5% down.

And if you are a disciple of Net Debt, that too is down from £303m to £278m; a reduction of just about 10%.

Again, we fully expect that by the time of the next election we will have reduced both gross and net debt as predicted in our manifesto – even through these increase and decrease depending on progress of government's capital projects programme.

Neil Costa is doing an excellent job in his Ministry of Commercial Affairs with his responsibility for small businesses, something which was itself the fulfilment of a manifesto commitment.

He is advanced in plans for the Office of Fair Trading and has already established and fully resourced the Small Business Unit. The Small Business Board also meets regularly.

And this weekend we will see a Small Business Saturday to stimulate local trade and economic activity by bringing entertainment and culture onto our streets.

And can I congratulate Neil also on Gibraltar now boasting more flights than it has for a long time; not that this will help recoup the cost of the airport.

You will recall that it was at your pre-election dinner that I raised with you a cost over-run on the airport of near £45m from £24m to circa €75m euros.

Well, it turned out that the cost over-run was actually £61m from £24m to almost £85m.

That is, let's face it, an astonishing amount of over-run.

The airport cost more than three times what it had been estimated to cost.

So when our political opponents say they cannot work out where we find the money to fund Government projects they just need to remember that they spent £61m over budget at the airport and sunk £10m into a hole in the ground where the Old Theatre used to be.

£71m builds you a whole government estate and clads a few more too!

And that is why we are now fully embarked on a huge number of new government projects and facilitating a large number of private sector initiatives also.

Three new government housing schemes are presently underway.

A five star hotel – something you as a collective have been seeking for some time for your clients and visitors- will soon open at Ocean Village.

Another five star hotel project is expected to seek planning permission at the DPC meeting this month. I also understand that this hotel we are in has now began its long advertised refurbishment.

A number of new high-end residential projects are being proposed to government.

And, perhaps more importantly, the race is on to be the first new office development to break ground. One such project is also expected at the DPC this month alongside the hotel development I have just mentioned.

These are exciting times.



A developing and maturing democracy.

A government listening to business and keeping costs down.

A new building boom starting to get our construction industry once more in motion.

And, in that context, it is right that we have re-purchased the plot on the Eastside which is a potential property lung for the future development of our community.

Although it had been a project announced with great fanfare on a number of occasions by the previous administration nothing had developed on site.

We are now ready to consider how best to get that plot going.

Perhaps our plans will be announced with less fanfare; creating less expectation and producing less fuss –

But perhaps that is why they will be more realistic and achievable.

Having made a huge success of the reclamation on the Western side of Gibraltar, we believe that we will be able to do likewise on the eastern side.

After all, the reclamation there was a project commenced during the first GSLP administration. And this year we have also started a consultation

with the Chamber and GFSB on new hours for the civil service something we expect to roll out with our new e-government proposal. All very exciting stuff.

Now, the past two years have not been without challenges.

The challenges have been and are many; not all from the traditional quarter.

Of course we have a serious problem with our northern neighbour which I will come to in a moment, but the matrix of challenges is much more multi-dimensional than just "Spain".

We are facing the challenge from the UK Exchequer on a point of consumption tax, on which we are working closely with the GBGA. I am pleased to be able to report to you tonight Mr President that we are finally fully engaged with the Treasury in addressing potential solutions to the concerns of the industry here. I have been in direct correspondence with the Chancellor in the past weeks on the subject.

Separately another challenge has come in the form of the international initiatives on transparency in matters related to taxation.

Gibraltar was put in pole position to deal with those initiatives by the work done since 1994 on Know Your Client and Anti-Money Laundering.

We invested huge amounts of public money in the past two years in order to ensure that Gibraltar complied with all EU directives on all subject – including financial services.

So when the time has come to seek extension of the OECD Multilateral Directive, it has been a small step for Gibraltar, and a giant leap for many other jurisdictions.

We support the pioneering efforts of the Prime Minister, David Cameron to use this leadership of the G8 to deliver an end to money laundering and tax evasion because Gibraltar has long led on these initiatives.

We will soon be undertaking work to understand from our financial services industry what a central and/or public register of beneficial ownership would mean for that industry.

But we will all be clear that whilst there is not a worldwide level playing field, this is a challenge that we have to address very carefully indeed.

Let's remember that Dealware companies dominate the Nasdaq and the Dow Jones, and that state is not considering a central register of beneficial ownership whether public or private.

But, at least, we may be on the cusp of a level playing field in Europe.

It, of course, has not helped that one of our longest established financial institutions is retrenching as Barclays is.

This is undoubtedly another challenge.

A challenge for those businesses who bank with Barclays.

A challenge for those who work for Barclays.

And a challenge for Government in ensuring we deal with the commercial and social banking needs of this community.

That we are doing in various ways.

Firstly let me say I am very happy that Barclays is not leaving Gibraltar altogether and that they will continue to provide many services to many of our businesses.

But let me also say that with Albert Isola as Minister for Financial Services, we are working to deliver solutions across the board in respect of this particular issue which I know is of huge concern to many of you.

And of course, there is also the matter of what we all thought was a European frontier. Before I move on to “the Spanish” issues – can I just highlight that we have also introduced a hugely successful VISA WAIVER SCHEME – Morocco – Russia – India- China at the request of Chamber members.

The greatest challenge to my government has been the attitude of Snr Margallo and the Partido Popular government to Gibraltar.

In this respect, it is essential that we understand what is happening and why it is happening.

The Partido Popular have made their positioning on Gibraltar crystal clear.

Indeed, let us go back to the period from 1996 to 2000.

When Snr Matutes was Spanish Foreign Minister and Mr Caruana - as he then was - was Chief Minister.

Lengthy queues were the order of the day, as they are now – although the particularly vicious “pedestrian queue” is a new phenomenon.

We were referred to then as a tax haven, talk of 80,000 companies. Apparently, it was later reported, Snr Matutes was a beneficiary of one!

And all as a result of a fishing dispute that had rumbled on for three years and led to the arrest of a vessel. [Incidentally, it seems that having to deal with Spanish fishermen is a right of passage for modern Chief Ministers.]

Then, the frontier was closed by the fishermen, with no help from Spanish police or Guardia Civil to open it up.

Extensive searches of vehicles.

A frontier complaints office set up by the then GSD Government.

Queues were regularly two hours and the European Commission received 7,000 letter of complaint from EU citizens.

The EU Commission considered taking legal action against Spain but instead asked that checks should be proportionate. Surprise, surprise.

That and their statement recently is enough to turn a Nation of Europhiles into Euro Sceptics.

The UK – then foreign secretary Robin Cook – called the checks “extraordinary and without precedent”.

It's almost ground hog day isn't it?

Who says history will teach us nothing?

Then Mr Matutes referred to 51 EU directives which Gibraltar had failed to transpose into law – at least that is something he cannot do now.

Snr Matutes did refer to us as “the dirty money colony” and Interviu, which attracts readers with colour photographs, talked about how the mafias used Gibraltar to launder their money.

5,000 people took to the streets in La Linea against restrictions put in place by their own government.

So far, so similar today.

There was perhaps one huge difference – and that was that the Gibraltar Leader of the Opposition then, Joe Bossano, was very clear in his line. “Before they get to him - he used to say to Spanish commentators about Mr Caruana – they need to get through me”.

No-one from Gibraltar even countenanced blaming the Government here for the problems created by the arrest of a fishing vessel in our waters.

When Snr Pique took over in the year 2000, matters became even worse.

Snr Pique was a much more sophisticated and urbane man.

But at that time, with Snr Aznar as President of Spain and the relationship between Gibraltar and the UK not as close as it should have been, we saw the fishing crisis and queues of the 90's lurch into the whirligig uncontrollable threat of Joint-Sovereignty.

There is today no question of a return to Joint-Sovereignty proposals.

There is no question of a return to bi-lateral discussions between UK and Spain under the Brussels Process or otherwise in relation to Gibraltar's Sovereignty.

The referendum did for that and the very close relationship we enjoy between the Gibraltar Government and the UK Government today will ensure that is not in any way back on the agenda.

The toothpaste is not going anywhere near the tube, let alone back in.

But you can see the similarities between the PP position of 96 to 03 and that unleashed on us from 2011. Indeed, even with the PSOE in power in Madrid, we had to suffer very bad queues indeed in 2010 when Alejandro Sanchez, then Mayor of La Linea, was mooting his toll idea and setting up his “bordillo”, which created huge tail backs in Gibraltar.

That was before a GSLP administration led by Fabian Picardo.

But Alejandro, Snr Pique, Snr Matutues, Snr Landaluce and Snr Margallo all have one thing in common. They all belong to the Partido Popular.



Long before the current fishing impasse, long before the artificial reef they were positioning themselves for an onslaught designed to "put the toothpaste back in the tube" ... as they describe changing the Moratinos' approach which had led to the Trilateral Forum for dialogue and the advances achieved under it.

The common denominator of the problems here is the Partido Popular's approach to Gibraltar.

Let us not allow ourselves to believe otherwise. Let us not allow fanciful notions to obscure the real politick of what is happening.

We must not allow the Partido Popular to divide us on these issues.

And remember that in the period 1996 to 2003 those of us the in opposition never went to Spain to criticise Peter Caruana on his handling of matters at the time. We never described his defence of Gibraltar as provocative or incendiary.

We never gave succour to his critics there.

Never

We stuck together.

Of course we hanker for the relative peace of the period under Snr Moratinos and the PSOE in Spain.

This government is ready for dialogue. The UK is ready for dialogue – under the Tripartite Forum or even under the “ad hoc” formula. But Spain has not yet responded to the UK’s most recent communications on the proposal. Remember the UK proposed the “ad hoc” process in April 2012 – last year – with our full support. Because we believe that dialogue is possible - and with imagination on all sides even the boldest red lines can be maintained and dialogue produce fruitful results. And that is what we want to try to achieve. We do not wish to see any escalation of the dispute with Spain but we sometimes do need to defend Gibraltar when we are vilified or we would be failing in our duty to our people.

But talks we will always support because the future is  
DIALOGUE, DIALOGUE, DIALOGUE.

In this respect we have matured and developed links with the Socialist Party in Spain at the highest levels.

I can tell you our relationship is probably stronger than it has ever been.

Gemma Araujo in La Linea has been a strong voice of reason and also a strong advocate for the trilateral forum to return.

But let us also not lose sight of the fact that the Trilateral did not meet for almost two years whilst there was a PSOE administration in Spain.

It was Mr Caruana in a Ministerial Statement in October 2010 who said that although he was a strong proponent of dialogue that there were serious issues that could not be “co-operated away”.

He was, of course, right about that.

So when I hear voices say that the trilateral is the future; of course I agree. We have been saying so since before and after our election; The UK says so. The PSOE says so. The GSLP/Liberals say so.

But the trilateral was in suspense - perhaps rightly - whilst the GSD were in administration.

If we are serious about wanting to engage Spain... It is about more than naively wishing that we will be able to return to dialogue at all costs.

The state of Spain today is an issue in itself.

My Speech in Algeciras last week was not the only one cancelled that day as a result of extremists. So was that of PSOE leader Snr Rubalcaba. The Spanish crisis is not over. The financial crisis has become a political crisis too – with extremists stopping speeches of a Leader of their national opposition, let alone my intervention in Algeciras.

And in that context Gibraltar needs strong leadership today.

Strong leadership in defence of Gibraltar is not to provoke.

Don't believe the opposite. And we will do and are doing everything with the support of the United Kingdom to resolve these issues even with an intransigent Spanish government.

And in this context, we know some of your businesses are hurting as a result of frontier restrictions and we are working on measures to assist the retail sector in particular.

Because your success is our success and conversely your pain is our pain.

Because we are bound in together on this Rock.

And together, we will succeed.

Every year Gibraltar goes from strength to strength.

This year will be no different.

At a macroeconomic level things are looking good because your businesses are succeeding.

Because you are the engines of the economy.

And you are firing on all cylinders.

But if you falter – or could do more, remember, that as a pro-business government we listen. Talk to us.

In fact email us – because every minister (including the Chief Minister) now have email – for example: [Neil.Costa@gibraltar.gov.gi](mailto:Neil.Costa@gibraltar.gov.gi).

And despite all of these challenges, we are on track to deliver the manifesto which our worst critics could only describe as the most ambitious our community had ever seen.

From this mid-term point, we can see the next election just about appear on the horizon and I can confidentially say that when we get there, I will be able to hold up our manifesto and say to you.

Vision Accomplished!

Thank you.