



PRESS RELEASE

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Budget Speech 2015 - The Hon Joseph John Bossano MP

24th June 2015

Mr Speaker,

Given that there has to be a General Election before the next Budget Session in 2016, it seems appropriate to take stock of how much of what we set out to do in 2011, we have been able to achieve by now.

1. RECORD GIBRALTARIANS IN FULL TIME EMPLOYMENT

The growth in jobs in the Economy is both the consequence of and a contributor to Economic Growth.

One of the elements we need to analyse in the growth in the Labour Market is the area of Employment and the nature of the jobs. We have always taken, from the Opposition, a view on which we differed from the position of the GSD Government namely, that monitoring full time employment was more relevant than the global, all job figures, which includes part time employment. It is a view we continue to hold in Government.

In addition we have previously drawn attention to looking at job creation outside the construction sector, for the simple reason that jobs created by new construction are cyclically driven by government funded fixed capital formation and occasionally by some large private sector property investments. These investment projects can only be carried out by an increase in the size of the construction sector which then shrinks again when the projects are completed and it was this which drove the economic growth and increased employment prior to the 2011 general election.

This has not been the case since.

As I pointed out last year we were anticipating then growth in the size of the construction sector in 2014. This has happened and is reflected in the October 2014 Survey results, however this has to date not been as much as the number of construction jobs reached in October 2011. That



created a distorted view of how much the employment market was expanding, clearly shown once it was reversed in 2012 when large projects were completed. For this reason I would draw the attention of members to what is happening in the labour market excluding the construction sector, as I did last year and as a better indicator of the job creation effect of our economic growth.

Last year I informed Parliament that the growth in non-construction jobs was from 18,813 in 2011; to 19,511 in 2012; 20,774 in 2013; and now 21,405 in 2014. These figures are based on all jobs including part time employment, from the relevant tables. If we look at comparable full time employment the expansion of non-construction employment since 2011 has been from 15,714 to 18,180 in 2014, an increase of 2,466 full time jobs outside construction, a 15.6% increase in 3 years. This level of full time jobs created outside the construction sector compares to the performance of the GSD in the 3 years before the General Elections, from 2008 to 2011, when the number of non-construction full time jobs grew from 14,580 to 15,714.

An increase of 1,134, less than half the results of the last three years, which amounted to 7.7%.

The numbers in employment outside construction in the last six years show that since general election the job creation in the rest of the economy has been over twice the size what it was in the preceding three years. I indicated this last year, but did not have up-to-date figures to quote when the member opposite suggested that the growth in employment was still being driven by the construction sector, as it had been for three out of the four years, of the previous administration.

The importance of separating these figures is that we know that the present size of the construction sector is likely to shrink again in 2016 as it did in 2012 and will probably expand again later as new projects are launched.

I was able to demonstrate last year, Mr Speaker, how the figures for the increase in Gibraltarian employment presented in the 2011 budget, prior to the General Election, were incorrect and misleading, based on the results of the 2010 Employment Survey.

If we look at Gibraltarians in full time employment in 1996, 2011 and 2014, we can judge how our record over 3 years compares with 15 years of GSD Government.

In 1996 there were 8207 Gibraltarians in full time jobs out of total full time jobs of 11,467.

In the 15 years of GSD Government they boasted of how successful they were in running the economy and creating employment.

The record of which they were so proud and which the new leader of the party takes credit for, although he was not there, does not look so good when we compare it with the past 3 years, and absolutely lousy if we look at the increase in Gibraltarian employment.

Here their best year out of 15 was in fact 2011/12; the election year.

In 15 years, the full time jobs were up from 11,467 to 19,071, an increase of 7,604. In the same



period the number of Gibraltarians in full time employment went up from 8,207 to 8,544. A miserly 334 increase in Gibraltarians employed in 15 years.

Up to 2010, when challenged on this abysmal performance, the argument was that we had run out of employable Gibraltarians that we had full employment, that we had exhausted the economically active population, and could only have economic growth by importing labour.

Not true!

Up to October 2010 the increase was 260 in 14 years an average of 18 to 19 extra Gibraltarians a year. Suddenly in the last year the argument changes. The construction contract policy comes in, priority in cleaning contracts comes in, and what had previously been jingoistic nationalism now became respectable, priority in jobs for our people. In one year, by October 2011 we saw an increase of 77 Gibraltarians in full time employment.

Much better and even better if it had been done earlier.

So how have we performed since 2011 with a clear manifesto commitment of priority in employment for locals? From 2011 to 2014, the Survey Report tabled by my colleague the Minister for Employment shows what this record is.

From 19,071, in 2011 the number of full time jobs in our economy has grown to 21,084, an increase of 2,013. However, the contrast with the previous 15 years could not be greater when we see how many of these extra jobs have been taken up by Gibraltarians.

Those Gibraltarians, who we were being told, did not exist or were not out of work or if they existed it was because they were not employable.

From 8, 544 Gibraltarians in full time employment in October 2011, the number has grown to 9,293 in October 2014, 749 more Gibraltarians with jobs in 3 years, an average of over 20 extra Gibraltarians in full time employment for every single month of those three years.

More Gibraltarians employed in each month from October 2011 to October 2014, than they managed to employ in each year of the 14 years they were in government, from October 1996 to October 2010 when the average was 18 to 19 a year.

A record figure which I am confident will continue to grow this year and in the future. Though future numbers will be less dramatic because we have considerably reduced the hidden unemployment that grew, between 1996 and 2011, or where else do the Honourable Members opposite think this extra 749 Gibraltarians have come from? If the economically active population had been exhausted before 2010, as they claimed, how has full time Gibraltarian employment grown by 749?

In the context of the figures that I am highlighting to illustrate the point, I am reminded of previous debates on the subject.



I note from a recent statement that the GSD gets upset about the way I deal with the kind of rubbish that we hear from its present Leader and thinks this should have no place in politics.

Clearly the GSD has already forgotten how its former Dear Leader used to deal with anyone who disagreed with him.

When the current Dear Leader became the next in the line of succession and joined this House, he may remember how his mentor reacted to my arguments regarding the failure to achieve an increase in male Gibraltarians in employment after 10 years of GSD Government.

The GSD view then, to which he was party, was that the male Gibraltarian population was static and never went up. It was not a failure to provide jobs that was a problem it was a failure to produce Gibraltarian male births in excess of deaths.

The Gibraltarian population resident in Gibraltar was 19,825 in 1981 and 20,022 in 1991, a very small increase of 197 in 10 years; this was not evidence of an ageing population and low birth-rate, the implication of the GSD argument from 1996 to 2010, to explain away falling levels of Gibraltarians in employment.

The failure of the population to grow from 1981 to 1991 was almost certainly due to net migration. But this changed later and thereafter less Gibraltarians left and more came back. In the decade to 2001 it grew by 2,860 and the census tabled last week shows a further increase to 25,444 by 2012, to 2,562 more Gibraltarians in a period of 11 years.

So from 1991 to 2012 the Gibraltarian population went up by 5,422 in 21 years, 15 of these years under the GSD government who defended themselves in the house by saying the population was static and that we had exhausted the local labour supply. Well if it had been true then the number of Gibraltarians would only have grown before the GSD that is in 1991 to 1996 after the GSD since we came in 2011 and up to November 2012 in 11 months. If this had happened this would not constitute a normal demographic pattern as the Chief Minister argued.

What this would show, if it had happened, would have been that something very wrong was taking place under the GSD administration. It would have implied Mr Speaker, that we had an outflow of refugees escaping from the regime, as is happening in other parts of the world. However we are not suggesting this was so; the simple explanation is that what they were accusing me of doing, which was manipulating the statistics and lying, was in fact what they were doing. They were twisting the facts to suit their political objectives and defend themselves against failures.

They did it in opposition before 1996 they did it in government between 1996 and 2011 and they have carried on doing it in opposition since, to this day.

My argument, the House was told, was a complete distortion of the statistics, which I was putting to an obscene political purpose!



Never mind the Soviet Union, Mr Speaker. If we had been in North Korea, for the obscene offence of disagreeing with the Great Leader's interpretation, I know what my fate would have been. Even though the figures the Great Leader was quoting actually went against the argument he was using of zero male population growth. Male Gibraltarians in employment had in fact fallen below the 5,618 figure of 1996 every year to 2005 and then shot up to 5,718 the year he put his argument having been previously as low as 5,168 in 1999. This loss of 10% of Gibraltarian males was said to be a demographic change, not a change in employment levels, as if 10% of our male Gibraltarians had been eliminated Korean style. In spite of this comparison, with the style of the past, given the Hon Member's sensitivity, I will try in the future to be even more gentle with him.

2. ECONOMIC GROWTH

Mr Speaker, I have said at the start of my contribution that the relationship between employment and economic growth is two way.

Setting targets for economic growth as the foundation for a four-year economic plan has been an integral part of the GSLP approach for securing our country's future from the start of the life of the party in 1976.

When we took office in 1988 the national income was £152M. This figure which formed the base line, from which we measured our progress, had been validated by a study using input/ output methodology which confirmed the estimate of the previous government.

Between 1987/88 and 1996/97 the size of our economy grew by 132%, which represented an increase in output and a higher level of national income of the order of £200M to reach £352M.

In 1996/97 the calculation by the GSD administration was also confirmed by an input/ output study.

In those eight years the critics of the GSLP used to question how it could be possible to achieve this level of growth and accused us of having a secret economic plan which we would not reveal.

Well Mr Speaker I find this extraordinary and something which you would find nowhere else in the world in terms of the positions adopted by political alternatives. This is that the party that puts before the people a set of specific policies which are quantifiable does not have an alternate option from another party putting different targets. What we find is that the alternative party campaigns on the basis that it has to have an explanation given to it as to how our targets are going to be achieved. That is the experience we have had in fighting elections; unique to Gibraltar.

An example to illustrate the point Mr Speaker is if you look over the years, others have promised to build more houses but never delivered we have always said how many houses we intend to build giving the number. The debate then becomes centred on our manifesto and whether it is affordable and how are we going to be able to deliver it, and where is the money coming from.

This is what happened in 2011 and what has been happening until recently when the Leader of the



Opposition for the first time set out his ideas on the public debt which appears to be what he will be committing his party to when the election takes place between now and the next budget.

I believe this is how it should be, if the members in opposition believe that they have alternatives which are better than our policies they should spell them out so that our people exercise a choice between policies.

Between 1996 and 2011 our targets for economic growth were always ridiculed by the GSD. Even when the targets we were setting were actually being achieved under them. An indication of just how economically illiterate they were, considering they didn't even realise that the growth figures being quoted by me, and rejected by them as "pie in the sky", was the growth rate that was actually happening under their very noses.

Mr Speaker the revised calculations for GDP published this week are the result of information obtained from the 2012 census being taken by the statistics office to recalculate previous National Income Estimates. I take this opportunity therefore to point out that in 2007 on the eve of the Elections, in the final debate, the leader of the GSD said that had he realised that my projection, for economic growth was written into the manifesto, specifying the amount, he would have rubbished it even earlier. My supposedly outlandish projection was £800M in 2007/8 rising to £1.2B in 2011/12. A back of the envelope calculation, I believe was how it was seen.

So now that we have in 2015 the final updated figure, taking the most recent information from the census, which is much more accurate than the one historically, produced before, one can see how far out I was.

Instead of £800M it was £806M in 2007/8 and the growth instead of reaching £1.2B, reached £1.201B, in 2011/12. Clearly I will have to do better than this, Mr Speaker.

In the 2011 general election we relied on revised figures and produced estimates for the current four-year cycle based on the information that was available. Assuming the level of the GDP for 2011/12 to be of the order of £1.1B we projected its growth by 50% to reach £1.65B in 2015/16, the current financial year. Given that we now know that the figure was £1.2B in 2011/12 we would expect 2015/16 to reach £1.8B. Indeed the figures that have been published this week suggests that the original estimate of £1.65B could well be the final outcome for 2014/15 in which case it is not unreasonable to expect that the current year would produce a result of £1.8B.

For the future to manage the same rate of growth would require that our GDP should then go from £1.8B in 2015/16 to £2.7B in 2019/20.

This might be quite a demanding target to aim for and we shall have to consider what the target should be as we get closer to the date of the elections. But members can be certain that we will be setting out a specific target on economic growth as we have done in the past.

Although the GSD position in November 2011 was to declare it impossible to achieve, I was glad that the honourable member opposite in the first debate that took place on Workers Day 2012,



accepted it could happen and indeed went as far as to say:

“the GSLP in their manifesto commitment they promised that the economy is going to grow by 50% over the next four years. Now if they deliver on that particular promise they are going to be creating hundreds of jobs”, “Look, I’m not here to wish the GSLP not to succeed with that enterprise because at the end of the day I’m Gibraltarian and for the sake of myself, my children and the rest of Gibraltar we want them to succeed.”

After which he went on to say, we have to analyse the reasons why people are unemployed and for example, the position of those on Social Security.

Well that is exactly what we have done.

We have reduced the numbers of persons on social assistance from 533 in December 2011 to 422 in June 2015, a reduction of 121 in the number of persons relying on social assistance as their only source of income, which represents a 22% decline.

This has been done by providing opportunities in the training for employment programme and the result is that this reduction is reflected in the increases in the number of Gibraltarians in employment which also includes others who whilst not on social assistance were not previously registered as seeking employment and were deemed not to exist.

The honourable member said this is what they were planning to do had they won the 2011 election. Now I accept that he was not there in any previous election before 2007. But saying that the GSD was going to start doing things after 2011 which they had not committed themselves to in their 2011 manifesto and which they had failed to do in the previous 15 years, when he was not there, is hard to swallow. Especially when indeed they argued that either it was not possible or else it was not needed.

The growth in the economy does not necessarily require an equivalent increase in the number of jobs, as he implied.

The growth in GDP from 2007 to 2011 of 50% was not accompanied by an increase of 50% in the workforce.

To do the correct analysis of what is happening with the numbers in employment in the context of economic growth we needed to remove a big chunk of the part-time employees shown at the time as community officers, no longer reflected in the statistics. I have explained before why this was an artificial figure distorting the picture that had been used by the previous Government as evidence of the effect in employment levels in terms of the number of Gibraltarians.

Indeed in that same debate in May 2012 the member opposite claimed that they had in a 15 year period increased the national income by 300% and the jobs by 8000. Something which he had nothing to do with and in any event the figures are incorrect.

For the record and so that it is understood, let me explain why the community officers with a



monthly allowance from community care were not part of the workforce, apart from the fact that the charity argued this at an Industrial Tribunal.

In economic terms the 650 to 700 Gibraltarian's are in the main persons with full-time jobs and already included in the statistics. This happened from the time the GSD asked the charity to expand the scheme and make it available to all 60 year old males and not just to unemployed persons aged 60 years plus, who were having difficulty in finding employment, namely the previous category. The effect of the change was a huge increase in numbers of community officers. This was not accompanied by any increase in the available work which did not expand to meet the availability of the extra community officers.

So it is not the case that the contribution to output increased, when the numbers went up from 45 to 700, and therefore the output of our economy was not affected.

So although there are some 760 part-time community officers currently doing a few hours a week for community care they do not appear in the employment survey reports that have been tabled as part-time workers though they will as I have explained, appear as full-time workers anyhow stop.

The economic growth has given rise to job creation but to avoid what was happening before 2010, we have implemented as intended the GSD initiative announced that year requiring priority for local labour on government contracts and we have overcome the excuse of employer regarding applicants not being suitable or experienced by providing a link to the training programmes where required.

3. TRAINING FOR EMPLOYMENT

The one important factor that has contributed most to the increase in sourcing local labour to fill the increase in jobs available, has been the introduction of the new training programs which replaced the vocational training scheme (VTS) operated under the GSD.

Our manifesto commitment was that this initiative would be introduced by no later than February 2012, demanding as the target date was, it was met and those previously on the VTS were offered training employment contracts on the national minimum wage. All those on the waiting list and those already in the discontinued scheme were taken on during February.

There were *two elements* in the strategy:

The *first* was that trainees were placed in the private sector with employers who entered into a business partnership agreement with the training company. This requires the placement provider to commit to employment at the end of the training period. The training contract and placements have been subject to a one month probationary period followed by a number of months of training, dependent on the nature of the work and its complexity, and the level of prior experience of trainees.



The *second* element in the new approach has been that the nature of the training is demand led, indeed without this factor it is difficult to see how employers could be required to commit to employment on completion of training.

These two aspects were to secure the success of the training in achieving employment.

On the supply side, the payment of the national minimum wage has meant that it was much more attractive than its predecessor, and could be offered to unemployed persons across the spectrum, given that the national minimum wage is in fact the private sector rate of pay for most semiskilled jobs, on offer through the employment service.

Initially the member opposite found fault when the program was barely one month in operation by March 2012, only 5 employers had committed to employ their trainees and I was invited by the Leader of the Opposition, then Employment Spokesman to acknowledge that the scheme was a failure, so anxious was he to see it fail.

The first year was not withstanding that a difficult one, we had trainees to whom we had a commitment, but who had not been pre-selected to train them for a particular set of skills, as the old VTS was not demand lead.

This created the problem of having to recycle the trainees through different jobs until something suitable could be found. Many of them had been placed in the private sector and employers told us that they were not able to offer employment because in the majority of cases they claimed that they were taking trainees for non-existing jobs, as a sort of public service and because they came free.

The approach seemed to be that it was better to have people in so-called training in non-jobs, than registered seeking employment. Indeed those on the waiting list for the quota of available funding at Bleak House were not at the same time allowed to register with the ETB as seeking employment.

They formed part of the “not unemployed” jobless element, which allegedly did not exist. To address this problem a number of those placed in the private sector were moved to the public sector on the clear understanding that they would not be given preferential access to public sector vacancies, as I have made clear in answer to questions on a number of occasions. This is despite the fact that there were cases of persons who had been on the VTS allowance for many years even though it was supposed to operate on a six month cycle.

By January 13, however the position had begun to stabilise with declining numbers in the public sector and increasing take-up from private sector employment.

At the time the Leader of the Opposition, as Employment Spokesman, claimed that the results of the first year in terms of obtaining employment at 28% was no better than what had been achieved by the GSD VTS program, which he claimed was of this order. Again clear evidence of his



attempts at belittling what was being achieved.

In fact in 2008 the then GSD Minister for Labour, whose name I will not mention because if I do the member opposite will say I have a vendetta against him went further. He said in his budget speech that more than 30% of the VTS trainees placed in the private sector found full-time employment in the first year. A figure for which I have found no evidence in the employment records of former VTS trainees in that year. Though of course, the year of the over 30% was not identified in his contribution.

By contrast I am happy to report that the success rate of the training for employment programme is now at 69%. Of the 1722 who had completed their training by April this year or left for other reasons, 1181 were in employment after leaving the training on completion.

He, the then Minister, told Parliament at the same time and in obvious contrast to the success rate he had just claimed, that our young people only aspired to higher education and at university level. Few, he said were interested in vocational training. Few, he added, even with low academic ability, wanted jobs in catering, hotels, shops, bars and restaurants, or even apprenticeship courses, contrary to what we in the opposition believed and what they seem to believe now, when they are in opposition.

He asserted "the Gibraltarian unskilled workforce cannot, nor does it have a desire to compete in the sectors of employment with workers from the new EU states and the developing world". An analysis totally reversed two years later and just before the election when he introduced sanctions in public contracts requiring employers to engage unemployed Gibraltarians, which he had claimed were not interested in the jobs.

Perhaps Mr Bossino should educate himself by reading what was said in the GSD years when he says there were agreements in place between major private sector employers and the employment service to provide apprenticeships, which he claimed had been terminated by me in December 2011.

This of course is a complete falsehood and I challenged the member to publish the names of these alleged private sector employers' agreements, which he has been unable to do because of course they did not exist.

The only entity he could quote was Gibtelecom, which is public sector, in pay and conditions and was 50% publicly owned and even they did not guarantee employment after training under the GSD. The one he did not mention was Cammel Laird in respect of the Dockyard Training Centre and the arrangements there continue to this day with Gibdock.

In 2008 the GSD Minister also admitted that there had been a shortage of craft and technical skills, which had resulted in most of the jobs in these areas been taken by workers from abroad.

To address this, after 12 years in Government, the GSD decided to bring together the Construction Training Centre with Cammel Laird and Our Lady of Europa Training Centre, to



deliver a more ambitious training programme in a more cohesive manner. A key element in this project was the co-operation of employers for job training placements and future job opportunities.

However, other than the announcements there is no evidence that then or in years' that followed anything new materialised either in training or in the private sector based apprenticeships.

The increase in jobs created by the growth in GDP between 2011 and 2014 meant, not just organic growth from existing employers whose business expanded, but also net increase in the number of employers, adjusting for those whose business activities ceased in the intervening period. This is reflected in the number of returns of the employment survey questionnaires which was 1,770 in 2014, compared to 1,445 in 2011. Of the 325 increase in returns 41 were in the Construction sector almost all being small start-up with under 5 employees.

As you would expect the fact that we have been training more people and that they have obtained employment has been reflected in the number of jobs which is up and the number of unemployed which is down.

Although again this was considered impossible to achieve, by the end of 2014 the quarterly average was 268 unemployed. The December figure at 228 was at the time the lowest ever. The number of unemployed Gibraltarians registered with the employment service continues to be below the 300 figure, which is what the GSD government considered to be the lowest level reasonably attainable.

In increasing Gibraltarian training opportunities and employment levels we have ensured that more of our citizens receive some of the benefit of a growing economy. As well as creating more jobs we have increased the national minimum every year even faster than the commitment in our manifesto. The minimum wage was £5.40 an hour when we were elected into office in 2011. It increased to £5.70 in 2012, £6.00 in 2013 and £6.15 and is due to increase this year!

Our approach to training, in addition to demand led employer based, has been from the start determined by a scientific analysis of the skills market.

3.1 SKILLS AUDIT

There was a commitment to carry out a skills audit of the labour market in the first quarter of 2012 to produce the final action plan from April 2012.

This was carried out within the timescale using the only source of information that was available which was the employment records held by the employment service which provided a breakdown by trade and industry of the skills base.

Having identified the areas dominated by imported labour from the reports of previous employment surveys and indeed from the analysis explained in 2008 in the house by the previous Minister, the work was started in the construction sector and I have already in answer to questions in the past given examples of this.



I have also said that the new census questionnaire would contain detailed questions on the skills set of the resident population which would be used to contrast with the data from employment records.

The census, as members will know, was due to have taken place in 2011 but was delayed and we proceeded with it in 2012.

The more extensive questionnaire made the work of analysis and tabulation with much more information more time-consuming and I am grateful to the dedicated team at the statistics department for having done an excellent job of providing us with the most detailed analysis of the skills distribution in the economy that we have ever had which will be very useful for planning the future training for Gibraltar by identifying the areas with the greater skill shortages in terms of local labour. These tables provide job classification with nationalities and age breakdowns.

The initial work done by the research Department in compiling tables based on employment records gave clear indications of the areas in which we should provide training.

In the construction sector the information was classified by employer, by nationality and age.

For example in 2012 we found the following Gibraltarian share:

Trade	2012 %
Scaffolders	26
Steel Erectors	13
Metal Plate Workers	58
Sheet Metal Workers	20
Welding Trades	29
Plumbers	48
Pipe Fitters	22
Plasterers	6
Painters & Decorators	26
Labourers in Building & Woodworking Trades	38
Labourers in Other Constructions Trades N.E.C.	42
Brick Layers	9
Carpenters & Joiners	23
Construction Trades N.E.C.	26

We took this into account as well as the vacancies registered by private sector employers for which it was difficult to provide local candidates, in the training offered.



Training programs and number of participants has been as follows:

Training Department Courses

COURSES/TRAINING AVAILABLE	PARTICIPANTS
Hairdressing NVQ L1	5
Care Training Programme	228
Bookkeeping NVQ L1	34
Police Cadets	11
Engineering Trades (i.e. Mechanical, Electrical and Fabrication & welding)	45
Construction Trades	143
Bus Driving Licences	17
ASDAN	16
Customer Care Training (Delivered by Training Dept)	55

I can of course understand the difficulties members have in accepting that we have achieved more in 3 years in the areas of growth, training and employment than was achieved in the previous 15 years under the GSD.

Mr Bossino in last year's budget and on some other locations has asserted that people are now in dead end jobs following training because of course he is forced to admit that they are now working, so he needs to switch his criticisms, before it was that they were without jobs.

They were all given glorious careers in the 15 years of the GSD, we are expected to believe, even though he seems to know very little about what went on in those 15 years.

The construction training centre which was initiated by the GSLP produced the greatest number of trainees in 1996 when it was opened and progressively less since until after 2011.

Of the 493 trainees who joined up during the 15 years of the GSD, 369 left without any qualifications, 11 left with a level I, 90 completed level II and 23 level III.

Since 2011 details already given in answers to questions, show how many more have been successful compared to what was being done before.

In this as in other areas it will make absolutely no difference to the criticism by the member opposite, that we provide logical explanations. He clearly feels that he has to earn his salary by arguing that things are not happening in the field of training or elsewhere even when the information is provided that shows the opposite.



The Hon Member last year also criticised how we were doing the Skills Audit. Well let me remind him what the GSD view in government was, as regards what the opposition was entitled to question.

They used to say, if I have something in my manifesto which you didn't have in yours then you have no right to criticise how well or not I am doing it, because if you had been elected you would not have done it at all.

So the answer is that if the Skills Audit which they did not do in 15 years and has been done in the last three, is not to the satisfaction of the member opposite, he has no right to judge how well it is done because he would not have done it at all.

What is clear is that the honourable Mr Bossino seeks information only to see how he can find an excuse to criticise and the biggest blunder he has made in this respect has been to criticise me last year for reducing the number of civil servants in the employment service from 38 to 14.

Well Mr Speaker this from a person in an opposition which was criticising us because they were saying the civil service in 2012 had been increased so much that it was bloated, as it was put to me at the time on GBC. Now they are saying as a party that the public sector is the only area where the number of jobs is going up because the private sector is down, which of course is not true.

None of this true Mr Speaker but that is not a relevant factor in the statements of members opposite.

However if they were so concerned that the civil service numbers are going up at a rate of knots that cannot be afforded, then why does he criticise me when he thinks I've done the opposite and brought them down?

In fact the example that he quotes displays a level of ignorance, for which it is difficult to find a comparable example in anything any member of the house has said in any of the 43 budgets in which I have participated.

I explained to the House that there were 22 or 24 newly recruited AAs who had been parked at the ETB at the beginning of the financial year pending their allocation to other departments, before the numbers went up. I then confirmed a year later that I had now lost all of them, bar one who was still in the Department and that is what the figures reflected.

Is the member apparently not aware after three years here, that the civil servants are deployed wherever they are needed in the different departments and that the requirements of departments change, that this produces some departments gaining staff and others losing them from one year to the next?

If he hasn't even learned that little in three years, then he has a long learning curve ahead of him before he starts making a worthwhile contribution to the debate in future budgets.



Of course he can always emulate his colleague Mr Netto for his next budget speech, who I understand provided a great deal of his analysis of the estimates of expenditure by explaining the relationship between the money we are voting for spending in 2015/16 and what he has done with his life in the last 30 years and especially all the things that he found wrong with me and the GSLP government before 1996.

Mr Speaker, given that the Honourable Mr Netto has decided to bid the House farewell, by showing what a harsh critic of mine he is, I feel I owe him the courtesy of reminding the House of some of his more idiotic interventions of the past.

In 1998 he tabled a censure motion against the opposition and in trying to justify his argument, he brought to the Parliament a civil servant loaded with the printouts of all the computer records of the GSLP administration from the employment service. He was trying to prove that the published unemployment figures did not tally with the records. That is until I intervened to point out to him that in fact what he was accusing us of was over-recording the level of unemployment. He was in fact accusing us of publishing higher numbers of unemployed than was really the case.

At which point when the penny dropped, the Chief Minister wisely turned to him and told him to shut up and sit down.

In his brief role as Employment Minister he was also notorious for doing what he tried to accuse Pepe Baldachino of having done, that is he changed the rules at one stage so that ladies seeking part-time employment should not be allowed to register and count as part of the unemployment levels.

He argued that these ladies only wanted to work part time and could not really be treated as genuine jobseekers and that there were some who only went to register for example if they heard that there was a job in Safeway or elsewhere in which they were interested. This unique interpretation of the criteria for unemployment was short lived.

But perhaps his greatest contribution to economic theory and employment practice came when he started issuing press releases showing the numbers of people that had been employed in a particular period, at the end of each month, or each quarter and then in the same press releases went on to argue that these numbers finding jobs was evidence of the growth in the employment market that was expanding and without doubt, by implication the rate at which the economy was growing, however having omitted from the equation those terminating their employment. Of course had this interpretation continued unchecked we would have in the fullness of time, have finished with the whole of Europe as our workforce.

Of course that was before he became a philosopher, which I thought might improve the quality of his interventions in the house, but it has only done so in relation to him quoting political philosophers. Last year it happened to be a Machiavelli and he got it completely wrong in the explanation that he gave. So I'm sorry to say that even the philosophy degree has not done him any good.



I was otherwise engaged Mr Speaker and not able to enjoy his presentation, but one thing that apparently was missing from his account was that he came to see me as Chief Minister when he visited Gibraltar at the time he was living in Wales. He did not come to my office at No 6 to pay a courtesy call, still less to tell me all the things I was doing wrong. No, Mr Speaker, he came to tell me that he was interested in applying for the job of branch officer in the TGWU but would not do so unless he could count on my support, which I gladly gave.

But for that exchange he might have stayed in Wales and I feel I have to own up and take the blame for this, and say to all those who in the last 30 years have had to put up with him since.

Mea Culpa, Mr Speaker, what else can I say, another minus on my CV.

The level of economic activity and our growth is assisted, or not, by what the Government itself does with its Revenue streams including the proceeds of debt.

I have often argued from the Opposition that independent of the level that is placed as maximum by reference to either Revenue or National Income a more relevant consideration is the use to which the money is put, as I explained in the 2010 debate when the threshold were raised by the Government and we supported it from the Opposition.

If money that is borrowed is deployed in the local economy and it stimulates economic growth and yields benefits that cover the servicing costs, then it's worth doing irrespective of other considerations. But it is clear that the debt level is an issue about which there are serious differences between us and the members opposite.

4. DEBT

So what is the public debt today and what is the policy of the Leader of the Opposition on Public Debt?

When he talks about debt is he talking of aggregate debt or net debt, which is the discussion that dominated the 2011 elections and became the mantra of the GSD in 2010?

The public debt of Gibraltar was first limited at finite figure of £100M and this was changed by a formula which happened to be what the Foreign Offices requires the other colonies to adhere to and we have chosen to apply voluntarily.

The criteria of 40% GDP or 80% revenue whichever produces the lower threshold was applied to aggregate debt and then when the increase in GSD debt hit the ceiling, the ceiling was raised by changing it to apply to net debt. There is no longer a legal limit to aggregate debt. So when the leader of the opposition says that they will adhere to the legal borrowing limit he can only be talking of net debt.

Well Mr Speaker, the net debt as defined by a GSD law which the former Chief Minister pointed out in 2010, I had sensibly supported when he brought the matter to parliament and as applied by the GSD Government from that date, currently produces a figure of around £400M.



So if the net debt is £400M it takes some kind of miracle to reduce it to £450M.

The figure based on the position in January when the treasury prepares the estimates, projected the net debt at £375M, which is a figure shown in the estimates book.

Incidentally Mr Speaker the Back Bencher was incorrect when he said last year to the Chief Minister:

“of course, having driven me from office on this basis for all intents and purposes and having on the basis that he would not increase net public debt and that he would fund his programme by some other means, which we said was impossible and remains impossible, it transpires what they have done isn’t because what we had said was impossible they have made possible. It is because they have done what they said in the election campaign they would not do. Which is to increase the net public debt?”

In 2011 there was no commitment not to increase the net debt because in any event the net debt was left by him with a £20M margin before it hit the legal limit and this became £2M as a result of pre-programmed spending reducing the cash reserves.

He knows this and admitted it at the official opening when he offered his support to lift the ceiling of the net debt prepared for him before the general election.

So the only target there can be on net debt is that it should be below the legal limit because it is not a matter of choice, it has to be under, unless this House approves a breach of the stipulated maximum.

The debate in the Election was that we would reduce the aggregate debt from the figure we inherited which was £520M, and this we have done.

What the net debt happens to be with the formula providing the legal limit changes on a daily basis as receipts and payments are logged by the treasury, under the system known as TAS.

The same system that has been in place for as long as I can remember, to arrive at cash reserves.

The member opposite insists, for his own partisan political purposes, on redefining the composition of the public debt by reference to the short term cash movements which as I clearly demonstrated to him at question time shows the ebb and flow of cash, in and out of the treasury.

Thus, in 2012/13 cash deposits advanced to the GIH by the GSB Special Fund, for example in April were £37.6M and in the same month £12.5M was repaid. In May £6.7M was advanced and in June the advance was £6.8M and the repayment £40.7M.

The member opposite wants to know how it was repaid, well Mr Speaker, if he did not understand how the system worked when he was in government he can hardly expect me to explain it to him so he can understand it in Opposition. But presumably he must know what the position was at the close of that financial year, in terms of liquid reserves for 2012/13, because these accounts are published and in his possession.



In case he does not remember, or he has not noticed, or has not been advised by the coterie of experts, or what someone less generous than me might describe as a cabal of GSD activists, which he claims to have gathered around him; let me remind him what the figures are: liquid reserves – 1 April 2013/14: £256,440,348 and 02P.

In other words, Mr Speaker according to the most recently published audited accounts of the government, we were not “skinned” or at least not quite “skinned” in fact, some £256 M away from being “skinned”.

Ergo, to use GSD newspeak, ergo, far from being “skinned” we were a long way from being in that position.

Well how close were they to being “skinned” by comparison? The same audited accounts for 2007/08, the start of their last term in office, liquid reserves on 1 April 2008 were £72,862,167 and 38p, almost £200M closer to being “skinned” than us.

The next year 2008/09 they became apparently less close to being “skinned”. The liquid reserves in the audited accounts give us £142,105,153 and 79p, on 1st April 2009 however, during the course of that financial year they borrowed £98.7M and therefore their liquid reserves would have been £44,405,154 without this borrowing.

The year that followed 2009/10, the liquid reserves are shown as £252,366,162 and 37p as 1st April 2010 getting closer to our level, however this was the result of borrowing during the year of no less than £197.2M. But for this, the liquid reserves would have been £55,166,162.

In the run-up to the election, in 2010/11 the liquid reserves are shown as having grown to £279,963,143 and 31p by 1 April 2011 but again new borrowing in the year came to £91.5M, in effect without which the figure would have been £188,463,143.

Double ergo, they were closer to being “skinned” on more occasions in their last term of office, than us.

Not only has the Leader of the Opposition announced that if he were in government he would bring down the debt to the maximum legal limit at £450 million, but he has said he would do this by cutting overspending to the tune of £50 million every year from government departments.

Well, clearly this refers to the recurrent budget of government departments on which he will be voting this week.

The fiscal policy of the GSD is now based on two false premises. One that there is now a net debt of £800 million which is £350 million above the maximum net debt limit and second that there is an annual recurrent overspend in government departments of £50 million which can be cut.

I have already informed the Honourable member that the estimated net debt is around £400



million, so it can be increased by £50 million to reach the legal maximum. Secondly the £800 million is presumably arrived at by adding the cash deposits from credit finance which are being reduced on a month-to-month basis and will continue to be reduced without any departmental cuts in expenditure.

If, targeting the debt level in cash instead of as a percentage of GDP is the present policy of members opposite then I have to assume that the present leader of the GSD does not subscribe to the often repeated view of by the former leader of the GSD who always argued debt targets in cash as opposed to, by reference to the size of GDP was evidence of economic illiteracy. Let me remind the Honourable member of the policy to which he was a party as publicly stated in 2010: "This size of the debt is not showed by whether it is £1, £50, or £5000 but by how rich you are, it is completely economically illiterate to say the government owes £100 million."

So, either he is now completely economically illiterate, or his predecessor was talking nonsense.

Something else that was said then in 2010, which definitely was total nonsense was, I quote:

"The public debt in Gibraltar now, with all the Government borrowings, with all the Government projects, that it is doing, is smaller as a percentage of the size of the economy of Gibraltar than in 1996 when we first came into office."

In 1996 the aggregate debt was £65.68M. The concept of debt net did not exist and was invented in 2010 because the aggregate debt had already reached the legal limit. However, if the cash in all the piggy banks, that the then Chief Minister emptied after 1996, had been offset against the £65.68M, as was the practice from 2010 onwards, for the purpose of calculating the net debt, the resulting net debt in 1996 would have been zero. So how could the then Chief Minister argue that in 2010 net debt was lower than in 1996? An impossible concept of negative debt, whether expressed as a percentage of GDP or otherwise.

Be that as it may, the £50 million of overspending that the member claims he will cut does not exist.

If departmental overspending is the amount by which the outturn exceeds the approved expenditure then in 2014/15 in the book before the house, the so-called overspend was £6.723M or 1.57% of the budget approved a year ago which totalled £427.110M.

£5.142M of the £6.723M was the increase of the budget in Head 2, which works out at 33% and not 43% over budget for No. 6 Convent Place, but it is totally meaningless other than as a propaganda tool since there is no reason why spending in one head should not be above budget if other heads come in under budget as can be seen. The bottom line is that there is no £50M total departmental overspending for the GSD to cut.

Maybe the Hon Member would like to take the opportunity to start the process this year by telling us at the committee stage which heads he would like to start reducing to arrive at his £50M target.

Or maybe he can explain why he did not do it before 2011.



The departmental overspending in 2013/14 was £12M from £392.7M to £404.7M all of which was accounted for by the utilities head which includes fuel costs, which went up from £48.7M to £64M an increase of £15.3M offset by savings in other heads of £3.3M.

In 2012/13 the approved budget was £371.2M and the final expenditure was £371.7M; £0.5M over budget and not £50M over budget.

The worst year was 2011/12 when the approved budget was £316.6M and the result was £332.8M, an overspend of £16.2 million, which they had been running for nine months of that financial year.

Their last full financial year, 2010/11, is difficult to decipher Mr Speaker because it started with an approved budget of £181.3M and finished up with £297.5M. The overspend of £116.2 million, happily, gives a misleading picture because that was the year that they started integrating the agencies etc. which were shown separately at the beginning of the year and were then subsequently included retrospectively.

This was the ostensibly to provide more transparency and accountability although it did no such thing because no additional information was provided however what it did achieve was an inflation of the revenue figures for the purpose of calculating the legal maximum net debt, which was already hitting a ceiling and stopping the GSD from borrowing even more money. Even if allowance is made for this, the overspending was still greater in the last full year of the GSD control of public finances than in any period since 9 December 2011.

Of course there may be a simpler explanation as to why the Leader of the Opposition thinks he can cut £50M every year from the departmental recurrent expenditure budgets.

Which is, that instead of looking at the numbers in the Estimates Book he is looking at the graph which I am told has been placed by his supporters on Facebook.

I have been provided with a printout. Mr Speaker, since I do neither 'Twittering' or 'Facebooking'.

But I have the charts on the Departmental Recurrent Expenditure, which is the version attributed to the GSD.

I assume the Honourable Member is familiar with what his party and its activists that he loves so much, are up to.

I do not know if the fact that the chart purports to show levels of departmental expenditure is an indication that his recently recruited experts, are the authors.

If this is indeed the case, then, in this area they are no experts at all, or they know that the information is false, but they do not care so they may have expertise, but they have no integrity. For ease of reference I am distributing to Members, the figures of the official treasury estimates



and the invented GSD estimates.

The information is as follows:

- Departmental expenditure, actual 2010 /11 £297.5M.and, the GSD chart shows the same amount.
- Departmental expenditure, actual 2011/12 £332.8M and, the GSD chart shows the same amount.
- Departmental expenditure, actual 2012/13 374.7M and the GSD chart shows the same amount.
- Departmental expenditure, actual 2013/14 404M and GSD's the version shows £540M.
- Departmental expenditure, forecast 2014/15 £433.8M and GSD shows about £560M.
- Departmental expenditure, estimated 2015/16 £453.3M which is what we have to vote this year, and the GSD predicts around £580M, Mr Speaker.

Mr Speaker given that the GSD believes and tells people that the departmental recurrent expenditure is running at £140 million a year more than the approved estimate and audited accounts show, if the Leader of the Party believes his party propaganda then as Leader of the Opposition he can actually commit himself not just cutting £50M a year from department expenditure but indeed £100M a year and still have £40M to spare.

5. SAVINGS BANK

The Gibraltar Savings Bank is an instrument to promote economic growth, as well as an institution to provide a home for savings with competitive interest rates and greater security than the commercial alternatives. This has always been a key item in the GSLP's agenda.

In 1988 to 1996 the policy was introduced by removing obstacles to growth in the legislation and promoting the growth in the Savings Bank which became an important part of our programme. In December of 1988 we started its development and the issue of debentures and investment accounts and new savings products. There was spectacular growth in both deposits and profits and the policy was to leave the accumulated profits in the bank and increase its reserves.

It was only after 1996 that steps were taken to reduce the requirements to keep the reserves at a certain level. In spite of this the GSD Government announced their plans for an expansion of the role as their policy in the 2003 budget.

I will remind members of the policy:

Shortly after the 2003 budget the government set up a working group under the Accountant



General and comprising retired bank managers from Hambros, Barclays and Natwest.

Following meetings in September/ October 2003 a report was prepared for possible implementation in 2004.

At the time the savings vehicles consisted of monthly debentures, which paid half a percent below for non-pensioner holders and half a percent above base for pensioners, ordinary accounts at 1% below base rate and investment account which operated as current accounts and paid 2% below base rate.

This was of course at the time that base rates were much higher, something that ceased to be tenable with the level of base rates prevailing in recent years which have been very low.

The effect of the drop in base rates meant that the interest rate later offered by the savings bank had to go up before 2011 and were already much higher than the offer from commercial banks.

The GSD saw nothing wrong with offering this alternative.

When the decision was taken to replace savings bank debenture issues by government debenture issues, the government position was that offering rates of up to 5% on debentures was a matter of social policy to help local savers which the government told Parliament carried a cost of the order of £9M a year.

As well as the possible introduction of electronic systems of payment from suppliers and the receipt of payment from the government which had been listed in the 2003 budget speech, the report considered that the issue of annuities could be undertaken by the savings bank.

This was also announced in Parliament as an intended initiative but later dropped because the government considered it was likely to become a multi-million pound business and was not tenable if an additional 10% of the value of annuities had to be tied up as reserves.

I remind members opposite of the history to demonstrate that although the GSD did not proceed with implementation of any of these initiatives they did not indicate that it was dropped because it was not acceptable on political grounds to them.

These facts did not prevent the GSD opposition complaining in the first year of the present expansion, even though all that had happened in 2012 was identical to what had been on offer in 2011 in investment products except that it was on a bigger scale.

The fact that the GSB no longer had a legal obligation to have reserves of 10% was considered by the GSD opposition a clear advantage creating unfair competition with respect to other banks.

Well the removal by them in government of the 10% requirement was what created this so-called unfair competition. But the political hypocrisy of this criticism is even more glaring when the policy they adopted was not just removing the 10% reserves but in addition to issue government



debentures at the rate of interest well above the market in competition with commercial banks by providing a £9M subsidy which clearly no bank could possibly compete with.

The criticism of the failure to keep reserves has continued since in spite of the fact that the annual profits are being retained by the savings bank, and not paid over to the government to be reflected as part of its recurrent revenue.

The policy will continue to be to retain profits and keep increasing the reserves even if it reaches a level higher than 10% and in any event no dividend will be paid to the government unless and until the 10% level is reached, in other words the 10% will become the minimum level of reserves. How long it will take before this position is reached will not be easy to estimate given the very high rate of increase in deposits that the Savings Bank continues to experience.

We have taken the view that it is best to await the development of the Gibraltar International Bank before considering any other activities to ensure that the two organisations complement rather than compete with each other.

The Savings Bank is of course not a credit institution and therefore does not and will not be providing the range of banking facilities which the GIB will have available as a licensed credit institution.

Having originally objected to the expansion of the Savings Bank on the spurious grounds of unfair competition because of lack of reserves which has been addressed and already answered the opposition to the Savings Bank has continued unabated.

Although much of the campaign seems to be designed to undermine confidence, in the Savings Bank as a safe haven, providing a sound return, the vast majority of our citizens continue to place their savings in it.

What is clear is that the policy of the GSD is and will be not to continue to promote the growth in the savings bank if they ever get back into government just as they stopped supporting its expansion after 1996.

As well as continuing the social policy initiated by the GSD in respect of higher rates of return for pensioners the savings bank is now paying lower but still attractive and very competitive rates on the new five year debentures and other deposits. I am therefore confident that the deposit base of the savings bank will grow in cash terms as it has been growing to date.

The members opposite and their so called experts will no doubt continue their efforts to undermine the institution, well I suggest all those who share the concern of the Leader of the Opposition should follow his example and not make any use of the investment opportunities the Savings Bank offers. Those of us who defend it, will continue to use it and recommend it to others.

I can assure the House this will be more than sufficient to ensure it will continue to prosper, grow and make profits whilst remaining as a safeguard for future generations.



Mr Speaker, I have tried to demonstrate to members opposite and particularly to the Leader of the Opposition how misguided their criticisms of the Savings Bank are and how in conflict with the developments planned and proposed by the GSD government, which I supported as Leader of the Opposition because they made sense and would have been good for Gibraltar.

So perhaps there is one more argument that I can put to show the Leader of the Opposition how misguided he is and I will put it no higher than that.

We have been there before; the old GSLP of the 1980s which he argues is different from the current GSLP. Well on the Savings Bank he could not be more wrong.

In 1988 I set out to expand the role of the Savings Bank. It was not an easy task in those days because the Secretary of State had the last word and the Foreign Office had to consult with the Bank of England.

The reply from the Bank of England was that the Savings Bank was supposed to be a small Colonial Bank, as if it was still in 1832, and we should not be allowed to get any bigger.

Well as the Leader of the Opposition will know the GSLP Government of the 1980s was not the sort of Government that took no for an answer. So I used my well-known powers of gentle persuasion and they finally agreed to let me get on with the job of making it a profitable, growing institution.

We inherited in March 1988 a Savings Bank with £2.6 million in deposits, £2,672,384 and 89p to be exact. The profits for the financial year 1987/88 were £60,187.96. The profits for the year were retained by us and added to reserves increasing them to a level of £398,227.

In our eight years we increased deposits, profits and reserves. In other words we did then what we are doing now.

By March 1996 deposits had grown from £2.672M to £179.433M, a 6715% increase. On this level of deposits we made a profit of £4,705,698 in one year compared to the £60,000 in one year in 1987/88 and we added the profits to reserves and left them there for the GSD to spend when they came in the following May.

The reserves we inherited in April 1988 had been £398,227.

The reserves the GSD inherited from us in April 1996 were £30,549,249.

The reserves we inherited from the GSD in December 2011 was £1444.

So perhaps the members opposite may forgive me if I feel that I do not have to accept any lecturing from them on prudential management or looking after our people's money.

We had the same moaning from the Opposition between 1988 and 1996 as we get from the



Opposition now, Mr Speaker. The same idiotic arguments about risk and exposure. But taken to new heights, if the GSB lends to the Government and the Government fails to repay, the liability falls to the Government as Guarantor, how much more circular an argument can you get.

In case members opposite think that GSB lending money to the Government is new, it was already happening before 1988 but on a small scale as the whole of the assets was only a couple of million pounds.

However by 1996 the GSB was investing in Government Debentures to the tune of £59.334 million.

This time round however the critics do not even try to have an element of truth in what they say, so for example the former tax collector, gamekeeper turned poacher, Mr Chris White had the audacity to claim that we had UK expats, like him I suppose, who he says are the depositors of the £1 billion whom I am providing with risk free investments at the expense of exposing Gibraltarian taxpayers.

This even though I have told the GSD opposition in this parliament on more than one occasion that 99% of the deposits are from local sources not expatriate money, not that I see anything wrong with accepting expatriate money which would be very welcome. Mr Speaker as a political gimmick this takes the cake, Mr White should stick to advising his clients how to reduce their tax liabilities.

The Savings Bank between 1988 and 1996 was an important part of our economic plan for growth and prosperity; it has been since 2011 and will continue to be in the future.

The GSB we inherited in December 2011 had £273 million of deposits and £1444 in reserves.

The results for 2014 audited and published last August showed deposits at £856.3 million, profits for the year of £8.91 million and reserves of £11M. For the year ending March 2015 we expect, subject to audit, around £1B in deposits around £9 million in profits and around £20M in reserves.

Mr Speaker, we shall defend our stewardship of the Savings Bank when the election takes place and will continue to grow its deposits, profits and reserves when we are returned to Government.

6. CALPE HOUSE

Mr Speaker, the House will be aware of the opportunity that the Calpe House charity has had to obtain new property in London which will be refurbished and adapted to provide accommodation for a greater number of sponsored patients who need treatment in London.

It is a matter of personal satisfaction for me to be in a position that the government can demonstrate its commitment to provide assistance to the charity to enable this to come about. The charity came into existence when I led the government of Gibraltar 27 years ago and one of



the prime movers in getting the initial concept of a Home in London was Peter Caetano. He was the election agent for the GSLP and played a key role in our election campaign in 1988.

The initial funding has been provided by a facility from Credit Finance on commercial terms and this is now being refinanced by a loan provider who is a London based Institution.

Provision for financial help in the arrangements that the charity has entered into in the acquisition of the property and the cost, upgrading and refinancing is being made in this year's budget in the Improvement and Development Fund expenditure where there is an item for soft-loans.

I am sure the whole of the Parliament will be happy to support this item of expenditure which is very small in the context of the overall level of expenditure but one which will mean a great deal to those of our people who are in London for treatment and prefer to be in the environment of Calpe House and feel as if they are less distant from their homeland.

7. CLOSING

The Leader of the Opposition is concerned about the Public Finances and he told us recently that he is not the only one. He thinks I am also concerned.

Well I am as concerned in Government as I was in Opposition, and as I have been since 1972, having monitored and spoken on Gibraltar's public finances every year since. Not that the party he loves so much that he wants to remain as its Leader, come what may, ever gave me any credit for it. Although I acknowledge that he has done so, at least recently, though I have a sneaking suspicion that his motives may not be entirely pure. I have a feeling that maybe he thinks he can gain some political traction by praising me and criticising the Chief Minister.

I can assure him that he is barking up the wrong tree.

He should know me well enough by now to realise that neither praise nor criticism is going to have any effect on me.

Mr Speaker, the Leader of the Opposition referred to me a number of times in his address which I listened to, even though I was in my office working rather in the chamber. I have acknowledged that previously, and even more on this occasion, his comments have been anything but hostile.

Without wanting to sound hostile in reply, I need to point out some of the contradictions in the analysis which shows he has the wrong end of the stick.

He has correctly quoted my views on the logic of borrowing money to make money; I have been saying that about the use of borrowing since I arrived here in 1972. It is not a secret formula, it is what every successful business does and I see no reason why socialists should not run publicly owned enterprises successfully and profitably for the benefit of the shareholders, who are the citizens as taxpayers and as receivers of public services not paid for, at the point of consumption.



This continues to be the basic approach of the GSLP to the management of the public finances, not because I have said so but because it is common sense, it works.

I believe some of the points he has made have already been answered by what I had prepared for my contribution before I heard what he had to say, so I will deal with the points he made which were not covered already.

I do not think I would be more at home in the GSD than I am in the GSLP though sometimes I get the impression he's trying to change the GSD to make it more like the GSLP, which seems odd as those around him seem to think that the GSD way of doing things was a winning formula and the GSLP a losing one.

The Hon Member pays tribute to the former leader of the GSD and thanks him for giving him a home 12 years ago. Well actually, 12 years ago he was accusing the greatest ever Gibraltarian of all the things that he is now accusing the present Chief Minister, lack of transparency, not telling people in elections what he was going to do if elected and so forth. If one reads his press statements, in the short interregnum between his departure from the GSLP and his acceptance into the GSD.

This acceptance by the GSD sounds almost as if he was a political refugee in the way he describes it now, though at the time it was described as a merger of like-minded parties.

Well, he was not orphaned before he joined the GSD, he left the GSLP voluntarily because he wanted to save it be from extinction, the fate that awaited it, if I didn't call it a day in 2003. At least that is what he told the electorate at the time, indeed it was the basis on which he fought the 2003 election. Members will remember that he accused me of being content to remain in opposition and limit myself to having the handbrake and stopping a deal with Spain.

It is certainly true that I told him before he left but if I had to choose between having to behave like the GSD leader and do the things he did, in order to be in government, I would rather stay in opposition and remain true to my principles and beliefs. I am still of that view. It's this business of not changing spots Mr Speaker, what they consider a vice and I a virtue.

I can of course appreciate that he should wish his patron every success in legal practice or whatever else he decides to do, anything that is away from politics, Mr Speaker, he says.

Yes indeed, anything away from politics, the further away the better, because if the former leader comes back I would not put any bets on how long he would continue as leader of the GSD, however much he loves it.

I believe that many decisions taken by the GSD in government carry long-term costs which will be a burden for the public finances for years to come, even if the then Chief Minister did not realise it at the time. Or maybe he was simply doing things for the short term benefit and did not care whether there was a long-term cost, and since most of them happened when the member opposite was in government in the last term of office, he obviously shares some of the responsibility.



It seems to me, he has only come to the conclusion that the former Chief Minister was the greatest Gibraltarian of all time after 2003, because until then his view was that we had to remove him from power and that I should step down because I was not sufficiently tough in opposition to turn people against the greatest living Gibraltarian and get him chucked out of office

The transition in perception only came after he was given political asylum in the GSD as if he had been a refugee and I think there is a name for when that kind of change takes place, I believe it is the Stockholm syndrome.

The Leader of the Opposition makes the case that there has been an increase in import duty from a particular commodity which in the past it was thought wiser not to identify in public and says this explains the growth of the economy or the growth in government revenue.

Well, is it that he doesn't know what was the growth from this source of revenue under the GSD?

Does he not know, that the yield of one year under the GSLP in 1996 became the yield of each month under the GSD?

So if that is the explanation that he attributes to the soundness of public finances, he has just wiped out 15 years of budget speeches by the greatest Gibraltarian ever, who every year boasted how well he was managing our finances.

On another point in respect of the finances, as it relates to expenditure, I certainly agree with him that it is a disgrace that the taxpayers should have to pay £10 million in legal aid in one case. This has nothing to do with the merits of the case or the identity of individual, but is a result of the outrageously high fees charged by the legal profession so if he has any ideas how we can get lawyers to earn less, I am certainly very interested in hearing them, although I do not think there will be equally enthusiastic support from all the members, on either side of the house.

Whilst on the question of expenditure and the degree to which the Parliament is involved in approving capital projects, and giving explanations where every penny is to come from, I imagine when the Leader of the Opposition was party to the Pardo deal and agreed with the GSD policy to enter into these arrangements without bothering with the Parliament or the Opposition being involved, he thought otherwise.

So let's, for the record Mr Speaker, just note what was agreed in 2008 by GIH.-

This is the same GIH as the Leader of the Opposition and the GSD is getting so worked up about. GIH agreed to pay 1% of the value of the cost of the following projects to Land Projects Consultants Ltd. in respect of the following without explaining to anyone how many millions were invested, how many millions of 1% plus other fees would be paid and where the money was coming from:

Project 1: The New Airport and Frontier Access Road



- Project 2: The Gibraltar Airport Terminal
- Project 3: The Ministry of Defence British Lines Relocations
- Project 4: Mid Harbour Phase 1 and Phase 2 Reclamation and temporary Rowing Club Facility and Permanent Dock
- Project 5: Mid Harbour Relocations
- Project 6: Infrastructure Review and Sewage Upgrade
- Project 7: Government Rental housing Scheme, New Link Road and Associated Infrastructure Works
- Project 8: New Power Station and Network Expansion
- Project 9/10: New Waste Water Treatment Plant and Energy from Waste Facility
- Project 11: New Simple Approach Lighting System (SALS) to Runway
- Project 12: Multi Storey Car Park including a park and ride facility approx. for 1000 vehicles at Devils' Tower Rd and a short-stay 2 or 3 story car park/ transport centre to be located adjacent to the forecourt of the new airport terminal.

As to his comment on what constitutes a champagne socialist, he was certainly right in thinking that this is not my favourite tipple.

I think the stuff is lousy and if what he is telling me is that in the GSD, they drink malt whiskey, that certainly is the only thing that the party might have as an attractive feature in it. Though I'm not really in need of joining them, since I actually get a steady supply of good malts from my many well-wishers.

I certainly do not think that it is accurate for him to suggest that I am in the twilight of my role in Parliament just because I am planning to stay for only, another 14 years, as I told him, which information drove him to go into exile and seek political asylum in the right wing of the political spectrum.

I remember when I told them this in 2001 that he said he found it depressing because if I stayed on we would never get rid of the former Chief Minister. So now, that we have, with his help, I suppose it no longer is so depressing a thought anymore and he is now happy that I intend to stay.

Since January, having reduced unemployment to a manageable level, below which my colleague is keeping it, my present role as Minister for Economic Development is to ensure that our nation is embarked on the road to long term sustainable economic growth, has sound public finances and a safety net to protect future generations of Gibraltarians: 'The Rainy Day Fund'.

Living within our means is a necessary condition to achieve this. Indeed it is the lesson that has to be learnt by many other countries whose economies are in crisis precisely because they have forgotten the golden rule.

Mr Speaker I can well understand the discomfort that members opposite must feel when faced with facts and figures which they can check for themselves, that shows we have attained the demanding targets we set ourselves in 2011, in economic growth, training, employment and many other areas which have or will be completed, meeting most or nearly all of our manifesto



commitments, especially when in 2011 their position was that what we were committing ourselves to do was impossible to achieve, rather than something they were against. Even in the debates in 2012, the GSD members participating with me took a position on our targets for economic growth and employment based on incredulity rather than hostility.

I realise that by reminding them of this, I am adding to their discomfort and rubbing salt into their wounds, which I regret.

Well, Mr Speaker, it's not true really, I don't regret it, I'm actually enjoying it, and therefore happy to support the bill before the house and commend it to the members opposite.