

# Sir Joe Bossano 2021 Budget Speech

## Index

<b>Introduction.....</b>	<b>2 - 12</b>
<b>The Economy.....</b>	<b>13 - 19</b>
<b>Labour Market.....</b>	<b>20 - 22</b>
<b>Financial Stability.....</b>	<b>23 - 26</b>
<b>Entitlement.....</b>	<b>27 - 30</b>
<b>Social Security.....</b>	<b>31 - 33</b>
<b>Pensions &amp; Community Care.....</b>	<b>34 - 48</b>
<b>National Economic Plan.....</b>	<b>49 - 52</b>
<b>The Environment.....</b>	<b>53 - 56</b>

## **Introduction**

Mr Speaker, the 23<sup>rd</sup> of last month was the 49<sup>th</sup> anniversary of my election to this House. On the 10<sup>th</sup>, I had my 82<sup>nd</sup> birthday and GBC made a point of congratulating me as a news item, which I appreciate very much.

However, they said I was going to be 83 years old, an innocent error which I am sure does not mean they want to accelerate my aging process. I have also been wished well by many people not all of whom vote for me, with one person doing so at one minute past midnight on the 9<sup>th</sup> to be the first.

I am grateful for the warmth of all those well-wishers irrespective of whether they agree with my political views or not.

Given that I have in the past, some 20 years ago, said I would offer myself as a candidate to the GSLP until I was 90 I would not want anybody to think that is now only seven years away, as a result of the mistake made by GBC.

In fact, I have since then put the record straight and made clear that I could see no valid reason for throwing the towel in so soon and therefore my offer to my party is that they can continue to count on me for at least another eight years and hopefully many more after that.

I know this will disappoint some sectors of our community who have wanted to see my name disappear from the ballot paper for a long time but since everything I have done as a member of this House is driven by what I am convinced is in the best interest of Gibraltar even those who want to see the back of me stand to gain if I turn out to be right in my analysis of what is best for us.

Before I proceed with my analysis of issues that are relevant to this year's budget, I want to deal with accusations that have been made outside this house where I have been the target. I am dealing with them here because those making accusations have been or are members of this House.

Mr. Speaker the Honorable Mr. Bossino chose to launch an attack on me in an opinion published by the Gibraltar Chronicle on 15<sup>th</sup> March.

In it he accuses me of doing a U-turn on my views in relation to Spain of such magnitude that he says it is the biggest U-turn in the history of humanity since the conversion of Paul. I will quote what he wrote.

“The only U-turn, however was in our midst that very night in the mouth of Sir Joe Bossano who underwent a miraculous metamorphosis last seen on the road leading to Damascus, when St Paul famously converted to Christianity.

I had been so struck by what Sir Joe had said that I had to watch his speech again like a doubting Thomas. The man who had been the incarnation of militant hawkishness for a generation and more; the man who said: ‘no’ to every initiative at closer co-operation with Spain from the Strasbourg process to the Brussels and Airport Agreements (our very own Maggie with his ‘no, no, no’) was here telling us that a treaty had to be had with Spain because the pressure was too great – we were ‘naked and crawling”

“Let me first correct the honourable member’s misrepresentation of where I was in the past, which incidentally is where I still am today and will continue to be in the future.

I am the man who created the first initiative on mutually beneficial co-operation with the hinterland as Chief Minister. This was done together with Pepe Caracao, then President of the “Mancomunidad de Municipios”.

However I insisted that the co-operation should be with individual municipalities as members and not Mancomunidad because the Spanish government had intended that Mancomunidad should have a Gibraltar seat.

The “Our Lady of Europa Economic Co-ordination Council” started originally with Algeciras and Gibraltar as members and then was joined by other municipalities from the campo and finally with Ceuta. The last meeting was held in Ceuta and after that it stopped meeting as a result of the implementation of the freeze on old age pension for the Spanish pre 1969 frontier worker which I will have more to say on at a later stage.

At the same time as I was promoting corporation with a nearby neighbours I was campaigning against the attempted betrayals of our sovereignty in the Strasburg talks with Senor Oreja in 1976/77, the Lisbon Agreement in 1980, Brussels Agreement in 1984, and the 1987 Airport Agreement. Both of the latter, were then stopped and

boycotted by the Socialist Government that I led between 1988 and 1996 concurrently with the initiatives on co-operation with no strings attached that I have previously mentioned.

The fact that the Honourable Member describes our opposition to these instances of attempted betrayals of our sovereignty, as saying no to “initiatives at closer co-operation with Spain” says a great deal about who is the “Palomo” in this House, him or me, Mr. Speaker. May I also remind him that eventually the party that he hopes to lead when led by Sir Peter Caruana also rejected, belatedly, the Brussels Agreement and the 1987 Airport Agreement.

Let's be clear in this House and let the people of Gibraltar be clear what the accusation against me is.

If Paul shifted from persecuting Christians to advocating Christianity then the Hon Member is suggesting that I have gone from no talks on sovereignty to make Gibraltar Spanish. I will not say the Hon Member is lying. But I am urging him to seriously consider a visit to a psychiatrist because he seems to have lost his wits.

If he had been telling the truth it would mean that in accepting the tax deal with Spain on the basis that in my judgement it represents no risk to our economy and no threat to our sovereignty, I would have been lying.

It would mean that I have been lying to the Gibraltarians who have placed their trust in me for the last 49 years in the believe that I will never put Gibraltar at risk of a takeover by Spain.

That is the seriousness of the accusation against me from the Hon Member opposite.

So when he witnessed this radical change happening how did he react on 25<sup>th</sup> February, on the day, not 18 days after, on March 15<sup>th</sup>. He didn't, no reaction, not a word.

I'm not saying that he was lying in the article to deceive the people of Gibraltar.

I am assuming that he believes this extraordinary nonsense that he has published. How else can a pious, traditional Christian like him act, other than by saying what he believes to be true.

Is he not the equivalent in Christianity of someone with a fundamentalist Faith?

Which of course he is perfectly entitled to be and is totally acceptable in our tolerant society and for which I have not the least of criticism at all, I respect his beliefs. I am a fundamentalist, too, in saying no Spanish Gibraltar.

But I ask myself how could someone with those strict beliefs make a comparison with the conduct of Saint Paul?

Is it not almost inevitable to argue that the monumental U-turn of Paul from persecutor to promoter of Christianity had a great deal to do with the success of Christianity?

So is that the sort of conversion of Joe Bossano from fiendish opponent to even the very thought of discussing sovereignty with Spain let alone conceding it?

Has he undergone a miraculous change to now becoming an advocate for a Spanish Gibraltar?

The Hawk has become the greatest Palomo in Gibraltar history, is that what he believes?

And if this is all nonsense and this is what he compares to what happened to Paul do we need now to go back and revise what might've happened to Paul on his way to Damascus after all.

So is it that the Honourable Member did not listen to me saying that if there was no deal I would be the one to put the first brick was that the dove going back to being a Hawk?

Will Saint Paul be retreating from the road to Damascus and returning to persecuting Christians?

That is a matter for Theologians.

But I will let the House into a secret.

I had no intention of speaking in the debate but when I arrived I was ambushed in the anti-chamber by the Honourable member before I entered and he said he could not understand why I was in favour of the tax treaty and I explained it to him. He then said it was unfair on Gibraltarians who wanted to live in Spain and I said you couldn't have your bread buttered on both sides if some Gibraltarians wanted to go to live in Spain

then they had to comply with Spanish laws. He then said he understood my position so I decided this merited that I should explain it for the benefit of other members.

I have to say that I was not relying on any privileged information that was not in the public domain and surprised that other members should need my explanation which I think could have been given by any person that has been following the details of the events and analysed the reaction that emerged from the EU and Margallo and their behaviour after the 2016 referendum result was announced.

I will remind the House how the Honourable Member opposite reacted after the 2016 referendum result was announced.

This is what I said in the 2016 budget.

“Last Thursday, Mr Speaker, the former Member of Parliament, Mr Bossino, put forward a very pessimistic view of the consequences of the decision to leave the EU and quoted me in support of his views, saying that I had said we would be doing well if we met my economic growth predictions included in the 2015 Manifesto, but that the future predicted growth that I had in mind was now out of the picture. Well, Mr Speaker, I actually thought that what I have said on a number of occasions before the vote took place or the result known, and what I repeated in answer to a supplementary from the Leader of the Opposition last week, was actually quite positive for Gibraltar's prospects.

Mr Bossino also demanded that the politicians look him straight in the eye and tell him what the future holds for him. I do not know how many people he used to look straight in the eye and tell them what the future held for them when he was a politician. Nor do I understand why he believes that politicians have the power to see the future but that they lose it when they leave politics, as he has done. However I am, I suppose, one of the few politicians that has regularly predicted our country's potential economic future on a four-year timescale.

So I am quite happy to look Members opposite in the eye – since Mr Bossino is not here – and repeat my prediction; or maybe, since one is supposed to speak through the Chair, Mr Speaker, I need to look you in the eye when I say it. The projected growth of our economy, calculated and published in 2015, is an increase in our GDP of £600 million by the year 2019-20, being 33.3% of the estimated value for 2015-16.”

Well I am happy to tell him now is that my prediction was right as he will see when I deal with the economy.

He could've followed his own advice and looked me in the eye in the debate instead of doing it through a newspaper article.

But I have decided to take his advice and I am here to look him in the eye instead of producing an article in reply.

Mr. Speaker what I told Mr Clinton in the debate was my simple explanation of how the PSOE Government would defend themselves in Spain.

I said "the one thing that PSOE could not do was to say we are not going to put sovereignty on the table were are not going to put anything on the table we will go and ask Mr Clinton will you give us a standard OECD agreement OK and then go back and say look what a great achievement having got all the aces, having these people naked and crawling we have extracted from them an OECD agreement!"

Did Mr Bossino misinterpret or deliberately misrepresent as me saying we are naked and crawling and have to accept the tax treaty with Spain.

When the mover of the motion on the tax treaty made his closing speech he referred to me as follows:

"I am grateful to hear the Honourable father of the House's contribution, but let me start here on this point with him: he said that this debate has been unrealistic in part. Well, I am not sure if I would concede that to him, but if it has been unrealistic in part. It has been unrealistic because it has been made by them as unrealistic up until largely his contribution, because at least in his contribution he recognised that this was the price for a Brexit transitional deal in so many words."

At a later stage the honourable member wrote the following to the media:

"If the end-game is as reflected in the guidelines, sovereignty will undoubtedly be the issue. The nightmarish scenario is not only that Spain will hold the lock to our continued access to the EU single market but the further lock to the UK-EU deal. Talk about double-lock in the wrong hands!"

As someone told me recently – 'yes, we could be British and bankrupt!'

This gave the impression that we were being subjected under pressure to a situation where the choice before us would be to become bankrupt in order to stay British, This clearly imply that a deal on sovereignty would have to be done if we wanted to survive.

The very sentiment he now attributes to me.

So I have no difficulty with the Leader of the Opposition saying that the tax treaty was part of the negotiations for Gibraltar to be included in the transition period, whether we agree that the treaty was good or bad is a matter of judgment.

Mr. Speaker the second issue I want to place on the record of this House is a letter written by Mr Netto on 11<sup>th</sup> May 2020 and entitled “establishing historical facts” which he signed in his capacity as former Minister who served between 1996 and 2011 and is therefore relevant to the business of this House.

I will read the letter for benefit of members.

“In his May Day message published in the Gibraltar Chronicle on Saturday, 2<sup>nd</sup> of May, the Chief Minister alludes to Joe Bossano introduction of the Minimum Wage Way back in the latter’s tenure in Government as something intrinsically Socialist to be proud.

As I have repeatedly told Mr. Picardo in numerous times before, introducing the Minimum wage and keeping it in line with annual inflation rate increases certainly is something Socialist to be proud. Yet, how the Minimum Wage was a legislated back then when Joe Bossano was the Chief Minister is nothing to be proud of us a Socialist. So, once again, let me set the record Correct.

In August 1989, the GSLP Government introduced the Standard Minimum Wage Order in Gibraltar for weekly paid the employees only. The only discernible reason for negating the Standard Minimum Wage generally throughout Gibraltar was that at the time Civil Service.

Administrative Assistance hourly rate of pay was £1.68 for a 16-year old person, £1.82 for a 17-year old person, £2.22 for an 18-year old person and £2.36 for a 19-year old person. These rates were less than the hourly rate of pay for the newly introduced Minimum Wage at £2.50. Therefore the GSLP Government designed a Minimum Wage Order in which the GSLP Government as an employer could use the deliberate

loophole of not applying the Minimum Wage to its employees because Administrative Assistance were paid monthly.

So we had a so-called Socialist Government (to whom our current Chief Minister thinks Joe Bossano is his Socialist mentor), deciding as an employer to keep its Administrative Assistance below the Minimum Wage. In addition to the above, when Private Sector Employers found out at the time that by transferring their weekly paid employees to monthly they could pay less than the hourly rate of the new Minimum Wage, there was then a movement to circumscribe the legislation. Therefore, rendering the law almost useless to thousands of employees throughout Gibraltar.

I am proud that as Minister for Employment, I closed the deliberate loophole created by the GSLP Government, thus making all employers in Gibraltar comply with the Minimum Wage both in the Private and Public sector and for weekly and monthly paid. The amendment to the Order was set as from the age of 16 thereby, closing all the deliberate loopholes in 1989.

In all probability, the Chief Minister May Day message for next year will continue to peddle the line that was a great Socialist party the GSLP is due to having enacted a Minimum Wage before the UK. Someone ought to inform him that being first does not necessarily mean getting a piece of legislation right. There are other vital issues for which the Chief Minister ought to steer away from having Joe Bossano as his Socialist mentor, but that will have to wait for another day.”

This letter, is almost a repeat of part of his farewell speech to the house in the 2015 budget which was mainly about trying to convince everyone that I was not a socialist and in the process demonstrating that he didn't have a clue about the fact that socialism is a philosophy not a social welfare program for the capitalist system, in spite of having managed somehow to get a degree in philosophy.

Although I dealt with some of the things he said in 2015, I ignored this point so I feel the need to put the record straight now so that at least people will know that it is all nonsense if he wants to keep on peddling it.

It seems that Mr. Netto feels offended that I should be considered a socialist judging from the content of the letter.

I believe Mr. Netto was living in Wales in 1988 when the first Socialist Government was formed in Gibraltar and decided to introduce the national minimum wage in 1989. Of course Mr Netto would not have had, the protection of a national minimum wage in Wales took UK another 10 years to follow the example of Gibraltar.

The legislation we brought was of course intended to protect workers in the private sector not in the public sector who were on UK salary scales I said result of the successful campaign for parity with UK which I was involved in negotiating so I will now place on record the historical facts.

The minimum wage for weekly paid a monthly paid workers other than those on salary scales was introduced no correction the national The national minimum wage was introduced for persons age 18 and over was £2.50 an hour on 10 August 1989.

In the 2001 Budget the Chief Minister announced the changes in the minimum wage to which Mr Netto refers in his letter saying the following:

“I think there has been unprecedented progress. By unprecedented I mean, in all the years that Gibraltarians have been conducting their own affairs, there has been unprecedented progress in the infrastructural improvement of the working conditions of thousands and thousands of ordinary working people in Gibraltar.

The minimum wage has been raised from £3.26 to £3.75 and it now applies to all workers whether they are paid weekly or monthly subject only to a few logical exceptions.”

To which as Leader of the Opposition I replied:

To raise the minimum wage to £3.75, we are told is an improvement which has had no parallel since the Gibraltarians started governing themselves, that is since 1945. I almost thought he was going to tell us it was since 1713 or 1704, but no he will probably do it in his closing speech, because having thought of it he cannot possibly think he is the most exceptional human being Gibraltar has produced since 1945, there must be something wrong with that, he is being too modest, it must be since 1704, Mr Speaker. The £3.75, if one is to believe the official statistics of the Government in the Employment Survey, is hardly going to be obtained by anybody because in the figures on earnings in the Employment Survey there is virtually nobody with a wage below £3.75, in October 1998. I do not know what it is now, but in October 1998, which is the

last Employment Survey tabled in this House, if we look at the private sector distribution of earnings in terms of basic wage and overtime, which is detailed by sector, there is hardly anybody - I know that there is an average, the fact that the average is £4.00 or £3.90 does not exclude the fact that there may be some people below £3.75 and some people above £3.75. It is an indication that there are very few people indeed in full time employment, there may be some in part-time employment below that rate and I think in terms of industry the only kind of industry that I know of that is paying that level of wages below £3.75 are people like Security Guards. That hardly qualifies for the adjective that it is the most important advance that we have seen in the conditions of ordinary working people since 1945.

Although the Chief Minister made no contribution to it, other Ministers did make a contribution to what was, is and will probably .always be the biggest advance in the working conditions and standard of living of people in Gibraltar in terms of earnings in employment and that was the battle for parity which took four years.

To suggest that to put the minimum wage at £3.75 or to remove the different treatment between industrial and nonindustrial in the Government service, all of which are welcome improvements, therefore nobody wants to say to the Government that what they have done is not a good thing, it is a good thing, but it is not the best thing since sliced bread or the best thing since the Second World War.”

The Minimum wage Mr Speaker was a flagship policy of the Labour Party in the UK during their successful 1997 general election campaign and was introduced on 1 April 1999.

The first rate, set in April 1999, was £3.60 an hour for adults aged over 22, covering as many as 1.2 million adults, who had an average pay rise of 10%.

I have quoted how the Chief Minister of 2001 announced in the world did the change in the National Minimum Wage and as I demonstrated in my reply it did not close any loopholes because of course there were none to close.

There was no evidence of private sector employers moving people from weekly to monthly paid after 1989 and if it was happening then the union should have brought it to the attention of the government at the time and action would have been taken to stop it.

The last increase under the GSLP was in November 1995.

Mr. Netto was Minister and in 1996, and it was increased in November 1996. He did nothing to include monthly paid or change the age. He allowed the so-called loopholes he has identified in 2015 to continue after 1996 and until he stopped being Minister for employment before 2001.

In 2001 it was a late Mr. Hubert Corby who revoked the 1989 Minimum Wage Order and replaced it by the new conditions announced in the budget.

So Mr. Netto did not change the conditions and in fact introduce no pay increases for four years. Very socialist I am sure Mr. Speaker.

Having dealt with these issues I will now revert to the state of the economy.

## **The Economy**

Today I will deliver my assessment of the economy of Gibraltar for the 47th time, my first was in 1973 and it was acknowledged by my dear friend Adolfo Canepa then in Government, that it was not just my first time it was the first time that an Opposition Member had provided an alternative analysis of the both of economy and public finances in contrast to that of the Financial and Development Secretary whose analysis had never previously been challenged and was taken as if it was written in tablets of stone up to 1973.

The second occasion when I missed putting my views to this house was in 2009 due to having to be absent from the budget debate for personal reasons. On that location of my colleague the Chief Minister described my absence as impoverishing the debate. He said:

“The leader of the Opposition, when Chief Minister, was the first Chief Minister to deliver the speech on the estimates himself as a politician, and not allow that those speeches be given by the then Financial and Development Secretary. Today would have marked his 37<sup>th</sup> speech in this House, on these estimates, since his first election in 1972, and I am sure that whether Gentlemen opposite agree with his analysis or not, the whole of the House will be the poorer for the absence of his analysis.”

The then Chief Minister obviously did not hold the same view of the value of the analysis that I had been putting in this House at budget time every year and made it clear by saying, referring to my colleague:

“He started by saying that the whole House was the poorer for the absence of Mr Bossano’s analysis. Well, no, we do not agree, only his side of the House is obviously poorer for the absence of Mr Bossano’s analysis. We do not agree with Mr Bossano’s annual analysis on the economy and, therefore, its absence cannot therefore be poverty for us. But it must be clear to anybody that has heard the debate on this Budget this year, just how much poverty Mr Bossano’s absence as a Leader of the GSLP results on that side of the House. We do not regret the absence of Mr Bossano’s analysis, although we do of course regret his absence, personally, and especially the reason for it. But we do not think that we are poorer for the absence of his analysis.

Since then, as opposition they seem now to value more the accuracy of my analysis which is not determined by who is in Government but by my interpretation of what the indicators are signalling in respect of how our economy is performing, and if that means being self-critical, so be it.

That was in 2009 I will come back later to remind members what the GSD was up to in that year which has some relevance to the question surrounding the decision of the independent charity Community Care to restore the original conditions for payments to individuals linked to a role of delivering community duties, applicable when it was first introduced in 1992.

The economic challenge and more particularly the public finance challenge of the combined effect of Brexit and the pandemic lockdown is much much worse than the challenges we faced as a people with the dockyard closure and MOD run down or with the 1969 frontier closure.

This is not just my opinion.

The International Monetary Fund (IMF) view in 2020 was that “the Covid-19 pandemic pushed economies into a Great Lockdown, which helped contain the virus and save lives but also triggered the worst recession since the Great Depression”.

It described the prospect as a crisis like no other in 2020 and an uncertain recovery in 2021.

In our case not only is the problem unprecedented, finding a solution is particularly difficult.

This is for two reasons one external and another internal.

The external reason is obvious, on both of those occasions in our past the challenges were ones faced exclusively by us. No other country was affected by the closure of the frontier except the small percentage of Spain’s population in the Campo area who finished up having to emigrate mostly to Germany and the UK and in the second

instance it was only UK who was affected in that other MOD dockyard towns were also affected by cuts in the MOD budget.

In both cases UK provided long-term financial help, the Support and Sustain Policy introduced by the UK after 1969 paid for almost all of our capital investment.

With the dockyard closure £30 million was provided by UK for its conversion and many MOD in assets, especially land, was transferred for civilian use.

On this occasion the UK itself and much of the rest of the world are facing a huge drop in government revenues and are propping up their economies by issuing unprecedented levels of public debt. No country is any longer attempting to keep to any given ratio of debt to GDP especially since in the last 18 months global GDP has been shrinking and at the same time global public debt has been growing.

So what is the internal reason, the other obstacle that we face today?

It is the attitude that apparently exists in a large section of the electorate that the world owes us a living.

I think the Honourable Mr. Feetham was the first to call it the entitlement culture and say we had to do something about it.

The evacuation generation did not have an entitlement culture except on the issue that after the war they were entitled to be brought back home to Gibraltar.

A campaign led by Sir Joshua Hassan which resulted in live long following for the AACR.

The closed border generation did not have an entitlement culture and led by Sir Bob Peliza they took on a second job to help Gibraltar keep going with a closed frontier. The two jobs society as some critics called it.

The trade union battle for parity was fought for the principle and we said to the MOD at the time if you just give us more money then we will reject it. It's the principle we want.

In achieving, the principle of parity with UK, to which we are still fully committed, the agreement produced from the payroll of the largest employer in Gibraltar, a secondary multiplier effect throughout the economy that helped us in the fight to survive the closed frontier.

The 1988 transformation of the economy was not the result of an entitlement culture but the opposite, the realization that we had to reinvent our economy and make it private sector led.

It was the Gibraltar Government telephone Department that led way by voting in a secret ballot to accept leaving Government employment and transferred to a joint venture, which brought to Gibraltar the state of the art technology that Nynex possessed and created the necessary infrastructure for the financial services and gaming companies that followed. A secret ballot with only one person voting against moving and I gave that person a written undertaking that would guarantee his job in the public sector which was honoured by the GSD.

Today we do not appear to have that kind solidarity and commitment even though we are facing, a European economy disrupted by Brexit, a Global economy still in partial lockdown because of the continuing pandemic, and perhaps most important of all, the need to relinquish the consumerism that is related to the entitlement culture, if life on earth is to survive.

Mr. Speaker, I am happy to report that the impact on the economy of Brexit and the pandemic lockdown has been much less, than many feared it would be.

I am of course referring to the Gross Domestic Product or GDP which is the annual value of the output of our economy.

I have, in answer to questions in this House, given an indication of my expectations whilst making it clear that this was not the result of a scientific analysis of the data

because the relevant data was simply not available. In other words a guesstimate rather than an estimate. I am happy now to be able to confirm that I was not far out. I said I expected the GDP predicted for 2019/20 not to be affected very much because Brexit was delayed and the pandemic lockdown impacted on the final month of the 2019/20 financial year.

In the 2015 general election I had projected that the economy would grow by the time we reached financial year 2019/20 to a level of at least £2.4 Billion with the possibility of achieving an economic output of £2.5 Billion.

Of course in 2015 nobody could imagine what was going to happen in 2016, and even less what was to follow in 2020.

I think Gibraltar must be the only nation on the planet where opposition members and sectors of the population behave as if these totally unprecedented events of Brexit and pandemic lockdown, had no relevance for either the economy or the public finances and we can all happily carry-on as we were doing before and if we cannot, then all we need to do is blame the Government and then everything will turn out ok.

In 2019, notwithstanding the 2016 Brexit vote, I predicted for 2019/20 a better result than the top estimate of 2015. A GDP level of £2.57 Billion compared to the £2.5 Billion I had originally set as a maximum. An improvement of £70 Million.

The latest estimate we have today is that the economy attained a value of £2.566 Billion in 19/20.

£66 Million more than the top expectation I had predicted in 2015 but just £4 Million short of the figure calculated in October 2019.

In 2019 I also set out our growth targets for 2023/24 at a GDP level of £3 Billion representing an improvement of £390 Million from a level of £2.61 Billion, or £500 Million from the original estimate of £2.5 Billion.

At present we are looking at a base line before the impact of the lockdown of £2.566 Billion instead of £2.61 Billion and a drop of 4.9% to £2.44 Billion for the second half of the 24 month financial period just ended. This is instead of a projected 2 1/2% increase from £2.61 Billion to £2.68 Billion.

So we are estimating in terms of the performance of our economy a result as at March 2021 which is £60 Million less in output than we were originally targeting without the pandemic lockdown of 2020.

This level of difference in most nation's projected GDP would be considered an acceptable error in estimating, even without a pandemic.

At question time sometime back, when the UK published a drop of 10% in their GDP I told parliament that I had no solid data to calculate the GDP impact but my gut feeling was that it would could be half the UK rate. The estimate we now have is that we have done slightly better than that with a drop of 4.9% instead of 5%.

So our economy has done much better than others in the context of the projections that we had for the post Brexit growth but not the sort of growth we experienced in previous years.

So does this mean that we have no problems?

On the contrary, Mr. Speaker we have a very serious problem because it clearly provides evidence of what I have identified as a problem of perception on innumerable occasions in the past.

The size of the economy is not the same as the level of revenue that the government receives.

Economic output is £60 Million less that we expected but our public Finances have gone from surplus to a deficit of £138 Million.

Although a growing economy as a general rule produces higher Government revenue this is not based on a fixed proportion.

This is one of the errors that features as one of the factors in maintaining the entitlement illusion, which now affects all members on the opposition benches.

This phenomenon which is that so long as you believe you are entitled to something, whether you are or not, and whether the money to pay for what you want exists or not, all you have to do is paint a few placards with what you believe you are entitled to, then march up Main Street and then after that your entitlement illusion will become reality and all your wishes and aspirations will be satisfied.

I'm afraid Mr. Speaker in the real world it doesn't work quite like that, and therefore I can tell Hon Members it ain't gonna happen.

Hon Mr. Clinton may not understand much about economics but presumably he does understand about finance having been a banker and he is the shadow member for the Minister of Finance.

Indeed he has given every indication that he does understand exactly how badly public finances have been hit by the lockdown.

In the public interviews that he's dealt with the subject, he has done so to the extent but I don't think it could've been explained better by him if he had been in Government.

Indeed I have even commented to my colleague the Hon Finance Minister that the Hon member was doing a better job of explaining it than he was.

Which did not surprise me since he had often been briefed on the financial impact in greater detail than I was.

So when I say we can protect the economy of Gibraltar and we can continue to grow and that it is possible for me to aim at delivering the growth targets we set ourselves in 2019 I am not saying anything that indicates that the public finances are in a good shape, which they manifestly are not, just because the economy, in my view, is.

In my new responsibility for restoring financial stability which is closely linked to my previous responsibility for public sector efficiency I have of course a fundamental interest in ensuring that we maximize the use of our resources in terms of physical and human assets and use these in the most efficient way possible so that we can restore the application of the Golden Rule that I introduced as Chief Minister after 1988. This members know is that living within our means requires that we do not borrow to meet the operating costs of public sector.

We were there before the pandemic but we're not there after the pandemic and it is in the interest of every Gibraltarian citizen in the public and the private sector, in education, employment or retirement, that we get back there as soon as possible so that we can restore the stability that is vital for Gibraltar.

## **The Labour Market**

The period covering the two employment surveys, which we have available in this budget gives us a snapshot of the labour market as it was in October 2019 and October 2020.

I think it is useful to see the changes from October 11 to October 2018 and then see the effect of Brexit and the pandemic lockdown in October 2019 and 2020.

The 24 month period which has hit public revenues so hard has created a new labour context for the planning of the economy.

When we prepared the post Brexit National Economic Plan we were expecting that the labour market would continue to grow in line with recent trends and produce a total employment figure of around 32,000.

In a post Brexit scenario we expected that the economy should be reshaped to produce less labour-intensive work we therefore planned that the future market for the four years 2019 to 2023 should be stabilized at a maximum size of 32,000 jobs and that future Economic growth should be delivered by increasing productivity from a static workforce rather than an ever increasing workforce as had been the case previously and which could not be extrapolated to continue indefinitely

Even though we left the EU at midnight on 31 December 2020 and the free movement of labour under EU law no longer exists, the degree to which we shall be controlling the labour market is still pending the outcome of what is agreed in the proposed treaty on our relationship with Schengen.

The EU will be setting out their terms and we shall see whether in the negotiation after that, an agreement acceptable to us can be reached.

Should there be no deal we will be in the hard Brexit scenario that I have been suggesting would be the most probable outcome since the result of the 2016 referendum was announced and there is no doubt in my mind that we would have already been there a long time ago if Margallo had remained in office.

The Treaty's outcome in the next six months will put pressure on the labour market as regards dependence on frontier workers.

Our dependence on that source of labour has to start declining since if we have an agreement at this stage it may not survive the so-called implementation period, if Spain and the EU expect Frontex to be removed and Spanish officials to take over four years after the treaty comes into effect.

The Hon Mr Clinton has said:

“Once we go down the route of the Customs Union it will be difficult to undo and we may have lost business and business opportunities and some freedom and control in

managing our economy. There has to be a clear cut economic case that joining the Customs Union, in whatever form, will either prevent a loss of business without crossing the red lines of sovereignty, jurisdiction control. This discussion has to be open and frank.”

Mr Speaker, I agree with the view expressed by the Honourable member, but I think I need to point out that in fact we are not asking to have a Customs Union and as far as I know nor are we being offered a Customs Union. The relevance of seeking some understanding or agreement is so that the movement of personal purchases does not stop the queues that no longer exist because we are in Schengen. At the end of the day every time somebody comes in and buys something from Morrisons or every time somebody buys in La Linea, has to go through Customs and there is a queue on the Customs side, then in effect one thing would be negating the other. I think that whether such a thing is possible, we do not know, but what we are talking about is if we have managed to the first and then find that the second negates the first, then the whole exercise would have been worthless. We would still have a situation of people having long queues to go in both directions.

At present, there are conflicting figures as to the number of frontier workers between the numbers registered by the ETB and those declared by the employers in the response to the October 2020 employment survey. The ETB figures are for 31 December 2020 and were compiled to establish who will enjoy continuing EU rights in the labour market, in accordance with the withdrawal agreement negotiated with UK.

The market is likely to be stable or declining from now on but this does not mean that they will be the same people doing the same work, as in the past the turnover has been higher than the net increase. For example the labour market figure that we use for calculating the GDP and therefore planning the economy has always been the figure in the employment survey reports. Since these are the numbers reported by employers they are likely to be accurate or if anything conservative as there may be under reporting of employees but not over recording.

The size of the labour market consisted of 22,247 jobs in October 2011. This is the full time and part time figure but not necessary 22,247 individuals since there will be persons holding two jobs, although it is not likely to be significant statistically.

The public sector was 4574 and the balance MOD and private sector.

The private sector, which is what concerns us in the context of the policy on the labour market, was 16,960 up from 15,561 an increase of 1399 since October 2007.

In October 2018 the private sector was 23,969 compared to 16,960 an increase of 7009 in seven years. The increase was higher than when compared to 2012 since there was a drop of 1116 jobs in our first year of government to 15,844.

So from 2012 to 2018 when it went up every year there was an increase of 8125 in six years.

The drop from 2011 to 2012 in private sector frontier workers was from 7287 to 6189 a total of 1099.

The public sector in turn lost 79 making the total more than the contraction in the jobs market which in fact meant employers substituted with resident workers.

This was reversed from 2012 to 2018. Frontier workers more than doubled in the private sector from 6189 to 13,371 providing 7182 workers of the increased demand for 8125 jobs.

By contrast with this higher expansion in the private sector from 2018 to 2019 it only grew by 32 jobs and shrunk from 2019 to 2020 by 1214 jobs.

The frontier worker figures for 2019 however grew from 13,371 in 2018 to 13,839 in 2019 an increase of 468. This implies that the net growth of 32 jobs meant a replacement of 436 residence workers by the same number of frontier workers.

This is entirely consistent with the fact that the public sector grew from 2018 in 2019 by 593 jobs and that of this 437 came from the private sector and were replaced by frontier workers.

Quite frankly this is not good the sustainability of the public sector or the security of the private sector that becomes more dependent on frontier worker fluidity as a result.

From October 2019 to October 2020 the number of jobs in the private sector fell by 1214, the frontier workers in the private sector dropped from 13,839 to 12,571, a total of 1268 which implies that the resident workers in the private sector went up by 54. The correlation between the movement in the public sector and the frontier workers in the private sector lend support to the complaint of private sector employers that the demand from the public sector forces them to have to recruit frontier workers as replacements.

Whereas the private sector reduced on its dependence on frontier workers in 2020 by reducing the number by 126, the public sector saw an increase in the number by 57, with the biggest element being those designated as other EU nationals.

It is possible that this increase was due to employees living in Spain previously using a Gibraltar address which they were forced to change due to the controls of the pandemic initially and later the departure from the EU.

The frontier workers registered in Gibraltar at the end of December was a much higher figure than the number than those in the survey returns and will of course be scrutinized to ascertain the accuracy for economic planning purposes.

## **Financial stability**

Mr. Speaker I have been entrusted by the Chief Minister with a task of restoring financial stability, which was not part of my responsibilities at the time of the last budget. However in practice it is closely linked to the policy of increasing efficiency in the public sector for which I was responsible already

I have said when my additional responsibility was announced that we had lost financial stability because by definition and the determining criterion, stability in public finances requires the implementation of the GSLP Golden Rule introduced by me from 1988 in the first Socialist Government and many years

Financial stability requires balancing income with expenditure in respect of recurrent spending in the public sector and preferably providing a surplus to fund principally 3 areas, investment in the creation of capital assets, which the GSD also did between 1996 and 2011, contributing to the finances of the independent charity Community Care Limited and building a rainy day fund, which GSD did not do between 1996 and 2011 and which indeed they rubbished as soon as they were elected in 1996. The Chief Minister announced in this House “the rainy day is today” and emptied what he called all my piggy banks. This of course left Gibraltar more exposed to losing its financial stability than it would otherwise have been, as a result.

So restoring financial stability in our book requires keeping a tight control on spending.

Such decisions are taken collectively by cabinet which decides the policy of the Government although I tend to be blamed if there is a negative reaction resulting from such measures.

The Chief Minister has recently told the House and the general public that we have been so badly hit in our revenues by the pandemic lock down and extra public health Covid measures that we have finished with a deficit of £158 billion. The largest deficit in Gibraltar’s history but a similar situation to that experienced by many other countries in Europe and by the US, except they have never implemented our Golden Rule on recurrent expenditure and were in many cases running deficits to meet recurrent a operating costs.

This year’s budget reflects the need to restore this stability.

As the Chief Minister also announced at the earlier meeting, the result projected for the current financial year 2021/22 is a deficit of £51M, almost £1M a week. Let’s be clear what this means, the projected expenditure is expected to exceed our projected revenue by £1M every week starting on 1 April.

Total Departmental expenditure is £46.5M more than the actual expenditure of 18/19 compared to the annual average of £69.5M for the preceding 24 month period.

The Government is nonetheless committed to restoring financial ability which means getting back to projecting recurrent levels of spending that come in at or below the expected levels of income.

To achieve our target for this year will not be easy and therefore a number of policies have been implemented that require that cabinet approval be obtained before expenditure is incurred. This as it should be but in the past it has frequently been the case that the cabinet position on approving additional spending, has been a paper exercise since the spending had already taken place.

This is not a new phenomenon and indeed I remember one particular issue with GHA spending which was on relief cover which was removed from the budget by the GSD administration so that the allocation would not be accessible without the prior approval of the Chief Ministers office in an attempt to keep control of the item, an attempt which if I remember correctly eventually failed to achieve the desired result.

The elimination of waste in the procurement process is also something that requires to be looked into.

There is a tendency in departments to simply re-order supplies by repeating periodically what has been ordered in the past.

It is an area that may not yield the kind of savings we are looking for but we have to become conscious that every penny counts and we have not been there for a very long time.

The mind-set that has been created is that every year without much effort the revenue of the Government goes up and the expenditure goes up as well, as if that were the natural order of things.

It has not always been like that but I accept that there are many people who have never known anything else and will need to get used to the new normal.

A recent press release from the Honourable Lady's party said something to the effect that revenue has not increased under the present government and this can only mean that whoever wrote that has never looked at the estimate book. Revenue increased from £383 Million in March 2011 to £708 Million in March 2019, 8 years produced a growth in revenue of £325 Million.

There has been an increase in revenue in many areas without any increase in what people are charged simply because there has been more activity in the economy.

What we have had in the last two years has not been what was normal but could become the new normal and may require the Government to look in future to new areas where revenue can be raised.

A real test in the nine months ahead is to contain expenditure so that it finishes no higher than the amounts that we are approving this week.

We need to establish as a standard the notion that an increase in costs in one area must be matched by savings in another.

The departmental spending in future should be constrained by accepting that the overall priority is that we as a community consider is more most important expenditure from the limited resources we are going to have so that they should be devoted to those areas.

This is how the public judges us when they criticize a government for spending money in one area and then having to say no to something else that is more deserving of public funding.

It happens to every Government, it has happened to us and the people are right when they criticize us for it.

It also means that since we have to borrow £1 Million a week, to cover costs, it's more important than ever to spend money on things that cannot wait for better times ahead. Which I have no doubt will come but I do not think for one moment are around the corner.

Keeping the economy on an even keel is something that I am confident we can do in terms of the modest level of growth we are committed to. A target a target in output of our economy £3 billion for the end of financial year 2023/24 to is what we aimed for in 2019 and achieving it is still possible. However restoring revenue levels what it was in the past is not going to be easy.

I have already previously said that I do not expect to see the revenue level we attained in 2018/19, which was the highest ever, £708 Million, before the next election and perhaps not even for sometime after.

So the financial strategy we need will therefore require inevitably that we should address the efficient use of resources to contain expenditure looking at what we charge for the services we provide and what in most instances is provided at a loss.

In considering the efficient use of resources, we cannot ignore the size and costs of the public sector payroll.

The Chief Minister has given figures that show that although we are committed by our manifesto to maintain the number in the complement of civil servants that we inherited in 2011, in actual practise currently there are many more in employment and that compliment is now far exceeded by the number of employees. The numbers employed in the public service have also grown substantially since 2011.

It cannot go up any further and indeed it will have to come down but not by dismissing anybody but by redeploying people to meet changing requirements in the service and doing this is not austerity it is good management.

The opposition have criticized us when it has been increasing and criticized us when it stopped increasing.

In our first time term Mr. Feetham in a debate accused me of having created a bloated civil service in the first few months when we were still filling vacancies created by them.

The GSD had a system of keeping vacancies on hold and not recruiting over a period of time and opening them up in a pre-election boost to improve their chances of winning the election.

We continued their pre-election recruiting for the first four years and added an extra 400 employees. When we put a stop to it after the 2015 election we were accused by the same Mr. Feetham who had said were creating a bloated Civil Service of introducing austerity.

Based on the numbers in the Employment Survey Report for October 2020 and October 2011 and the subsequent recruitment of 988 AA's since last October we will be talking about 1800 more employees than in October 2011.

And this is something that must be understood, controlling the numbers of jobs in the public sector is the only way we or any other government can protect the jobs of those that are in employment now and for the future.

Every time somebody leaves, we need to ask ourselves do we really need to take somebody else on and if we find that we don't then the next question is how can that money be put to better use. This is not austerity, it is managing one's budget the old-fashioned way, before the culture of entitlement became the norm. It is something that controlling officers should be doing all the time because they're not there simply to control what has been approved by this parliament but to make sure in a world of changing methodology and new technology, that we are delivering the services we need to in the most cost effective way.

Restoring financial stability Mr. Speaker is not rocket science it is simply politically difficult because it involves becoming unpopular for doing what is required, doing the right thing to do in the long-term interest of the public service and securing the future of our country so that we depend on no one. We must develop the capacity to be competitive to earn a living that will enable us to maintain the quality and breath of services that we have become used to having until now.

The antithesis of Financial Stability is the culture of Entitlement.

## Entitlement

Perhaps the first indication of a culture of entitlement was the self-granted pay increase on 17 December 1998 which was presented to this House in the first GSD term.

Something they had not bothered to put in their manifesto during the election campaign.

The government had first granted the Financial and Development Secretary a 25% increase and then they followed by linking their pay to the new enhanced salary giving themselves a higher percentage than was the case in respect of the old salary.

As Leader of the Opposition I pointed out that when salaries had previously been reviewed Sir Joshua Hassan had discussed it first with Peter Isola, Leader of the Opposition and myself as the sole representative of the GSLP in 1980.

The GSD had decided that it should be done on their own without any consultation. The reply from the then Chief Minister was that by bringing a motion to the House and the fact that we could speak and vote against the motion, it meant that we were being consulted. It's worth remembering what the definition of consultation was with a GSD Government, Mr Speaker.

The basic argument for the need to introduce much higher salaries, which reflected the values of the GSD, was explained by the Chief Minister as follows. He said:

“The fact of the matter is that it is the Government’s view that if as Gibraltar must in its long-term interests, if Gibraltar is going to attract into the field of politics and through the field of politics into these ventures people of the right calibre to govern Gibraltar they have got to be paid adequately, otherwise Gibraltar will be condemned to be governed either by people who have enough private capital to do it on a charitable vocational basis, in other words the stinking rich or those people for whom a salary of £27,000 amounts to an improvement in their salary which of course was the case with most of the Opposition Members when they became Members of Government. It is the view of the Government that it is not in Gibraltar’s interest for the categories of people who can afford to go into politics should be limited to that. The point is to give the electorate the choice of every category and not to use quite wrongly the system of remuneration to keep the competition out until eventually people offer themselves, regardless of the conditions to do something about it. The Hon Members are entitled to their views, which of course are as respectable I am sure as our own but have not heard it articulated anywhere in Western Europe that those that govern should somehow not be paid a full and proper salary because there is some romantic value under-paying them because somehow it demonstrates their commitment to the people and it demonstrates their sense of sacrifice and their sense of commitment to the affairs over which they are responsible.”

I would point out that although he tried to wriggle out of it later the implication of what he had said was clear. His message was that the existing system could only attract the filthy rich who were bored and were entering politics as a hobby or the ignorant poor who would see it as an opportunity to get a pay rise. He went on to say that the second category was the one that had applied to the GSLP Minister's in the previous administrations. He argued that the word ignorant was my interpretation, well if it was not ignorant in what respect were the GSLP Government of 1988 to 1996 made up of people of low calibre attracted to become involved in politics in order to get a pay rise because we had no expectation of being able to earn £27,000 otherwise.

One person who was probably better off at that point in time was Minister Netto who I suppose that GSD could have considered a low calibre candidate, but I don't know if that was also the attribute that they applied to Peter Montegriffo and the Hon Mr Azzopardi who were also part of the team, perhaps they were the filthy rich.

Mr Speaker in 1998 when I pointed out that the normal way we set guidelines in this house was by reference to getting advice from the House of Commons as had been done for members remuneration in 1979, the then Chief Minister said that by wanting to bring an expert from UK I was undergoing a sudden conversion on the road to Damascus.

In 1998, there seems to be an urban myth within the GSD that I am constantly making trips to Damascus.

Given the level of insecurity that there is in Damascus, maybe its wishful thinking on their part.

Calibre might be the yardstick that the GSD has used in selecting their candidates over the subsequent years although I cannot say that I've seen any spectacular improvement over the years. I would not be expecting a need for it in the GSLP since it does not classify people in terms of calibre but in terms of political conviction and commitment to the defence of Gibraltar against any possible attempt by Spain to take us over, the qualities that GSLP requires from potential candidates.

Those values and those convictions are not swayed by the size of the pay envelope.

But the new value system that the GSD wanted to attract into politics people of calibre is a measure of how much some people need to be paid to be attracted by the opportunity of being involved in guiding our country's future. If it's a question of calibre political ideology is not relevant in the system, it becomes just another job which pays well and allows you to lord it over your fellow citizens which in the case of the then Chief Minister clearly was what gave him his adrenaline rush.

So if the ministers only do a good job if they are paid enough money why should anyone else in the public service be any different? That was the seed that led to the dismantling of the parity basis for relativity in the public sector that has had such a negative effect, on the total cost of the public payroll.

The introduction of the parity principle which has been seriously undermined enabled people to accept pay differentials between different groups and trades on the basis that the rule was that you were being paid this for doing the same work as in UK in the public sector, for better or for worse.

Since then with every departure from UK analogues the culture of entitlement has grown by discontent with the creation of internal relativity's, peculiar to Gibraltar.

Why should a police constable reach a higher pay, in the lower part of an SEO and not a nurse? Who is more valuable in our society? It depends, if we're in the middle of a crime wave or in the middle of a pandemic.

How can such a system endure without being constantly affected by never ending leap frogging claims, which people feel entitled to have met. It was what used to be the norm in the 1970's and was banished by UK parity determining the acceptable relativities.

If someone is happy getting £50,000 he becomes unhappy if he sees a fellow worker overtaking him and jumping above, going from £50,000 to £70,000. It happened with the GSD in Government and has continued since and is very difficult to put an end to.

The culture of entitlement grew under the GSD was inherited in 2011 and has been growing since. Its most recent and worst example was at the beginning of this month.

On Wednesday, 30 June the GSD in general and the Honourable Mr. Clinton in particular was condemning the increase in contributions which will be paid as from this month and go to restore the finances of the statutory benefits fund.

The payments as I said in my interview by way of example, show the 30,000 workers pay insurance contributions and fund the old age pension of some 6000 pensioners. Failure to raise contributions means having to borrow money and subsidize pensions which contributors of the past have earned with the contributions that went to pay pensioners of their time in the pay as you go system we inherited in 2011 and not the 1996 model which was to hold reserves that provided investment income and made pensions funding less vulnerable and less dependent on the size of the labour market and the level of insurance payments.

The next day on 1 July the GSD members of parliament participated in a demonstration which is calling for payments to persons who receive tax free occupational pensions in excess of £21,00 predominantly retired government employees mainly in previously highly paid employment mostly those in the civil service non-contributory pension scheme which they, the GSD in government shut down in 2011.

This demand the demo organizer says is to be backdated as if the charity that make payments to persons in need, had any legal obligation to pay anyone anything and must continue non-means tested payments until the old age pension for men is brought down from 65 to 60.

Introducing such a change is to increase the cost of what would be the payment of an old age pension to five times as many men as is the case until now. So if we did what the opposition wanted us to do we will be paying pensions from the statutory benefits fund, which has no money, to men reaching this year the ages of 65, 64, 63, 62, 61, and 60. All this year and at the same time, according to the stance of the day before, we have to make no increase in the payment of the social insurance contributions which the legislation provide has to pay for the pensions.

The policy of the members opposite who have previously oppose borrowing to create assets and fund fixed capital formation, even though they did it in government and were going to do it had they come back in 2011, they who up to now have opposed capital borrowing now want recurring borrowing to pay for pensions at 60. The rest of Europe which like us faces an aging and longer living population is going in the opposite direction and raising women's pensionable age to 67 and not reducing men's pensionable age to 60.

I have to tell my good friend Roy Clinton that I'm disappointed that he should have participated in this blatantly obvious farce which destroys any credibility he might have, and had in my eyes, for a commitment to prudential public finance policies.

The GSD Mr. Speaker, has blown hot and cold on the question of public expenditure and the entitlement culture to the point of being almost psychotic.

## Social Security

I have also recently been given additional responsibility as Minister for Social Security and my first responsibility was to put into effect an increase in Social Security payments which had not previously been raised since 2018.

Mr. Clinton made the point in a public statement that it was the first act I did in my additional duties.

I hope that it is not that he believes always trying to persuade others to believe that the reason for increasing is the fact that I have been given the responsibility for Social Security which of course is not the case because it is the implementation of the policy of the government, with which I entirely agree of course

The rates of social insurance contributions are not government revenue as every member of this house knows.

The money that is paid in social insurance contributions goes directly into the Gibraltar health authority as to 70% and directly into the statutory benefits fund as to 30%.

This has always been the case except that in a particular year the GSD broke the legal limit for maximum public debt and to restore the ratio they retrospectively Legislated for the contribution to go into and out of the consolidated fund before it went into the GHA account and it has continued to be done this way since.

The social insurance pension fund has been facing a potential crisis similar to the one faced by the revalued pensions for pre 1969 frontier workers for years without the issue being addressed by the GSD.

I will be giving some details of the pre 1969 frontier workers situation later on.

The statutory benefits fund Mr speaker, the current version of the social insurance fund has since its creation received the social insurance contributions.

This are not taxes and have never been taxes and have never been credited to the consolidated fund.

I hope the honourable lady by now understands how this works and that the statement from Together Gibraltar which says the opposite reflects the ignorance of whoever wrote it and not hers.

I will read the statement and demonstrate its inaccuracy.

Together Gibraltar says:

“The Government's recently-announced increase in social insurance payments amounts to a regressive tax, and damages an already battered private sector - adding any such measures should have involved consultation with the Federation of Small Businesses and the Chamber of Commerce. In a statement on the changes - which

are set to come into force from the 1st July - the Opposition party says it believes that given the damaging effects the pandemic has had on the Rock's economy, it is not the time to increase social insurance payments.

Together Gibraltar says the Government's assertion that those on the minimum wage will not be affected is "disingenuous", as the rise will affect a large number of employees in the bracket only marginally higher - adding these numbers are especially high in the most troubled sectors, such as retail, wholesale and hospitality.

It also describes as disingenuous Sir Joe Bossano argument that social insurance payment are used to pay pensions and healthcare - arguing that most government revenue is collected into one pot, and that therefore, if any expenses in healthcare happened to exceed the revenue from social insurance, the Government could source funds from other parts of the budget."

A tax is something we all pay to finance the provision of public services and pays for the salaries of public servants, government contractors and procurement of supplies.

With social insurance if you do not pay you do not receive a pension. The more contributions you pay the higher the pension you get. These are insurance premia just as if you contributed to an occupational pension plan.

If you don't pay your taxes you can get prosecuted but if there is a fire in your house the Fire Brigade will still come to put it out. I hope this assists Together Gibraltar to understand the difference

Not only is it not a tax, it just cannot be regressive if it's a percentage of earnings because the higher the earnings the higher the contribution, though the cap can be said to be regressive and that is what has been made less regressive by the increase.

There are according to the Employment Survey Reports 29,516 employee jobs of which 18,105 are above the cap would pay more if the cap was at a higher level than the £363 weekly income.

Of the 11,411 with income levels below £363, 4089 are between the minimum wage on the £363 and are affected by the increase in the cap. 7322 are at the minimum wage or below because they worked less hours and have lower earnings. That group is not affected by the increase in the cap.

The money will go to pay for pensions that have been increased every year since 2018 whereas contributions have not gone up.

The increase in the voluntary contribution eliminates the regressive nature of this contribution where the amount paid was lower than the rate paid by employees who were cross subsidising the persons making the voluntary contributions.

At the previous rate of payment of the volunteer contribution, if we compare it with the purchase of an annuity, was the equivalent of having a rate of return of 22% and at the increased level the comparable rate of interest is 9%.

In terms of what it buys in pension increases this depends on how many employee contributions have already been paid, with the lower the number of contributions already paid the higher the benefit obtained.

At the old rate of voluntary contributions, the contributor would get his money back from a higher pension within a time range from 6 months to 5 ½ years.

At the new rate the time range is longer and would be from 1 year to 13 years.

There are 232 voluntary contributors currently and the department will see what their personal circumstances are to consider if any adjustment is required in their case. Any new volunteer contributor will be paying the new rate.

The social insurance fund has been having serious problems of long term funding as currently structured. This has been the view of GSLP for a long time and explains why we are committed to deliver a new social insurance scheme in which the ages of the beneficiaries would be equalised which is what our manifesto says. The new scheme cannot be prepared let alone delivered until we know what our relationship with the EU will be as a result of the Schengen Access Agreement is. If there is an element that deals with the Social Security arrangements for EU workers then it will mean that what we are able to do will be constrained as opposed to work would be the case if such a condition is no longer applicable. We are not going to do anything until we can deliver a system that will protect future generations which is the responsible approach to take on what is a long term intergenerational issue.

At present young people still working pay for the pension of those who are retired. That is not a system that can survive and is not how the scheme was intended to work initially.

I illustrated in a recent example that I gave that as it stands at present every additional pensioner added to the expenditure requires 5 new workers to contribute to the revenue.

Or if the increasing number of workers are not happening then it would mean that future increases in contributions would have to be higher.

## **Pensions and Community Care**

The role of Community Care in protecting the standard of living of our senior citizens seems to have been forgotten by members opposite in spite of the fact that in Government the party they represent acted in a totally disgraceful way pretending to uphold the survival of the charity whilst planning its demise as was revealed for the first time in an interview published in the Gibraltar Chronicle on Thursday 17 July 2010.

I quote what the then Hon Chief Minister said

“For example on the pensions and Community Care the complete abuse of a statement by the leader of the opposition that the Government has allowed Community Care to run out of money. He did not say that as a matter of bookkeeping.

He said that to transmit to the elderly of Gibraltar the view that the Community Care payments may be in jeopardy which he knows to be a complete and utter lie. But did he have any reluctance to worry elderly people in Gibraltar? No.

It has been the Governments policy for 15 years to run down the fund in Community Care so that we can make alternative and better arrangements.

Does that mean that anybody anybody’s payments are in jeopardy? No.”

I know they have since disowned the policy of getting rid of Community Care, whilst in opposition since 2011, but they spent from 1996 to 2009 also denying whilst in Government their plan to close down Community Care . That is until they owned up to what they had been planning and doing from 1996 to 2010.

I also know that they frequently claim they are not responsible for the actions of the GSD in Government except when it suits them as was recently the case where Mr. Bossino, who aspires to be the next leader of the GSD, told Parliament that he was proud of the GSD’s record on Tourism in Government as if he had had anything to do with it.

I will not set out to demonstrate that even in that area there was little done to be particularly proud of, because what I want to establish is simply the link with the past performance of the GSD Government that is there.

Much of what I am about to say is in the public domain already and of course because of my long involvement I sometimes take for granted that others in this Parliament or outside it, while organizing petitions, know the past and choose to ignore it. However, it is quite possible that there are people out there who have no idea of the past and are making false statements out of ignorance rather than malice, and I am prepared to give them the benefit of the doubt, Mr. Speaker, by putting the record straight.

It is also the case that much of what happened in the past in relation to the funding of social insurance old age pensions is very relevant to understanding what is happening now and what the future may hold.

The creation of an old age pension scheme was the work of the AACR Government in 1955, following on the UK National Insurance Act of 1948.

At a later stage collection for the Group Practice Medical Scheme contributions was added.

The old age pension Act that was passed created a scheme that was always intended to be self-funded with the revenues kept separate from the consolidated fund and legally held for the purposes of the Act and not available to Government to be used for any other purpose.

The requirements of the social insurance fund was subject to periodical actuarial reviews usually five years to establish the level of contribution that was needed to maintain its self-sufficiency and generate a surplus as that would create a reserve which was considered by the actuary to be at least the equivalent of one year estimated payments that would be made to all beneficiaries.

This was seen as the prudential level of reserves.

So those who say that this is simply a tax that Government can use for whatever they want, do not know what they are talking about.

Given that the same system has been in place for 66 years there is no excuse for not knowing this.

It was precisely because it was not part of the consolidated fund where all taxation receipts go, that there was a Special Fund and a Spanish Sub Fund made up of contributions by the withdrawn frontier workers with payments from 1955 to 1969.

The total amount contributed by each worker was of the order of £38 (thirty eight pounds) in the fourteen years.

Based on their contributions they had an entitlement of a maximum weekly pension of around £1 (one pound) a week for a single person and something like £1.50 (one pound fifty) for a married pensioner. These were the benefits also payable to Gibraltarians at the time.

In 1973 the Social Insurance Ordinance was amended to give annual pension increases for those contributors who continued to do work in Gibraltar and pay Social Insurance. The contribution rates and the pension payable for this second category was raised every year. The Spanish workers did not contribute because they had been withdrawn by the Franco Government.

The Government of Sir Robert Peliza offered to transfer the accumulated fund of the Spanish workforce and their accrued rights to the Spanish Government but this offer was rejected by Franco.

The 1973 amendment however, provided for pension increases for residents of Gibraltar who had not contributed to the pension fund at the new increased rates post 1969 and this was the offending clause that permitted Spain to claim higher pensions in 1986. The number of Gibraltarian pensioners in this category claiming on the basis of residence rather than contributions was minute.

In 1985 the Frontier was re-opened following implementations of the Brussels Agreement. The Spanish Government informed Spanish pensioners at the time that they would be able to collect their Social Insurance Pensions at 1969 rates from February 1985 and that this would be re-valued to the level payable to resident pensioners in January 1986.

The GSLP in Opposition proposed that the Social Insurance Ordinance be restructured to avoid the liability that would arise and which the fund was incapable of meeting.

The Gibraltar Government under Sir Joshua Hassan rejected the solution on the advice of Sir David Hanney who said it was contrary to EU Law. This advice was incorrect.

In December 1985 at the Brussels Negotiating sessions in Madrid Sir Geoffrey Howe agreed with his Spanish counterpart to pay re-valued pensions to former Spanish workers from 1 January 1986. This had not been previously cleared with Sir Joshua Hassan who was present at the negotiations and who issued a public statement refusing to accept this liability.

An agreement was reached with UK under which consultants were engaged to produce a report to examine how the Gibraltar Social Insurance Scheme could be re-financed to meet the liability and the ODA contributed some £15 million to meet the payments for the period 1986 to 1988.

The GSLP included a Manifesto commitment that it would not contribute one penny of Gibraltar's money to finance Spanish re-valued pensions in the 1988 elections and won on this basis.

The Consultants Report commissioned by the UK simply came up with the self-evident conclusion that the liability running at £8 million a year could be met by large increases in Income Tax or Social Insurance contributions.

Immediately after the election I held meetings with Baroness Chalker the minister responsible for Gibraltar and this was the first policy conflict with the UK Government.

The amount allocated to meet the pre 1969 revalued pensions proved too little and the first demand was that Gibraltar should start paying after July 1988 when the funds available were exhausted.

The UK wanted us to pay all of it.

They then settled for us paying £1 Million which the AACR had offered to contribute even though they considered it was not enough I was told that the previous government had put £1 Million on the table and I had to honour it.

My reply was that from the Opposition I had said not one penny, and I had a manifesto commitment saying not one penny. When people voted for us, they had removed the £1 Million from the table and not left even one penny.

UK diverted ODA funds allocated by Parliament in 1984 to assist Gibraltar's infrastructure projects, which the AACR had failed to spend and used it to avoid the ending of payment to Spanish Pensioners in August 1988.

This was done without the agreement of the GSLP Government.

The UK agreed to continue payment beyond 1988 but attached two conditions:

Pension levels would be frozen at January 1989 levels for all pensioners, including all local pensioners who had made vastly larger contributions than the Spanish Pensioners.

The Social Security System would be dissolved and the balance accumulated in the fund distributed to contributors with the UK paying pro-rata lump sum payments to Spanish pensioners when this happened post December 1993.

UK informed the Spanish Government and the EU Commission of these arrangements.

In 1989 the Government established a Social Assistance Fund which was entirely funded from the proceeds of import duty.

The Fund's objectives included the making of grants to charitable organisations.

Also in 1989 a Charitable Institution, Gibraltar Community Care Limited was set up by a number of individuals

It introduced a Household Cost Allowance for assisting persons living in Gibraltar whose cost of living was and is much higher than those across the border. The HCA was paid in December 1989 at the rate of £26 per quarter for a single pensioner and £39 per quarter for a pensioner couple, irrespective of the existing level of pensions from the Frozen Social Security System.

The structure that was to replace Gibraltar's Social Security System post 1993, was after that under discussion with UK.

At first UK experts insisted that there could not be a State run social insurance successor based on Social Security legislation as this would be caught by EU regulations and be seen to be a device to discriminate against Spanish Pensioners by ending their Pension entitlement but re-instating them for Gibraltar Pensioners. They insisted that each pensioner and each worker contributing to the scheme up to December 1993 would receive a lump sum after the dissolution of the Gibraltar Social Security System. This lump sum would be transferred to an occupational private sector Pension Scheme which would be a money purchase scheme.

After innumerable meetings and considerable work to try and meet UK's demands the advice was reversed. The UK experts then decided that a private sector Occupational Scheme would not do as it would be in breach of UK requirements which require the aggregation and apportionment of Social Insurance Pension rights based on contributions made in different Member States and the Gibraltar Government was told it had to replace the existing system with a State Run public sector successor scheme which would operate only on the basis of contributions made from January 1994 without any credits for persons who had not retired but had been contributing under the scheme up to 1993.

On the suspension of the Pension payments the Spanish Pensioners were informed that in accordance with the 1989 UK-Gibraltar agreement accepted by the Spanish Government at the time they would receive lump sum payments.

On instructions from the Junta de Andalucia, the Spanish regional government, the bulk of these pensioners refused their payments and the existing level of pensions were provided to them by the Spanish Andalucian Government as loans in anticipation of forcing UK to resume Pension payments.

UK argued that there was no obligation under EU Law to keep paying Social Insurance pensions for life or at any given level. Spanish pensioners argued that there was a legitimate expectation of life payments.

The Spanish Pensioners commenced legal action against the Gibraltar Government funded by the Andalucian Government using the Chambers of Messrs Triay and Triay, which at the time had Mr Peter Caruana as partner. The Gibraltar Government was alleged to be discriminating against the Spanish workers on the grounds that Community Care Limited was continuing to pay Social Security pensions which had been suspended in the case of Spanish workers.

There was absolutely no substance in this allegation since the Pension had been suspended for both Gibraltarian and Spanish Pensioners and Community Care

Limited had been making Household Cost Allowance Payments from 1989 and not from January 1994, the time of the suspension of the Pensions.

In 1994 the EU Commission took up the question of the dissolution of the Social Insurance Fund with the UK Government as a result of receiving complaints from Spanish Pensioners who at the time were in receipt of temporary loan payments from the Junta de Andalucia.

The UK Government refused to provide the Gibraltar Government with details of its exchanges with the Commission and copies of the correspondence claiming that these matters were confidential.

By October 1995 the Commission issued a Reasoned Opinion against UK on the grounds that the decision to dissolve the Social Insurance Fund was in breach of EU law. The initial position of UK on the replacement being an Occupational Private Sector Pension System was also considered by the Commission to be against EU Law.

UK's position at first was that they would defend the decision before the European Court of Justice on the basis that there was no obligation to have a state ran statutory Social Insurance Pension System or to have a given level of Pension Rates, that this was up to each member state.

However, early in 1996 the UK capitulated when faced with imminent infraction proceedings and decided to restore the frozen pension system which had been terminated in 1993 and which had operated since 1989.

In the course of meetings with officials I was asked to agree to restore the Frozen Social Security Pensions back-dated to 1 January 1994 (it should be noted that the UK decision to limit the Scheme to five years, 1988 to 1993 was to contain the cost to £50 million as opposed to the estimated £250 million for keeping the system going for the lifetime of all Spanish Pensioners.) Given that this requirement was for pensions continuing frozen, for perhaps another twenty years.

Naturally I refused to give any such undertaking. The United Kingdom position was that they would not proceed with paying for the restoration of Frozen Pension payments until this matter was cleared up. I had agreed to a text of a letter provided by them as to the commitments that they required prior to this question of the Household Cost Allowance being raised, but would not accept that the letter should be amended to include any reference to the payments by Community Care. My position was that since they were saying there was no legal obligation to continue with the frozen pensions they should go ahead and let the Commission commence infraction proceedings and defend themselves in the European Court of Justice using the arguments they had used to persuade me in 1988 to agree to the dissolution of our Social Insurance system in 1993.

Following the 1996 General Election, in the Official Opening of the House of Assembly, in my statements as Leader of the Opposition, I made this public. When later in 1996 the new government brought legislation to the House of Assembly to restore the Frozen Pensions backdated to 1 January 1994, it claimed that they had not had any negotiations on this matter with the British Government and that they were simply giving effect to what had been agreed with me.

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Mr Speaker let me now summarize the position after all the detailed explanations I have shared with honourable members.

In 1992 Community Care was providing support to pensioners and widows and was asked by our Minister Robert Mor to introduce a scheme for unemployment over 60 year old men, willing and able to work but not finding a job because of competition from younger applicants in the labour market.

What he called a “social wage” meant that rather than people depending on social assistance, those in need provided useful duties in the community and received the equivalent of a part-time job on the National Minimum Wage which had been introduced in 1989, doing 80 hours a month, of community duties.

This is what started in 1992 and continued until 2008, for 16 years mostly under the Gsd.

In 2008 Community Care was asked by the GSD government to extend it to everyone whether the working or not working with income from work but not from occupational pensions below £15,000 and not above £20,000.

By 2009 it grew so big that the charity could not provide enough community duties to those they paid and reduced the requirement from 80 hours a month to 8.

At the same time the GSD that had been planning all the time to close down Community Care by letting it run out of money, as was revealed in an interview in the Chronicle in 2010 and had set up a committee to stop funding the charity and pay a statutory benefit system, means tested HCA or some other similar product.

The GSD government set up a committee of senior civil servants in December 2009 and announced their plan as government policy in the New Year Message of 2010, in a lengthy interview in the Chronicle and in the budget session in the House.

They defended the policy on the grounds that it had to be done to protect government finances from claims for equal treatment from frontier workers which might be legally successful and create a liability on public funds described by the then Chief Minister, as a ticking time bomb.

The government was not willing to provide the opposition with any information of how this was going to be brought about.

The implementation date was delayed and during the election campaign of 2011 they confirmed it would be ready to initiate in January 2012.

In opposition former GSD Ministers claim not to know anything about these plans even though they were candidates in the election that contained the commitment.

In 2015 they announced a change in policy and said they would continue the present system of funding Community Care.

We get elected in 2011 and start refunding Community Care which had no reserves when we came in.

Since Community Care were getting in the finance they needed they continued with the policy they had been requested to introduce by the GSD in 2009 which the GSD were planning to end in 2010 but which apparently Community Care had no knowledge of.

As a result in the last 8 years the charity has dished out almost £40 Million from the funding we provided in a scheme that was originally designed by us to help those in need.

The recipients consisted of practically the entire male resident population aged between 60 and 65 including a former Chief Secretary receiving £6000 a year from the charity for supposedly doing some community services for 8 hours a month.

From day one the charity has been funded from the receipt of import duty initially directly and later with the payment approved through the Social Assistance Fund but identified as to the source.

This has been seen by both GSLP and GSD governments as necessary to prevent anyone claiming an entitlement as a taxpayer or contributor to Social Security.

So the GSD wanted to close it down in 2011 because there was a risk of challenge, change their mind in 2015 and agree that there is no risk and in 2021 take part in a demonstration on the basis that the payments from the charity is an entitlement which forms part of the statutory pension creating the very risk that their Chief Minister was trying to avoid in 2010 when they believed it was there.

Mr. Speaker you could not make this up.

Let me spell out what the opposition is supporting for community officers and the honourable lady wishes to extend to everyone that has paid 50 contributions to our social security system in their lifetime making it legally binding to make payments from the age of 60 for which no funding exist ever nor is likely to exist in the future.

The decision of the Members of the Opposition to publicly support the arguments of entitlement of persons who have retired from work, some voluntarily at an age as early as 50, with incomes of several multiples of the national minimum wage, convertible or converted into six-figure lump sum's, is the most irresponsible, incomprehensible and dangerous behaviour I have witnessed from elected members in my 49 years of membership of his House.

It is a level of insanity without parallel, inexplicable and indefensible, to put our country's future at risk, in order, presumably, to obtain electoral advantage.

If they were in Government with a policy of delivering what they are now promising, which of course is not necessarily what they would do, given the 15 year record of making false promises to ensure the survival of Community Care, promises made in this House, whilst secretly planning for almost 15 years to do the very opposite of what they were promising.

But at least Sir Peter Caruana who was guilty of that deceit, eventually came clean, went public and explained why he was doing it.

Let me remind the present members of the GSD, how GSD in Government secretly planned to close Community Care down.

In the last quarter of 2009 the GSD Government set up a working party which was formed to 'brainstorm' ideas for the possible reform of the Social Insurance and Social Assistance Systems.

The working party consisted of the following participants:

- Dilip Dayaram Tirathdas - Financial Secretary
- Mario Gomila - Principal Secretary, DSS
- Frank Carreras - Commissioner of Income Tax
- Marie Carmen Davitt - DSS – SEO
- Stephanie Saez - DSS – HEO

The Agenda included the following items:

1. Gibraltar Community Care – Current Benefits
2. Gibraltar Community Care – Cash Flow Statement
3. Current Social Insurance Benefits and Social Assistance payments
4. Statutory Benefits Fund – Current position and year-end projections
5. Social Assistance Fund – Current position
6. Background information on criteria for inclusion of benefits as 'Special non-contributory benefits'
7. Council Regulation (EC) No 1408/71
8. Introduction of new Special non-contributory benefits:

The party considered the following options:

The existing Community Care benefits could either be discontinued in February 2010 – when the Gibraltar Community Care runs out. Alternatively the payment of these benefits could be closed to new applicants only and continue to be paid to existing beneficiaries on a ‘closed scheme – personal –to-holder basis’. Some transitional arrangements in the winding down of these schemes would also need to be considered;

New benefits would then be introduced to enhance the Basic State Pension (old age pension) in the form of SNCBs or some other type of non-exportable benefits – for example:-

- The Minimum Income Guarantee (“MIG”), which is currently payable from the Social Assistance Fund, could be used as the basis for reform. The criteria for the award of MIG could be reviewed and its application extended to provide additional income to the over 60’s in our community in the form of social assistance on a means-tested basis. Such payments would be in addition to the Basic State Pension payable under our Social Insurance Scheme;
- The Community Officer Scheme could be replaced by a new and non-discriminatory ‘Community Work Scheme’ available to all unemployed persons over 60 in our community. This would also be ‘based on an individual assessment of financial need’ and could be administered by say the Employment Department as part of its assistance with job-seeking functions.
- A system of tax credits could be introduced for the over 60’s;
- The existing Pensioners’ Utility grants could be extended to cover the costs of electricity, water and telephone charges of the over 60’s.

Other areas of possible reform that were looked into, as follows:

The streamlining and simplification of the benefit systems under both the Social Insurance and Social Assistance Schemes.

The possibility of transferring some of the functions related to Unemployment Benefits to the Employment Department- in order to minimise the current duplication of work in this area.

In Gibraltar the qualifying period for a full Basic State Pension is 45 years for men and 40 years for woman.

In relation with the issue of benefits currently payable by Gibraltar Community Care, the following was discussed:

- The possibility of integrating these benefits within the Social Insurance Social Assistance Systems; or
- Replacing some or all of these benefits with other payments or benefits that can be classed as 'non-exportable' under the EU Regulations.

The integration of the Gibraltar Community Care Benefits within the Social Insurance Scheme would increase the liabilities of the Social Insurance Scheme, significantly. This is because state pensions are 'exportable' and 'insured' persons who work in Gibraltar for just one year are entitled to a pro-rata pension (subject to other qualifying periods of insurance being met, albeit that such qualifying period of insurance may be in another EU country).

Alternative benefits that would not be 'exportable' or that could be classed as 'special non-contributory benefits' ("SNCB") were therefore considered to be more appropriate. The requirements under the relevant EU Regulations were looked into in order to establish the criteria required for benefit payment to be non-exportable.

In order for a benefit to qualify as an SNCB it would need to be:

1. A cash benefit;
2. Non-contributory in nature;
3. Funded out of general compulsory taxation;
4. Not based on aggregation of periods of employment or contributions; and
5. Based on an individual assessment of financial need.

The Party submitted a report on the 18<sup>th</sup> December 2009. That was the secret plan initially to be delivered before the 2011 General Election and then deferred to be implemented after

Chief Minister Caruana said there was a ticking time bomb and as long as Community Care existed because it's charitable payments could be challenged, the challenge might be successful and the UK this time round would not pay, Gibraltar would face the massive bill.

But what the present Leader of the Opposition and the rest of the GSD have just done by supporting the campaign, the arguments and the demonstration against Community Care is 1000 times worse than what Chief Minister Caruana did.

The members opposite told us in 2015 that they knew nothing of this, which they were committed to implement if they had been elected in 2011. That is why I do not believe this because if they knew nothing why did they not ask?

This Policy was reflected in the Chief Minister's New Year message which included the following passage:

“When in 2007 the UK paid the pensions claim of pre 1969 Spanish workers based on their challenge to Community Care, which Gibraltar has always told the UK was its responsibility, the UK has made it clear that Gibraltar would have to meet the financial cost of any successful EU challenge by post 1969, ie current Spanish workers in Gibraltar, who eventually may make the same claim.

Whatever we may think of the merits of any such claim, it represents a financial time bomb ticking under our children and grandchildren in the future, for which they cannot have recourse to the UK.

I am not willing to bequeath this potentially lethal legacy of a massive and unaffordable backdated claim to our future generations, and so, this year the Government will, as I said at Budget time, introduce significant reforms to protect Gibraltar from this possibility. This reform will NOT result in financial loss to our pensioners or recipients of Community Care.”

How can the Chief Minister deliver a Government New Year message and his Ministers not have a clue on what it is all about, on something which the Chief Minister says is so serious but it is an unforgivable irresponsibility not to support what he is saying has to be done to save Gibraltar?

In 2015 Mr. Feetham as leader of the Opposition brushed aside all my arguments and said it was just a change of policy. A change of policy from believing it was a ticking time bomb to it believing a dumb squib, not dangerous at all.

Some change in policy, what the Hon Mr Bossino would no doubt compare with a St Paul’s conversion on the road to Damascus.

He then ridiculed my concerns and my request for clarification of what was being planned by saying I was caught in a time warp. Well Mr Speaker if I was in a time warp in 2015 it was future time it seems to me, not past time because my concerns of 2015 have now materialized in 2021

Well let me tell the Hon Members of the GSD, that if Sir Peter Caruana, Mr. Feetham’s hero, the greatest living Gibraltarian, was correct in identifying the danger then they, and in particular those who were part of the Government at the time, have now increased the risk identified in 2009, exponentially.

As for the honourable lady, words fail me to describe the insanity of the policy she has adopted and the language she has used in the article published in the Chronicle.

I will remind the House so that we have a record of this insanity if the time ever comes when we need to apportion blame.

If ever the Spanish Campaign needed an ally to improve their chances of success they have just found one in her.

I will tell her what the Spanish campaigners think that they're entitled to be paid.

She has said the payment should be made irrespective of residence which goes even beyond the Campo area and their claims as there are other persons getting social insurance pensions but never claiming HCA, they are residents throughout the European Union by virtue of having paid one year of contributions here in their lifetimes. We are talking about potential numbers in hundreds of thousands.

The mistakes by her father led to the first problems with pension payment.

Peter Caruana tried to remove the risk, that the mechanism created for putting right what her father had done wrong, apparently carried.

I did not agree that such a risk existed Mr. Speaker.

But she has now made a statement capable of creating the risk that Peter Caruana envisaged, supporting the right to claim HCA and included in it even for those who have never claimed such entitlement before.

If the GSD was right in 2009 then what she proposes is an atomic ticking time bomb.

This Government is not going to be the one that makes the ticking bomb explode.

Indeed as the Minister responsible for restoring financial stability if such a step were contemplated I would have to advise the government that financial stability could not be achieved.

The impact of such a policy on government finances would be much worse than the impact of the pandemic lockdown effect, which we have experienced and which continues to be causing us to have deficits.

If this issue is not resolved by those complaining or those giving support and encouragement from the opposition benches to the campaign, by them coming to their senses and abandoning the dangerous road they have embarked on, then the best thing might be to call an early election just on this issue and let those who want to implement the huge pay-outs explain to the electorate how they would save Gibraltar from the disastrous consequences of what they are advocating on public finance and the elimination of Community Care which we have been defending since 1989, the day it was set up 32 years, Mr Speaker.

It seems as if they wanted to make sure that they inflicted the maximum possible damage on Gibraltar's finances and viability. The Honourable members opposite have supported a petition which gets handed to the governor who presumably is expected to make sure it reaches the UK Government which does the very thing that Sir Peter Caruana claimed he feared could happen and set him on the of course of dismantling

the role of Community Care, because strictly speaking he could not dismantle the charity itself but only starve it of funding which he had already been doing for 15 years.

The document they are supporting claims a version of history argued in the past by UK and fought against by the GSLP government up to 1996 and the GSD Government between 1996 and 2007. The document implies that UK was right and our defence of the role of the charity was wrong.

A defence in which the Leader of the Opposition for a time was a Minister in the GSD Government, defending Gibraltar, and putting the contrary view.

The opposition have publicly and officially supported the incorrect argument that the Household Cost Allowance provided by Community Care was created by the GSLP Government in 1988 in lieu of paying pension increases to all pensioners.

In 2002 the GSD told the UK “in 1989, there was established in Gibraltar by a group of private individuals a private charitable trust (Community Care Trust) with the object of performing a range of charitable functions for elderly persons in Gibraltar. Amongst its objects, the Trust pays a financial sum to persons of pensionable age in Gibraltar to assist them in meeting household costs (i.e. electricity, water and other utility and household costs which are particularly high in Gibraltar given the diseconomies of scale which apply here).

Housing Cost Allowance is paid at the same rate to persons on the minimum and on the maximum pensions. The minimum is 25% of the maximum.

It is not therefore in lieu of pensions increases which would be at the same percentage for all pensions.

Furthermore if it were a replacement for pension increases it would not be happening because pensions were frozen at the instigation of the UK and unfrozen as a result of the UK paying some £60M to pre 1969 Spanish pensioners under the Cordoba agreement.

The Housing Cost Allowance was not stopped when pension increases were reinstated after Cordoba.

The petition the honourable members support says the following:- “The Household Cost Allowance is a scheme for Gibraltar resident men aged 60+, and also for men aged 65+, that was created by the GSLP Government in 1988 in lieu of paying State Pension increases to all pensioners.”

Is this the new policy of the opposition?

If so when did they decide to abandon the previous position shared with the GSLP which they defended since 1996?

Are they now renegeing on the statement of Mr. Feetham as Leader of the Opposition in the 2015 motion that I brought to the House when he said a GSD Government would continue funding the independent charity as we were doing and retain its role?

The charities role is not and has never been to provide the combination of the Household Cost Allowance and the state pension so that together they form the equivalent of this country's state pension, as the petition says.

If that is their position now, then they had better start looking for a few hundred million pounds because the residence requirement would be in breach of EU law in how it has been paid in the past and would need to be stopped once this interpretation is accepted.

They had better go back and review the results of the committee they set up in 2009 but pretended it never existed or that no one who was in the government knew it existed.

And furthermore they had better tell the people who signed the petition and those who wrote the text to get Community Officer allowance that as a statutory payment the GSD sponsored study group found in 2009 that all such payments could only be provided by the state if they were based on need, that is means tested and certainly not at £21,000 but inevitably at the rate of the National Minimum Wage or even lower. Means testing the Housing Cost Allowance would radically limit its application which currently is that every resident pensioner gets it on top of pension increases and irrespective of any other income.

And finally, the members opposite had better put their thinking hat on and come up with how they get themselves out of their new policy commitment because they have just opened a Pandora's box and we may not be able to close it.

## National Economic Plan

The strategy I put together in 2019 which is reflected in the 2019/20 National Economic Plan is designed to change how we deliver economic growth.

It is about laying the foundation for Gibraltar's future as a trading nation.

In the election I often reminded people how in 1988 we had to change the way we made a living after years of almost total dependence on the UK defence budget which in Gibraltar had been declining since 1984, in my view as part of the process of talks with Spain initiated with the Strasburg talks after Franco's death in 1976.

The transformation in 1988 was possible because people understood and accepted the need for change.

It created an economic model which had two elements, a global one in gaming and financial services based at Europort serving an international and United Kingdom customer base, and a local element serving visitor numbers arriving by sea air and land.

The day visitor traffic by land making the biggest contribution to revenues and employment.

The tourist surveys clearly show this.

In 2019 tourist expenditure reached an all-time high at £308M and a year later in 2020 an all-time low last seen in 1998. The principal source of the expenditure, the day visitors from across the border in 2019 were at £255m at the highest level since 2011 and fell to the lowest level since 1993 at £61M.

This is the context of what we might expect of a Schengen border or if there is not an acceptable treaty that provides fluidity for day trips in and out of Gibraltar. The figures for the land visitor are unlikely to show much of recovery this year.

In the light of continuing Covid measures even if there is more fluidity it is unlikely to go back to previous number since a high proportion of the visitors who came in coaches were UK citizens on holiday in Spain.

The fall in the numbers of customers was quite dramatic last year in respect of all three methods of arrival.

This low value high-volume model required imports of labour and goods with the supply coming principally from the same direction as the bulk of the customers, overland.

The new economy for which we are setting the foundations now is happening 18 months later than I intended. Although as much preparatory work as possible has been done in the period since the general election which I hope will be reflected in showing tangible results this financial year.

What we have to move into now is the emergence of Gibraltar as a trading nation. We must not see Brexit as a disaster but as an opportunity to do in the future what we could not do in the past.

The following data on some of our international trade indicates what has been happening, and now well we are competing with other markets.

The potential volume of business we can deliver limited to activities within the Gibraltar market would be very small, in-capable of restoring higher levels of economic growth if we just bring people to sell in Gibraltar.

This will continue to happen in a small way of course but what has much more potential is attracting new businesses that will have their head office in Gibraltar and subsidiary companies in other jurisdictions

Currently the ministry for economic development is engaged in discussion with a number of such potential new partners on a global scale that fit the characteristics of the new model and if these discussions that are taking place finish with a successful outcome the details will then be published.

Trade with UK is one important part of a strategic development of the new economy and it is worth noting what has been happening in our bilateral trade following Brexit and the Pandemic lockdown.

The Honourable Mr Clinton has said:

“The subject of Brexit and indeed a ‘Hard Brexit’ is one that deserves closer economic analysis, because of course its meaning is different in a UK context to a Gibraltar context.”

I agree and it is relevant to see in fact how trade has affected UK and Gibraltar. UK's international trade is down with almost all its partners but is probably much more likely the result of the lockdown, than Brexit, which in theory has not been a hard one since there has been a post withdrawal agreement.

Since 2011 the value of total trade with UK in billions of pounds per year was as follows

<b>Year</b>	<b>Value of Trade</b>
2011	1.6
2012	2.6
2013	2.3
2014	2.9
2015	2.6
2016	2.6
2017	3.4
2018	4.1
2019	4.6
2020	3.8

We have seen this trade grow since we were elected in 2012 with a £1 billion improvement in our first year, which was fairly stable until 2016 when the Brexit Referendum took place.

Up to 2018 our trade went up £2 billion to reach £4.6 billion, compared to the £ 1.6 billion that was the position in 2011.

The 2020 reduction in trade with the UK because of the Pandemic was £800 million, far less than the drop between UK and other trading partners. We will be looking to increase this trade in 2021 and future years.

Total trade in goods and services (exports) between the UK and Gibraltar was £3.8 billion in the four quarters to the end of Q4 2020, a decrease of 16.1% or £740M from the four quarters to the end of Q4 2019. Of this £3.8 billion.

Total UK exports to Gibraltar amounted to £3.3 billion in the four quarters to the end of Q4 2020 (a decrease of 19.2% or £774M compared to the four quarters to the end of Q4 2019).

Gibraltar was the UK's 44<sup>th</sup> largest trading partner in the four quarters to the end of Q4 2020 accounting for 0.3% of total UK trade.

In the four quarters to the end of Q4 2020, total UK imports from Gibraltar were £581M (an increase of 6.2% or £34M compared to the four quarters to the end of Q4 2019).

UK trade with both Morocco and Malta fell back to 2011 in 2020, whilst Gibraltar after its own decline was at £3.8 billion compared to £2.6 billion as the combined value of Morocco and Malta.

By comparison

Total trade in goods and services (exports plus imports) between the UK and Morocco was £1.4 billion in the four quarters to the end of Q4 2020, a decrease of 31.3% or £664M.

<b>Year</b>	<b>Value of Trade</b>
2011	1.3
2018	2.1
2019	2.1
2020	1.4

By comparison

Total trade in goods and services (exports plus imports) between the UK and Malta was £1.2 billion in the four quarters to end of Q4 2020, a decrease of 54.3% of £1.5 billion from the four quarters to the end of Q4 2019. Of this £1.3 billion.

<b>Year</b>	<b>Value of Trade</b>
2011	1.4
2018	2.0
2019	2.8
2020	1.2

Total trade in goods and services (exports plus imports) between the UK and Slovakia was £4.4 billion. Slovakia was the UK's 42<sup>nd</sup> largest trading partner in the four quarters to the end of Q2020, just above Gibraltar placed at 44.

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I'm quite hopeful that I shall be able, fairly soon, to lead a trade mission abroad with a number of projects which will entail inward investment in those countries from new investors setting up corporate headquarters for the investments from Gibraltar .

I am particularly excited by one which involves an Israeli investor who is an inventor and who has designed a car for the taxi trade which meets the criteria of the secular economy that I consider to be so important for us to support where the vehicle is not sold but paid for by usage.

The state of the art design of the vehicle would be produced in micro factories in different jurisdictions.

The micro factory would be produced in Germany linked to a university that specialises in research in technology and conversion of these results in delivering it to the market.

Again in this new approach to manufacturing where instead of a mega factory producing millions of cars and requiring vast movement of energy consuming transportation of components, the micro factory requires less energy consumption. It is designed to meet local demand and would employ a few 100 workers in two shifts and on a footprint of 60,000 square metres and delivering some 30,000 cars annually.

The investment for this option is in 10s of millions of dollars instead of hundreds.

It is a much more environmentally friendly concept and it's designed to minimise waste.

If we are successful in sponsoring the development the micro factories would be subsidiaries of the Gibraltar parent that is expected to have a quoted value in excess of 1 billion dollars.

I am sharing this information with honourable members to reassure them but I am thinking outside the box on how to reposition our economy. I am not doing it to encourage them to start finding fault to try and stop me.

## **The Environment.**

Beyond the green economy, there is the Circular Economy, which in my judgment is the only initiative that has a chance of stopping the climate change catastrophe.

The green economy is not enough because it only addresses how we produce what we consume.

It says and does nothing about the fact that we consume too much.

What it does is say we should produce what we consume with a less polluting, more environmentally friendly technology.

So if consumption of electricity is very high and growing what is wrong is that it is produced by fossil fuels. So we have natural gas instead of oil which is less polluting or wind and wave power or solar energy which is greener but we can still continue consuming ever higher amounts of electricity per capita.

Of course even if the green energy source is less damaging and less CO2 producing it still needs us to use raw materials and metals to manufacture the substitute technology.

The scientific evidence is that 91% of the resources we take from nature is wasted to enable us to consume the remaining 9%

The really disruptive approach is to develop a new way of life, a new approach to consumption which many see as a novelty but in my view is going back to how we used to do things and apply the same principles, the same approach, the same philosophy, except that we do so with what is possible today and in the future, with the latest technology.

Let me explain what I mean by that Mr Speaker.

I call it the Belling system Mr. Speaker. I can remember when in my household my mother used to cook using charcoal. At one stage we had the City Council which used to run municipal services before the 1969 Constitution merged City Council and Colonial Government, "el Citi Caunci y la Colonia", in Ilanito

The Municipality came up with a way of introducing a mass shift to electric cookers.

They bought the cookers and leased them as well as selling the electricity to the consumer.

The rental of the cooker made it available to low income families that would not have been able to buy.

The cookers were manufactured to last, they were provided repaired and replaced by the City Council and the scheme was self financing for one reason and one reason only the Belling cooker was built to last 50 years, not designed to have a limited life

and be cheaper to replace them to repair. Indeed I believe there are still some working Bellings around in our city.

This which is my memory of the 1950s is the hot technology of the future which is considered by many serious scientists our only hope of slowing stopping and reversing climate change.

Environment

Mr. Speaker the decision taken by the European Parliament in 2020 and this year promoting an alternative lifestyle and production model for industry seems to me to be the only real hope we have that may reduce and then reverse the global warming and climate change.

Based on this analysis our National Economy Plan will include a strategy of sponsorship for Inward investment projects that promote the circular economy and support local initiatives that are compatible with that objective.

However I have to say that the prospect of success for that approach developing at a strong enough pace and on a sufficiently global scale are not very high in my judgment.

We face the problem here on a miniature scale, indeed in this very room, between the 17 of us, elected to protect Gibraltar and its future.

Can we protect Gibraltar from a catastrophic environmental if the rest of the world does not act soon enough?

The answer is clearly no.

No one is safe anywhere on the planet.

We have floods in the heart of EU with no parallel in recent history. Melting ice everywhere and in particular in the two poles and Greenland which can lead to rising sea levels and warming sea temperatures. We're experiencing in the west coast of America and Canada temperatures in excess of 45° and dry vegetation which is causing spontaneous wildfires which in turn will accelerate the CO2 content of the atmosphere and produce more climate change.

There's only one answer unless by some miracle we make a technological breakthrough which enables us to find virtually free inexhaustible energy by harnessing the fusion process that provides the energy of the sun and in turn supports life on earth.

This I imagine will happen sooner or later as there is a great deal of research and investment in this area but will it happen soon enough?

And if it were to happen, can it happen painlessly? Can we move from fossil fuel's to inexhaustible clean energy without a huge disruption developing in the global economy and a huge shift in the balance of wealth and political power?

But at the simplest level can we make people understand, in what is little more than a village of 30,000, which is what we are, that we cannot consume more than we produce?

That we cannot take more from the planet than we put back into it?

Can we give leadership to people by telling them that it is not possible to have more of everything every year?

But it requires disruptive technology because it combines the philosophy of the past, building things to last and repair and reuse with the technology of the future. This will only happen on a global scale if and when manufacturers and designers decide to adopt it.

They will not adopt it if the consumers are unwilling to become users of artefacts instead of owners. And this may really be the ultimate stumbling block given the place that ownership has in our social values as a way of reflecting the individual's importance in the eyes of the rest of the tribe, the persons peers, by whom most people feel they need to be judged, in order to boost their self-esteem.

In fact it will only become possible if we are able to free citizen the addictive condition that I described in the 2019 budget.

Compulsive consumption disorder is what I called it and described it as the illness of western civilization. And illness which poor societies aspire to also be contaminated with so that they can stop having to reuse repair and recycle and instead by use and dispose which is the lifestyle which is predominant as the sign of success.

It is easy to understand how we got here.

It makes short term economic sense because the concept of polluter pays it's just that a concept but in reality the polluters where in the west and have not paid the price, until very recently, the developing so called "poor countries" coincidentally the least polluting have been the ones paying.

But whether what is done is what is needed is another matter.

The National Economic plan will evolve from a post Brexit future proof plan to a post pandemic future proof plan by aligning itself with the future of where our civilization needs to be, the Circular Economy, promoting it, participation in it and investing in it profitably.

We are not going to change the world, but we have to be where the world needs to be if it is to survive the climate catastrophe that is threatening life on earth.

That paying more money to people who do not need it for doing nothing and moreover with the money that we do not have and need to borrow, not so that they do not suffer hardship but so that they can increase their already high level of consumption, is the very opposite of where the world needs people, to be doing, at this difficult time in human history.

Is it that 17 of us cannot agree or are not willing to accept that this is the reality?

We have to pay less to consume, we have to consume less and we have to pay ourselves less.

If we don't then the gap between us and the generations that follow us will go into the reserve of what it has been up till now.

Each generation worse than the preceding one instead of better.

Our destruction of the planet's ability to support life makes the human species the worst and most dangerous life form earth has ever had, by comparison the Covid virus is benign.

And in addition our continuing to increase our consumption levels will be the most selfish thing that any humans and indeed any lifeforms have done in respect of protecting their offspring's.

This is very simple Mr Speaker the more we take out of this planet compared to what we put back the less there will be for the generations that follow us.

The rainy day fund's concept of the Socialist Government in the 1980s originally rubbish but now welcomed in theory at least is the tangible proof of what needs to be done to look after those will follow us.

This year is the first time in our history that we are talking about finishing with a deficit of £138 Million and projecting a further deficit of £51 Million, and we still have a debate about spending more and not raising revenue.

If we think that this is about who wins the next election then let me tell the House, in the context of the issues that face Gibraltar as part of the global scenario in the field of economics and the environment, that the actions that the members of Homo Sapiens take in what they do in the lower part of the Rock is about as important as what the Barbary Macaques do in their not dissimilar primate battles to gain influence in the upper part of the rock.

The natural behaviour of primates, in my humble opinion of course, Mr Speaker.