

THE BUDGET 2019



**HM Government
of Gibraltar**

CHIEF MINISTER'S ADDRESS

Her Majesty's Government of Gibraltar
6 Convent Place
Gibraltar

Mr Speaker,

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

Introduction

1. Mr Speaker, this is my sixteenth budget address as a Member of this Parliament.
2. It is my eighth budget address as Chief Minister.
3. Mr Speaker, as part of my address on this second reading of the Appropriation Bill, I have the honour to present the **estimates** of Government's revenue and expenditure for the year ending 31st March 2020.
4. I also have the honour to present the **out-turn** for Government's revenue and expenditure for the year ended 31st March 2019, which was the seventh full financial year of a Socialist Liberal Government since we took office in December 2011.
5. Mr Speaker, the House is having to meet today on a Jewish feast day, the day of Shavout. I wish all members of that important religion a happy feast and apologise to the Hon lady for having to meet today. She and I discussed options for adjournment which she knows we would have pursued if it had been possible.
6. Mr Speaker, this address will be the last of this Government in the lifetime of this Parliament and before a general election. It also comes some thirty six months after the decision of the British people in a referendum to leave the European Union.
7. Additionally, Mr Speaker, I rise to address the House this year on some other significant anniversaries which have a bearing on who we are today and our enduring security. It is 80 years since the formation of the Gibraltar Defence Force.
8. *Indeed, perhaps most apposite Mr Speaker, is the fact that the Father of the House is 80 years old today. For most people, having a birthday on the day of the Budget might be a drag. For Sir Joe Bossano, I don't think he would prefer to be anywhere else! I think it is fair to wish Sir Joe a very happy*

birthday and a happy Budget Debate on behalf of the nation he has given most of his life to.

9. It is 75 years since D-Day and it is 50 years since both the 1969 Constitution and almost exactly 50 years since perhaps the most defining post wartime evacuation event in our history: the closure of the frontier. I shall have more to say about each of those relevant anniversaries later in this address, especially about the last of the ones I have mentioned.
10. Mr Speaker, as you know and as we all know, the UK should have left the EU by now, at the end of March this year. Instead, it has been granted an extension until the 31 October 2019. Again if the UK leaves on that date this will, sadly, be the last Budget Address that will ever be delivered in this House by a Chief Minister whilst we are members of the EU. We will all, no doubt, however, agree, that we hope that it might still be possible for the United Kingdom – and with it Gibraltar – to stay in the European Union. One way or another, the position of my Government will be to continue to navigate the months ahead with the same political tact and strategic care that have enabled us to reach today with no real materially adverse shocks affecting our economy since the date of the referendum. We will also seek to contribute our grain of sand in persuading whoever is the next Prime Minister of the United Kingdom in coming weeks and months that a confirmatory referendum should now be held before any type of Brexit is finalised. What is certainly true Mr Speaker is that history will show that none of my 2016, 2017 or 2018 Budgets turned out to be Brexit Budgets after all – although we were right to be prudent and careful in crafting them as such at the time that they were delivered. I will be no less careful and no less prudent today/
11. And in the context of the developing situation in London, with the Prime Minister officially now resigned as leader of her party and awaiting the outcome of the leadership election in the Conservative Party, Mr Speaker, as is now traditional, my budget address to this House will be very much a ‘State of the Nation Address’. I will also, of course, report to the House on the state of our Public Finances as well as on our nation’s economic outlook. This year, regrettably, Mr Speaker, I will also during the course of this main address, also deal with certain innuendoes and aspersions cast wildly by some of the members opposite whose deep political frustrations at their repeated political failures have led them to make ever more

outlandish attacks on the integrity of members of the government, including some officials. It is a pity that, at this time in our history I will have no alternative but to set the record straight on some such wild allegations, but it is necessary that the reputations of good men should not be sullied by the allegations of ruthless men, and I shall endeavour to do that as part of this address. I shall no doubt also have to do so when I address my reply to the House, as it appears to have become commonplace in some quarters to raise the spectre of impropriety when there is none as a shield for their own political incompetence. More of that anon, Mr Speaker.

12. For now, Mr Speaker, I would just wish to start by reflecting on the fact that this is really the thirty first Budget of the modern era and the fiftieth Budget delivered in a Gibraltarian Parliament since the creation of the House of Assembly under the 1969 Constitution. I want to trace the economic development of our people in that half century which, ironically, coincides, almost to the day, with the closure of the frontier.
13. Last year I reminded the House that it was in 1988 when Sir Joe Bossano delivered his first Budget Address as Chief Minister to this House and that the then Financial and Development Secretary said in his address on the Second Reading of the Appropriation Bill that “el giri” as he referred to himself, was giving way to “el Jefe”.
14. Mr Speaker that was really the moment when we took control of Gibraltar’s economic and political future in a way that had previously been unheard of. That was when we really started to push the boundaries of the 1969 Constitution and started to re-write for ourselves how we would be governed. That was the beginning of the modern economic era in our political history.
15. But this year it is perhaps more important – in setting this moment in our history into its proper context – to look back even further than 1988 or 1989. It is incumbent on all of us to look back to those two key events that happened within weeks of each other in late May and early June of 1969.
16. The first key event is the grant to Gibraltar of the 1969 Constitution. For many of us, this was the Constitution under which we were brought up and for all of us the Constitution that carried on it the Preamble which set out – then for the first time in our history that:

*"Whereas Gibraltar is part of Her Majesty's dominions and Her Majesty's Government have given assurances to the people of Gibraltar that Gibraltar will remain part of Her Majesty's dominions unless and until an Act of Parliament otherwise provides, and furthermore that Her Majesty's Government will **never** enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another state against their freely and democratically expressed wishes"*

17. Especially given the context of the United Nations resolutions of the 1960's, these were hugely important words in cementing the relationship between people of Gibraltar and United Kingdom.
18. It is particularly important to note Mr Speaker that the Constitution was made on the 23rd May 1969. It came into effect on the 30th May 1969.
19. The connection between that Constitution and its preamble coming into effect and the events of the following week, on the 8th of June 1969 are obvious and unquestionable.
20. Both our decision as a people in the referendum of the 10th September 1967 and the Constitution of 1969 were to determine our course for the next half century that we as a people have lived since then.
21. When we look at the state of those around us and we look at the state of our own development and prosperity, I think it is clear that we made the right choices. And not just in economic terms, Mr Speaker, but also in economic terms.
22. it was from under even that Constitution that we would later start to emerge from 1988, as the economic lifeblood of colonialism was expunged from the veins of our public finances and our economy as we moved away from dependence on MOD spending as a result of the economic planning and vision of one man and the GSLP Government.
23. And this year, Mr Speaker, in this context, it is worth also perhaps considering why it was that some said that Sir Joe Bossano had a 'secret economic plan' behind the economic rebirth of which

we are now all so proud, which even the former Chief Minister, in his final address to this House, praised Sir Joe for.

24. As we have seen in the recently released papers from the National Archives in the UK, in 1988 the FCO were not impressed by the fact that Joe Bossano, as he then was, did not accept the established conventions. He was holding meetings with foreign officials. He was going out to do business with other nations. He was not accepting any controls on his activity. Little has changed!

25. So why was Joe Bossano not sharing more of his economic plans secret? It was not secret to be kept from the electorate, Mr Speaker. It was not secret in order to avoid national scrutiny. It was not secret in order to avoid transparency. No, it was secret because, at a different time in our history, the FCO wanted to stop it. They wanted to stop Joe Bossano – the man they have since Knighted. The UK was uncomfortable with it. Cables suggest they were not happy Sir Joe was meeting foreign dignitaries. They were certainly not happy he was going to the United Nations in New York in order to defend Gibraltar in the Committee of Twenty Four and they sought, through subterfuge and deception to stop him from attending.

26. That is not what our relationship with the FCO is like today. It is not the Britain of today. But it was the Britain of 88. Britain has moved on. We have a different relationship with Britain today. I will be going to the United Nations in New York next week with the full support of the United Kingdom. But it is not safe to say that Spain's attitude to us is yet appreciably any different to how it was in 1988.

27. So today, when we talk about having to keep things confidential, we are not seeking confidentiality from you or from our fellow Gibraltarians Mr Speaker. In fact, we are so proud of what we are doing that we would happily tell you all the things that we are doing. And if we could meet every one of our citizens one-on-one we would. But it is sometimes necessary to keep things not secret but confidential – as every nation does - even now in order to keep our community safe and to continue the growth of our community. This will be an appropriate point later in this debate no doubt with the baseless accusations of some members of this House against charitable institutions and their trustees, and indeed allegations of my trying to co-opt some members of the House into the offence of

collusion, that is to say “conspiracy” by the simple device of following the convention of sharing information confidentially behind your chair.

28. Mr Speaker, Joe Bossano built a new economic reality. A new normal both in terms of Constitutional conventions and economic growth that delivered surpluses and prosperity. A new Constitutional convention emerged where the political leaders of Gibraltar had the political and economic reigns and had control. A new Gibraltarian economy become a reality. In fact, the Secret Economic Plan delivered a new economic miracle of the type never seen before.

29. Today, we continue to reap the benefits of that revolution that we all contributed to in different ways. It was Joe’s plan. But 7 other ministers helped implement it. The Public Sector saw it through – including delivering services via commercialised joint ventures in the utilities which today provide services that allow us to boast telecommunications infrastructure and related businesses that we could not have delivered without those sometimes uncomfortable changes. And each and every one of the people who worked in our economy made it a reality. They reclaimed land for civilian use on a scale like never before. They paid for our studies. They paid the mortgages of their new 50/50 homes. We all built a new Gibraltar. Truly an economically free-standing nation. So if economic self-sufficiency is the baseline of the ability to determine our own political future, this was the plan that delivered that new and necessary economic reality.

30. Mr Speaker, this week is an important week and this year is an important year in many other respects and I must weave all of those anniversaries together for the House today as all are a part of the rich tapestry which delivers our economic success as a people, especially when set in its proper historic context.

31. We are 80 years out from the formation of the Gibraltar Defence Force. I am hugely proud that my father was one of the men who volunteered to take on the Nazis in that war. Every family in Gibraltar will have felt the same pride as every able man was volunteering in those days. For all of us in this community, Mr Speaker, it was hugely emotive to see the serving men and women, and the veterans in particular, of the Royal Gibraltar Regiment exercising their Freedom of the City some weeks ago. We were the

scene for the launch of Operation Torch and the home of President Eisenhower for some time. And as our men volunteered to stand and fight, our women and children were torn from this place and evacuated.

32. And 75 years ago the world was still at war and there were Gibraltarians in the D-Day operations. Their's was the generation that was evacuated and that fought a war. Their's was the generation that won a war. They voted in a referendum. They endured a closed frontier. They stood and fought at every turn with a remarkable dignity that knows no equal. Boy, do we owe them. We are not fit to wipe the mud off their boots. And what we owe them the most is the obligation not to squander what they have bequeathed us. That is how we best honour them.
33. The second key event that we must look back on now to set the debate on these Estimates in its proper context is the human and economic tragedy which arose from the closure of the frontier. The last siege of Gibraltar.
34. And so Mr Speaker, it is important that we, as the Parliament that meets half a century later, should note that we can only understand the significance of the figures I am presenting today by seeing them in their proper historic context – and that means our historic context. And in that context, we are rightly analysing our economic performance by looking backwards in time through the prism of economics and understanding that we are now firmly in a positive balance. We have left behind the negative spectrum – the darkness of deficit - forever, as long as we adhere to the principles that got us here. As long as we respect the sacrifice of those who got us here. As long as we are ready to make our own sacrifices if the time comes.
35. The debate on the Second Reading of the Appropriation Bill for 1969 was the first ever Budget Debate in a Gibraltarian House of Assembly, no longer a Legislative Council.
36. With the clang of the closing frontier gates still ringing in their collective ears, the House then had before it Consolidated Fund Revenue for 1969 of just £2,480,000.00. Consolidated Fund Expenditure for 1969 was £2,832,000. Gibraltar was running a deficit that year of £352,000.

37. That as the position when the frontier closed and we were predicted to soon fall like a ripe fruit.

38. In fact, one newspaper report of the time said this:

"Gibraltarians must, on no account, underestimate the forces arrayed against them and the British Government in this so-called war for decolonisation. Señor Castiella the Spanish Foreign Minister is making victory in his war the supreme objective of his career before the term of General Franco's life expires... He is prepared to trade in the greater part of Spanish commercial and military interests in North Africa in order to gain his sole objective – Gibraltar."

39. Well, as we all know, Mr Speaker, things did not quite go according to plan.

40. Mr Speaker I will of course do a fuller analysis of the numbers later on in my intervention, but it is hugely important this year, 50 years almost to the day after the closure of the frontier by the evil fascist dictator, that we analyse how successful his policy of economic strangulation was.

41. We were closed in. The malevolent dictator left us to ripen and to rot. The economic strangulation was to be the key to our surrender.

42. Yet, instead, we all worked. We all sacrificed. We found the friendship and support of our good, kind and noble neighbours, the humble people of the great nation of Morocco. We enjoyed the fulsome support of Great Britain. And we worked some more. And we sacrificed some more. For thirteen years that frontier stayed closed even after the little dictator was dead.

43. Through it all, under successive governments of different political complexions, we thrived. A little more under some than under others, but we thrived. And half a century passed. And we did not fall. We did not surrender or succumb.

44. And this year, Consolidated Fund Revenue for 2019 has increased from £2,480,000 fifty years ago to a record breaking, massive, £706 million.

45. Mr Speaker that represents a huge and gravity-defying percentage increase of 28,393% in 50 years in Consolidated Fund Revenue.
46. Everyone in this community should be proud of that, Mr Speaker.
47. What is more important even than that Mr Speaker is that we have seen the social spending and the investment of successive governments in Gibraltar grow to the benefit of working people in particular. Expenditure has gone from £2,8m in 1969 to £623m last year. That is an increase of just shy of 22,000%. The fascinating thing is that our income has grown almost 6,500% more than our expenditure in that time.
48. And so, Mr Speaker – locked in and condemned to ripen and rot and fall – this great nation of ours turned a deficit of £352,000 into this year's record breaking, all time high, unquestionable SURPLUS of almost £83m.
49. Mr Speaker, can I ask the House, before we descend, necessarily into the partisan fray, can I ask the whole community, before they don their own personal political colours, and can I ask the whole nation, before we each descend in personal cynicisms to just pause for a moment. Pause and declare this past half century a massive success for all of Gibraltar and all Gibraltarians as a collective.
50. For the IWBP, the ISOLA Group, the AACR, the GDM, the DPBG, the GSLP, the GSD, the LIBERAL PARTY and even, Mr Speaker, Together Gibraltar.
51. Thank you to Sir Bob, Sir Joshua, to you, to Sir Joe – in particular – for the economic revolution – and to Sir Peter for the work that they and their respective teams did – however much I may also have disagreed with some of them on some of what they did.
52. But this is not a moment for detail, it is a moment of macro economic analysis of our economic development as a people in the last 50 years.
53. Thank you to Financial Secretaries since Mr Davis in 1969 through to the last UK appointee Mr Bristow to the first Gibraltarian

holder of the post Dilip Daryanam Tirathdas and the current, brilliant and unimpeachable Albert Mena today.

54. Thank you. Few people other than Ministers – Chief Ministers in particular – appreciate the burden and hard work that incumbents of the post of Financial Secretary carry, together with their teams and the Accountant General and their team. Thank you.

55. And also a thank you to every worker.

56. To every person of every nationality who works in this economy, including the Spanish persons who work in this economy. For every good man and woman who has gone to work in Gibraltar in the last fifty years.

57. For all workers as well as for our great entrepreneurs.

58. What a massive success you have made of your hard work, of your hard graft and of our common enterprise as a people.

59. And what a massive failure the last half century has been for those, starting but unfortunately not ending with Franco and Castiella, who sought to subjugate the people of Gibraltar.

60. Franco, you failed. The only thing your steel gates attracted was rust.

61. Castiella, you failed too. Your many plans garnered no support.

62. You formed up against the Gibraltarians and you lost.

63. Everyone who has come after you has failed.

64. Everyone who comes after you and pursues your policies of aggression, of attempted strangulation and of attempted subjugation will fail.

65. We will never turn down friendship or cooperation.

66. But we will always stand up for our rights in this our homeland and we will always defeat any foe, however mighty they may see themselves, who seeks to remove us from our homeland.

67. Fifty years on, we are not just still standing. We are growing. We are thriving. We are prosperous.
68. And where you are Generalissimo? About to be turfed out of your own grave. Good riddance. And not just for what you tried to do to the Gibraltarians.
69. How true, Mr Speaker, Dr King's poignant remark that: "The arc of the moral universe is long, but it bends toward justice."
70. In fact, another Franco, Juan Franco - the excellent Mayor of the La Linea - had cause to tell the media last week that Gibraltar will never be Spanish. He is absolutely right.
71. I take this opportunity to congratulate Juan Franco on having taken 21 of the 25 seats in the La Linea municipality. And Mr Speaker, I must say I never expected to be fodder for the headline "Picardo congratulates Franco", but Juan is a good man and a good friend of our nation. Because Mr Speaker, with almost 15,000 cross frontier workers, the majority of them Spanish and the lion's share of those from La Linea, we have a commercial and human relationship between our cities that is almost symbiotic and mutually beneficial.
72. And we, in this House today, will honour the many generations who have brought us to this by never squandering a penny, by never risking this prosperity and by continuing to grow this economy and nurture and grow our public finances.
73. In that respect, Mr Speaker, I very much now look forward to starting my annual analysis of the state of the economy more generally and the public finances of Gibraltar in particular.

ANALYSIS OF THE ESTIMATES BOOK

74. This year, as in every other year, I will, of course, also today be outlining the budget measures that this Socialist Liberal Government will introduce this financial year, the last of the lifetime of this Parliament, in pursuit of our manifesto commitments, in pursuit of the potentially still approaching – indeed still impending –

departure from the EU and in pursuit of the key parallel and twin tracks of the social and business needs of our small nation.

75. Mr Speaker, as has been the case with all the GSLP Liberal Government's budgets since we were elected in 2011, this Budget is designed chiefly to support our hard working families and to strengthen our community's future. The best way for us to do that is by supporting our youth, our students and our children. The best way to illustrate our humanity, empathy and solidarity as a people and deliver social justice is to provide much needed and deeply deserved support for our senior citizens, many of whom are the ones that have made the sacrifices of the evacuation, referendum and closed frontier generations, as well those who are disabled. As in every year since we were elected in 2011, all of that is factored into what I will tell the House today.
76. Mr Speaker, additionally, in my address last year I was keen to ensure that the measures contained in the Bill designed to encourage established businesses to grow and to encourage new businesses to establish themselves in Gibraltar DESPITE the then impending Brexit. The figures I will disclose to the House today demonstrate that we have achieved that in the measure that it was realistically possible to achieve. This year will be no different.
77. Mr Speaker, in that respect, what we need to ensure that we deliver in this Bill is the right environment for the private sector to continue to flourish. That is what will continue to drive the increases in employment that I will shortly disclose to this House. That is what will drive the continued increase in Government Revenues. That is what will continue to deliver strong and sound public finances as ours undoubtedly are. Mr Speaker, that is what will deliver the wealth of this nation. And Mr Speaker, we have continued to work with the organisations that represent businesses in Gibraltar, to deliver a pro-business environment that continues to set a climate ripe for investment and the growth of the private sector. As I have said repeatedly, we mean business in our support of our businesses large and small and this Budget will once again demonstrate that.
78. I want to add Mr Speaker that one of the best ways to create a pro-business environment is to have a highly regulated work place where both employers and employees know what their respective rights and obligations are. That is why we have also continued to work very closely with employee representative organisations in

setting the pace for the socio-economic relationships that make up the workplace in Gibraltar and the regulation of the increasingly developed and sophisticated job market that we have in Gibraltar.

79. I do not believe that this is a zero sum game either. Government is not called upon to choose the Chamber and the Federation over the Unions or vice versa. It is not a world of black and white. And neither of those sides would win if the Government chose one over the other. The modern world has transformed itself and today's Chamber or Federation may be populated by the children of working people and not just families of owners of means of production. And today's unions represent, in the main, a responsible partner for business that is as invested in growing a sustainable business as a good, long term employer that provides the best employment. Bankrupt companies and bankrupt nations are not good employers.
80. So I have worked as closely with Unions as I have with the Chamber and the Federation in some instances, although I acknowledge and recognise that this has not been the year when I have been able to give those relationships as much time as I have before or as much time as I would have liked for reasons related to the Brexit reality which has engaged so much of my time.
81. But this budget, as so many before, is therefore also the product of consultation with unions, the Chamber and the Federation.

We talk about using a budget to create a great environment for business. What about using the budget to create a great business for the environment. That is one of the things I will also do as I deliver what I hope will be a great Budget for the environment. A Budget to recognise and redress the Climate Emergency that this House has identified, has certified in a unanimous motion and which our young people are clamouring for us to start to deal with. And to deliver that excellent environment for businesses to thrive and grow, we must nurture the best possible public services and the strongest possible public sector. We need to improve constantly and every year the way in which Government does business. We need to be more efficient and we need to be more digital in our approach. And that means continuing to invest in infrastructure and continuing to invest in our people. We are doing that already and must and will continue to do so.

82. That combination of support to our Private Sector business community and investment in our Public Sector will be what delivers the continued and sustainable growth in our economy.
83. And so, Mr Speaker, this budget reflects my Government's deep and ongoing commitment to use all of the resources of the State to continue to improve the quality of life and standard of living of all our citizens, from every walk of life and of every single generation.
84. Mr Speaker, now for eight straight years my Government has been able to report GDP average growth of over ten percent per year. I will report in detail on GDP later in this address, but I want to make the point now that this unprecedented run of economic growth has demonstrated in an undeniable and in an objectively measured manner our success in these past two terms in the administration of our countries affairs and the management of our economy. And whatever arguments we hear today. Whatever excuses we hear to avoid supporting this Bill. Whatever inventive method of calculation we are made to sit through – THE NUMBERS SPEAK FOR THEMSELVES AND THEY ARE CLEAR BEYOND PERADVENTURE.
85. Additionally, Mr Speaker, we have not sat on the benefits of that economic growth and the prosperity we have created. We have worked hard to ensure that we have percolated through into the lives of our citizens the success of *their* economy whilst at the same time we have put monies aside also into the rainy day funds that we invented between 1988 and 1996 and which we have been the only parties to maintain, as these same funds were run down to ZERO at the time that the party of the official opposition opposite was in power. That is one of the points that Honourable Members opposite never deal with in their replies. And so, Mr Speaker, on this side of the House we have again this year adhered to the founding principles which Joe Bossano set out in his first Budget address as Chief Minister in 1988.
86. I enumerated those principles for the House last year Mr Speaker.

87. **The first principle**, Mr Speaker is that the two most important pillars of our economy in Gibraltar are the land that we own and the people that we have.
88. **The second principle** is that we do not borrow to repay recurrent expenditure. **The third principle** relates to borrowing generally and the need to ensure it is properly financed and invested in capital projects which are self-sustaining or required for the social needs of the community.
89. **The fourth principle**, Mr Speaker, is that we should accumulate funds in pots or rainy day funds, where they will be accessible to Government to discharge liabilities of the Government in event that there might be periods of lower recurrent income.
90. And so Mr Speaker, by sticking closely to those principles, I am very happy that we can now look back on the past eight years in Government and prove – demonstrate – show, that we have not just delivered sporadic or *ad hoc* economic growth.
91. We have not just had one good year followed by another bad year. We have not been hit and miss in our approach. We can now legitimately boast that have made growth sustainable even with the toughest head winds against us.
92. For this second term in office we have predicated our programme for Government on the basis of achieving 7.5% annual economic growth in GDP terms. We have exceeded that. I will proudly report later on the exact figures reported to me by the Ministry of Finance and the Government Statistics Office which demonstrate this.
93. To add insult to the injury of those beyond our shores and perhaps some in this very room who want to see us fail, we have also achieved record annual surpluses. This year's surplus is the highest in our history.
94. Mr Speaker, the data I will disclose today will also show that we have delivered and continue to deliver a significant increase in our employment levels in numbers never seen before in our economy. At the same time, we have delivered and continue to deliver record low unemployment. Where are the unemployables now that Honourable Members used to refer to when they had 400

unemployed and another one thousand on the Government training scheme on HALF the minimum wage. Indeed, Mr Speaker, no one who kept young and not so young workers on HALF the minimum wage has the right to call us un-socialist or to pontificate to us about the meaning of socialism! Our people will not forget that this is what Honourable Members opposite really represent and what they really did when they held the reins of power. They are the party of HALF the minimum wage.

95. And yet at the same time, whilst we will not tolerate the payment of half the minimum wage to anyone, we are also a government that has delivered and continues to deliver an overall reduction in the cost of doing business in Gibraltar in order to maintain our attraction as a jurisdiction.

96. I have no doubt that I may hear some suggestion from Members opposite that this balance is not quite right. They have said so in other years. Yet they have an insurmountable problem in this respect. As I will demonstrate, the numbers of employees in our economy is up. And it is not just slightly up. It is considerably up. And that measure is one which they cannot challenge in terms of our success in getting the cost of doing business in Gibraltar broadly right – although we will continue to talk to the Chamber and the Federation to ensure that we are keeping the balance and the calibration right.

97. Additionally Mr Speaker, it is clearer and clearer that these very positive numbers are no flash in the pan. We cannot make these up year on year. This is no veneer. There is no hidden debt. This is no flattery of figures. The mechanisms we are using are exactly the same ones that they used. And, Mr Speaker, the roles are now reversed. Honourable Members opposite have been saying now for eight years that we would soon see surpluses fall, that we could not sustain the growth, that great disasters were looming and about to befall us. Mr Clinton specifically said in 2016 that there was a ‘gathering financial storm.’ But Storm Roy was little more than an irritating breeze. It is clear now for everyone to see that THEY were the ones making it up. THEY were the ones keeping their fingers crossed and praying for a disaster to befall our nation so that they might be blown into Government by the storm that never came.

98. In fact, Mr Speaker, I know that I am expected to now embark on another futile process of persuading the Official Opposition to

approve the Estimates of Income and Expenditure for 2019/20 and reflecting on the year that has recently closed 2018/19 as every other Official Opposition has since 1969.

99. Mr Speaker, I am also aware that we will face the same tried and tested position from the Opposition, adopted on Mr Clinton's arrival in this House, that they will vote against the Appropriation Bill because the Estimates Book does not, to use their words, contain ALL of the Government expenditure.

100. My job has been for the past two years to seek to persuade Honourable Members opposite – not the Independent Member - why I think they are wrong. This year I am not going to follow that pattern again. It is clear that they are committed to voting against our spending. They are committed to voting against the money to pay teachers their existing salaries, let alone any uplifts, although they then pretend the opposite when it is convenient to them. They are committed to not voting the money to pay nurses and law enforcement officers, or doctors or refuse collectors. All the people who they pretend to champion are in fact paid in this financial year, the financial year before and no doubt next financial year only as a result of our votes on this side of the House and the Honourable Lady's vote. The Honourable Mr Llamas – to be fair - has made more of a dog's dinner of his voting record and has voted once already not to pay his colleagues in the Civil Service and is likely to take that position again. Interestingly, as it is an election year, if Mr Llamas were not to stand for election or if he were to stand but not be elected, apart from being free to visit as many dog shows as he likes without having to miss Parliament, he may also find that he returns to the Civil Service to receive a salary he has himself sought to vote down. How ironic.

101. But this year Mr Speaker, I will not seek to persuade them to support this Bill. In fact, I want them NOT to support it. Because I want to visit every public sector work place, every estate in Gibraltar, every area in which we spend and say – you are open for business, this is service is being provided, these events are happening, you are being paid DESPITE the GSD trying to vote down your salary. That is Roy Clinton's big idea. That is what the official opposition in Gibraltar now stands for. Any why? Because he doesn't like the layout of a book that has not changed since his party was in Government. Because he wants to change the application of principles of public finance which have not changed under my

Government since the time that the party he represents was in office.

102. What a big idea.

103. Talking of conflicts of interest, isn't that a massive one? How can Mr Clinton nonchalantly sit there and argue against the principles established by his own party when they were in office. Indeed, Mr Feetham voted for Budgets organized around these principles when he sat here as a Minister. He voted for even my Budgets when he sat there as leader of the Opposition. And then on Mr Clinton's arrival, he started voting against. Consistency is what I think they call it, Mr Speaker. In fact, I do recall the time that Mr Feetham had toyed with voting against the Budget in 2015 and Sir Peter prevailed upon him to support it even though had spoken against it. What a pity that the GSD's counsel on these and other matters now is not as wise. Who would have said we, on this side of the House, would miss Sir Peter's counsel.

104. Because, Mr Speaker, whether the Opposition like it or not, this Book is the product of months and months of hard work by Government officials. It involves all departments, agencies and authorities providing an estimate of their costs for the year to come and their best estimate of income for the next year.

105. This is no mean feat for an economy the size of Gibraltar where we are projecting revenue of close to £700m and expenditure of just over £ 676m for the current financial year.

106. Preparing this book is an exercise that involves all strands of Government from around November each year. Countless Civil Servants, Controlling Officers, Agency and Authority Heads. All of them collating information and submitting bids for their budget for the following year. It involves numerous meetings with countless individuals including my finance team, and all departmental finance teams, to seek to arrive at estimates that are credible and deliverable. It involves not just delivering Government policy, but, as I see many times, the personal aspirations of heads of departments, agencies, and authorities who want to make a difference to this community and deliver more to the public. They want to provide a better service and be more responsive and they seek the investment from the Ministry of Finance in their areas of expenditure in order to be able to do so.

107. This is a side of Government I see as Minister for Finance that perhaps others in our community do not see. These public servants put forward their ideas, their views and work hard at determining the costs for this. Some of these proposals make it through to this Estimates Book. Many do not, for a variety of different reasons.

108. And all of this work is filtered out to come up with this Book. All of that work, building to the debate this week in this place.

109. And all for the Opposition to skim through it and dismiss it because according to one of them, everything is not accounted for in this Book. But what about what is accounted for? With £676m of recurrent expenditure going through this Book, there is plenty for us to dig our teeth into, I can assure you.

110. The Opposition may say that the book is incomplete, it doesn't have all of the Government projects. But have a look at the detail of what there is there, Mr Speaker. And all of it produced within 20 days of the year end and it is quite remarkable.

111. The production of the Estimates Book is also a process that is done with relative success despite the level of detail and the disparate nature of Government. Mr Speaker, as you well know, a Government is not a simple company that has a sole objective. It is a fluid organ of the people, for the people, and by the people reacting to everyday events, sometimes incurring costs a company would never contemplate because of circumstances and indeed, at times, political pressures.

112. And all those civil servants involved do a fine job of it. You only need to look at the last year. They projected expenditure of £628m (or £621m as adjusted for the Community Care contribution). Mr Speaker, the forecast outturn for the year was actually £624m. Sure some departments are over and some under. But by and large and overall we have controlled Government expenditure to within budget. This year to below budget, in fact!

113. In his 2015/16 address Mr Feetham said:

"In the year ending 2014, the Government has overspent by £50m across Government

Departments, and this year it has overspent by £28m.”

114. Well, Mr Speaker, this year we have kept things within trim and underspent overall by about £4m.

115. You will agree Mr Speaker, and I dare say even Mr Feetham might even agree, that this level of control over recurrent expenditure, within 1% of budget, is something any Government ought to be congratulated over.

116. I look forward to seeing the mental and linguistic gymnastics necessary for Mr Feetham and Mr Clinton to justify not congratulating us on this underspend in recurrent expenditure.

117. And this in the final year before an election. No one can therefore accuse me this year of having thrown money around like confetti, surely. Or is it that this year they are going to accuse me of the opposite, despite having urged prudence and caution upon me as if it were a lotion or a balm to soothe the Brexit wounds?

118. The Opposition may say that there is government activity that is outside the Book. They are right. We have never suggested the opposite. But what is outside the Book in recurring expenditure terms is exactly what they put there. This is hugely important because it illustrates their unmatchable political hypocrisy.

119. What we have put outside the Book in companies are capital projects which relate to investment in Gibraltar and are therefore transparent in their obvious and free standing construction and existence.

120. Mr Speaker, later today a presentation will go up on the Government website which will include all of this information showing completed capital projects and ongoing capital projects. It will show those being funded through the I&DF and those being funded through the Company structure. It collects in one place the information already disclosed. It allows any citizen to go on a metaphorical stroll through Gibraltar and see our projects and see the costs and how we have funded them. So what is hidden, Mr Speaker? Nothing. What legitimate reason is there to withhold support to this Bill? None, Mr Speaker.

121. Mr Speaker for our two terms in Government to date the presentation will show the Capital Projects, the costs of which I have disclosed every year and the construction of which they are aware of. This is what we have put in some instances in companies like they did and in some instances in the I&DF like they did.

122. No one will not know we have built schools and are in the process of building the Comprehensives through the company structure. I have already told the House. So what is being hidden? It was in our manifesto that we would build these new schools. So what is hidden? And wasn't Mr Feetham urging us anyway to deal with the state of Bayside and Bishop Fitzgerald schools in his 2015 address?

123. One minute they are urging us to act. The next they cry that we are doing everything too quickly. Well Mr Speaker which is it to be? Does he really think the public care for the distinction of how we have structured this as long as it is done in a proper way that is properly structured and financed in a way that is affordable? What our people want is new schools expeditiously built for our children providing the best possible value for the tax payer. And in that respect, Mr Feetham's argument is not that the schools are costing too much, it is that they are costing too little! He could not believe how much we would build the Comprehensives for. As a result, when we tell them what our projects cost, their reaction gives encouragement to contractors to charge us more, not less!

124. So what is the issue? And Mr Speaker what are we quibbling about really? How we have chosen to do structure these projects is no different to the construction of the 50/50 housing schemes which they undertook. If it made sense for the GSD to build houses through the companies, and car parks though the companies, and to mortgage those car parks as the Hon Members opposite did, why does it not make sense to build schools, a power plant or sports projects through the company structure? What makes it right when they do it and wrong when we do? Is it scale? Is it our level of ambition for our community? Is it the time of delivery? It is no more than the scale, ambition and delivery that the member opposite was pressing us for in 2015 before the General Election.

125. There really needs to be some consistency of messaging, Mr Speaker. Or do they think that they are like an 'Etcha Sketch' device, so that every time they change their leader, which happens

so frequently I am losing count, there is a shake up and all their previous messages are erased? Perhaps its wishful thinking that they could erase some of their past dealings.

126. We go from '**you must build schools quickly**' to '**there is too much construction**'.

127. We go from '**we must curb Government recurrent expenditure**' to '**but why haven't you already settled the 46% pay claim**'.

128. From the '**Government is spending too much**' to '**have you seen the shabby state of the Parliament building? Why aren't you spending more and fixing it?**'

129. And I could go on Mr Speaker, because such is the political schizophrenia on the Opposition benches. And they were the ones that coined the phrase of me "that I'm trying to be all things to all men". Well, I guess imitation is the highest form of flattery.

130. Mr Speaker, turning once again to the question of the companies, I will try to use a rationale that members opposite may understand. Putting things in companies is far from the easy way out, as they seem to be suggesting by their new found and almost evangelical zeal against it. Putting a project through a company requires value of the property in question to be maintained. This is not the case with projects developed under the I&DF expenditure part of the Estimates Book. In turn the properties that are in companies needs to be maintained and produce an income if they are to retain value and pass the scrutiny of an audit.

131. All too often we have allowed property which is socially and economically valuable to us to fall into disrepair simply, because it is obscured from view as once it is constructed and paid for, via the I&DF. It simply disappears into the wider pool of government property. The terrible state in which we found the rental housing estates is testament to that. We have invested millions to put this right. Mr Speaker do you think those tenants care how we properly structured this as long as it is properly, safely and securely done? What tenants rightly care about is having homes that don't have damp, that keep out the cold and the wet and that are inviting homes to live in, as opposed to neglected estates that are in the I&DF.

132. Similarly most property that can produce an income to maintain value has been structured through the companies because the GSD started that process. The new schools are an example of that.

133. All of this does not detract from the incredible detail provided for in this Book of income and expenditure, which includes all recurrent expenditure of the Government its agencies and authorities.

134. Notable exceptions to this are the Bus Company, the company that runs the airport, the companies that manage the car parks, Kings Bastion Leisure Centre and GJBS. GJBS was created by the first GSLP administration and is a huge success story. The others were all companies created by the GSD and there before our time. And in any event, Mr Speaker, we do provide a figure in this book for each of these. Mr Speaker it's not hidden. It's there for all to see. We introduced in the first budget after we were elected, the transfer of £25m to the companies to meet recurrent expenditure. For next year we have increased this sum and it is now set at £30m to top up the companies and ensure they do not have unsustainable losses year after year, as we found they were when we were elected. This is not the position we inherited, when no provision had been made for years for the companies and they were carrying accumulated loses to the tune of £100m of GSD debt. We have redressed this by our annual contributions, which have the effect, of course of reducing our surpluses when compared with those declared by them when they were in office.

135. Redressing the effect of their failure to properly manage the government companies is what we are also having to do with the exercise to finalise all the company accounts. By the end of this calendar year we expect the vast majority of companies to be audited and complete to December 2018. Mr Clinton will protest that this is taking so long. Indeed, it is not fast enough, but as he will well know, putting things up to date in accounting terms and then having these audited all takes time if it is to be done properly, especially when we are having to deal with sixteen years of a failure to file accounts.

136. I can assure you, Mr Speaker we are the most up to date we have ever been with all the accounting work. Having done so the

audit process can begin, where this has not started already. In many cases a lot of this work is underway and almost completed.

137. For the new companies that my own Government has set up we have produced, and are producing the accounts, on a timely basis. Mr Clinton kept pressing me for the Credit Finance accounts, almost doubting my repeated statements that these would be filed. Yes, there were challenges getting this done, which he would have understood when he saw those accounts, but I said last year he would have them. And he has. Box ticked. He has since made some minor comments on these, but they are now largely forgotten. He seems to want accounts for the purpose of saying they exist, as if his task were as some sort of completeness registrar with just boxes to tick. We are the builders, the workers, the deliverers. He is the box ticker.

138. Similarly, the accounts of other companies like ES Limited are up to date. GIB accounts have recently been filed and we are making good progress with GJBS' accounts with 2016 audited and the 2017 audit well underway. GCP Investments is also quite up to date to 2017. The Bus Company is up to date to 2017, with the 2018 accounts to be filed shortly. And Mr Speaker the list goes on.

139. Mr Speaker as you will appreciate the audits for the main parent companies cannot be completed until all the subsidiaries are completed. But Mr Speaker, we are getting there.

140. I expect that by the end of the calendar year to have virtually everything up to date. The idea is to emulate what we have achieved with PAYE, namely to commence next year with only the current year of accounts outstanding. If Mr Clinton is still a member of the House next year, Mr Speaker, he can then look at the accounts at his leisure and we will see where he focuses his questions then.

141. But Mr Speaker, the fact that we are now almost up to date with the accounts of the companies that they failed to file should please not stop them from voting against this Budget Bill. I implore them not to support it. Or they will stand in the way of my strategy of telling every single public servant that the GSD voted against their pay packet and telling every single citizen that the GSD voted against the spending on each one of the new projects.

SUPPORT FOR ALL IN OUR ECONOMY

142. The fact is that in the time we have been in office, Mr Speaker, the Government which I lead has provided support for all our working families, not just public servants, and with income tax already abolished for those on income levels of below £11,200. There has been a significant reduction in income tax across the board for all taxpayers and many of our working families have benefitted from an increase in the national minimum wage to date of over 25% or over a quarter since we were first re-elected. A lot of that work I have done in collusion (and I use that word advisedly) with Unite the Union, in particular Victor Ochello and Albert Hewitt both of whom have recently retired from their roles, and their colleagues. We have enjoyed a fruitful relationship that has produced excellent results for working people. We will continue that work with their successors in the Union and with them in retirement.

143. Our public servants have also benefited with public sector pay increasing since we were first elected by a total of 20.4% which averages to 2.9% over the last seven years during which period inflation has averaged 1.95% per annum. That means that there has been an average annual increase of 1% above inflation. These are above average inflation pay rises every year since we were elected afforded to every single public servant. Of course, this increase ignores any reduction attributable to the cap on salaries for those earning more than £46,000. I will deal with the Pay Cap in more detail later in this speech. Additionally, we have radically changed the working hours of Civil Servants, in keeping with their long standing request in this respect.

144. Mr Speaker, of course our senior citizens, who are the ones more likely to be from the evacuation, referendum and closed frontier generation, have also shared in our Nation's economic successes year on year. Each year there have been annual increases in old age pensions and the minimum income guarantee. Importantly, in order to address concerns put to us by pensioners who have worked all their lives in the private sector and who did not have pensions, we have implemented a system that ensures that every pensioner in our society will have at least the minimum wage per couple or two thirds thereof for an individual. That is a massive step forward for many people – although of course I do realise that many people want more. But there is difference between poverty and wanting more. Those two are very, very different things. I nonetheless look forward to hearing what the Action On Poverty

Group will want to tell me about what they perceive to be their concerns and how these might be addressed.

145. Additionally, the rates offered by the Savings Bank have been revised to reflect the reality of continuing low interest rates, but pensioners continue to have products available which offer them above market interest rates on their savings with the Gibraltar Savings Bank.

146. And for our children we are investing capital expenditure and recurrent expenditure in a new Children's Primary Care Centre. This is a dream come true for many parents, Mr Speaker. No longer will our children have to attend the same Primary Care facility as adults. No longer will we have to have adults with potentially infectious illnesses sharing the same space as those of our children who need primary medical attention. Our children will in coming weeks have the benefit of their own primary care centre. This will include the area for dentists and all the facilities required. I cannot wait for this facility, which is one of our key manifesto commitments, to be opened in coming weeks. It is really a state of the art facility.

147. So when we are accused of spending money, I am delighted to plead GUILTY to spending the money we have available on those who most deserve it and on the most important causes.

148. Additionally, all adults on the Group Practice Medical Scheme will enjoy a new Primary Care Centre to be opened at the eastern end of the St Bernard's Hospital site. This is really also going to be a huge step forward for health care in Gibraltar. Primary Care is going to be truly first class in Gibraltar. And not just in terms of buildings. All systems will be revamped. The experience will really be superb for all patients. And it will also help us to de-congest A&E next door at St Bernard's Hospital.

149. Ironically, Mr Speaker, the Budget Debate of 1969 also included an appropriation to create Gibraltar's first Health Centre on Line Wall Road and Casemates. Ms Rose Suissa, who has been in the GHA since those days, and opened the first files for the patients that saw the three GPs available there, was responsible also for showing me around the new Children's PCC and the new PCC two weeks ago. It is fascinating to hear her tell the story of how we have developed since then and to see the excitement and enthusiasm she betrays as she talks of the new facilities which we will be

opening in coming weeks. Good people like Rose make all the difference in the public sector, Mr Speaker.

150. This year we will be starting work at last on the Jewish Home for the elderly also. This is one project which has not progressed because we have been working with the Jewish Community representatives and we have chopped and changed the ideas so often to make the best of the space of the community that we have instead no progress. I welcome the petition sent to me by members of that community and presented to me by Mr & Mrs Benggio. I have since met also with the President of the Jewish Community, James Levy QC and agreed that we will start the stripping out works in August. The laser-like focus of Minister Costa is now fully trained on starting the process of delivering this project.

151. But of course, these investments, these services costs money, Mr Speaker. Millions. But it is money well spent. Because it is right and proper that we should be spending on these new services. And Mr Speaker, I should also just point out – before Honourable Members opposite pounce - that Departmental Expenditure has increased in the past 7 years since we were elected an average of 7.5% per annum, or 6.2% year on year taken on a compound basis. Ironically, recurrent expenditure grew by an average of 17.8% per annum in the 5 years before we took over and the GSD of the allegedly more prudent Honourable Members opposite was in power. It really does prove Mr Speaker that Honourable Members opposite say one thing when they are in Opposition and they do another when they are in Government! The old Latin maxim of '*in vino veritas*' is more like '*en poder veras como haremos lo opuesto*' when it comes to everything members opposite say!

152. And it is right Mr Speaker, as I told the House last year, for a Socialist Government to spend money in all areas of services and to have a view across the spectrum of the generations. Infants, children, young people, young adults, adults, the elderly, the sick and the infirm. Those in work and those out of work. Each and every one of them is the beneficiary of programmes or benefits which this Government has rightly introduced. Because the Socialist Labour Party that Joe Bossano - A LEGEND IN HIS LIFETIME - founded and that I have the honour to lead today, in association also with our

colleagues from the Liberal Party, is a party for all generations of Gibraltarians.

153. Mr Speaker, given those remarks, the next think to say that might roll off the tongue would be that we are a party that supports our nation “from the cradle to the grave”. But that would be inaccurate. Because Mr Speaker one of the things we have done that we are proudest of was the introduction of state funded IVF treatment for couples. And when I say couples, Mr Speaker, I mean couples of any gender combination, as we have also ensured that we have ended all discriminations on the grounds of sexual orientation. So from the cradle to the grave does not cover the scope of the GSLP Liberals’ reach. Literally from the fertilisation of the egg, we have been there to provide support. And so, when I am told that we have not delivered our much vaunted New Dawn of 2011, I am able to laugh off such cheap and unimaginative criticism so poorly expressed.

154. You see, Mr Speaker, I have met the boys and girls who would never have been born if it were not for the New Dawn. And I am saying these things, Mr Speaker, in the knowledge of the fact that we have a Bill on the Order Paper that will deal with similar issues. Because we are there as a party to provide investment – because all of this is money that we are spending for good reason - from conception to the grave. That is the spread of our support. Additionally Mr Speaker, the Government has already published a Command Paper on Surrogacy to properly regulate this practice also. Additionally, we are also in the process of seeking an agreement to introduce for all our citizens a service for the extraction and maintenance of Stem Cells at birth, from the umbilical cord.

155. From conception and birth, through schooling and further education (also something introduced by Joe Bossano’s governments as a right) through to fairer taxation and remuneration in our working lives, when and how we buy our homes and build and nurture our families, into our retirements and into our old age and dotage. We are investing in all those stages of life in Gibraltar. We are investing in all generations in Gibraltar. And we are honouring, in that way, each of the outstanding generations that have got us to this moment in our success as a people – as well as planning for our future generations and protecting their interests too. This week I met with representatives of the Chamber of Commerce and the Federation of Small Businesses to consider how they can work with

us with the Department of Education and their on-going work on the introduction of T-Levels in Gibraltar. Alongside our support for students of more academic courses and subjects, this demonstrates our full support for the coming generations of Gibraltarians.

156. That is how we are laying the STRONGEST FOUNDATIONS FOR OUR FUTURE, for our nation and for our people. Supporting every generation from conception to the grave. Maximising investment in our key resource; our people. Just as we have done since 1988 when we first had the chance to change the course of our nation's history and we did so immediately in a way that has percolated through the decades and produced the economic growth that we can boast of today.

157. In the Gibraltar of 1969, in that Budget Debate then before the newly minted House of Assembly, there were to be three scholarships. After 1988, the number was unlimited for first degrees. Anyone who found a place at university had the right – as a result of our socialist government – to attend a university course of their choice.

158. There are now around 852 *Gibraltarian students on government scholarships studying away from Gibraltar at any one time – and they will be very pleased with one of the Budget Measures I will announce later in this speech. And now we have the comfort of knowing we have agreed with the United Kingdom that we will be able to continue to pay home student tuition fee rates even post Brexit to be enable us to continue to afford this investment.*

159. I will not tire of using that great policy of an example – not just of a great socialist investment in our people – but of how wrong our opponents usually are on the macro-economic issues they raise against us. The introduction of scholarships for all is one of the many times that our opponents said we would bankrupt Gibraltar. That, the loan to the Sunborn, the £400m investment of Savings Bank monies into Credit Finance and the payment of commutations to Civil Servants, the £300m investment in Gibraltar ahead of Brexit. Every time our opponents question an important economic decision taken by the GSLP – now the GSLP Liberals – they have got it wrong. Under Peter Caruana, under Daniel Feetham, under Roy Clinton for a few minutes and now under I don't know who anymore, the GSD get their criticisms and claims of impending disaster and

bankruptcy wrong. Isn't it time, Mr Speaker, that they changed the record?

160. The fact is that our children and young people represent our future – the future that Franco would have denied us and which we improve every day by investing in every level of their education. This is why we have continued to invest record sums year on year in education. This is the best possible investment in future generations.

161. Since our re-election in 2011 our spending on scholarships has increased 4 fold from £ 4.4m to a forecast outturn spend of £ 16.5m. The estimate for the current year is also £16.7m. This has been a product of the combination of the addition by us of the right to study for a second degree, the increases in tuition fees and the increases to date in the maintenance grant element of the scholarships. There will be more today. If there are political changes in the United Kingdom, the cost of tuition fees may be reduced for home students. Our agreement with the UK would then lead to a reduction in the cost of tuition fees.

162. Since our election in 2011 we have not just invested in grants and tertiary education. We have invested also in our schools. What a state they were in. I do not think that any member opposite has anything to be proud about when it comes to their defence of the GSD's record when it comes to their investment in our schools. Indeed, no sooner were they out of Government and Mr Feetham was telling us what a bad state the schools were in. The state of our schools resembled the state of our estates. Neglected. Abandoned. Forgotten. This is what Honourable Members called 'the Golden Legacy'. Bone dry rainy day funds, two hundred million in the current account but utter squalor for our children and our tenants. Yes there is a lot still to do. But my goodness, Mr Speaker, by any measure we have already done so much.

163. In less than two and a half months we will be moving our two largest schools, Bayside and Westside Comprehensives into the most impressive secondary school facility I have ever seen. This will undoubtedly be more than just progress. This will be no small step. This will be a giant leap forward for education in Gibraltar and for every single student who has the good fortune to be moving into these schools. Already we have seen the excellent standard of St Bernard's first and middle schools. The words of a child at that new

school, now four years ago, will stay with me always: “Chief Minister, you are an angel. Thank you for our new school.” Mr Speaker, I am no angel, but out of the mouths of babes we hear an unvarnished, untarnished truth about the level of transformation which we delivered in respect of that school. From Victorian to modern.

164. Since then, we have also opened the new Notre Dame. What a brilliant new school that is too. And we are now literally just months away from completing the new St Anne’s. Work has already started on the new St Martins. Work starts the day after term ends on the new Bishop Fitzgerald School and the new Governor’s Meadow, with those schools moving out for a year to the St Anne’s and Bayside complex to de-conflict the children from the building works.

165. Work is also ongoing at St Joseph’s middle and first schools – which were developed by the GSLP in 1988 when that facility was returned to the Government by the MOD. But that is not all. We are also going to start work now on plans for a new St Mary’s and a new Jewish School, as well as the development of the new College of Further Education which is to be relocated and rebuilt. This is a genuinely exciting project. Additionally, Mr Speaker, we are talking also to the Jewish Community about the potential relocation of the Jewish Primary School happening in the next two to three years. Mr Speaker, remarkably, when we have finished all that EVERY SINGLE SCHOOL IN GIBRALTAR WILL HAVE BEEN BUILT BY THE GSLP Liberals. What better tribute to our commitment to education. What better legacy. That physical reality will demonstrate in bricks and mortar the depth of our commitment for generations.

166. I want to thank Gilbert Licudi and John Cortes for having delivered these magnificent new facilities in their respective stints as Ministers for Education. These are finally, at last, WORLD CLASS SCHOOLS, Mr Speaker. A recent visit by NASUWT officials confirmed their own praise for these new facilities, in particular the inclusion of workshops etc for T Levels.

167. Mr Speaker when the cameras are finally able to step into these new Comprehensives, the public will see what we have built for two thirds of the cost of the airport. The public will see what we have done for our future generations. The public will see that we

put our nation's money to good use. The best possible investment. And all of that will kick into touch any and all criticism as to spending which may be levelled against us by members opposite.

168. And Mr Speaker, despite Mr Feetham's doubts, we have built these schools on Budget. Incredibly, Mr Feetham's complaint - after everything that he has said in successive debates about how much we spend – his complaint in this instance was that we were going to spend too little building the new Comprehensives. He thought we should be spending closer to £5,000 per square metre instead of £1,000 per square metre. Thank goodness he wasn't leading the negotiations!

169. The fact is that I am clear, Mr Speaker, that the GSD would not have made these investments. They had 16 years to do so and they failed to open any new schools. At the last election, the GSD was not even prepared to commit to even a new St Martins, let alone all the rest of the schools that we are committed to. Indeed, I will not tire of reminding the House that at the time of the Brexit referendum, he was trying to get me to abandon the GSLP Liberal manifesto.

170. We, conversely have been clear from the start. We would invest in new schools. We would prioritise this investment. We would commit where the GSD would not. And we have been prepared to carry the criticism from them on spending. Because we are doing the right sort of spending. The spending we were elected to deliver. The spending the electorate voted for using the mechanisms they had established. The spending our community expects us to deliver.

171. We will also now deliver another aspect of the modernisation of our schools and education by the introduction of hot school lunches. This will be an important additional step forward as we move towards providing a better diet for our children as well as making life easier for families so that parents do not have to provide lunch themselves each day. As we do so, we should also see a reduction in the use of single-use plastic of the type that is prevalent in most packed lunch bags.

172. Additionally, Mr Speaker, in the same way as we are investing in the building fabric of education, in our schools, we have also

invested in the human capital in our schools. We have added to the compliment of teachers by more than ten percent. And we have added to the support available to teachers in schools. We have already equalised pay within the primary sector, adjusted senior teachers' pay to school size, regularized a number of pending TLRs with more to go, provided additional aides in classrooms, improved facilities and provided a full maternity leave allowance to teachers on supply for over a year. We will continue that investments because we recognise the huge contribution that teachers make to our community. I will deal also later in my address with the pay claim made by the GTA NASUWT when I come to address public sector pay generally.

173. Additionally, of course, Mr Speaker, we have also developed the University of Gibraltar and that is now already progressing very, very well. I want to thank Lord Luce for the work he has done with us in building the University and Minister Gilbert Licudi for his dedication and commitment to the success of that institution, as well as all the staff and the newly appointed Vice Chancellor.

SPORTING FACILITIES

174. Additionally Mr Speaker we have continued our massive investment in Sport. We have worked very, very hard to deliver transformational facilities for our athletes. These arise in the context of the sale to the Gibraltar Football Association of the Victoria Stadium for £16.5m. I can confirm to the House today that the GFA has paid the second tranche of the money due to the Government in respect of that purchase. £10m had been paid in the financial year 18/19. I can confirm to the House that the balance of £6.5m has now been paid in this financial year.

175. As all Honourable Members know, we were keen also to combine the opportunity to create these new facilities with the arrival in Gibraltar of the 2019 Island Games. I want to be clear that the facilities we are building are not for the Island Games. They are for our national athletes and sports men and women. But they are being delivered on a time scale designed with those games in mind.

176. Mr Speaker I can today confirm to the House that we will be ready with the new facilities for the Island Games. The works being done do not require us to pay any extra over for acceleration, as the

date when the facilities were due to be delivered by the contractors was in time for the Island Games.

177. But it is important to note, Mr Speaker, that these are not just sporting facilities. They are also new concert and event venues. The music festival will this year be at Europa. They are also facilities that will produce potential new income streams for Gibraltar as they will attract teams for training, teams for competing with Gibraltar teams and their consequent spending. Another further diversification of the economy of which we can be proud. As well as facilities for businesses to grow and for the expansion of our existing industries. When they come on stream, Mr Speaker, the community will see also in relation to these facilities that we spend their money wisely. They will like what they see. They will understand the principles that have driven our spending are safe, sound and secure.

178. It is also important to note that the facilities may require some additional finishing off and snagging post Island Games. I want to thank the great men and women of GJBS for their work on these projects – and indeed on the schools also. Their work is always of the highest quality. And their commitment is unquestionable. I was very sorry to hear that quality and commitment called into question.

179. Also completed is the student accommodation for the University which has been delivered in time to be the residential facility for some of the athletes coming to the Games. For this project – on time and on budget – as for the two new Comprehensives – also on time and on budget – we must thank Casias, who have also done a tremendous job.

180. And these facilities that we are developing – sports facilities, new homes for MOD personnel agreed by the GSD – are projects where our financial outlay is over a number of financial years, but the return will come in the following financial years. That means, Mr Speaker, that we see the cost or part of the cost in this financial year but the benefit and income is not seen until later.

AFFORDABLE HOUSING

181. So Mr Speaker, the works we are also going to see start in coming weeks are the works on the new affordable homes on the Eastside, Hassans Centenary Terraces.

182. Sales of those homes has already begun and is going very well. New bridging loan products are also soon to come onto the market also to assist those who need to fund rents at the same time as they make interim monthly payments.

183. We have also announced now the final configuration of Bob Peliza Mews. Works there will start with the dismantlement of the now 'old' Gibelet Power Station. We will announce the prices for this new development in the first half of July. We also expect to be able to announce the final configuration and details of the third of our estates, on the site of the existing Westside School, in coming weeks.

184. Mr Speaker, we have often criticised the GSD for the limited number of affordable homes that they built during their 16-year tenure. When we came into Government, we were able to build a greater number of affordable homes in less than half the time than they had done. In delivering these homes, we used the more relaxed underleases that the GSD had introduced and implemented the established 50/50 model in Beach View Terraces and Mons Calpe Mews, developments that have since set the benchmark for affordable housing quality. These developments are now buzzing with life, full of Gibraltarian families growing and nurturing our young and thoroughly enjoyed by their owners. The co-ownership trend has continued; the majority of first time buyers opt to purchase on a 50/50 basis. Indeed, unlike the GSD, we have not prioritised 100% purchasers over those who might be more deserving, as they did. This would have been grossly unfair and indeed is the type of measure which means that every time they criticize us as 'unsocialist' they are failing to recognize the reality of the own record on issues like this and the payment of half the minimum wage.

185. Mr Speaker, the result of the success of the concept of the 50/50 schemes is that the capital value to the Government of the residual co-ownership interest across these developments is locked in until a sale crystallises or a co-owner buys out their remaining share. Put simply, the Government funds the entirety of the construction costs but only receives half of the sale proceeds when the flats are sold. In order to ensure that we can continue to build more co-ownership estates for future generations, we have re-thought this model and the thinking of the brilliant Albert Mena and

his team has smartly figured out how to put these asset to good use for future generations of Gibraltarians.

186. Instead of co-owning people's homes without having any access to that equity, or unfairly giving preference to 100% buyers '*a la GSD*', we have sold the Government's remaining 50% interest in the equity of the properties in the newest co-ownership estates for £165m in a manner that has unlocked the capital value of illiquid residual co-ownership equity interests and made it available to build new co-ownership estates. This sale is also linked to a wider deal that also provides the funding platform and framework for the financing of the construction and development of Hassans Centenary Terraces and potentially other affordable housing schemes in Gibraltar such as Bob Peliza Mews and Europort Avenue. The deal is one that has allowed us to fix our cost of the financing for the construction period at a rate of 3.29%.

187. The investment deal involves the sale of co-ownership interests by Gibraltar Residential Properties Limited (GRP) in the following six affordable housing estates: Waterport Terraces, Cumberland Terraces, Bayview Terraces, Nelson's View, Beach View Terraces and Mons Calpe Mews. Owners who own on a co-ownership basis can rest assured that their co-ownership terms cannot be altered and will be honoured by the company that has acquired these co-ownership interests. That company is called GIC Limited, a newly incorporated Gibraltar company. GIC Limited will act as a holding company for subsidiaries established for the construction and development of Hassans Centenary Terraces. The Directors of GIC Limited are the Chief Secretary (Darren Grech), the acting Accountant General (Charles Santos), and the Managing Director of Land Property Services Limited (Kevin De Los Santos), all of whom have my full confidence and are well qualified and experienced to manage this company throughout the deal term.

188. GIC Limited has been funded through a subscription of shares by Eruca Investments Limited, another newly incorporated Gibraltar company. Eruca also has a strong board of local directors: Jose Julio Pisharello, a senior and highly respected accountant, Brian Francis, a veteran of the local property scene, and Chris Cavilla, whose banking experience will ensure a smooth operation. Eruca has in turn raised funds through the issue of notes to various institutional investors, all part of or managed by M&G or Barings.

189. The deal is one that realises what would otherwise have been an illiquid residual interest into liquid cash for the development and construction of Hassans Centenary Terraces, as well as unlocking construction financing.

190. I reiterate that this sale of the Government's 50% interest will have no practical impact whatsoever on homeowners. Co-owners will just deal with "GIC Limited" instead of "Gibraltar Residential Properties Limited" should they choose to sell their property, or to buy any or all of their remaining co-ownership share. The terms and valuation for these co-ownership shares will continue to be determined exactly in accordance with their underlease and trust deeds. Nothing will change.

191. One thing that the House will recall, also, is the litigation to which GRP is presently subjected in Madrid, as a result of the dispute between the GSD and a Spanish construction company Bruesa. That claim by the liquidator of Bruesa, for many millions of pounds, is against GRP. I will say no more, Mr Speaker, but it is obviously important to keep that litigation in mind.

192. In order to finalise the post-completion aspects of the sale, I will shortly be publishing legislation for approval by Parliament in the form of the Gibraltar Residential Properties Limited (Assignment, Transfer, Vesting, Registration and Notice) Bill 2019. That Act that will make provision for the assignment, transfer and vesting of certain rights from GRP to GIC Limited, the exemption of the assignment and transfer from registration requirements under the Land Titles Act 2011 and for the notice of the assignment and transfer to relevant parties and financing institutions. Mr Speaker, I am offering a meeting to the Opposition and the Independent Member to talk them through the operative parts of the sale deal in the coming weeks before the Bill comes before Parliament.

193. Mr Speaker, I would just clarify now that there is no security or mortgage over any real estate interest in Gibraltar nor has the Government provided a guarantee in connection with this transaction.

194. Equally the structure is flexible and iterative. It allows for a programme to ensure we can always afford to construct homes for our people on a 50:50 basis. The 50% that is retained by Government on the older estates is used to develop the construction

of new estates and in turn when this new 50% is added to the pool of assets, this will provide the foundation for constructing future estates and so it goes on.

195. Mr Speaker, once again, we have been able to secure a massive foreign investment in Gibraltar with a tremendous amount of planning and effort and I want to thank each and every investor, financial institution and adviser that brought about this investment and the Gibraltar teams that have delivered it. The timing is all the more remarkable given the deal was completed days before Britain's scheduled departure from the EU on 29 March 2019.

196. This transaction yet again serves to highlight the highly positive confidence that international investors have in the strength and resilience of Gibraltar. And all of this despite the repeated suggestions from some members opposite, Mr Clinton in particular, that the fundamentals of the Gibraltar economy are not as strong as we suggest. Well, Mr Speaker, when we are x-rayed and analysed by international investors, who are experts in assessing the strength of the covenants that they invest in, we pass with flying colours – despite the repeated statements from Mr Clinton that would put off any investor who decided that what he was saying was true.

197. I want to specifically thank Charles Santos, the Acting Accountant General, John Paul Fa, legal counsel to the Financial Secretary's Office and Kevin de los Santos CEO of LPS. We have truly gifted individuals working for Government who together can achieve great thing. I also want to thank Peter Montegriffo QC, a former member of this House and the founder of the GSD, Nick Howard, Gemma Vasquez and their legal team as well as to the Minister for Housing, Samantha Sacramento and Gerry Reading and her hardworking team at the Ministry of Housing. Their work has enabled us to put in place a mechanism to continue to deliver affordable housing on a 50:50 basis for generation after generation. Once again, we deliver for all generations Mr Speaker, from the generation in 1988 that embraced Joe Bossano's housing revolution – which alleviated the problem of over crowding and lack of homes and which has made most of them hundreds of thousands of pounds – to the generation building families today in the estates we have just delivered – to the generations buying today at the estates we are now selling – and to the generations of the future who now know that we are not going to short change them and tell them that we cannot afford to build for them in the future.

198. Whilst still on the subject of housing construction we have ploughed ahead whilst also correcting the legacy defects at Bayview, Cumberland and Nelson's View. We are committed to repairing the problems with the Bruesa construction of the Mid Harbour Estate. There is some real political amnesia on behalf of my opponents. They have criticised the deals we have done for Victoria Keys saying we are investing in homes for the rich, yet in this last term we've already delivered more houses for those who need affordable homes and with no immediate defects that result in serious exposure to the tax payer. The issue involving flooring at Beach View Terraces is not major at all and we are totally committed to fixing it for those tenants who are experiencing it. For Bayview, Cumberland and Nelson's View not only did we need to finish the job they left unfinished but we needed to address the litigation that flowed from their own rotten property deals, which meant we had to face and settle with Barclays Bank, and we had to account for the loss of the loans of taxpayers' money which they granted and lost! We even have people in those GSD estates who want to hand their homes back!

199. I should also inform the House, whilst on the issue of rotten deals, that the Government is in receipt of a claim for a right to light brought by one party supporter of members opposite in respect of an infringement to light arising from the development by the GSD of affordable homes. Mr Speaker, I am advised and must inform the House that the 'right to light' claim made against the Government as a result of the GSD developments is of many millions of pounds. Initial advice on quantum suggests that the claim as drafted is in the region of £5 to £9.5m. Mr Speaker, the Government considers this claim must be defended but we are trying to assess whether, in fact, the GSD compromised and accepted this claim without defending it and whether that has a negative consequence for the taxpayer.

200. Of course, this claim against the actions of the GSD in office is in addition to the Barclays claim we dealt with, the claim I have just referred to in the courts of Madrid with the claim for over £ 20m from the liquidator of Bruesa for Waterport Terraces. Mr Speaker the legacy of claims against the GSD and the potential cost to the taxpayer is unprecedented. I can imagine that this is a subject that members opposite will not want to deal with and will want to ignore. But the community cannot ignore this legacy of almost £50m of taxpayers' money at risk and not available for other worthy purposes

because of GSD failures and claims against the GSD. Yet we deal with this. We clean up their mess. We continue to invest in our economy and they just sit back and criticize without the slightest hint of shame or irony. As we say in Gibraltar: '*what a face and little shame.*'

THE NEW POWER STATION

201. I am delighted Mr Speaker that Gibraltar now has a new Power Station. It's built and running. Additionally we have an LNG storage and regasification plant. Establishing it was not without controversy, of course. We will all remember to what extent this debate has in the past been dominated by issues relating to that source of energy for our community and the location of the new power station.

202. Well, today anything between 45 to 50% at least of our electricity is being supplied by that new power station from gas. There are times when we are ramping up and up to 75% of our power is coming already from gas. Some nights, already, when consumption is lower, we are enjoying the benefit of 90% of our electricity being supplied by gas.

203. We took our first consignment of LNG in early January and testing has continued in a methodical manner. First with diesel. Then with LNG. Then fully on LNG. Then swapping between fuels to ensure everything works. Then at full capacity for given periods of time. The testing programme is extensive and necessarily takes time to ensure that, when we sign off, Gibraltar has a reliable and safe power supply for many years to come. New, cleaner, generating capacity for generations to come.

204. Mr Speaker we are now on our fourth commissioning cargo of LNG, so we know the process works. Clearly we are learning as the testing of the power plant progresses and we increase output to take 100% of our power needs. Our strategy has been methodical and not to rush.

205. We expect to take the full handover of the plant later this summer and as we become confident in the output we will begin to decommission the temporary, expensive but necessary power plant we had to hire to cover and provide supply given our formerly ailing and very poor generating capacity.

206. Mr Speaker as you know we also recently inaugurated the LNG plant itself in partnership with Royal Dutch Shell Plc. This represents a revolution in the way power is delivered with next to no noxious gasses and with a reduced level of noise. Whilst LNG plants on a larger scale are common, a small plant like the one developed to meet Gibraltar's power needs is relatively unique. This has attracted attention from Bermuda, and their energy Minister came over for the inauguration as they are also going to invest in a similar albeit slightly larger plant.

207. It has also positioned us well in this sector as we rekindled our relationship with Shell, an international company that had unfortunately left Gibraltar some years ago. This is also an important example of foreign direct investment, as Shell is not just selling us LNG, they are our partners in the ownership of the storage and re-gasification facility. Being on the Shell worldwide map is crucial as cruise ships and other merchant vessels move to LNG power. Shell are strategically placing themselves to deliver LNG across the globe and it would have been a huge and historic mistake to have pursued the GSD line and to have allowed our neighbours to monopolise our unique location for the supply of LNG to vessels in the future. These are the positive consequences of our careful and considered decisions for the investment of our nation's money wisely and to create a new aspect for our bunkering industry at the same time as we invested in safe and secure power generation. Two birds, Mr Speaker, one stone. Good investments decisions.

208. The new power station will transform Gibraltar's power generating capability from both a stability and an emissions perspective. We will provide a surer source of power, in a better location and in a manner that will improve our air quality dramatically. Mr Hammond talks about air quality, will he now welcome this facility he was so fixated against? Not only will the new plant not emit dangerous nox particulates, it will also enable us to shut down four other generating facilities, the generating technology of which is now far from optimum. Indeed, the new facility provides the Best Available Technology, which is what the Government committed itself to do. And the investment has also included the distribution system.

209. As will later be explained in greater detail by the Minister for the Environment and Climate Change, I am delighted to also be able

to report that for the first time ever, recorded air quality in Gibraltar in 2018 was at its best ever, with all pollutants falling within EU target levels for the first time since records began. This includes Nitrogen Dioxide for which the previous Government had to seek a derogation from the EU due to its inability to reach the necessary levels. The trend for the first six months of 2019 shows that air quality continues to improve. We will continue to work to improve air quality further as the Minister for the Environment will explain in his contribution.

210. The power station and LNG plant coexist at the end of the Port in a truly symbiotic relationship and in the understated way intended. From there, out of the way and nowhere near our nature reserve where the GSD were going to place their diesel-burning power monstrosity, this new facility will produce the cleaner and less polluting power that we need to drive this economy.

211. Mr Speaker, the Official Opposition recently asked that we advise on the total revised lending amount agreed by ES Limited with Lombard PLC. During the development of the plant the switchgear that is used to distribute energy was upgraded. It made sense commercially for this to be undertaken by Bouygues given this needs to interact with the power plant. We were therefore able to agree additional finance with Lombard plc for the equipment involved and this increased the facility they are willing to provide from £55m to £58m. ES Limited has not yet drawn down fully on the facility as this cannot happen until the plant is completed and handed over.

212. In respect of this facility, Mr Speaker, the Government's thanks must go to Michael Caetano and his team and his predecessor Manolo Alecio as well as Hector Montado and his predecessor Michael Gil. Mr Speaker, the negotiations with Shell have been run primarily by the Financial Secretary, Albert Mena, who, as usual has been an exemplary servant of the taxpayer in his dedication to getting the best deal for the public purse at every turn. No one, however ill-motivated, will ever be able to fault the way that Mr Mena has run his negotiation or indeed any other single one of his dealings with any aspect of the public finances. Anyone who knows him knows that, Mr Speaker and anyone who suggests the contrary will damage their own reputations and credibility in doing so, not Mr Mena's, because any suggestion that attempts to bring Mr Mena into disrepute will immediately be known to be fantastical

by anyone with the slightest knowledge of the man, the slightest shred of objectivity and the slightest ounce of human decency.

213. Additionally, Mr Speaker, the community must be reminded that it was Sir Joe Bossano who was clear eight years ago that we had to abandon diesel. John Cortes agreed with him. Together they were a formidable force to stop the GSD's power station spewing diesel at the entrance of the Upper Rock Nature Reserve. The costs were greater Mr Speaker and the funding required an agreement to increase the cost of electricity to every subscriber by 100% if we had pursued the GSD's power station. It is important that no one in this community, whether residential subscribers or business subscribers, forgets that this is what the GSD would have delivered. For all their talk of prudence, the GSD would have added 100% to the cost of electricity for every home and every business in our community. And that is before we start looking at the pollution that the GSD's power station would have been responsible for. They would have created an additional pollution emergency just with that project! And additionally, the diesel power station would have attracted fines for the pollution it would have emitted from the word go. Well, no 100% increases in utilities from us, Mr Speaker!

214. Mr Speaker, this was one of the big arguments of the last ten years. And we were right Mr Speaker. We were right again on this as we were on scholarships, as we were on the airport agreement and the Brussels process, and the cherry picking argument on the Cordoba arrangements. You name it, Mr Speaker, we have been right on the big arguments.

215. Mr Speaker, when Mr Hammond rises to address us on the environment, can I ask him to please tell us how he reconciles his alleged concern for the environment and air quality with his support for this diesel monstrosity. I will look forward to what he has to say.

216. Mr Speaker, when Mr Clinton rises to address us on book keeping, can I ask him to please tell us how he reconciles his alleged concern for costs to taxpayers and prudence with the need to increase the cost of electricity by 100% to every consumer, the fines that would be applied for the pollution immediately once the plant opened, the losses of loans of taxpayers money made by the GSD, the losses in the claims against the GSD and the outstanding liabilities on claims against the GSD, including the claim from one of their supporters for millions of pounds arising from a GSD

development. I know that attack is the best form of defence, Mr Speaker, but Mr Clinton might helpfully ‘park’ some of his other subjects of attack and descend into dealing with the issues that the GSD is responsible for before seeking to cast the first stones against us. In fact, it is clear to me that they have no answers to the huge liabilities that we have uncovered that they are responsible for. For that reason, the Government will consider convening Select Committees to further investigate each one of these expensive debacles that have resulted in huge losses of taxpayers’ funds as a result of the actions of Mr Clinton’s party.

NEW DEVELOPMENT

217. Mr Speaker, moving on and with all these very positive numbers in our possession on the performance of the economy and the public finances, all of them so positive, it is also fair to ask questions about quality of life and about our environment and surroundings. Is there too much development in Gibraltar? Yes. It drives GDP and average earnings and employment. But there is probably too much now going on. Is there a choice? Well there is some choice. But if we want the schools to be done, we have to build them. And if we want the schools to be paid for, we have to have income. Can we do things more slowly? Yes. But then the schools will be in a worse state for longer. And when we do things more slowly, does it resolve matters? We did the estates refurbishment a little more slowly and it has not felt better, it has felt as if the estates were suffering the effects of the works for longer. So, in our book, it is time to also concentrate on another approach. We want to develop also in a different way, not just economically. That is why we invested in Commonwealth Park, although we were roundly criticised for doing so by the GSD. And that is why we have taken the decision to open the Nuffield Pool and not proceed with the GSD project to build a hotel tower on that site. In fact, one of the worst aspects of the plans of the members opposite for that site was that they were ceding it for NO PREMIUM to the developer. Yes, you heard right, Mr Speaker. They were ceding the site for no premium. So we are going to keep that site accessible to our people. After we were denied entry to it for years, we will now be the users of it. Indeed, the site is a little like the Garrison Library of bathing. This will be a site for our people to enjoy leisure and open spaces. This year it will also be a site for part of the Island Games activity.

218. We are also going to see even more positive developments in the area of the Northern Defences and the development into park now of the area south of the Midtown Development. This will come on stream very quickly now. Yes this was part of the original design of that area by the GSD, but Honourable Members will recall that this was to be the ONLY open area they would provide, with more towers to be built where Commonwealth Park is now. We legislated to protect Commonwealth Park and they did not support our Bill in that respect. Well, we have re-engineered the whole of this area and we are going to make this Midtown Park complimentary to Commonwealth Park.

219. But there is to be one key new development and reclamation and I really no longer understand what the position of members opposite for the Official Opposition is. I am referring, of course, to the new reclamation at Coaling Island, Victoria Keys.

VICTORIA KEYS

220. Mr Clinton said in his speech in 2016 that he “welcome[d] the announcement of the Coaling Island reclamation project.” Yet a year later, in 2017, he had changed his tune suggesting it was not so exciting a project because we were going to be involved in the reclamation.

221. It seems that the only bit he doesn’t like is that we have found someone else to pay for it, pay us interest for lending them the money to do so, and give is half the reclaimed land for free.

222. This is really quite a remarkable position for Mr Clinton to take, given that in all our modern history, all reclamations have been carried out by the Government itself, at our own cost and under our own risk. This is the first time that we have been able, having proven the model, to pass the risk of reclaiming to a third party. A good thing. Additionally, instead of them going to Barclays or HSBC to obtain the funding for the work on the reclamation, we have agreed that they must borrow from us. That is a very good thing, Mr Speaker. Why? Because it means that we also get the interest as a result of the lending. And at no risk, as we will be fully secured over the reclaimed land. So very good news indeed, Mr Speaker.

223. As ever, Mr Speaker, one of the issues we hear is that the Opposition say they want to know more and more about the deal.

On 8 April 2019 we announced that we had agreed commercial terms for Victoria Keys, the creation of a new reclamation project and subsequent development within the harbour, in Port Waters.

224. We have released the names of the companies involved. The names of the directors that stand behind these companies are publically available, as reported by GBC. The directors are well known.

225. Jimmy Garbarino, represents the Montagu Group, responsible for developing Europlaza, Europa Mews, Genista House, Harbour Views, Kings Bastion, Midtown, Montagu Crescent, Montagu Gardens, Northview Terraces, Kings Wharf, Sunset Close, Sunrise Court, The Anchorage and Vineyards. That is to say, they have developed projects under all administrations.

226. Isaac Levy, who represents his family's company: a family that has developed the ICC, Both Worlds, Leanne Place, NatWest Houses and Midtown amongst others. That is to say, they have developed projects under all administrations.

227. Paul Butler who has a long track record in Gibraltar from his days at Marina Bay. He has developed the Island and the Sails. That is to say, he has developed projects under all administrations.

228. And lastly, Lawrence Isola, for his family interests, who play a key role within the Atlantic Suites, Kings Wharf, Europlaza and Portland House and Europort developments. That is to say, they have developed projects under all administrations.

229. So Mr Speaker, I find it difficult to understand that the GSD might think that there is anything unusual about a consortium of people who have a long trajectory of development under successive administrations. They are all well known to them and to the leaders of their party.

230. What's more, we have announced the funding mechanisms that have been agreed in principle with the developers.

231. We also have announced the minimum cost for which we will sell our share of the site. Short of sharing the commercial agreements we have entered into, which are obviously by their nature commercially sensitive, at least at this stage, what exactly is

it that have we not been transparent with? Perhaps what is lost to the GSD is the potential that lies behind a project of this magnitude.

232. I am sure that most of our people will see the value in large scale projects like this. It is resoundingly positive for our economy, especially given the undeniable uncertainty that Brexit has shrouded us in. One only needs to follow the media reports in the UK to see that the only decisions being taken in the UK are by investors who want to leave the jurisdiction. Yet here we do not have developers who are deferring their investment decisions. Here we have local developers, with proven track records under all administrations, prepared to make long-term, large scale investments. What's wrong with that?

233. These are not people who are here today and gone tomorrow; they have roots in our community. Perhaps the GSD would have preferred that we hand over these opportunities to external investors instead?

234. The development will in particular be designed to be carbon positive, green and a garden city. This is a development that is going to improve our environment and give people more access to the sea front.

235. In terms of the type of property to be developed, we can see in Victoria Keys an opportunity for those who can and want to move up the property ladder. This provides opportunity for these Gibraltarians at the same time as we are putting about 1,500 affordable 50/50 homes on the market also. So we are providing for all strata of the property market.

236. But the fact is that homes of the type we will see at Victoria Keys are not for what I hear people refer to as rich foreigners. Testament to this is the popularity of new and similar developments that have been oversubscribed by Gibraltar residents. Take Quay 31 for example, a development with a total of 84 residential properties, of which 62 have been purchased by Gibraltarian owner-occupiers. That is a Gibraltarian owner occupancy rate of 74%. This is hardly the picture of empty flats for Cat 2s that some set out to portray. At Midtown and at Quay 29 the rate is also well over 50% owned by Gibraltarians.

237. Victoria Keys will be a mixed use development. The developer is taking interest from the market. The developer is even keen on exploring a new type of private accommodation also for first time home buyers. All of this is untapped potential that we are in the process of unlocking. It would be far easier to aim low or to do nothing but that is not what our people deserve. Instead this is a development that can produce 100,000 square metres of floor space. That means more jobs for hotels, more business for furniture retailers, carpenters, plumbers, estate agents, surveyors, gardeners, maintenance personnel, the list goes on. This is an important part of how we keep this economy going.

238. Threats of Gibraltar becoming like Monaco, with descriptions of local residents being priced out of their homes, ring hollow in Gibraltar. Firstly, the level of affordable housing that has been delivered to date, and that which is planned for delivery (if we are re-elected) is of an unprecedented scale. We as a nation have grown and home owner levels have never been higher. We are on track to exceed even the number of homes built by the first GSLP administration. As the old Chinese proverb says, Mr Speaker, growth is a "rising tide that lifts all boats". Never more apt than for a reclamation like this one that will rise from the sea.

239. If anything we have implemented the Monaco trend in reverse: locals who have previously lived in nearby Spain and commuted to Gibraltar on weekdays are now making Gibraltar their primary residence. I welcome the opportunities we are creating for these Gibraltarians to come back. In Gibraltar, it is undeniable that Gibraltarians have participated in the growth of our economy. Pay packets have increased and home values have increased steadily. Job opportunities for Gibraltarians are greater than ever. We are not Monaco, Mr Speaker. We are better. We are Gibraltar. And it is developments that this that play to our continued success for us and for future generations in decades to come.

240. Sir Joe had the foresight of growth when he reclaimed Westside with Pepe Baldachino for new homes and when he reclaimed to develop Europort with Michael Feetham. At first it was a ghost town and the subject of perennial criticism. I remember when the young Med and Calpe members would play football on Europort Avenue, such was the lack of cars in that area. Yet Europort paved the way for the gaming companies to set up and over time demonstrated its key role in Gibraltar's offering as

financial services hub. It is this same foresight that Sir Joe had that sees us take the bold decision to develop Coaling Island and the reclamation in unison and for the improvement and growth of our community and our people.

241. Additionally, we have been criticized on the costs involved. That would seem to me to be, Mr Speaker, the most misplaced of all the criticisms.

242. Let me be clear in this House. The Northernmost half of the reclaimed plot is to be sold for the total cost of reclamation. This is a cost that HMGoG would have otherwise had to incur itself before being in a position to be able to sell the land in any event. We are therefore making double our money straight away, as we are paid back the full amount of the reclamation but the developer gets to keep only half of it and we take the other half. And that is before and IN ADDITION to the interest we earn on the money lent for the creation of the reclamation.

243. And once that plot is sold, the developer has an option to purchase the remaining half (that is the Southernmost half that is handed to us as part of the deal) for a minimum of £25m. Not only that, but should a third party come in and offer the government a price higher than £25m, the developer will need to match this upper price or lose their option.

244. If this is not a total win-win for the Government, I don't know what it. We have the land reclaimed at no cost to us, we earn the interest on the loan to create it, we keep half the land and we can sell it for a minimum of an additional £25m.

245. Additionally, we are given a 20% interest in the developers' own company, so that the taxpayer has a share in the profits that the developers make - something the GSD was never able to negotiate in its own transactions and which I have no problem telling the House we obtained as a result of Sir Joe suggesting we should include this requirement as part of our negotiation.

246. Mr Speaker, the deal puts the Government in a position where it can make money for the entire community. Let me give the House a worked example. If, for example, the reclamation costs £50m, it costs us zero, we lend the developer the £50m reclamation costs. They carry out the works. We get repaid the £50m and an additional

about £2.5m in interest. We then get half of the plot reclaimed, which is initially valued at £25m. Using those figures as examples, we would have made an immediate profit of £27.5m and have spent nothing. One of the best deals the Government of Gibraltar has ever, ever done.

247. The reclamation costs will be financed by a Government owned company on a fully secured basis using funds raised from the £300 million institutional investment in Gibraltar, our Brexit War Chest, just like £30m was invested in the capital of Gibraltar International Bank to support its continued growth. This does not mean that the cost of the reclamation will be £300m as some are keen to imply. It means that a part of that £300m will be applied towards financing the reclamation costs. The sum is likely to be about £50m of our Brexit War Chest. Once the reclamation is complete, the Government-owned company will be repaid in full, with interest.

248. Using this model, every single taxpayer has a stake in the development and shares in 20% of the return on the development. The GSLP Liberals deserve all the credit for this excellent deal for the taxpayer.

249. But perhaps we should also compare apples with apples. The GSD awarded the tender for Gun Wharf in 2001. Then they recalled that tender and in settlement, agreed to sell Coaling Island for a paltry £1,536,700. The developer “paid” £650,000 in kind with the allocation of parking spaces in Europlaza for the Hospital and the balance deferred to be paid when they took possession of Coaling Island. At a sale price of £1,536,700 and a plot size of approximately 11,500 sqm, their sale price per sqm works out to £133. Even with inflation (at 53%), this works out to £204 per sqm. That is the deal done by the GSD.

250. Now let’s apply the same ratios to Victoria Keys. The Southernmost plot, of approximately 30,000 sqm with a guaranteed minimum sale price of £25m, works out to £833 per sqm. The difference, even when generously adapted for inflation, is over 4 times the rate at which GSD previously sold this sea-front land. And to boot, what we have sold is land that does not exist, land that the developer has to reclaim. The GSD did not strike a good deal on Coaling Island, far from it. They were taken for a ride. Commercial negotiation obviously does not come naturally to them. In stark

contrast, we have brought Coaling Island back into our negotiation but using the fact that we would reclaim in front of it to force the developers to the table and secured an outstanding deal for the community.

251. I guess the GSD's criticisms are just an attempt to obfuscate the reality of this excellent, excellent deal.

252. The Victoria Keys project will also be applauded for the significant open and new recreational areas that it will provide for the community. There will be public access along new stretches of our seafront and harbour and marina and a magnificent pedestrianized area which will be an inviting public realm with extensively landscaped promenades.

253. With the guidance of the DPC, the project is also key to clearing part of the 'rubble mountain' on the east side that is being cleared to make way for coastal and revetment protection and improvements works at Hassan Centenary Terraces.

254. Mr Speaker, the Honourable lady has been a little more constructive and has asked to meet us for an explanation, as he did in relation to the Tax Treaty, before shooting from the hip. I will look forward to meeting her and her team on this and explain what a brilliant investment we have secured for Gibraltar by a consortium of almost all local developers.

CREDIT FINANCE COMPANY LIMITED

255. Mr Speaker, my colleagues across the way comment that we don't give them sufficient information about things that are not in the Estimates Book. I have no doubt that our information presentation on the Budget will not be enough for them. It never is. What they want is to be in Government and nothing else will satisfy them.

256. As you know, the accounts of Credit Finance were produced and audited to 31 December 2017 and made public last year. We are presently working on closing the accounts for 2018. One fact no one can get away from is the sheer brilliance of the Father of the House when he came up with his concept of commuting pensions. This makes sense on so many levels, but it is only deliverable if and only if we could afford to make payments. When we proposed it, the man they refer to as the Greatest Gibraltarian of all Time, agreed

it was sensible so long as it could be paid for; but he insisted it was not affordable for the Government in capital terms. Sir Joe had a better plan. The scheme, connected to Credit Finance, is cleverly crafted, as it will grow over time and after a tipping point, begin to retract. It is still in the growth phase.

257. As you will know the availability of commutations has been very well received by retirees. It is NOT affordable out of the Government Consolidated Fund. Since 2012 to 31 March 2019 (and subject to audit adjustments) around £108m has been paid by way of commutation by Credit Finance. During that time Credit Finance has been paid by Government over £28m in assigned pensions. Credit Finance has treated this as £21m in interest earned and £7m in capital reduction.

258. This policy was indeed a sensible one and could only have been achieved through the use of a company or some other separate body corporate with distinct legal personality to the Government. The arrangement requires the pensioner to effectively have a contract with a third party that will pay the capitalized, commuted pension. This party receives further pension amounts from Government in exchange for paying a commutation to Government. So if I may say so, this is another one on which Honourable Members opposite have got it wrong. And some of those who have sat alongside them obviously agree, having signed on the dotted line to have monies paid to them by Credit Finance!

GIBTELECOM

259. Mr Speaker, one of the ways in which Gibraltar is succeeding today is our state of the art telecommunications. Those arise also from Sir Joe's foresight in 1988 in creating the joint venture with Nynex of New York. Our economy today – whether the aspects relate to online gambling or the DLT, BlockChain aspects - would not be possible without that brave move that was not without controversy at the time. And progress continues. Gibtelecom will this month be announcing a 5G trial which is expected to be underway before the end of the year. This is in-line with 5G trials happening around Europe and some of the major nations throughout 2019 (including the UK, Spain, and Germany). 5G technology has not yet been fully ratified in Europe and final specifications will come up from the on-going trials

260. Indeed, 5G devices in Europe are not yet commercially available with very limited devices being made available for trial uses. Gibtelecom's 5G trials will be focused on a particular use case (Fixed Wireless Access or FWA) where meaningful data can be obtained and fed back as part of on-going trials. I am very pleased, however, that we will be keeping in time with the developments in this field and that we will be in the first tranche of trials and early adoption of this high speed, wireless data transfer technology. To set it in context, this step will increase download speeds by 100 times.

261. In relation to Gibtelecom, Mr Speaker, as my colleagues will be aware Mr Tim Bristow recently retired from Gibtelecom. This House should recognise the contribution that he made to the company and in his role before that as Financial Secretary where his approach was always more collegiate than the then Leader of the House might have wished, something for which I was always very grateful in my early days in this place. Mr Speaker, I am sure my colleagues and the Parliament will wish him all the best on his well-earned retirement.

262. Mr Speaker following Mr Bristow's departure we commenced a process of looking for a successor. Mr Noel Burrows was selected from a field of very experienced candidates. I would also like to thank Adrian Moreno who remains COO but ably stepped up to the role of CEO during the transition. We are sure that together they will make a phenomenal team taking the company to new heights. Mr Speaker we wish them the best in their endeavours.

ACQUAGIB & GIBTELECOM PENSIONERS

263. Mr Speaker I am delighted to be in a position to be able to inform Parliament that the pensioners of Gibtelecom and Aquagib (comprising those individuals that were originally in the service of government and transferred to these companies when they were formed) and the government are very close to finalizing an amicable financial settlement.

264. Mr Speaker, after a lengthy and at times tough negotiation, the Government and the former AquaGib and Gibtelecom pensioners have now come very close to an agreement to settle the claims they have made. Their claims assumed that they have ended up worse off having left the Government service and going to these

utilities. I confirmed to them that if this was demonstrated, we would make up any shortfall.

265. The exercise of determining whether such shortfalls existed has been a long and drawn out one. We have had disagreements about assumptions and a tough negotiation on the figures. You don't expect to go into a room to negotiate with people trained as shop stewards by Joe Bossano and forged in the febrile industrial relations atmosphere in the 70's and 80's in Gibraltar and have a walk in the park.

266. I guess it's a good thing that the negotiations were not being conducted by Honourable Members opposite. They talk about prudence and control of expenditure, only to get themselves spooked when they see a resolute trade unionist wielding a deadly whistle.

267. The settlement obviously represents a compromise on both sides between the original amounts claimed and the amounts that government felt might be due to a number of individuals. Negotiations leading up to this settlement have been ongoing for a number of years with the claims dating back to before the GSLP was elected in 2011. I am therefore delighted to confirm that I expect this matter to be closed very soon, and certainly in the lifetime of this Parliament, subject to final agreement and finalising paperwork and settling the agreed upon amounts.

THE WASTE WATER TREATMENT PLANT

268. Negotiations are also moving apace on the contract for the new Waste Water Treatment Plant, which we have been pursuing since we were elected. These negotiations are not easy, Mr Speaker, and we have to get them right and we need to have the guarantees we need that the plant will be able to deal with the salt water element in our brackish water. For that reason, although I had hoped that we would have seen more progress before today, we have not yet seen ground broken.

THE AIRPORT TUNNEL

269. Mr Speaker another important and progressing infrastructure project is the Airport Tunnel. This is becoming increasingly important. The latest dates we have for completion suggest that it

is now realistic to think of the tunnel being open by spring next year. Delays here are totally unrelated to any aspect of Government decision making and relate only to the complex engineering issues that we have experienced with the contractor, OHL.

CALPE HOUSE, LONDON ONE YEAR OF THE NEW FACILITY

270. Mr Speaker, I am also very happy to report that I hear only good things about the new facility that Calpe House is operating in London for those Gibraltarians who are sponsored patients and receiving treatment in the United Kingdom.

BREXIT

271. Mr Speaker, when the results of the Brexit referendum came in three years ago, there were many rubbing their hands with glee. I will never forget Snr Margallo's uncontained happiness when he identified the potential difficulties for Gibraltar as the only silver lining in Brexit. He was immediately saying that – and I quote - '***the formula of co-sovereignty, to be clear, the Spanish flag on the Rock, is much closer than before.***' Snr Margallo got even more carried away and at one point saying that the Spanish flag would be flying over the Rock within four years. And he said that three years ago.

272. We worked every day to deny Snr Margallo and his ilk and progress whatsoever. Today, no one in any political party in Spain is talking about Spanish flags flying over Gibraltar.

273. In this process, we have held our nerve and in doing so, we have been able to see Gibraltar continue to succeed economically. We held our red lines and we have been able to advance our cause to form part of any Withdrawal Agreement and Transitional Period that might have been agreed. And that is why there was no flight of businesses from Gibraltar. We held to our reasonable positions. And that is why we supported the Withdrawal Agreement. Not because we want to leave the EU. Not because it is the deal we would like. But because it is a darn sight better for Gibraltar than no deal. And it is even better for Gibraltar than the option of the Withdrawal Agreement applying to the UK and no deal for Gibraltar.

274. Some do not appear to understand that those were the options we had to deal with. We had to play the cards we are dealt, not the cards we would like to have received.
275. The Honourable the Deputy Chief Minister will report more fully to the House in the course of his address in this debate, on the work we have done with the United Kingdom and on our contact with other European partners, given his portfolio responsibilities for Europe and for leaving the European Union. Suffice for me to say that we both remain of course fully engaged in the politics of Brexit and in daily contact with colleagues and officials in the United Kingdom as the tectonic plates are moving as the race to become the next Conservative leader is under way.
276. I will also just add that I have been honoured to work with Theresa May in the past three years. For Gibraltar, she has been a sensitive, committed and stalwart support. And can I just tell the Honourable Leader of the Opposition, who is not known for his original thinking, that I do hope that in his reply he is going to repeat the remark that I have been Mrs May's cheerleader. I make no apology for supporting, defending and cheerleading those who support and defend Gibraltar. He would do well to better analyse why I do it.
277. What is clearly a huge success, Mr Speaker, has been our cementing of the 'single market' between Gibraltar and the UK, despite members opposite and those in their party who were not elected seeking to denigrate the importance of that. This is what has secured our continued success in online gambling and financial services, in particular insurance. It has been critical in steadying the ship after the referendum and continuing to attract new business.
278. Last year, in this debate, I told the House that our view was that there would be some loss of existing business, but that there would be some new business also. That prediction came true.
279. I must tell the House that the way that we have worked with Bet365 on their reluctant announcement to relocate some of their business out of Gibraltar, has been exemplary. I sincerely hope and believe we will continue to have a long and successful association with that company going forward.
280. Albert Isola's work in the online gambling space, in financial

services and in the DLT Block Chain development and promotion has been remarkable also. Albert has travelled the world incessantly in order to promote Gibraltar and attract some of the world's biggest businesses in these sectors to do business here, Brexit or no Brexit. And he has achieved exactly that. The Corporate Tax collections and the levels of employment in all these sectors is up; and even if we do lose some jobs, and we may not lose as many as people think, we consider it is likely we will not see any major reductions in any area. Indeed, I should just point out to the House that in the online gambling industry the number of jobs is up in the Employment Survey by 210 to 3,800 jobs in that sector. In 2010, the figure was 2,200. So, Mr Speaker, the growth we have delivered in this sector has been remarkable and will not be undone by the reduction in one operator's numbers – although we can never welcome that or sit idly by as it is happening. To be clear, in ten years the number of people employed in the online gambling industry in Gibraltar has literally doubled from 1,900 in 2008 to 3,800 in 2018. And it has gone down in some years as it has then rallied and grown again. So, again, and as ever, the key thing here is to hold our nerve. And in financial services jobs are up 37% since the Employment Survey of 2011 – from 2,977 to 4,068. That is real growth that Brexit is not breaking, thanks to the work we have done with the United Kingdom. That is the reality and it would be helpful for Gibraltar and those industries in particular if Honourable Members opposite recognised that.

281. Mr Speaker, when the history books are written they will show that Albert Isola was ready to go the extra air miles and spend week after week away from home to keep business coming to Gibraltar. He deserves all of our recognition and all of our respect for the work that he has done.

282. We have worked and we have therefore continued to grow. We have attracted new business to Gibraltar. And at the same time, the Brexit team of the Deputy Chief Minister, the Attorney General, the Financial Secretary and me have been working also on the core and pure Brexit issues. As I have reported constantly in statements to the House on this subject, I won't repeat myself, Mr Speaker, but I will say this: The pace at which we have been required to work has been remarkable and it says a lot that the Gibraltarian team at discussions and negotiations have NEVER been found wanting. We were never the last to comment on a document. There was no one who knew from others, no one could

have better defended Gibraltar than the team that I have had the honour of working with and leading. In the most testing times, we have ensured our people's rights, wishes and interests have been at the forefront of discussions and negotiations.

283. Gibraltarian grit, graft and gumption have got us over the line to this end of the beginning of the Brexit drama.

284. And the effect of this work is what has delivered the continued growth we are now to analyse sector by sector.

285. But let's be clear: these excellent results that I am about to report would not have been a reality with Ministers who don't turn up to the office or just hang around in bars and cafes as was the case of some when the GSD was in power. These are not results from walking around Main Street, gossiping and sipping coffee as some the retired members on the opposite benches do. This is the result of less gossip and rumour and more hard graft and more graft. There is no getting away from that

286. And so, Mr Speaker, I move on to my annual analysis of the key economic indicators of the performance of our economy. As usual, I remind the House that these are annually reported metrics that have been applied to our economy by successive Governments. It is also worth remembering that the figures I now report on are provided to the Government by the Treasury and the Statistics Office. They are based on the figures that are audited by the Principal Auditor. So that if any Honourable Member opposite is tempted to question the validity of any of the figures, it should be clear that they are not questioning me or any of the politicians on this side of the House. In fact, they would be calling into question the civil servants in each of the departments in question.

TOURISM & TOURIST EXPENDITURE

287. In tourism, Mr Speaker, the total number of visitor arrivals increased by 4.4% (just shy of half a million people), to a total of just over 11m in 2018.

288. The figure for total arrivals excluding non-Gibraltarian frontier workers increased by 1.3% over the year.

289. The arrivals by land in 2018 was 10.4m up year on year by

over 5%. The largest increase came from visitor arrivals crossing by motor vehicle that were up by 7% (or half a million people) from 6.8m to 7.3m in 2018.

290. The number of pedestrians also increased over the year from 2.7m to 2.8m in 2018, up by 1.5%.

291. The number of cruise calls and passengers also hit a record high in 2018 and the number of cruise calls increased by 3.4% to 243 in 2018.

292. Hotel arrivals also hit a record high for the third year in a row last year. The overall number of arrivals increased year on year by almost 6.4%. The largest gains came from other arrivals that grew by almost 8.8%. Room Nights Sold also grew.

293. As a result, Mr Speaker, tourist expenditure for 2018 has been estimated at over a quarter of a billion pounds, namely £273.58 million, a very creditable year on year increase of 8.6%.

EMPLOYMENT

294. Mr Speaker the fact that the growth we are seeing is real is best illustrated by the fact that we are seeing more and more jobs for our people Mr Speaker and for people near and far beyond our frontiers.

295. As is reflected in the last Employment Survey, Mr Speaker, the number of employee jobs in our economy in October 2018 has gone up to 29,995 – that is to say five short of 30,000. That represents an increase of 7%, or one thousand nine hundred and sixty six (1,966) extra jobs in our economy in one year. Mr Speaker, that is almost two thousand extra jobs when compared with October 2017, the date of the previous Employment Survey. And all of this, Mr Speaker with Brexit bubbling in the background. So, with Brexit looming at the end of March this year, there were still more and more jobs in our economy.

296. So when I hear members opposite somehow suggest that our growth is not real and some suchlike nonsense, I look at these numbers and I see that the growth we see and the GDP increases that we see, are manifesting themselves

297. The majority of the job gains came **from the Private Sector**, where jobs grew by 1,940 or almost 8.8% over the period.

298. Public Sector jobs actually decreased by 29 or 0.5% over the same period.

299. As I repeatedly remind the House, Mr Speaker, the engine of our economy is the Private Sector, and this growth in jobs demonstrates that. And the engine continues to fire on all cylinders – even when Brexit was looming. You see Mr Speaker these figures represent the snapshot of the position as at end of October, a quarter before a hard Brexit might have happened.

300. That is why, although we cannot take anything for granted, and we have to be totally match fit and careful in preparing for Brexit, we can say with some confidence that we can be optimistic about our prospects in Brexit. The jobs will be there.

301. Naysayers may refer to the notification given by Bet365 of intention to relocate certain functionality to Malta. I would say Mr Speaker that the work we have done with Bet365 has been exemplary in working together and that I am confident we will continue to enjoy a long term relationship with that outstanding company and the professionals that lead it.

302. Additionally, I would point to the fact that we have had a number of other entrants to the market in online gaming in Gibraltar since the Brexit referendum and despite the possibility even of an impending no-deal Brexit. My preferred approach is that of Sir Joe Bossano, who set out it perfectly when he said he predicted continued growth, but that we could not be clear about whether it would be at the rates we have seen to date – and that we need to be able to cut our cloth so that our expenditure can be met in future from our income. I am confident that we will therefore continue to see growth, even in the sector of employment in online gaming,

303. Employee jobs in respect of Gibraltarians increased to a record 11,228 over the year, representing just short of 37.4% of all employee jobs.

304. The growth in full-time Gibraltarians was mainly in the Private Sector with a net increase of 26 employee jobs, up about 0.5%.

305. In these circumstances, Mr Speaker, the House will be pleased to hear that the number of Gibraltarians unemployed for on the last day of May is a remarkable LOW of 33. Yes, thirty three, although the only figure that we report and rely on is the quarterly figure.

306. Mr Speaker, if we just pause for a moment to think a little about this. These numbers mean that the number of people unemployed in Gibraltar are less than double the current number of members of this House. There are 17 of us. Double would be 34! So, if she will allow me a quick reference in jest, if the Honourable Lady were to be more supportive of expanding the House by 8, we might be able to reduce unemployment down to 25! But we will all have to see about expansion. To date, we have not even heard back from the Official Opposition on the draft motion we sent them some weeks ago.

307. To compare like with like in my speech last year (when the quarter end figure was 45) we will have to wait until the end of June. The number, however, is developing very positive as the monthly figure for end of May last year as 58 and this year it is 33, as I have just reported. That suggests that the quarterly average is likely to be even lower than last year's record low of 45. In fact, we recorded an even lower RECORD quarterly unemployment figure for the quarter ended in December, of 44, one person less registered as unemployed. Mr Speaker this is excellent news and demonstrates that the reporting of unemployment is continuing at a sustainably low rate.

308. I have to remind that House, Mr Speaker, that when we were first elected in December 2011 the number of Gibraltarians registered as unemployed was reported by the Department as 522 for the first quarter. That is not counting the number of people Mr Feetham suggested in his calculations would also be considered unemployed given how he calculated the cost of our Future Job Strategy.

309. Mr Speaker, in those days we were told 300 registered unemployed would be 'full employment.'

310. Mr Speaker, in those days we were told that most if not all of those were 'unemployables'. We never accepted that principle.

311. Now, for the second year running, with the numbers reported by the department now reduced to 33 for the last month we are continuing to see a reduction of 91% in unemployment from the dates when we took over.

312. Mr Speaker, this demonstrates that our plans are sustainable. It demonstrates that our performance is no flash in the pan. It demonstrates that we are really delivering a reliable transformation in our economic activity which is likely sustainable even through a hard Brexit shock – although the only safe thing to do is to be ready and able to deal with such an eventuality.

313. Mr Speaker, what a brilliant job has been done by successive Ministers for Employment since 2011. Well done to Sir Joe Bossano, Neil Costa and Gilbert Licudi. Well done to Sir Joe as the architect of the Future Job Strategy – which delivered good, long term employment for our people – quite the opposite of what the members opposite predicted. I guess it shows that it pays to turn up to the office and work as a Minister, quite unlike what used to happen before, when the GSD were in power and the Minister, the last one Mr Montiel in particular, used to avoid his office and spent most of his time in a bar. And I will not tire of giving all credit also to the men and women of the Employment & Training Board, in particular the dedicated and able Debbie Garcia who – with her team - works tirelessly to find jobs for everyone who turns up wanting one.

314. Last year, I told the House that the results I was reporting then were incredible that we would work hard to maintain but were unlikely to be repeated. Well, we repeated them through sheer hard work on behalf of all our people.

315. For that reason, I think we can now really, genuinely say that unemployment has been tamed in Gibraltar in a sustainable way by the application of the careful and prudent policies of a Socialist and Liberal administration that has considered no one ‘unemployable’, that never accepted that GSD description of any of our fellow Gibraltarians and that has worked extra hard to ensure that our people come first in our labour market.

316. Having said that, Mr Speaker, the Gibraltar economy is now not just an engine of growth only for Gibraltar. There is need in our economy for persons outside of Gibraltar to come here to work. That is why we have people working in Gibraltar from each member

state of the European Union and indeed, from even further afield.

317. In respect of the period from October 2017 to 2018: the number of Frontier Workers increased by 1,717, from 11,937 to 13,654 or almost 14.4% from October 2017 to another record in October 2018. With only 33 Gibraltarians registered as unemployed, those cross frontier workers are obviously not taking anyone's job.

318. And what are all those jobs producing, Mr Speaker? Average gross annual earnings in respect of all employee jobs increased by 3.1%, from £29,575 in October 2017 to £30,497 in October 2018.

319. Thirty thousand jobs paying an average of thirty thousand pounds is not a bad result for people to keep in mind as a shortcut of the results in employment, Mr Speaker!

INFLATION

320. Mr Speaker, to set that increase in average earnings in context, in the relevant period for which I am reporting to the House, inflation in Gibraltar averaged at 2.8% in 2018 compared to 2.6% in 2017.

321. Since the EU referendum in June 2016 the average rate of inflation was 2.3% which is slightly higher than the current average rate for 2019 that stands at 2.1%. This is consistent with the UK average of 2.2% over the same period. Inflation in the Euro Area ran below the European Central Bank's target rate of 2% averaging at an annual rate of 1.7% by April 2019. The UK CPI inflation averaged at 2.2% by April 2019, in line with Gibraltar's IRP that averaged at 2.1%.

322. Since the Brexit vote the value of the pound has fallen in comparison with most other currencies, dropping by 10% from June 2016 to January 2018. The continuing uncertainty surrounding Brexit continues to apply pressure on sterling and some UK analysts are predicting that it could fall below €1 once the UK officially leaves the EU in 2019. The effect of sterling's depreciation on import prices and the recent increase in fuel prices will continue to pass through to consumer prices. This, of course, also impacts on Government expenditure to the extent that this is in Euro.

323. The advice I have from the Government statistics office is that these external pressures are likely to keep inflation just above the 2% target throughout 2019.

ECONOMIC GROWTH & THE GDP

324. Mr Speaker, this year I am able to report to the House on the outcome of the third full year's results following the decision by the United Kingdom to leave the European Union. The year I am now reporting on, Mr Speaker, is also the year when we expected to have left the EU completely, the day before the end of the financial year. In the end, we were not able to see a final agreed position as to the status or nature of the United Kingdom's withdrawal or future relationship with the EU.

325. Mr Speaker, it is against such challenges and political turmoil that we have been able to deliver the numbers that I report to the House today.

326. Mr Speaker, the latest figures provided to me by the Government's Statistics Office show that final Gibraltar's Gross Domestic Product estimate for the financial year 2016/17 was £2.00 Billion representing a growth of £206m, namely 11.5%.

327. The GDP figure for 2017/18 is estimated at £2.17Billion, increasing by £169.25m or 8.5%.

328. And Mr Speaker, the figure that I can today report to the House is that the GDP forecast from the Government Statistics Office for the Financial Year we have just ended, that is to say the turbulent and challenging 2018/19 is **£2.35 Billion**. That shows our GDP increasing by £177.8m or an increase of **8.2%** compared to 2017/18.

329. Mr Speaker, if I may say so, this is an incredible achievement for this nation. Especially this year.

330. In the Government's view, Mr Speaker, these figures reflect the continued, sustained and sustainable growth of our economy in the year for which I have the honour to report to this House.

331. As a result, Mr Speaker, the Government's manifesto target, set in November 2015, of reaching an increased GDP of at least

£2.4 Billion by the end of March 2020 is therefore now almost entirely achieved. We are within touching distance of it. Indeed as I had predicted last year we are almost there already at £2.35 Billion.

332. And, Mr Speaker, we are therefore entitled, on this side of the House, to point out to Honourable Members opposite that they were wrong in their previous suggestions that we might not meet our GDP growth targets. We are entitled to point out, in this key election year, that Sir Joe Bossano, who made these predictions, was right in the way he analysed the potential for growth in our economy.

333. And, additionally, Mr Speaker, we have achieved our target one whole year ahead of March 2020. So much of the constant pessimism from Members opposite that we would not make those targets at all. They said we were being over ambitious. They were totally wrong about that! We were conservative, we were careful and we entirely prudent in our predictions. Sir Joe was, as ever, looking to de-risk our plans and he got it right!

THE GDP PER CAPITA CALCULATION

334. Mr Speaker, as a result, once again this year, Gibraltar will continue to rank among the fastest growing economies in the world. As a result, I will therefore continue the tradition, started by my predecessor, Sir Peter Caruana, of calculating for the House the GDP per capita in our economy. I am very sceptical of the value of this calculation or its accuracy and it is not a strictly scientific measure, but as this was used by Members opposite when they were in Government as an indicator of the average standard of living of individuals in Gibraltar, I will do the calculation for them. This calculation is used in similar analysis internationally. It is nonetheless an established economic metric, of however doubtful value, which I shall once again provide to the House.

335. In this respect, as I have told the House, the latest forecast for 2018/19 estimates a GDP per capita growth of 8.2% from the previous year to £2.18 Billion. On the IMF GDP per capita rankings, the UK features in 35th position with a GDP per capita of \$45,782 and Spain in 41th position with GDP per capita of \$40,538.

336. Gibraltar's GDP per capita for 2018/19 is forecast at \$111,505¹ placing Gibraltar still in 3rd position, closely ahead of Luxembourg which enjoys a GDP per capita for the year of \$108,812 and behind Macao SAR with a GDP per capita of \$122,201. Qatar heads the list with a GDP per capita of \$134,623.

337. As I have said before, and must reiterate to ensure the record of the House reflects, my own view is that these measures are not scientific because of the differing methodologies and fluctuating exchange rates on which they are based. This lack of uniformity in calculation makes the exercise unreliable. Additionally, in the case of Gibraltar, the calculation is particularly lacking in relevance given we have now reached 30,000 working people in a population of 32,000 – making the per capita aspect unreal and in my view totally distorted.

338. The important aspect of this exercise, however, is really only to appreciate that the Gibraltar's economy is estimated to have grown by 8.2% in 2017/18 – 2018/19 with average earnings going up by 3.1%. This growth continues to place us ahead of other the small countries in the world, including Malta, Luxembourg, Singapore and Hong Kong.

¹ Using the latest published Census figure of population of 32,194 people. Given recent currency fluctuations, the exchange rate is once again based on a 20 year £Pound/\$Dollar average the same figure used the year before.

THE PUBLIC FINANCES

Public Debt and Cash Reserves

339. Mr Speaker, I turn now to an analysis of the Public Finances of Gibraltar.
340. Mr Speaker, the level of Aggregate Public Debt as at 31st March 2019 was marginally lower than last year at £435.6 million. This represents an Aggregate Debt to GDP ratio of 18.6% in 2018/19, down 1.4%, from 20%, in 2017/18.
341. The level of Cash Reserves ended the financial year slightly up at around £121.6 million.
342. Mr Speaker, as a result, this reflects Net Public Debt at £314 million or 13.38% of GDP in 2018/19. This is a decrease of about 1.3% from the 14.70% at which it stood the year before in 2017/18.
343. Mr Speaker, these ratios continue at a lower rate than that of the UK and most other European nations.
344. Gross Public Debt remained unchanged at £447.7million and the reduced level of Aggregate Public Debt reflects the balance held in the General Sinking Fund.
345. Mr Speaker, once again, despite the spin they may later wish to put on it, it is important for Honourable Members and the General Public to note that our Nation's Public Debt continues to be very low in relation to the growing size of our economy.
346. As a percentage of GDP, our Net Public Debt is currently among the lowest of the countries in the European Union. Net Public Debt is 13.5% of GDP and Aggregate Public Debt is 18.6% of GDP.
347. Indeed, overall borrowing is relatively low even if we were to include the borrowing by Government-owned companies, which was commenced and established by the former administration, and which has never, as Honourable Members know, been deemed to be part of the Public Debt.

REFINANCING THE PUBLIC DEBT

348. Mr Speaker the total Gross Public debt of £447.7m includes £200m which is held with two banks and the balance relates to debentures issued by the Savings Bank. During the next 12 months or so the Government Debt with both Natwest and Barclays reaches its maturity and we want to take advantage of that to negotiate a better deal for the taxpayer than the GSD did.

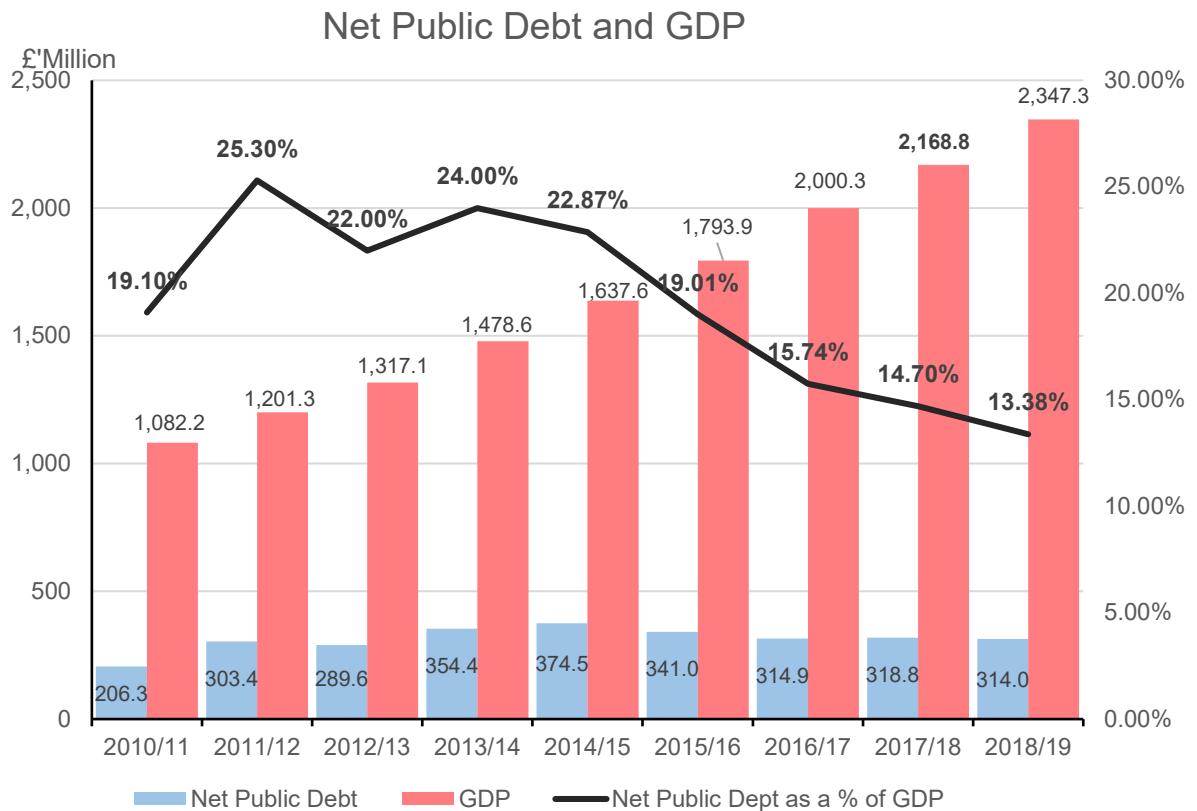
349. The Government is therefore already in advanced negotiations with these and other Banks to seek to roll over some of this debt.

350. Mr Speaker, the arrangement with Barclays done by the GSD locked us into a fixed rate of close to 5% in exchange for the variable rate, as adjusted, which in today's market place makes less sense.

351. In this context the Government will seek to negotiate with these Banks and others to obtain the best return for the tax payer.

352. Mr Speaker we will of course bring any such arrangement once completed to Parliament as is required under legislation.

353. We will nonetheless avail ourselves of the flexibility afforded by liquidity in the Savings Bank to allow us the necessary time to negotiate the best outcome for the taxpayer. If this means therefore that we replace part of this debt with debentures, we will do so to provide the most advantageous return to both the taxpayer and the Savings Bank. That is what is in our national interests and in the interests of every single tax payer in this economy and that is what we will do.



Revenue and Expenditure Out-turn in Financial Year 18/19

354. Mr Speaker, for all the reasons that I have already referred to and which Honourable Members and the whole community are aware, the past year has been politically challenging. Despite that, I am delighted to announce to this Parliament that during the last financial year 2018/19, we have once again achieved a recurrent budget surplus which stands in the Estimates Book at £82.8 million. This is a RECORD budget surplus. This is just about three and a half times the originally estimated surplus for the year. A demonstration, once again, Mr Speaker, that our estimates are conservative and reliable and that they can be relied upon by Honourable Members, however much they might not like to admit it. This also further demonstrates our prudent but non-austere stewardship of this economy and shows that we continue to build on the excellent foundations of our first term in office.

355. Additionally, Mr Speaker, as almost two months have now passed since the Estimates Book was prepared, I can tell the House that actually, it looks like the surplus will not be the record £82m recorded in the book. It looks like the final figures actually being reconciled suggest the surplus for this year will be even higher. The

number I have today from the Ministry of Finance is closer to a budget surplus of £85m.

356. Franco's ripe fruit isn't going to fall any time soon.

357. Mr Clinton's reducing surpluses are not anywhere to be seen, Mr Speaker.

358. Despite Mr Clinton's obvious rooting for our failure, despite his public statements designed to erode confidence in the strength and stability of the public finances of Gibraltar, even Mr Wilkins Micawber will be a happy man. Indeed, the conclusion of his involvement in this debate might yet be to remind us that, in the end, it was not Micawber who was who crooked, but Uriah Heep, who had employed him, who turned out to be the forger and the cheat of Dickens' imagination.

359. Mr Speaker, for those opposite who have spent eight financial years criticising everything we do and predicting that our actions would not be successful, this further massive surplus demonstrates once again that we can be trusted with the safe and successful administration of our public finances. Once again this year, we are able to point to results to show that the naysayers are the ones who should not be believed. They are the ones lacking in credibility. They are the ones whose predictions are unreliable. That those who have been crying wolf each year since December 2011 were actually wolves themselves, baying to feast on the political carcasses of our failure. But we have not failed. They said we were not fit to govern. But we have been equal to every task and toil. We have been up to every challenge.

360. Indeed, Mr Speaker, if we compare our economic performances, by reference to the surplus, our average surpluses for the six years after 2011 is larger than their average surpluses for the six years before our election. In fact, our surplus this year is a record surplus. But we do not want to just compare averages, but, given these results, Honourable Members opposite should now find an elegant way to move away from their ridiculous annual mantra that we are somehow massaging figures. How can we be accused of an eight year massage? But if it is an eight year massage Mr Speaker, it is one with an extraordinarily happy ending. What we are doing is demonstrating consistency in the successful management of our public finance. Consistent growth. Consistent surpluses. Consistently, Mr Speaker, our performance is

demonstrably better than theirs. Our record is stronger than theirs.

361. And given this is the last budget before the election it is an apt time to carry out a scorecard analysis and reflect on what has been achieved in our two terms in office.

362. Mr Speaker despite the prophets of doom and gloom that said this economy was not sustainable and that we were heading for difficult times, despite their headline grabbing statements which themselves were designed to create challenges, we have been graced with great profits – even if we have not been graced by great prophets!

363. By way of comparison during the last 7 years under the GSD from 2005/06 to 2011/12 inclusive recurrent revenue was £2.3Billion. During the period, 2012/13 to 2018/19 recurrent revenue earned was £4.2Billion. In average terms this works out to an average annual revenue of around £323m under the GSD and around £600m under the GSLP Liberals. So just average annual revenue under us has been close to double average annual revenue under them.

364. The even more interesting figure comes when we look at surpluses.

365. In fact, Mr Speaker, despite being called “a big spender”, as both Mr Feetham and Mr Clinton have previously referred to me, my Government has managed to accumulate surpluses of £397m over the same period. Under the GSD, for the same period, the accumulated surplus amounts to only £203m.

366. As in relation to average recurrent annual revenue, that's almost twice the amount of surpluses overall in the same period of years.

367. That is a statistic they will never be able to shake, Mr Speaker. Whatever we hear from them in the next forty eight hours they will not be able to deal with the fact that we have DOUBLED the average annual recurrent revenue and DOUBLED the average annual surplus amounts in eight years than they had in the same period, even when adjusted for inflation.

368. Double. It's quite remarkable Mr Speaker.

369. In fact, I think Mr Clinton thought he was being really clever, as he usually thinks he is being, when, in his first Budget speech before this House, he quoted Dickens. It was back in July 2016. Mr Clinton said this:

Mr Speaker, the ideal budgetary position is that enshrined in what has come to be known as the ‘Micawber Principle’ named, of course, after the character in Dickens’ David Copperfield, who wisely observed:

‘Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.’

In other words, we should not spend more than we can expect to receive in any year or afford. We have been fortunate in Gibraltar to have reported budget surpluses year after year in recent times but, as my learned colleague the Leader of the Opposition has correctly pointed out, the size of these reported surpluses are decreasing and we must take care that expenditure does not overtake revenue if we are to avoid Micawber’s misery.

370. He then went on and delivered a mediocre maiden Budget speech which sought to end more or less where it had started by going back to the issue of the Micawber Principle. He added:

“We need to build up a general rainy day fund to meet any future eventualities..... We need to aim for Micawber’s happiness and maintain a balanced budget; and we need economic success to guarantee that happiness.”

371. Well, Mr Speaker, we have observed Micawber’s Principle much better than obviously Mr Clinton expected. Just like I suggested earlier when I alluded to the conclusion of the novel in question. Perhaps Mr Clinton didn’t bother to read to the end. But Micawber is not cheat, and he is not dishonest. It was Uriah Heep, his employer, that is to say the person who pressed him into service, that turns out to be the cheat. And old Micawber? Well, he ends up being successful in Government as a magistrate. And four years later, Mr Speaker, the Honourable Members apparently clever references to Dickens many not seem so clever now. In fact, another Clintonian hostage to fortune that might have benefitted

from a little more consideration before being turned into another climb down.

372. The surpluses are not reduced, and however much he might try he will not be able to credibly deconstruct them. The surpluses have grown. The ‘rainy day funds’ to which he and Mr Feetham have become GSLP converts – having recanted the Caruana religion of bringing all those pots in to add to the consolidated fund – have also grown. So by every measure that he himself set out to judge our economic performance, we have exceeded and succeeded that standards he set out.

373. Indeed, incidentally, if we were doing that this year, if we were not to give the Companies the £25m this year and if we were to bring into the Consolidated Fund the £43m in the Savings Bank reserve, as they did, we would be reporting a surplus of nearly £150m!

374. Indeed, Mr Speaker, in respect of the politics of real consequences, one of the many problems and consequences that Mr Clinton will have to face is that given that his constant suggestions that things are somehow not going as well as the figures show, of crying wolf every single year, is that people no longer give any credence to the constant heckling by him of our results. Their credibility has been eroded every year and our credibility has grown each year as we have demonstrated that we work harder and we deliver every year.

375. Because, Mr Speaker, Government is not an esoteric argument about whether to account for things one way or another way. It is not about full stops and commas. It is about people. It is about performance. It is about negotiation and compromise. And the approach that I see opposite of just trying to score petty points by reference to whether a number should be above a line or below a line or in a company or in an estimates book is not about effective government. Sir Peter would agree with me. It is about accounting etiquette as interpreted by one man and then in a way that is not shared by more able, more accomplished and more experienced accountants and experts in public finance and the public finances of Gibraltar in particular.

376. Additionally, we are able to show that our attitude is such that we are reliable and credible in our predictions in these estimates, as much as to revenue as we are as to expenditure. We estimate

revenue conservatively, so that we exceed our estimates each year. And we are generous in estimating expenditure so that we know that we are not going to fall short.

377. That is how, this year, Mr Speaker, we have delivered an overall underspend in departmental expenditure. Yes, Mr Speaker, that's right, what I am reporting to the House this year is an **UNDERSPEND** in the Government departments of **FIVE MILLION POUNDS**. Where our estimate for departmental expenditure in financial year 18/19 was £512m, we have instead spent £507m. Honourable members can see that sum on pages 2 or on page 14 of the Estimates Book. That difference is the £5m that I am referring the House to.

378. In that respect, Mr Speaker, Government revenue during the last financial year exceeded the original budget by nearly 55 million. As a reflection of the continuing growth in our economy, Income Tax receipts were up by around £16.5 million and Company Tax receipts were up by around £33.5 million. Departmental expenditure during the year, on the other hand, has been very effectively contained by the Government and this ended the year slightly under budget at £5 million or around 1% under budget. And as I said earlier, Mr Speaker, our average growth in departmental expenditure is less than half of their average increase per year in the same regard. This also shows the accuracy of the work of the people who spend so much time on this Estimates Book, only to have it disregarded by members opposite.

379. That, Mr Speaker, is a very excellent performance which I am proud to bring to the House.

380. Mr Speaker, as in previous budgets and in line with our manifesto commitment to help Gibraltar Community Care Trust build up its reserves so that it can be totally independent of Government grants, I am delighted to inform the House that a further sum of £25 million has been earmarked by the Government this year as a contribution to the Charity. I had reduced the sum last year in light of the impending Brexit, but as we have not left yet, I am once again contributing the sum of £25m. This contribution will be paid out from the Government's recurrent surplus for the year. I will have more to say about contributions to Community Care later.

381. Mr Speaker also in line with my Government's commitment to transparency we have once again prepared an excellent

presentation on the Budget to assist the viewers to follow these essential numbers. The presentation is will shortly be available online at www.gibraltar.gov.gi.

382. Once again, this presentation is not a substitute for reviewing the estimates book but rather an attempt to connect taxpayers with where the money this Government raises from their taxes, duties etc comes from and where and how it is spent and to chart the performance of the economy.

Revenue and Expenditure Budget Financial Year 2019/20

383. Mr Speaker, I will now move on to the Revenue and Expenditure Budget for the current financial year.

384. Estimated recurrent revenue for the year is budgeted at around £697 million. This represents an estimated increase in revenue of over £45 million or 7% over the previous year's Estimate. Nonetheless, as Honourable Members will see when I get to the Budget measures that I will announce, this will still need to a careful and diligently calibrated budget that keeps in view the possibility that a hard or soft Brexit may yet be visited upon us within months. And in preparing these estimates Mr Speaker, I have been particularly conscious of my responsibility to our past, current and in most especially our future generations and I have had no heed for the idea that I might concoct a Budget of pre-election goodies. That is not the approach I have taken and it is not the Budget I will deliver. Because my responsibility is not to win an election, it is to deliver a safe, sustainable and prosperous future for our people.

385. The overall recurrent expenditure budget for the year is £676 million, which reflects an increase also of around 7% over the 2018/19 Estimate. Mr Speaker, the Government is therefore prudently and conservatively projecting to increase expenditure by no more than revenue and to then end the year with a very conservatively calculated recurrent budget surplus for this financial year of around £20 million. Again, we have always exceeded our estimated surplus by being very conservative in how we estimate them. Additionally, one of the reasons we are calculating an increase in spending is because we are going to voluntarily increase the amount we contribute to the Company structure by 20% or £5m, up from £25m to £30m. Additionally, we have continued and will continue our policy of accelerating the payment of tax rebates to individuals and corporates.

The Government's Capital Investment Programme

The Improvement and Development Fund

386. Mr Speaker, during the last financial year 2018/19, the Government invested around £84 million on capital projects funded from the Improvement and Development Fund. Around £23 million was invested on 'Works and Equipment' and around £62 million was invested in specific capital projects. This includes £7 million on the access road to the frontier including the resumption of works on the tunnel, and £17.6 million for facilities for the Island Games that will endure long after those games are over. It also includes £23 million paid for works relating to the final relocation of a number of MOD estates as provided for in the agreements entered into by the GSD when they were in Government.

387. This year we will see the effect of sales of the MOD residential properties that will be returned to Gibraltar as a result of the relocation and which we have sold at tender to residents. We anticipate that these sales will produce in the region of £60m in sales. The cost of building the new homes and facilities for the MOD has been spread over a number of financial years.

388. Mr Speaker, the expenditure budget of the Improvement and Development Fund for the current financial year 2019/20 is around £82 million. The capital investment in Works and Equipment is estimated at around £23million and the provision for investments in other Government projects amounts to over £59 million. This includes an investment of £13 million in our Roads and Parking Projects with the ongoing cost of the Tunnel across the runway being a key feature; nearly £4 million being paid also for the final element of costs for the relocation of the MoD estate; and a further £12 million to finish our ambitious programme of facilities to be ready for the Island Games that will leave an important legacy in sport and accommodation for many years to come, and further provision to complete other on-going capital projects.

389. These are all, Mr Speaker, in addition to the capital projects in the Government companies that I have already referred the House to.

THE INCOME TAX OFFICE

390. Mr Speaker, the collection of corporate and personal income tax contributes, on average, approximately 45% of overall Government revenue so it is right I dedicate a section of my speech to this.

391. This financial year, there has been a noticeable increase in the amount collected in relation to personal and corporate income tax revenue.

392. The total figure of tax collected amounts to £345M, representing £181.5M in personal income taxes and £163.5M in corporate taxes for the year 18/19, which is the financial year being reported on. And before the Opposition comments, these figures DO NOT include a penny in respect of the collection from the State Aid recovery case to which I will refer later.

393. Also before the Opposition comments on the accuracy of the projection I would remind them that our budget for the year 18/19 was £295m. The forecast out turn once again is £345m. Of this £ 163.5m relates to corporate tax and the Actual for 2017/18 for corporate tax was £ 110.9m.

394. Mr Speaker, you may ask why I turn back the clock to 17/18 and it is for this reason alone: in the year this economy was meant to depart from the EU an additional £52.6m was collected in tax receipts. Which means that under our stewardship, companies in Gibraltar made at least an extra half a billion in profits, if they paid tax on it all, despite the uncertainty. Mr Speaker we must be doing something right.

395. The position is similar for individuals and applying this to a 25% rate of personal tax means individual earned a further £60m of earnings. This all points to an economy that firing on all four cylinders

396. As regard 19/20, the revenue figure is conservatively projected to £325m. This breaks down to £175m in personal taxation and £150m in corporate taxation. Again no account has been made in these projections for the State Aid recovery amounts more details of which I will come to.

397. A welcome and reassuring position to see us into this new financial year; one filled with new challenges given that Brexit is still looming in the not too distant future.

398. In this respect, I think it is important to recognise the determined efforts and continued improvements made by the Income Tax Office in developing its processes for the assessment and collection of taxes in Gibraltar.

399. The public is reaping the benefit of these improved efficiencies in relation to the assessment and collection of taxes.

400. These have allowed the Income Tax Office to continue to make substantial refunds to taxpayers. A total of £16.7M was refunded to taxpayers through its Refunds Programme in the financial year 2018/19. If I had taken the attitude that Honourable Members opposite took when they were in Government, Mr Speaker, I would have spent a million on rebates and kept another £15 to add to the surplus, as ‘flattery’. I would then have declared the surplus at £100m – or indeed £125m if I didn’t give the £25m to companies either and did everything ‘*a la GSD*’.

401. Since the implementation of this Refunds Programme in 2015/16, the government has invested over £48M in this project with the aim of addressing the much needed ‘catch-up’ of tax refunds. That is money, Mr Speaker, that has therefore not been available to ‘flatter’ our already healthy surpluses.

402. Continuing on course, I am pleased to announce that we have committed a further £18M for the financial year 2019/20 in order to progress this through its final stages towards completion.

403. Needless to say, no government has ever allocated this level of funding for this purpose. I think this clearly demonstrates to all taxpayers our commitment in addressing the timely issuance of taxpayer assessments and delivering the corresponding payment of resulting refunds to individual taxpayers as soon as reasonably possible.

404. The government does not want to hold onto taxpayer’s money. It wants to return it in an organised and structured manner, ensuring and maintaining a responsible approach regarding public finances through a right and equitable balance between the funding of

repayments and the carrying out of the correct and proper assessments. This is a balance of rights and obligations.

405. This is, after all, a ‘catch-up’ exercise and one in which taxpayers are not at fault. It is for this reason that the Income Tax Office has devoted significant resources towards their Refunds Program, being able to progress this at a quicker pace than originally envisaged.

406. Through this initiative, taxpayer assessments are being brought right up to date. In fact, assessments for the 2016/17 tax year are almost complete and even now quite a few taxpayers will have already received their assessments in relation to the 2017/18 tax year, which ended on 30 June 2018.

407. In addition to the excellent progress already made, the Income Tax Office continues on track to achieve the unprecedented position by the end of the year, whereby taxpayers are assessed on the last return they have filed (i.e. in relation to the tax year just ended).

408. That is to say, by November this year when individuals start filing their tax return for the year ended 30 June 2019 – in cases where there are no disputes, this will be assessed within the next year. For the majority of cases there will be no historic backlog – a truly up-to-date assessment position for taxpayers. This meets our pact with taxpayers, a pact that binds both ways, everyone must be up to date, taxpayer and Government in equal measure.

409. I need to underscore how significant this achievement is. Never in the history of the Tax Office have personal taxpayers’ assessments been up to date. The benefit of this is that in future the amount that need to be providing for refunds is much reduced, in the order of £6m to £7m. We could have taken the easy choice and not embarked on this refunds programme but left the rebates grow year on year. Instead we tackled the problem head on, so when the Opposition say we are storing up debt nothing could be further from the truth.

410. The Government continues with its international strategy of tax transparency, administrative cooperation and exchange of information with all our global partners. Throughout the financial year, the Commissioner of Income, in his capacity as Competent Authority for a number of international exchange mechanisms,

continues to service the necessary obligations arising with exchange partner countries under the European Directive on Administrative Cooperation and the OECD Multilateral Convention.

411. Mr Speaker, I am delighted that our stewardship of the economy and system of taxation is also attracting international approval. It is unusual now to see Gibraltar included in any objective and properly researched list of territories pejoratively referred to as secretive or as tax havens. The Tax Justice Network now includes Gibraltar BELOW the United Kingdom itself and below even Spain on its transparency list.
412. Indeed, perhaps the most significant achievement in the international sphere during the last financial year was the historic conclusion of a tax treaty with Spain. This agreement, on the protection of financial interests and taxation, was signed on 4 March 2019 by the United Kingdom as the State responsible for Gibraltar's external affairs under the Constitution.
413. This Treaty is subject to parliamentary ratification in both the United Kingdom and Spain and will come into effect thereafter. We will shortly be debating it in this House, Mr Speaker, on a motion that comes on the Order Paper after this debate.
414. The Treaty provides certainty and clarity in the assessment and allocation of taxing rights and the availability of double taxation relief, ensuring that the right amount of tax is paid in the right place by the right person.
415. It is a positive step towards closer relations with a very important neighbour, particularly in a post-Brexit environment. Other reputational and economic benefits for Gibraltar are also envisaged. The Treaty contains absolutely no concessions on sovereignty to Spain whatsoever – whether it is tax sovereignty or any other tangible or intangible aspect of sovereignty that one might like to analyse.
416. Namely and perhaps most importantly, Spain will now be permanently unable to sustain the approach taken towards Gibraltar over the last 30 years, whilst acknowledging the enhanced cooperation under the Treaty. Should this not be the case, Gibraltar is now armed with evidence of an agreement for cooperation that will disarm any suggestion that we are non-cooperative. Mr

Speaker I very much look forward to the debate on the motion in respect of the tax treaty where we will be able to go into much more detail in debating its terms.

417. This change in approach and attitude has already opened up opportunities internationally that had previously been inaccessible. Gibraltar's participation in the OECD's Inclusive Framework relating to the Base Erosion Profit Shifting initiative ("BEPS IF"), is such an example. I am pleased to announce that Gibraltar's application to BEPS IF is well underway.
418. On other matters of tax transparency and particularly in connection with the exchange of Country-by-Country reports (a transparency measure analysing and exchanging information on multinational enterprises), Gibraltar has secured a bilateral agreement with the United States of America and is currently close to concluding one with Guernsey. All this, in addition, to exchanging information with EU Member States within the scope of a European Directive.
419. We also continue the e-government project within the Income Tax Office. Solid foundations and background infrastructure works have been developed during this financial year which are vital building blocks for the successful implementation of online tax facilities, including a tax registration process, the direct submission and upload of returns and a dedicated portal enabling direct payment and allocation of tax and social insurance. This will continue the Income Tax Office's transformation into a fully digital office offering a seamless and sensible interface to the general public.
420. As part of this 'Digital Revolution', the Income Tax Office is at an advanced stage in the implementation of a Digital File Management System, which will form the main repository of documents in the future. This will facilitate retrieval, use and the forwarding of documents electronically, benefitting all service users and stakeholders. These are the initial steps towards a 'paperless office', releasing office space and human resources within this department, which will then see a shift towards more complex and intricate areas of taxation involving data analysis and investigation.
421. Innovation, modernisation and a customer-centric approach are key principles driving forward the development of the Income

Tax Office. In that respect, a comprehensive review to streamline and update internal administrative procedures and processes and align these to best practices continues to be carried out, including proactively engaging with business partners and stakeholders to deliver workable solutions enhancing the level of service provided.

422. By way of specific example, through close collaboration with business partners such as Companies House, the Income Tax Office have already managed to deliver significant efficiencies to the registration process for corporates. Further efficiencies are being considered with discussions continuing and workable solutions being formulated in order to align the filing requirements between the Companies Act and the Income Tax Act to facilitate a dual filing system which fulfils all necessary obligations.

423. These are clear examples of how cooperation between departments, agencies and other entities linked to the public sector can reap rewards for all users and stakeholders to the benefit of Gibraltar Plc, which we are all an integral part of. In this respect, the Commissioner has asked me to extend a sincere thank you to all willing and active participants who have and continue to help the Income Tax Office in this process, particularly the directors and staff at Companies House.

424. Over the last financial year, the Income Tax Office has developed and fostered close relations with HMRC and H.M. Treasury in the United Kingdom. These closer ties have enabled networking with key personnel and counterparts that will no doubt prove invaluable in a future relationship with the United Kingdom.

425. Further opportunities are also being explored in connection with bespoke training through the use of a dedicated Tax Academy, the design and implementation of systems and processes in relation to online services and inward visits offering support in a number of technical and analytical areas. These initiatives will no doubt continue to build on the existing high standard of service and professionalism of the team at the Income Tax Office.

426. I would also like to report that the level of tax and social insurance arrears continues on a downward trend. This accomplishment is a direct result of an efficient strategy together with a focused approach and continuing effective co-ordination between the Income Tax Office and the Central Arrears Unit.

CENTRAL ARREARS UNIT

427. Mr Speaker last year I reported a total reduction of £19.6M in arrears and debts owed to Government, all of which has been achieved in just two and a half years. This had been an area which the GSD had totally abandoned when they were in office. They did not chase debt. That meant that those who paid were subsiding those who did not pay. Each tax payer who paid his or her dues was being taken by a ride by every taxpayer who chose not to pay. Usually, those who chose not to pay taxes are not workers, Mr Speaker, as workers have their taxes deducted from their salaries.

428. And those who were in default, those who cheated, those who did not pay, were aided and abetted by the GSD who did nothing about having a mechanism to chase defaulters. Indeed, Mr Speaker to make matters worse, the GSD disbanded the Central Arrears Unit which had been set up by the GSLP for that purpose. These are the things that create the '**a mi me pretence culture**' which they then like to rail against.

429. Honourable members do well to look down in embarrassment Mr Speaker. They should be ashamed of the political initials that they represent. Well, Mr Speaker, we think it is unfair to those who paid not to chase those who don't - EVEN if might be politically unpopular. So we reconstituted the Central Arrears Unit under the leadership of Lizanne Dalli.

430. Well, Mr Speaker, the overall reduction in debts owed to Government, when comparing figures from 30 September 2016 to 31 March 2019, is actually £23.1M. This is an excellent result by the newly re-established Central Arrears Unit. I look forward to visiting the Unit shortly to congratulate each and every one of the persons working there diligently to restore fairness to our system of chasing debt and defaulters.

431. Additionally, Mr. Speaker, not only do arrears show that significant reduction, but I must also highlight that the Central Arrears Unit are actively ensuring that current payments are received in a timely manner.

432. This success is also due to the excellent work done by the staff of the Central Arrears Unit who work closely with all government departments, agencies and authorities.

STATE AID

433. Mr. Speaker, I consider it is important that I should provide an update to the House on the progress being made in relation to the European Commission's State Aid investigation on Gibraltar's corporate income tax system.

434. Honourable Members will recall that Spain filed a complaint with the European Commission in 2012 claiming that the tax act in Gibraltar as a whole constituted unlawful State Aid. This was a direct attack on our tax system and was based on their belief that our legislation perpetuated an offshore tax regime. This plunged Gibraltar into a long and protracted formal investigation by the European Commission. A process that has taken over 6 years to be resolved.

435. The Commission's investigation was finally concluded late last year and their State Aid decision on Gibraltar's tax system was published on 19 December 2018.

436. Mr. Speaker, no state aid decision is positive. The very opposite is true. By its very nature and context any such decision is in fact negative. Nevertheless, I firmly believe that the effect of this decision is minimal and that it has no significant consequence on Gibraltar.

437. Indeed, although the entirety of our act was under examination by the European Commission, the result is actually a remarkable success. It has required us to only make minor legislative amendments in relation to interest and royalties and also provide a more solid and robust legal footing for the practice of tax rulings in Gibraltar.

438. But, perhaps most importantly of all, is the clear and unequivocal statement confirming that there is nothing fundamentally unlawful or wrong with our Tax Act. It is this that allows our act to enjoy a clean bill of health going forward, despite a new challenge recently announced on regional selectivity.

439. This vindicates the view this government has always maintained and is a tremendous blow to all those who seek to denigrate Gibraltar as a credible and forward-thinking tax jurisdiction. All these are critically important accomplishments given the challenges we, as a jurisdiction, are likely to face with Brexit.

440. Moreover, Mr Speaker, decisions like this speak to the talent of people like Michael Llamas, Albert Mena and Francis Carreras, John Lester and Terrence Rocca. A team of Gibraltarian professionals who have worked in partnership with the United Kingdom to secure this excellent result for Gibraltar.

441. Regarding the practical aspects of the decision, the Income Tax Office has, since last February, continued liaising very closely with both the European Commission and the relevant aid beneficiaries in order to expedite the necessary recovery and implementation of the decision.

442. To date, approximately £9M of aid has already been recovered with a further approximately £80M under active consideration. No state aid recoveries, Mr. Speaker, have been included in any financial information reported on to this House in order to ensure consistency of the information. This is exactly in keeping with the position adopted by the former administration in respect of extraordinary receipts of tax, or windfalls, in other cases.

443. There is still a lot of work left to do on this Mr. Speaker. Implementation of a State Aid decision is a complex, procedural and laborious process. It is for these reasons that I recognise and applaud the hard work and continued efforts of the Income Tax Office with regard to this and have every confidence in their ability to implement the decision to the extent necessary and achieve the desired outcomes.

444. What I can tell the House today, Mr Speaker, is that every penny we receive in respect of these State Aid windfalls will be donated directly to Community Care Trust. That is a fitting transfer of these unexpected amounts to the rainy day fund for our senior citizens, the trustees of which enjoy the government's full and complete confidence.

GIBRALTAR SAVINGS BANK

445. Mr Speaker, I am also delighted to report to the House that, as has been the case since our election in 2011 and under the leadership of our very own National Treasurer Sir Joe Bossano, the Gibraltar Savings Bank continues to flourish and grow.

446. The reserves of the Gibraltar Savings Bank have continued to grow and that these reserves stood at £44 million at the close of the last financial year. The reserves of the bank are estimated to grow further to reach close to £50 million by end of the current financial year. This is lower than we had wished to see, but is £50 million pounds more than we found there when we were elected, as the GSD had used all of the Savings Bank reserve for general expenditure and did not have any ‘rainy day funds’ at all. Indeed, I do recall that the GSD policy in Government has long been not to have any rainy day funds.

447. The Deposit Base of the Savings Bank remains at over £1.3 Billion and the Savings Bank continues to provide an excellent range of products for our community as indeed it has done since it was established over 130 years ago. In particular, the Bank will continue to provide savings products to serve our community and will continue to offer special rates of interest to our pensioners.

448. But perhaps most relevant here Mr Speaker is that fact that however much the members opposite have tried to bring down confidence in the Bank, they have not managed to do so. Confidence in the Bank continues to be as strong as ever. Not surprising, given its peerless leadership by Sir Joe Bossano.

GIBRALTAR INTERNATIONAL BANK

449. Mr Speaker, I am delighted to once again be able to report to the House on the continuing success of the Gibraltar International Bank that was created as recently as the end of our first term in office.

450. Operating strictly at arm’s length from Government the GIB has grown beyond our expectations.

451. Mr Speaker I am very happy to be able to tell the House that in a snapshot as of the end of last week the Bank had attained:

- 24,800 accounts up around 4,000 accounts since my speech last year;
- Year to date deposits on average of £750m; and
- A loan book that now stands at £227m.

452. And most importantly of all the Bank has closed the year to 31 December 2018 with a net profit of £2.5m.

453. Mr Speaker I trust you will agree that this is an excellent performance for which all the staff, management and board of the Bank should be heartily congratulated.

454. The accounts for the year ended 31 December 2018 will shortly be made public. They will, no doubt, make fascinating reading for some.

455. The Bank is now also well positioned to assist by way of mortgage facility to prospective purchasers of Hassans Centenary Terraces. I am advised it is also developing bridging products to assist with financing the regular payments.

BUDGET MEASURES 2019

456. Mr Speaker, I now turn to the specific Budget Measures for 2019, the final year of the lifetime of this Parliament.

IMPORT DUTIES

457. Unless otherwise mentioned, the following import duty changes will take effect as from midnight last night.

Plastics

458. Mr Speaker, in recognition of our commitment to make Gibraltar as environmentally sustainable as possible, reduce our impact on the planet and improve quality of life for all, last year the Government last year increased import duty on disposable plastic products such as plastic straws, plates, cups, disposable plastic bags and sacks to 200%. Continuing with that pledge this year, and to encourage less usage of plastic bags and bottles, the import duty on all cotton bags and aluminium bottles will be reduced to 0%

459. This year, the Government is introducing amendments to the Imports and Exports (Control) Regulations to restrict and prohibit the

importation of certain single use plastic products into Gibraltar. In line with last year's increases, all single use plastic items not covered by the amended Regulations will now be subject to an import duty of 200%.

Oral and dental hygiene preparations

460. Mr Speaker, in last year's budget the import duty on all instruments and appliances used in medical, surgical, dental and veterinary sciences were reduced to 0%. This year Mr Speaker, as part of my government's continued initiative to ensure the affordability of preparations for oral and dental hygiene for all members of the community, these will be reduced to 3%.

461. Toothbrushes will also be reduced from 12 % to 3%.

Tobacco import duty

462. Mr Speaker, as part of my governments continuing efforts to curb the health problems arising from smoking as well as our commitment to tackle all illicit tobacco smuggling, and after consultation with the Collector of Customs, the following increases of import duty have been introduced:

- Import duty per carton of 200 cigarettes will be increased by 50p to £14.50 per carton.
- Import duty on rolling tobacco will be increased by £5 per kilo to £65 per kilo.

Fuel Duties

463. Mr Speaker, this government is committed to the protection of the environment and will always ensure that environmental issues stay at the top of our agenda. In the 2018 budget, the Government significantly increased the import duty on diesel and motor spirits.

464. Accordingly this year the Government will increase import duty by 3 pence per litre across the board as follows:

- Unleaded 95 from 35p per litre to 38p per litre.
- Unleaded 98 from 34p per litre to 37p per litre.
- Diesel from 37p per litre to 40p per litre.

- Diesel Premium from 34p per litre to 37p per litre.

The Stimulation of Renewable Energy

465. In light of the Government's policy of encouraging the use of renewable energy sources, the import duty on solar panels was reduced to 0%. To ensure their upkeep and maintenance, the import duty on parts and accessories including batteries for the exclusive use of solar panels is reduced to 0%.

High Street Competitiveness

466. As part of our continued initiative to promote the competitiveness of local businesses, and in keeping with representations received from traders and the Chamber and Federation, commercial importations of the following goods will be reduced to 3%:

- Household vacuum cleaners.
- Household sewing machines.
- Electric toothbrushes.
- Electric shavers.
- Hair clippers.
- Hair removing appliances.
- Chargers used with telecommunication apparatus and automatic data machines such as mobile phone chargers.
- Table, floor, wall, window, ceiling or roof fans with an output not exceeding 125W.
- Furthermore, the import duty on musical and camera cases is reduced to 0%.

Moneyval Measures

467. Mr. Speaker, this year the Government embarked on the Moneyval evaluation process that assessed Gibraltar's compliance with the principal international standards to counter money laundering, terrorism financing and the financing of proliferation. In preparation for this, the Government completed a number of National Risk Assessments, and as a result, the Government is introducing the following changes to import duty in order to mitigate some of the identified risk areas:

- Unmounted Precious Stones

Import duty on private importations of unmounted precious stones will be raised from 0% to 12%. However, commercial importations of precious stones by holders of a Business License shall remain free of import duty.

- Works of Art and Collectors Pieces

Import duty on private importations of works of art and collector's pieces of a value over £1,000 will be increased from 0% to 3%.

468. Mr Speaker, the main practical effect behind both of these changes is that by introducing a duty rate, Customs are able to scrutinise and in future quantify importations of these items.

Licence fees

469. Mr Speaker, HM Customs are tasked with controlling all imports and exports including restricted items which requires the processing of a large number of licences daily. This work takes up a great amount of time and resources and as such, on the advice of the Collector of Customs, the Government will introduce a minor £10 administration fee, coming into effect on the 1st September 2019, on the following:

All Import licenses including temporary imports, importations of specialised equipment as well as imports and transfers of vessels and caravans.

All T1 Transit permits.

All Export licenses.

470. Mr Speaker, due to the workload generated by vehicle importations made by persons recruited by or on behalf of the Government on contract terms, at the request of the Collector of Customs, all such importations shall carry a £50 administration fee.

Tobacco Fees

471. Mr Speaker, last year the government substantially increased the fees for the issuing and renewal of tobacco licences. We will be continuing the trend this year by introducing the following fees for a wholesale tobacco licence by way of ship chandlery:

Issue of a wholesale license by ship chandlery: £10,000.

Renewal of a wholesale license by way of ship chandlery: £5,000.

INCOME TAX ALLOWANCES AND MEASURES

472. Mr Speaker, at the same time and in pursuance of the Government's continued commitment to reduce the level of personal taxation, especially for the lower paid members of our community, with effect from 1st July 2019, taxpayers with assessable income of £11,450 or less will be brought out of the taxation system altogether and will pay no income tax.

473. This measure, Mr Speaker, applies as much to taxpayers in both the Allowance Based System as it does to the Gross Income Based System and represents a further increase in this threshold which we have steadily increased since we were first elected when it stood at £8,000. We have delivered increases in this respect of £3,400 or 42.5% to bring more and more of the low paid out of the tax burden.

474. Also in accordance with our manifesto commitment, taxpayers under the Allowance Based System will benefit from an increase in their personal allowances, which is at least in line with inflation. As a result, with effect from 1st July 2019, the following allowances will increase as follows:

- The Personal Allowance will increase from £3,385 to £3,455;

- The Spouse and Civil Partners Allowance will increase from £3,385 to £3,455;
- The One Parent Family Allowance will increase from £5,575 to £5,690;
- The Nursery Allowance will increase from £5,290 to £5,400;
- The Child Allowance will increase from £1,165 to £1,190;
- The Child Studying Abroad Allowance will increase from £1,325 to £1,355;
- The Dependent Relatives Allowance:
 - where the relative is resident in Gibraltar, will increase from £325 to £335; and
 - where the relative is resident outside Gibraltar, will increase from £215 to £220;
- The Disabled Individuals Allowance will increase from £9,285 to £9,475;
- Blind Allowance will increase from £5,285 to £5,395;
- Medical Insurance Allowance will increase from £5,285 to £5,395.

SUPPORT FOR SENIOR CITIZENS

475. Recently there has been a change in the way certain banks process payments over the weekends. We understand they now debit accounts over the weekend but do not credit them until the following working day. This change is not normally an issue, but it seems to have had an impact where the weekend coincides with the end of month, particular for social security pensioners. An example of this happened last weekend I think for the first time. Although this issue has been caused by changes outside our control, we have looked at our internal procedures, and will make changes such that

social security pensioners will get paid ahead of the month end where the month end is over a weekend.

476. Mr Speaker, in relation to pensions, I am also happy to be able to announce that the Government and Unite the Union have also been able to resolve issues which remained outstanding in respect of pension entitlement in the Airport Fire & Rescue Service after the transfer of the service to the Government from the Ministry of Defence.

CHANGES TO HOME PURCHASERS ALLOWANCES

477. Mr. Speaker, to further assist the many working families and young people who will be excited at the prospect of buying the excellent affordable homes this Government is providing or buying other property on the open market, the House Purchase Allowance will now be increased with effect from 1 July 2019 for first time homebuyers by £1,000 from £12,000 to £13,000.

478. In addition, Mr. Speaker, as is customary of this Government to cater for all taxpayers in our economy, those individuals from working families that have elected to pay tax under the Gross Income Based System will also be provided with assistance in purchasing their first-time home.

479. A deduction of £7,500 will be made to taxpayers under the Gross Income Based System in respect of approved expenditure incurred towards the purchase of their home with effect from 1 July 2019.

480. Despite the increase only be available from 1 July 2019, given only a few purchases have signed up for Hassan Centenary Terraces in the last couple of months, they too will be eligible for this increased allowance from the 1 July 2019.

481. The standard restrictions apply whereby any deduction in any year of assessment cannot exceed the amount paid towards the cost of construction, payments made, or loan cost etc in the year of assessment. This means that staged payments can be partly offset by this allowance.

DONATIONS : GIFT AID

482. Mr. Speaker, I am a firm believer in the importance in considering those less fortunate. Mr Speaker this Parliament has shown its commitment to charities such as Calpe House amongst others.

483. It is for this reason Mr. Speaker that I wish to discuss my proposed amendments to the Gift Aid Rules.

484. At present, under the Income Tax (Gift Aid) Rules 2006, registered charities may claim from the Commissioner of Income Tax an amount equal to the tax paid by the donor on the grossed up amount of the gift.

485. Mr. Speaker, we have also received representations that this is a relatively complex process and that for this reason this facility is not frequently used by charities.

486. It is therefore my pleasure Mr. Speaker, to announce that in order to facilitate the contribution by the local business community to charitable causes such as Calpe House, the limit of £5,000 currently within the Income Tax (Gift Aid) Rules 2006 is to be increased to £10,000. We will also commence a process to see how the rules can be simplified so as to facilitate contributions by companies to the many worthy causes such as Calpe House.

INWARD INVESTMENT : TAX COMPETITIVENESS

487. Mr. Speaker, in light of recent developments and in preparation for any similar challenges that Brexit may thrust upon us, my government continues committed to ensuring Gibraltar's economic success.

488. An essential part of any successful plan entails attracting potential inward investment as well as retaining existing economic operators.

489. In this regard Mr. Speaker, I announce that we will shortly be commencing a consultation process with the relevant industry sectors on incentives designed to improve the international competitiveness of the jurisdiction.

490. The first incentive to be considered is the introduction of a notional interest deduction regime within the existing domestic corporation tax rules. The purpose of such a regime would be to encourage the financing of companies through equity and retained

earnings by aligning the tax treatment of the cost of equity with that of debt.

491. Restructuring for the purposes of equity financing within the context of this regime should allow for the relocation of treasury operations to Gibraltar, whilst maintaining the total tax burden at the current level.

492. This should allow companies to establish themselves here by properly capitalising their structures rather than using thinly capitalised structures that allow tax seepage to other jurisdictions. This goes hand in hand with our policy of encouraging real substance and commitment to our jurisdiction.

493. Similarly, a consultation will be carried out on the possibility of extending the current scope of capital allowances under the Income Tax Act 2010 to include additional allowances for Research and Development expenditure incurred by operators in key economic industry sectors.

494. The diversification of our economy into modern technological industries and Gibraltar's pioneering role in the field of distributed ledger technology place us at the forefront to explore such interesting initiatives.

495. Both consultations will need to be carried out with an eye to international best practice, look carefully at what our competitors are doing and ensure whatever we do has the right level of anti-avoidance to ensure any changes are not abused. We will also do so in a way that retains Gibraltar behind the likes of Malta, Ireland, Luxembourg and Spain in the Corporate Tax Haven Index.

STAMP DUTY

496. Mr Speaker, this administration has already launched its next wave of affordable homes, with the flats at Hassan Centenary Terraces proving to be very popular with applicants, and plans for Bob Peliza Mews already well underway. Even though these are being sold at cost prices, construction costs continue to rise resulting in some flats being priced over the thresholds which would allow homebuyers to benefit from the allowances introduced by this administration in recent years.

497. Therefore Mr Speaker, in order to assist with the purchases of future affordable homes, we will be introducing an amendment to the Stamp Duties Act whereby all initial purchases of properties by homebuyers in affordable housing estates developed by Government will be exempt from stamp duty. This measure will help ensure that future generations of Gibraltarians are able to continue to get on the property ladder and be the owners of their own home.

UTILITIES AND BUSINESS RATES

498. Mr Speaker, as we continue to promote small and start up businesses in Gibraltar, I am pleased to announce that we will shortly be bringing to this house a Bill that will re-enact the Fair Trading Bill following extensive consultation with the Chamber of Commerce and the Gibraltar Federation of Small Business. This will provide a simpler and faster process for licensing and cut the need for lengthy and often unnecessary hearings, also removing the need for applicants to advertise their intention to make applications reducing the cost and time to these businesses and importantly for service providers with a turnover of less than £20,000 pa, they will be exempt totally from the licensing process and its requirements to have premises; they will simply have to register with the OFT.

499. Mr Speaker we have also worked to harmonise licensing requirements following the Consultation in 2018 on key legislation affecting business and commerce and legislation will soon be brought to Parliament harmonizing and simplifying the licensing process particularly in the important food and beverages trade where many differing licences are currently required. We will make this easier, quicker and cheaper for these firms.

500. Additionally, Mr Speaker in order to assist with the cost of doing business in Gibraltar, and in keeping with our manifesto commitment, electricity and water charges will not be increased again this year. General Rates payable by businesses will also remain unchanged and discounts for the early payment of rates will continue to apply.

501. In the construction, manufacturing, transport and distribution trades and in respect of all offices, the discount granted for early payment is increased from 15% presently, to 20%.

502. In order to support our hotel industry this government will ensure that the discount for early payment of hotel rates is increased from 15% presently to 30%.

503. We also hereby agree and commit to the request for partnership funding requested by the Committee of the Federation of Small Businesses for their Business Innovation District initiative, which the Government warmly commends them for. The financing requested will be made available to them in this financial year so that they can progress with the implementation of the programme immediately.

REGISTER OF RESIDENTIAL OCCUPATION

504. Mr Speaker, in stark contrast to the path chosen by other nations, the Socialist Liberal Government I lead always recognised that relying on painful austerity measures only hurts the growth that you want to stimulate. It is pain without gain.

505. Indeed, our tiny nation enjoys one of the best and most comprehensive ranges of social benefits in the world, including world-class healthcare and education that is the envy of many nations. It is a source of great pride for me to oversee a Government that takes the social needs of our community with the level of seriousness it deserves.

506. However, Mr Speaker, having a generous provision of social benefits means that we must be ever vigilant against attempts by non-entitled individuals to take advantage of this, by renting Gibraltar property under sham tenancies to try and engage in a “benefits tourism” of our healthcare, education system and other successes. We should also be able to easily identify those unscrupulous individuals who would let their properties knowingly under these arrangements thereby increasing the cost burden to the taxpayer.

507. As a result, the Government I lead has conducted an in-depth study of unlawful lettings in connection with this and will be setting up a national Register of Residential Occupation, administered by Land Property Services. This Register will immediately flag cases where there is an attempt to register a tenancy against a property that already has an occupier taking benefits from it.

508. It is only right and fair that we address this matter and allow no room for cheats or freeloaders. **We can't afford them : they don't deserve it.**

509. The register can also serve a number of other purposes including assisting individuals confirm their tax residency in Gibraltar to the Income Tax Office.

S69 LANDLORD AND TENANT ACT

510. Mr Speaker, as you may be aware S69 of the Landlord and Tenant Act affords certain protections for the landlord where there is a change of ownership. This section allows landlords to charge up to two years of rent in these circumstances. These provisions are likely to have been introduced to afford a certain protection to landlords.

511. At the same time they sometimes cause issue with tenants where for example, there is a group restructure that results in no ultimate change in ownership and ultimately the exposure of the landlords. Yet in these circumstances the tenants are exposed to the possibility of being charged up to two years rent.

512. Where this situation arises with Government we do not tend to charge a premium or seek to be opportunistic arising from a tenants situation which is sometimes governed by circumstances beyond local control.

513. I believe a fair balance is possible to protect tenants and landlords alike. I have received written representations on this and for this reason I will ask for a review to be undertaken and views sought from landlords to address these concerns.

514. International groups of companies have established here. We want these groups to make Gibraltar their home and create employment and activity here. We must therefore make Gibraltar a fair and accessible place where they can operate without historic rules adding to their cost of international restructures.

OTHER MEASURES

CHILDREN WHO ARE ADOPTED BY A GIBRALTAR RESIDENT

515. In my 2013 Budget I announced the Savings Bank Bond for children. I also announced that HMGoG would be making a deposit of £500 to every child born in Gibraltar after midnight on Sunday 23rd June 2013. Today, I am announcing that this same deposit will

be made for every child under 10 that has been adopted by a parent who has been resident in Gibraltar for at least the past 6 years. Furthermore, this deposit will be increased with a yearly interest rate of 5% up to the date that is the later of that child's date of adoption or 23 June 2013. The effect of this measure is that adopted children will be able to benefit from the same bond value as if they had been born in Gibraltar. Going forward, HMGoG will also make a deposit of £500 to all Children's Bond Accounts for all adopted children who are adopted by a Gibraltarian parent or by a parent who has been resident in Gibraltar for at least the past 3 years from the date of adoption.

PURCHASERS OF POST-WAR PROPERTIES (WHO WOULD OTHERWISE BE FIRST TIME BUYERS)

516. In 2009, the GSD offered the sale of post war housing rental stock to sitting tenants and their family members. Some of these properties were purchased with a view to housing younger members of the family, given their limited housing options once they came of age. Mr Speaker, such is the success of our affordable home schemes that these individuals have refused to live in these post-war properties; they want to live in the affordable homes that we have built and are due to build.

517. Minister Sacramento repeatedly explains that the development of new affordable schemes release housing stock. The measure I am about to announce is designed to do precisely that. Purchasers of post-war properties, who would otherwise be first-time buyers were it not for their purchase of a post-war property, and who purchased their parent/grand-parent's property on a sitting tenant basis, are to be able to surrender their post-war property back to HMGoG and in consideration HMGoG will reimburse them the purchase price that was originally paid to them plus an uncompounded increase of 3% per annum on that original purchase price. We will also, in addition, allocate them into a new group of purchasers that is to sit immediately below those who release housing stock, and they will be entitled to purchase a property in the affordable home scheme that has at least the same number of bedrooms as that of the property that they have surrendered.

CALCULATOR

518. Homeowners at Beachview Terraces and Mons Calpe Mews will understandably find it challenging to calculate the profits that need to be paid to HMGoG should they sell their property, or the special stamp duty that would apply in the event of a first sale. In order to facilitate these calculations and allow homeowners to plan ahead, LPS are developing an online calculator that is programmed to carry out these calculations. The online calculator is in its final testing phase and we hope that it will be released to the general public shortly.

CLIMATE EMERGENCY INITIATIVES

519. Mr Speaker, year after year I try and introduce new measures that will encourage Gibraltarians to take up electric vehicles. These vehicles need to have charging points and the community cannot rely on HMGoG exclusively to deliver these in their entirety. There needs to be a balance between publicly available charging points and private ones. In order to facilitate the provision of private charging points, from now on, developers will be legally required to offer residents electric charging connectivity in all new developments. This means that developers will need to set up the metering, cabling and all other infrastructure that will be required for residents to connect charging units to parking spaces in new developments. To be clear, the charging units, often heavily subsidised by the vehicle manufacturer, would have to be installed at the homeowner's cost.

520. Mr Speaker we all need to play our part to curb the climate emergency and future-proof developments for the undoubted changes to come. Mr Speaker, it really just makes sense to plan ahead and incorporate these things from the get go.

STUDENT GRANTS

521. Mr Speaker. You will have heard me repeat many times in this Parliament that student represent our future. We must therefore invest in our future.

522. My Government has already shown its commitment to this given the excellent and transformational investment we are making in the infrastructure of all Government schools. An investment that

is unprecedented. I know the Minister for Education will talk more about this in the context of his budget address.

523. Mr Speaker in reviewing all aspects of education I noticed that Student Grants have not increased for a number of years. Accordingly from the start of the next academic year, September 2019, grants will increase as follows :

- the grant for inner London increases from £6,939 to £7,500 per annum
- the grant for outer London increases from £5,640 to £6,100 per annum

524. Mr Speaker these increases reflect the cost of inflation since these grants were last adjusted.

THE MINIMUM WAGE

525. Happy 30th Birthday to the minimum wage, also Mr Speaker! It was first introduced by Joe Bossano in 1989. The statutory minimum wage was increased to £6.45 with effect from 1 August 2017. It went up last year again by 4.5% or 30p an hour to £6.75.

526. As a result, the minimum wage increased by 25% in our first seven years in office. That – already and on its own, Mr Speaker, is the largest increase in the minimum wage in any similar period and indeed the highest increase in the minimum wage that any Government has ever delivered.

527. Mr Speaker, I am in politics to help working people. I come from a working family and I know what it is like to have to scrimp and save. I therefore want to continue to increase the minimum wage by as much as the economy can reasonably bear without risk. If I thought it could rise by more, I would put it up by more. But I recognise that we have to bring care to the calibration of these numbers and to these increases. It is through careful planning that we create sustainability. And it is sustainability that gives us long term prosperity and not short term boom.

528. Nonetheless, Mr Speaker, not content to have seen the

minimum wage gone up by a quarter, I am today putting in place a mechanism to ensure that the minimum wage will increase by a third of what it was when we were elected.

529. The minimum wage will go up 10% from £6.75 to £7.50 over the next three financial years.

530. The increases will be staggered at the rate of 3.9% this year, which is double inflation, 3.7% next year and 3.4% the year after that. This will equate to 25p per hour increase over the next three financial years and will be well ahead of anticipated inflation in the period. Should inflation, exceptionally, have the effect of increasing the minimum wage beyond £7.50, the greater of the two increases will apply.

531. This year therefore, the minimum wage will rise by an inflation busting 3.9% to be £7. Next year, in Financial Year 20/21, it will go up again by 3.7% to £7.25. In the following financial year 21/22, it will go up again by 3.4% to £7.50. At the end of the three year period of rises to £7.50, the minimum wage will continue to rise by inflation. Mr Speaker, this EXCEEDS the minimum amount by which employee representative organisations asked us to increase the minimum wage. I know that they will be very pleased with this inflation busting increase.

532. Additionally, this gives workers on the minimum wage Mr Speaker the certainty that their hourly rates will continue to rise every year for five years. They have never had that certainty before, in particular when members opposite were in power and the hourly wage rate sometimes did go up at all for some years.

533. This measure delivers the most generous ever increase in the minimum wage in any ten year period, however it is measured. No government in Gibraltar's history has ever increased the minimum wage more.

534. The way I have announced the measure will also enable businesses to plan and for that reason I am happy to tell the House that this increase and the manner of our introduction of it was the subject of discussion in consultation between us and the Chamber and Federation.

535. In essence, this amounts to a five year escalator for the

minimum wage. It sets out where the minimum wage will be this year and for the rest of the lifetime of the next Parliament if we are returned to office. It gives businesses and entrepreneurs the ability to plan in respect of those posts where the salary is paid in keeping with this House's measure of what the minimum age should be.

536. I am happy and proud to be able to tell the House that at those rates the minimum wage in Gibraltar is comfortably in the top third of the group of 22 countries in the EU that have a minimum wage. This is known as the Group 3 Tier.

537. Additionally, Mr Speaker, we do not just want to ensure that we are raising the amounts payable per hour for each worker. We want to ensure that our labour market is increasingly progressive and fair. In this respect we have done considerable work in partnership with Unite the Union on how labour conditions should change.

AGENCY WORKERS

538. Mr Speaker, we have worked closely with Unite on the reintroduction of the twelve week qualifying period for parity within the Agency Workers Regulations.

539. We have also given a commitment that agency workers and fixed term contract workers will be engaged in the Public Sector only where there is genuinely a requirement for short-term cover. Temporary workers whether directly employed or not should not be used and will not be used to cover permanent vacancies.

540. Where there is a requirement for genuine temporary workers, the Government will lead by example and provide parity for agency workers from day one of their engagement.

541. Additionally, the Government will start negotiations with Unite to enter into Agency Worker Collective Agreements which will include a provision for a compulsory reviews of the role of agency workers after a fixed period of engagement to assess whether the role they are discharging should be made permanent in relevant circumstances, although this is unlikely to arise given the approach we are now taking Agency Workers. This review should be subject to an on-going consultation with Unite with a particular focus on where temporary workers are not being made permanent and the

rationale for these decisions.

542. We will also seek to give this type of compulsory review provision in our agreement with Unite some effect across the economy by considering a further amendment to the Agency Workers Regulations so that agency workers have a right to request a permanent role following a fixed period of assignment with a hirer.

543. Additionally we will bring into effect a repeal of the practice known as the “Swedish Derogation” that enables temporary work agencies to directly employ agency workers and then provide the worker to the hirer and by-pass in this way the requirement on parity for wages following the qualifying period. The derogation enables employers and agencies to undercut the wage levels of directly employed, permanent employees at the hirer. [HOW] The Government will therefore change the rules in Gibraltar in keeping with the provisions of the Agency Workers (Amendment) Regulations 2019 and the Conduct of Employment Agencies and Employment Businesses (Amendment) Regulations 2019 which came into effect in the United Kingdom in April this year and which are designed to deal specifically with the problematic issues surrounding the Swedish Derogation. This is as a result of the Matthew Taylor Review of Modern Working Practices which identified concerns that Swedish derogation contracts were being misused to avoid giving agency workers their equal pay entitlements.

544. We will also ensure that the definition of an assignment for the purposes of agency worker regulations so that it provides for the accrual of all the service period with the hirer towards the qualifying period for equality of pay rather than the single assignment. Such a move will remove the ability of agencies and hirers to simply reallocate agency workers to other assignments within the same hirer to break the chain of accrual for the purposes of the qualifying period.

545. We will also now enter into a discussion with Unite and the employer organisations to amend the Fixed Term & Part Time Employees (Prevention of Less Favourable Treatment) Regulations to include cover for a fixed period of non-engagement on fixed term contracts which will not break the accrual of four years continuous employment for the purposes of seeking a declaration of permanency of employment. This will combat the practice of

employers disengaging employees for a short period of time before issuing a fresh fixed term contract as a means of breaking the chain of service accrual.

546. In order to ensure consistency in the labour market, the Government will also make it a condition of awarding government contracts that tenderers provide for the fair treatment of agency and fixed term contract workers.

547. It is recognised that an appropriate engagement of agency & fixed term contract workers can provide a pathway into permanent employment. Supported Employment Schemes also play a critical role in providing those pathways for potential workers and employees who are disadvantaged in the employment market or face challenges through disabilities. A review to be undertaken of these schemes with a view to opening these up and utilising such schemes to provide support and opportunities to those that would otherwise struggle in the competitive employment market will be undertaken.

548. Mr Speaker in order to give real effect to all these measures, we will be revamping and making available further resources for the enforcement processes required to ensure that the relevant employment regulations are observed in particular by temporary work agencies and hirers moving forwards, to ensure that robust enforcement mechanisms exist for temporary workers in our economy, although I believe we will be seeing less and less use of them.

549. I also look forward to developing and sharing a joint guidance note to be issued by the Government and Unite to employers and workers to aid the development of knowledge around the rights and responsibilities under this key areas of employment legislation.

ZERO HOUR CONTRACTS

550. Additionally, Mr Speaker, we are now ready to start a consultation to abolish the abuse of zero hour contracts entirely in our economy in all sectors other than where we may agree with the Unions that they are a necessary and unavoidable requirement. These contracts were most used by the former administration in the context of the teaching profession, where many were kept on such contracts until they were employed by us. This will be in line with

progressive legislation already in place in New Zealand where the law aims both to retain necessary flexibility where it is desired by both employers and employees, but also increase certainty by ensuring that both parties are clear about the mutual commitments that they have made. This will mean that where the employer and employee agree to a set number of hours they will be required to state those hours in the employment agreement. As usual, the key issue will be to control abuse of exemptions. I am convening a Zero Hour Contract Consultation Group to include representatives from the Unions, the Chamber and Federation and the Ministry of Employment in order to address these matters immediately after this week.

TRANSFERS OF UNDERTAKINGS

551. Mr Speaker, a piece of legislation that first arose in the context of our membership of the EU and which is designed to protect workers is the transfer of undertaking law. The UK TUPE Regulations were updated in 2006 with the aim of protecting workers when a contract to provide services changes hands, either through outsourcing, insourcing or secondary outsourcing where the service changes from one provider to another. In order to ensure similar protection in Gibraltar for workers involved in such transfers, we will adopt a similar provision to that now included in Section 3 (1) (b) of the UK TUPE 2006

PUBLIC SECTOR PAY RISE

552. Mr Speaker last year I announced measures designed to ensure that Gibraltar was able to withstand a Brexit shock if it came. We were staring at the potential of a hard Brexit date in late March which never came. A potential hard Brexit remains a possibility, now in late October.

553. One of the measures that I announced was a cap on public sector pay above £46,000. I had agreed this measure with Unite as a mechanism to amortise the cost to the public purse of the public sector pay rise in a year in which we were right to be cautious about the possibility of a Brexit shock to the economy and that it should not affect those on lower pay in the public sector.

554. Mr Speaker, the Brexit shock that may yet come did not come last year. Additionally, for the reasons I have already set out to the House, the economy has been performing despite impending Brexit and the

public finances have shown a strength and resilience, despite impending Brexit, which confirm that the fundamentals of this economy and of our public finances in particular, are strong and reliable – although we must continue always to be careful in our planning.

555. One key issue for us in Brexit is to protect the Civil Service and to protect Public Sector workers generally. There is good reason to do that Mr Speaker, because one sixth of the thirty thousand people who are at work in our economy work in the public sector. They derive salaries or emoluments from the Crown. And those people are Gibraltarians. And this is a sector which is dependent on the revenue yield from private sector activity and private employment levels.

556. So I think it is hugely unfair to suggest that Sir Joe Bossano is doing anything but trying to ensure the long term protection of the Civil Service and the public sector more widely when he is talking about achieving sustainability in the sector.

557. This year Mr Speaker, public sector pay will go up by the rate of inflation I have reported to the House, that is to say just shy of 2.1%. There will be no pay cap applied.

558. Additionally, Mr Speaker, the difference between the sums that officers in the public sector would have collected if there had not been a pay cap applied to them last year amounts to in the region of £300,000.00. That amount is this year easily affordable given the surplus of approximately £85m. As a result, I am hereby giving instructions to the Treasury to include the relevant amount in the pay-packets of each relevant officers in September. There was no Brexit shock last year Mr Speaker and we do not need to deprive them of those sums this year.

559. Moreover, Mr Speaker, I have considered also very carefully the suggestion in the communications I have received from the GGCA on behalf of its members that this pay cap somehow went contrary to assurances in our manifesto in relation to public sector pay. I do not agree with the interpretations and conclusions reached by the GGCA in its calculations and its communications to me in respect thereof. But I do think it is essential, especially in these potentially difficult and challenging times, for the public to know that they can entirely trust the statements and commitments that we include in our manifesto. Honourable members will starkly recall the statements made on behalf of the GSD that a manifesto is just a wish list and not a binding set of commitments. We take the opposite view and we consider ourselves bound by our manifesto

and I want to re-affirm that bond of trust between us as political parties and the senior officers of the public sector and civil service.

560. That is another reason why, given the absence of a hard Brexit in the past financial year, I believe it is right to undo the effect of the senior public sector pay cap.

561. Mr Speaker, in doing so I will also resolve a conundrum that had arisen in respect of how that pay cap had affected teaching grades, in particular heads and deputy heads, which came within its scope.

GTA NASUWT PAY CLAIM

562. Mr Speaker, I am very pleased to inform the House that I have received a draft of interim findings from PWC on study into Teacher Remuneration in Gibraltar. I received this late on Friday evening. The work is yet to be finally completed but it is very advanced and very encouraging. There have been some public exchanges between the GTA / NASUWT and the Government as to the merits and de-merits of this claim as well as the time it has been pending. I have already recognised that the claim has not progressed in great measure because it involved my areas of direct ministerial responsibility. I have also noted the strength of feeling amongst teachers in respect of some aspects of the claims they have outstanding, not all of which, incidentally, relate to pay.

563. As Honourable Members will know, I have repeatedly set out the deep respect I and my Government have for the teaching profession and the important role we consider that they play in shaping our lives and moulding future generations of Gibraltarians. The successes we boast could not happen if it were not for the teachers in our community. Indeed, if I may say so at the risk of embarrassing you, teachers in Gibraltar have not just stayed in the classroom. They have come into public life, yourself perhaps most prominent amongst them, having reached the post of Chief Minister, Leader of the Opposition and Mayor. Denis Matthews led the teachers union and became the leader of the Self Determination for Gibraltar Group. Joshua Gabay, Bernard Linares, Clive Beltran, Steven Linares, Edwin Reyes. All of them teachers. Two successive Chief Secretaries have come from the teaching profession, although they have perforce had to leave education behind when they have taken on responsibility for the whole of the administration.

564. So Mr Speaker, I am very pleased that alongside the investment we are making in our schools, we are also now ready to start the process of

engaging more fully on the issue of the pay claims that are overdue consideration and settlement. Indeed, this is an opportunity to now settle also all the outstanding issues which we have with the teachers as the final, crucial piece in our education revolution. To ensure that the key stakeholders, our educators, are understood, their concerns are addressed and that their role in this process is recognised.

565. For that reason, I am will be asking the GTA NASUWT, pursuant to the offer to meet to resolve matters and my equally conciliatory approach, to put together a group to engage directly with me, the Minister for Education and our teams to address the detail of the pay claim they have submitted.

566. I believe that there is real mileage in understanding the underlying principles which the author of the claim set out to establish and to resolving these in the context of the modern, objective and fair system of education and schooling we are in the process of delivering not just for our children but for our teachers too.

567. I will be asking to have this appointment fixed for the day after I return to my office from addressing the United Nations Committee of Twenty Four in New York next week.

568. We are ready to work on his claim and we are ready to find a mutually satisfactory outcome which I believe is very much in the wider interest of the taxpayer.

SENIOR PUBLIC SECTOR PAY

569. In relation to the senior grades in the public sector, Mr Speaker, I regret Mr Speaker that the review of senior public sector salaries and relativities in Gibraltar which I announced last year has not progressed. This is a matter which is being pursued diligently by the Chief Secretary, Darren Grech, who has also been heavily involved in 'No Deal' planning for the lion's share of the year and he is therefore to be entirely exonerated of any suggestion that this matter has not been progressed as it should have been. It has just not been possible. There have not been enough hours in the day. I very much look forward to the review progressing this year.

570. As I said last year, and for the avoidance of doubt, Mr Speaker, whatever the recommendations of that review may be, no existing officers' salaries will be affected. All will continue to receive

at least their existing salaries until retirement, whatever the recommendations of the review are.

SOCIAL INSURANCE CONTRIBUTIONS

571. As I reminded the House last year, Mr Speaker the Government is committed to reform of the Social Insurance funds. However, Mr Speaker, undertaking that reform makes no sense whilst our continued membership or exit from the European Union remains in the air. The options that might be available to Government will no doubt be greater if the UK and Gibraltar have left the EU – although as we all, I know, we would rather stay.

572. For that reason, Mr Speaker, I we have not been able to progress the reform of Social Insurance this year. In the circumstances, Social Insurance contributions this year will not rise. The Government has heeded the views of the Chamber of Commerce and the Federation of Small Businesses in this respect who have made representations to us that the effect of the last two rises were implemented over a period of 15 months, not 24.

573. But the reality remains that the current system or a new system will need to be balanced. Today it is being balanced only by reliance on an annual advance from Government. As we plan with care to ensure greater sustainability in the long term, we will review this model in order to ensure it provides that balance going forward.

STATUTORY BENEFITS FUND

574. Mr Speaker, I have told the House that over recent years the Statutory Benefits Fund has struggled to keep pace with requirements, to the extent that it had started to survive only with the support of Government advances.

575. Mr Speaker as I have just stated, we increased Social Insurance charges twice in the past 15 months and shifted the allocation between the Group Practice Medical Scheme and the Statutory Benefits Fund, in favour of the latter.

576. The net effect of this was to increase the departmental cost for Government and thereby reduce any surpluses. So much for the Opposition's argument that we flatter the figures. This combined change has had the intended effect.

577. Mr Speaker I am therefore pleased to confirm that the Statutory Benefits Fund ended the year with a surplus of around £4.3m, a large part of which, some £3.5m, has been applied to reduce the advances owed to Government. Next year we hope to completely eliminate these advances fully.

DISABILITY BENEFIT & OLD AGE PENSION

578. Mr Speaker, this year, the Disability Benefit will increase by the rate of inflation.

579. The Old Age pension will also increase in line with inflation.

580. Both have risen by at least the rate of inflation every year since we were elected.

PROMOTING INCLUSION

Deduction for disability friendly property modification costs

581. In order to promote inclusion and encourage businesses to make the right changes to their properties that will facilitate access for people with disabilities, businesses will be able to claim a deduction equal to the expenditure for works that are carried out to improve inclusion and access up to a maximum of £15,000. Pre-approval by Town Planning and Building Control will need to be sought and obtained before works begin if the costs are to be deductible. Any claim for deduction needs to be made to the Commissioner of Income Tax within 2 years of the end of the year of assessment or accounting period in respect of which the deduction is claimed and shall be accompanied by a copy of the appropriate certification. In order to encourage that works be done quickly, this measure will apply only for the next 36 months.

MEASURES IN RESPECT OF AFFORDABLE HOUSING

582. Mr Speaker, last year I announced the introduction of a Special Stamp Duty in respect of sales at Beach View Terraces and Mons Calpe Mews. The Bill to give effect to those changes is now before the House. I am very glad to be able to report to the House that the measure to introduce that Special Stamp Duty was very well

received as it is a measure specifically designed to avoid profiteering from the sale of subsidised housing that is not developed or sold for speculation but for owner occupation.

583. This year, Mr Speaker the Minister for Housing, Ms Sacramento, has been working to ensure that the new underleases for the new affordable homes are tighter than those watered down from the leases first prepared by the GSLP in respect of affordable homes in the 80s and 90s. She has developed leases that will put an end to speculation for investment and undue profits on the subsequent sales of such housing and these will be curtailed with the introduction of strict conditions of resale.

584. Mr Speaker the Minister last week issued detailed guidance on the terms of the new leases which will introduce these conditions, and I know that they have been very well received by the community at large.

DIVERSIFYING OF THE ECONOMY

585. Mr Speaker, the challenges thrown up by the many possible outcomes of Brexit have produced a call for further diversification of our economy. Such cries have often come from the Opposition: for example, when a gaming operator considers moving parts of its activities from Gibraltar. Their allegation is that we are over reliant on one or two particular sectors despite, in their time, the focus having instead been on allegedly cementing these sectors as cornerstones of our economic development.

586. Seeking out new sectors for an economy is never straightforward. This is particularly so for us, against the backdrop of Brexit and the many stresses in the World economy. The high street is taking a battering from online retailers, the tourist booking industry is losing traction in favour of online booking apps and many traditional sectors and incumbents face new and increased competition. In addition, the growing trend towards protectionist measures in some areas, (especially in the trade war between the US and China) produces further strong headwinds.

587. But just because something is very difficult, it has never stopped us from trying.

588. The establishment of gaming operators has provided a skilled workforce and intellectual knowhow that we can leverage. This year we have already had success in the area of DLT licensing. We believe there are considerable opportunities in this new technology. We are committed to Gibraltar playing a leading role in its development and use.

589. The tried and tested model in Gibraltar has been to seek out opportunities, license and regulate to the best standards and invest in these sectors. The aim is always to position ourselves as a centre of excellence in these various fields.

590. Applying this approach, I want to announce another opportunity which my Government will shortly be licensing. We are not first movers in this sector, which is already quite developed in a number of countries across all continents. Having reviewed the experience elsewhere, we will seek to adopt a bespoke licensing and regulatory regime to create a first class eco system.

591. Many will have heard of the advances in medicinal cannabis and how medicinal cannabis in different forms is used to treat patients. We have made our own changes in Gibraltar to adapt of medical laws in this respect. Indeed, we legislated last year for medicinal cannabis oil to be available on prescription to patients of the GHA.

592. Mr Speaker, we have attracted interest from a number of very reputable investors to develop investments in Gibraltar in this new area. The proposals include the research, development and production of medicinal cannabis products in carefully monitored and regulated state of the art, environmentally advanced facilities. We have given very careful thought to how this sector and technology might be leveraged in Gibraltar. In particular, how leading research and production talent can be attracted to Gibraltar, producing a new world class ecosystem in a new sector. Controls and monitoring will be critically important to ensure that our good reputation is not threatened and is indeed, positively enhanced. We will therefore be considering licensing a select, highly reputable and well-resourced licensees.

593. This new sector will provide diversification that can be exported from Gibraltar. It will also provide high grade, affordable medicinal cannabis products to care for local patients.

594. The new technology will bring jobs in cutting edge medical research, product development and production. In certain cases, these new facilities will deliver synergies for existing infrastructural facilities with resulting environmental and operational efficiencies.

595. This is the kind of innovation and opportunity we are keen to encourage. It also has the considerable advantage of being Brexit proof.

596. In order to ensure the highest standards, we will establish an agency to deal with research, vetting of purchasers, levying duty and ensuring quality of supply, meeting local and international standards and full transparency. Such an agency will facilitate trade with third parties, including Government to Government sales. The anticipated sales to European and/or other Government agencies will establish our position within the sector and promote our good reputation and international links.

CONCLUDING REMARKS

597. Mr Speaker I want to take this opportunity on my behalf and on behalf of all members of the Government and I am sure the whole House to thank you, the Clerk and all members of your staff for your assistance this year in the discharge of my functions as Leader of the House during the course of the past year and indeed during the course of the lifetime of this Parliament. You have all been far more patient than we deserve and you have been kind and helpful to a fault! Thank you.

598. I also want to take this moment to thank all of my remarkably hard working Cabinet colleagues for their support throughout the past four years as we have led Gibraltar together through some of the most difficult times in recent years. I must also record my thanks also to the Chief Secretary, the Attorney General, the Financial Secretary and the Chief Technical Officer for their incredible energy, their incredible support and their determination to defend Gibraltar's interest. What a team. The most extraordinary dedication and the most incredible ability. It has been an honour to have the chance to work with you to date and I sincerely hope I will be afforded the honour of doing so again.

599. Mr Speaker, behind this Estimates Book and the planning for the debate, working on the presentation that we try to improve every year and that we will shortly publish, is a team of people who keep smiling despite the many drafts and the many changes. Thank you to Ernest Tomsett, Susie Gonzalez, Nancy Reyes, Karl Lima, Charles Santos and Alison Cruz as well as many others in the team who make it possible for us to account with such complete transparency and clarity to this House and to taxpayers generally. They work with great care, skill and diligence to ensure that we report accurately to the people. I also extend my thanks to all in the team at the Ministry of Finance and Her Majesty's Treasury. I once again thank them all on behalf of Gibraltar for their precise and careful work.

600. I must also, of course, Mr Speaker, thank my own team and the Press Office, the A Team at No6. They are the constant, unflappable face of the Office of the Chief Minister and I could not do this job without them.

601. This year is sad year as a number of my personal team will retire.

602. Giselle Taylor leaves to be a dedicated grandmother. She was the first person address me as Chief Minister in the office at No6 and we will all miss her terribly.

603. Close Protection Officers Derek Tilbury and Mark Hermida retire also. My personal best wishes to them both and my deep thanks for their friendship. You are a part of our lives and we will miss you terribly – especially the boys.

604. And believe it or not, Mr Speaker, Jimmy Dalmedo is also to retire. He has driven us all, every Chief Minister since the 1969 Constitution has at one time or another been driven by Jimmy. He is highly deserving of recognition for the length and dedication of his service.

605. Mr Speaker, I carry political responsibility for other departments which I have not gone through today in the course of my speech. The political moment in which we find ourselves has required a deeper analysis of some aspects of the economics of Gibraltar in this time in our history. Like last year, I do not want to

keep the House for longer than I have to but it is also unfair for me not to report on the excellent work which is being done in Customs, in the Drug and Alcohol Services, in the Civil Status and Registration Office, in Industrial Relations and Public Sector HR and in the BCA and to explain more deeply which is happening in the Income Tax Office and the Central Arrears Unit. I will therefore lay a detailed paper before the House that will set out the progress in these departmental areas also.

FINAL ARGUMENTS

606. Mr Speaker, last year we could have chosen the road of sheer austerity in the face of impending Brexit. We did not do so. We balanced careful planning and the protection of the most vulnerable in our community and the lower paid.
607. Ours was not a formula of austerity disguised as prudence as some opposite seem to think would be best.
608. We continued on our carefully charted course and our investments are paying off.
609. There examples are everywhere. We have invested in schools, health, housing, sports, parks. Real people are already benefitting from these investments. They are enjoying the results of these investments.
610. And that properly calibrated spending, combined with our progressive approach and our commitment to social justice is what has delivered a new dawn for our people.
611. You look at the numbers in this Estimates Book, Mr Speaker, and you realize that our commitment, our investment and our hard work is paying off.
612. That is why we are reporting positive numbers.
613. That is why we are getting ready to inaugurate new sporting facilities and populate new health care facilities.
614. That is why we are preparing to open new schools and why we are able to finance the development of more affordable homes.

615. Because we take no risks. We plan carefully and we work diligently.

616. And now for eight years we have demonstrated that our formula delivers success.

617. Members opposite have thrown literally every single argument going at us over the past eight years. Contradiction has not stopped them from saying one thing and when that hasn't derailed us, saying the other.

618. **Mr Speaker, some of the members opposite will say that we have done too much. Some of them will say we have done too little. Some of them will say we have done it too fast. Some of them will say we have done it too slowly. Some of them will say all of that, and probably even without a hint of irony!**

619. Think about it, Mr Speaker, they criticise me for saying I am not going to reclaim more on the Eastside and then they criticise me for saying I am going to reclaim more on the Westside! You really couldn't make it up!

620. We are accused of inflicting austerity by people sitting next to alleged colleagues who at the same time accuse us of magnificent largesse.

621. I do wonder what tack they are going to take this afternoon. Will it be, you haven't completed your manifesto, which we invited you not to do. Or that other old favourite, you have completed the projects that you were elected to complete but at great cost and not quickly enough. Or maybe that other great GSD hit: all of the above with different members putting contradictory arguments. Let's see.

622. Given that they are making a habit of voting against the budget, it's not a surprise the electorate are making it a habit of voting against them! I am not going to try to dissuade them.

623. But I will make one confident prediction, starting from the moment I sit down, we are in for a summer of a load of moaning; a summer of opposition frustration and discontent. Imagine, as we start to open:

new sporting facilities – not just one but four;
new Primary Care facilities – not just one but two;
new schools – and not just one, but three just this year and with hot meals in every school; and
we start to sell new affordable homes – not one estate but three for sale,

Mr Speaker, the frustration of our political opponents will be manifest in their repeatedly negative, personalised and nasty attack. Nothing will be any good. None of the new facilities will be worth welcoming. The scrooge like attacks will know no bounds throughout what is likely to be a long, hot summer of Opposition frustration and discontent.

624. **I know we have done the right things today. As we have every day of the past eight years. As we do everyday.**
625. **We have done the things that matter. We have invested in the services that matters. And we have delivered to the people that matter. The people who work hard every day or whose days are so hard that they cannot even work.**
626. **That is the aim of every one of our budgets.**
627. **To deliver for working people.**
628. **To deliver social justice.**
629. **To ensure that those who can, are free and able to do.**
630. **And that those that cannot are properly provided for.**
631. **That's why this is a careful budget that honours the sacrifices of yesteryear, works for today and protects those who will come tomorrow.**
632. **I remember a Gibraltar where all our parents were all paid in small paper envelopes on a weekly basis. How far we have come. We are on the right road.**

633. Now, I see a Gibraltar of entrepreneurs and workers in partnership.

634. I see a Gibraltar of prosperity but not of greed. Hungry to achieve but not glutinous to gorge on the greed that would undo us.

635. I see a Gibraltar we have built through generations that have never had an easy ride.

636. And so, with Brexit still potentially on the horizon, these Estimates are not designed to deliver spending on ‘goodies’ to win an election.

637. These Estimates are designed to deliver spending properly, and carefully calibrated to protect our nation.

638. That is my responsibility.

639. That is our obligation.

640. And that is our aim.

641. Mr Speaker, two terms. Eight years. The best economic performance in Gibraltar’s history. The strongest foundations taking root. And the best is still to come.

642. And to think we were once called unfit to govern...

643. This is a serious budget.

644. For serious times.

645. By serious people.

646. Every generation provided for.

647. Every generation cared for.

648. Every generation with us as these spending plans propel this nation of ours forward toward a bright, successful, future.

649. A series of measures carefully designed to responsibly give back to every worker whilst equally responsibly continuing our

policy of stimulating different parts of our economy to deliver both growth and social justice.

650. That is what this Bill represents.

651. That is what this Bill delivers.

652. And **that** is why I commend the Bill to the House.

ENDS