

THE CHIEF MINISTER'S BUDGET ADDRESS 2015



**HM Government
of Gibraltar**

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The Chief Minister's Budget Address 2015

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

Introduction

1. Mr Speaker, this is my twelfth budget session as a Member of this Parliament and my fourth budget address as Chief Minister and I now have the honour to present the Government's revenue and expenditure estimates for the year ending 31st March 2016. I will also report to the House on the Government's revenue and expenditure out-turn for the year ended 31st March 2015, which marked the third full financial year of a Socialist Liberal Administration since we took office in December 2011.
2. Mr Speaker, as has been traditional since Joe Bossano first grasped the economic nettle for us as a people, this budget address will include NOT JUST my report to the House on the Public Finances of our nation and the state of the economy generally, but also a review of many other pertinent matters affecting our economic outlook,

making this, very much more than just an address on the second reading of an Appropriation Bill, but a 'State of the Nation Address'.

3. I will also, of course, outline the Budget Measures that this Government will introduce this year in pursuance of its manifesto commitments and in order to continue to address the social and business needs of our community.
4. This year, Mr Speaker, I will also be undertaking a review of the work we have done in the time since we were elected, highlighting how the Budgets I have introduced in this House have helped deliver a stronger, more prosperous and more secure Nation.
5. Mr Speaker in terms of the quality of our democracy, we have now had thirty four meetings of the House since our election. We have demonstrated our commitment to democratic reform not least in opening up our debates to video cameras which have transformed the way the public interacts with this Parliament when in session. We have still some work to be done, and some of it will shortly be introduced, but the work of this Parliament has advanced and modernized hugely and people know, see and feel that.

6. Perhaps the most exciting development to come shortly Mr Speaker will be the debate on a Freedom of Information Act, which will fulfill one of our important manifesto commitments.
7. Last year, during the course of this debate, I spoke of my decision to introduce legislation to create a Chief Minister's Consultative Council. After the intervention of the Honourable Backbencher, I agreed that it should be called the Gibraltar Consultative Council. Mr Speaker, the legislation has already been published as both a Command Paper and now as a Bill and can be proceeded with by the Parliament before the summer. I look forward to leading the debate on that Bill also.
8. Indeed, Mr Speaker, no-one can argue that we have not delivered anything other than root and branch Parliamentary Reform, adopting already many of the key proposals of the Commission on such Reform which you presided over. Even the reference to "Command Papers" demonstrates how things have changed and the level of consultation which there now is where possible in relation to legislation in new areas.

9. This year the Parliament has been involved in the preparation of the new register of electors. Already much work has been done in this respect and the year will see a General Election held. This will as ever require huge organizational effort and on behalf of all members I want to thank the members of your team for the work they have done and do to support us in our work as Parliamentarians whilst they also do the hard work of delivering a new register ready for the General Election. Thank you all very much indeed for all your assistance.

10. Mr Speaker, I want in particular to congratulate Ms Frances Garro for her receipt of the Gibraltar Award for her service. Frances is a joy to work with and always a huge help to all of us who need her. She is blind to what side a member sits on or to partisan affiliation, and she is selfless in always being ready to go above and beyond the call of duty for members of this house, other public officers or any member of the public who may need her assistance as a servant of this house. Her award is very well deserved.

The Global Economy in Transition

11. Mr Speaker the World Bank Outlook on Global Economic Prospects considers that developing countries face a series of tough challenges in

2015 which will result in a fourth consecutive year of disappointing economic growth this year. Developing countries are now projected to grow by 4.4 percent this year, with a likely rise to 5.2 percent in 2016, and 5.4 percent in 2017.

12. **World Bank Group President Jim Yong Kim said, as part of that report that the World Bank Group** "believes that countries that invest in people's education and health, improve the business environment, and create jobs through upgrades in infrastructure will emerge much stronger in the years ahead." That is exactly the sort of investment we are making Mr Speaker.
13. **Because we face a period of some uncertainty in many respects, where the greatest certainty is offered by our own determination.**
14. It is not clear, Mr Speaker, whether the Eurozone will end the week with Greece as a member or not. In Spain, the effects of a chaotic departure of Greece from the Euro could create major economic problems again. The EU referendum is now a reality and we ourselves are going to see this Parliament have to transpose legislation to provide for the vote in Gibraltar. Our future is in Europe, in access to the single market, but what will that market look like in two years and what will be the shape of the renegotiated proposal put to us as British people?

15. Mr Speaker, we have seen the effect of the past seven years of crisis in Europe. In Spain, some children still only eat at school because their parents are unable to provide nutrition at home. As ever, Mr Speaker, we can but wish to see positive developments for the economy of our neighbouring nation. The less that a Spanish Government might consider that it needs to deflect attention from economic woes at home, the less likely we are to be a defamed scapegoat.
16. In this respect, Mr Speaker, I was – as most Gibraltarians will have been – unsurprised to hear Spanish Tax Minister Snr Montoro once again nonsensically suggesting that Gibraltar should be on the EU's tax haven lists. He was sorely disappointed Mr Speaker and expressed his bitter disappointment in such media as were prepared to listen. I am writing to him again, despite his failure to respond to my previous letter, setting out in black and white, the many reasons why he is wrong in his analysis. The open letter, will go later today depending on the time when adjourn the House.
17. More locally there has been a change of political parties in the municipality in La Linea, but we have already established contact with the new Mayor and trust that we will be able to enjoy a cordial and mutually beneficial relationship for the good of both cities.

18. For the UK, Mr Speaker, the reputable accountancy practice PWC reflects that economic growth was around 2.6% in 2014, the fastest in the G7, but is projected to slow to around 2.5% in 2015. This would be behind the US and Canada, but still the strongest of the large European economies.
19. Last night Mr Speaker I was at the opening of a second US trade mission to Gibraltar organized by the American Chamber of Commerce in Gibraltar. I was very happy indeed to see that our initiative in spreading Gibraltar's business and political influence is bearing fruit. Fourteen US companies are visiting Gibraltar on this occasion. As we will see, the economic performance of Gibraltar is strong, and in great measure, despite the difficult times facing Europe and attempts by those outside Gibraltar to strangle our economy and the efforts of some inside to talk it down, we have prospered because we continue to spread our wings as a Government. We are leading the private sector in opening new avenues for trade and new routes into Gibraltar for international businesses.
20. But the world, Mr Speaker, is not just a place which we open ourselves to in business terms. It is also a dangerous place these days, with transnational terrorism being a constant danger to peace

loving communities such as ours. We are not far enough from the disturbing problems in North Africa and we must remain ever vigilant and support our law enforcement agencies in the work that they do to keep us safe, giving them physical and legislative resources they need to do so.

21. Mr Speaker, as with my Government's last three budgets, this budget has been designed to support our working families, to support our youth and our students, to support our senior citizens and our disabled.
22. In personal terms, this is a budget for those who put their hands out to work and not for those who unfairly put their hands out to receive. Mr Speaker, we are as ever setting out to protecting those who cannot work and not those who won't work.
23. In corporate terms, this is a budget designed to encourage business, to encourage start-ups, to encourage our entrepreneurs, to improve our public services and to deliver sustainable growth in our economy.
24. In short, Mr Speaker, it is a budget that reflects my Government's mission to improve the quality of life and standard of living of all our citizens.

ECONOMIC GROWTH, INFLATION & THE GROSS DOMESTIC PRODUCT

25. Mr Speaker, let me start first by undertaking a detailed analysis our own economic performance.

INFLATION

26. Inflation in Gibraltar averaged at 1.8% in 2014 compared to 2.1% in 2013. Over the lifetime of this Parliament, the average rate of inflation has been in the region of 2.75% per year.

27. The Government's Statistics Office reports that the largest contribution to the slowdown in the rate of inflation in April 2015 came from food, alcoholic drinks as well as tobacco and fuel prices and slower price rises in clothing and footwear. These were partially offset by upward contributions from other travel and transport, the services industry and housing. Falling prices are however expected to be short-lived and prices are forecast to rise towards the end of the year or early next year, when the effect of the fall in oil prices and import prices with the weak Euro, begin to drop out of the annual rate.

28. Mr Speaker, the inflation rate is therefore expected to remain below 1% during 2015, rising towards the 2% target in 2016.

THE GROSS DOMESTIC PRODUCT

29. Mr Speaker, last year I was able to tell the House that the figures then available in respect of GDP Estimates prepared by the Statistics Office reflected that Gibraltar's Gross Domestic Product for the financial year 2011/12 was £1.17 Billion and that the GDP figure for 2012/13 was estimated at £1.28 Billion and the forecast for 2013/14 was £1.41 Billion. These figures, as Honourable Members know, are annually recast as more reliable information comes in and the estimate becomes a firmer calculation.
30. I am today able to provide the house with firmer figures in respect of each of those years with the latest information available from the professionals at the Statistics Office.
31. The information available confirms our estimate at the time, an estimate made by the Honourable Mr Bossano from the Opposition benches, that the GDP for the year 2010/11 was £1.082 Billion, ie just £18 Million shy of our estimate of £1.1 Billion. An incredibly accurate

prediction on the part of Mr Bossano, the father of this House, demonstrating in clear and tangible terms why so many in this Community rightly have such a high regard for his ability to understand our economic model, one that he has largely been responsible for developing almost single handedly.

32. Mr Speaker, the latest data available also reflects that for the Financial Year 2011/2012, the first full year of this GSLP/Liberal administration, the GDP estimate of £1.17 Billion must be revised. Unfortunately for those who would wish ill on this nation of ours, the revision is one to be made UPWARDS to a now more reliable figure of £1.2 Billion. This represents a growth of 11% on the previous year's GDP.
33. For the financial year 2012/13 the estimate last year was that GDP for that year had reached £1.28 Billion. In fact, that estimate also fell short of where the actual figures appear to be pointing. The final GDP estimate for the financial year 2012/13 is now more accurately stated by the Statistics Office, with the more real and up to date data available to them, as being HIGHER and in the region of £1.32 Billion.

34. Mr Speaker, that represents impressive growth in GDP terms for that year of 10%.
35. The GDP figure forecast last year by the Statistics Office for 2013/14 was then £1,41 Billion. In fact, Mr Speaker, the more accurate preliminary estimate now requires a further UPWARD revision of £83 million, giving an estimated GDP for the financial year 2013/14 of £1.484 Billion.
36. Mr Speaker, that yields a GDP growth for the year 2013/14 of 12.7% in money terms.
37. Mr Speaker the figure that Honorable Members and the public will most want to know, however, is the forecast GDP for 2014/15, ie the last financial year which ended on the 31st March.
38. Mr Speaker, it gives me huge pleasure and satisfaction to announce that the forecast of the Statistics Office for the Gross Domestic Product for the last financial year 2014/15 is now £1.64 Billion.
39. Mr Speaker that represents a GDP growth of 10.3% in money terms for that year!
40. Another year, Mr Speaker, of DOUBLE DIGIT economic growth.

41. Another MAJOR THRUST FORWARD for the Gibraltar economy.

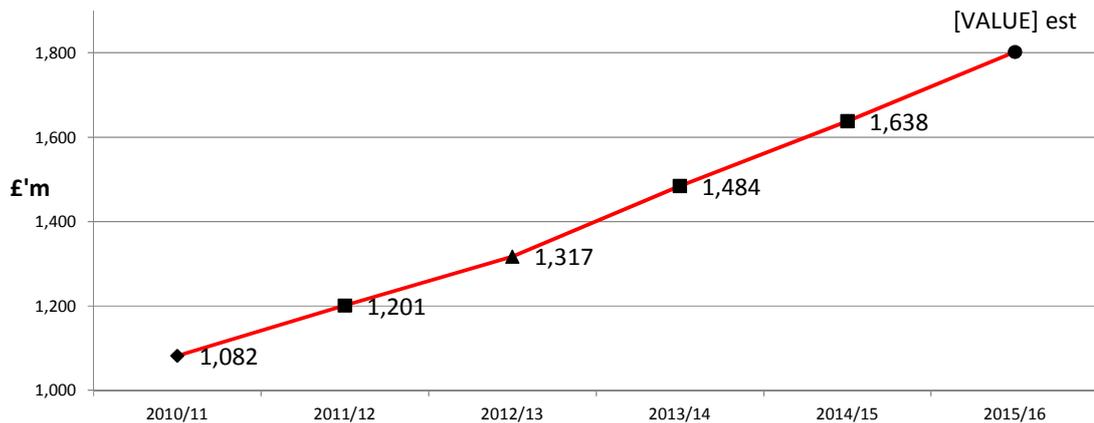


Figure: Growth in Gross Domestic Product

42. My pleasure Mr Speaker is enhanced by the fact that our manifesto commitment to the people of Gibraltar had been to grow the size of our economy from £1.1 Billion in 2011 (where we accurately predicted the GDP to be) to £1.65 Billion in 2015/16.

43. In fact, Mr Speaker, we have reached £1.64 Billion in the early estimates for Financial Year 14/15. As we have seen in the figures I have just been able to provide the House, it is likely that this figure will in any event be revised upwards next year as more detailed information is received by the Statistics Office. We have, in effect,

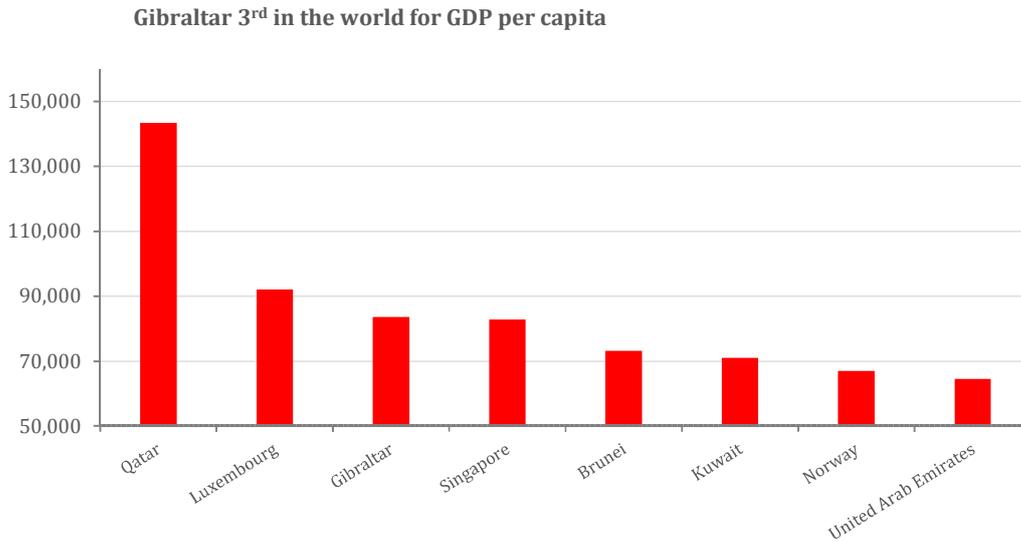
reached the target that we believed was reachable in four years in just over three and a quarter! A truly remarkable achievement Mr Speaker, although I expect our opponents will now want to airbrush aside their skepticism when we embarked on this ambitious endeavour!

44. Most importantly, Mr Speaker, we have reached in three years the target that many of those who oppose us said could NOT be reached in four.
45. Ironically, Mr Speaker, it is those who said we could not reach our GDP targets who continue to make the mistake of saying we cannot achieve other things we propose for the benefit of our community.
46. They should learn the lesson of our constantly proving them wrong!
47. I am sure, Mr Speaker, that during the course of his address in reply, the Honourable the Leader of the Opposition will want to congratulate us for this massive success in achieving our ambitious growth targets a year early.
48. And that of course means, Mr Speaker, that these GDP figures demonstrate that by the end of the next financial year, 2015/16, we will have not just comfortably reached our target of £1.65 Billion,

requiring only a growth of £10m in our economy, BUT THAT we will have comfortably exceeded our prediction, achieved our target and delivered for our people even greater economic growth than we predicted.

49. And to think that they said it could not be done!
50. And this increased level of growth in our economy during the past three years, with an average growth rate of over 10% per annum in nominal terms, means that Gibraltar continues to rank among the fastest growing economies in the World.
51. That is the product of our collective effort as a Community.
52. That is the effect of our hard work as a Nation.
53. That is another reason for us all to be proud of our iron determination as a people.
54. Let us now break that down per capita Mr Speaker because GDP per capita of an economy is often used as an indicator of the average standard of living of individuals in that country, and economic growth is therefore often seen as indicating an increase in the average standard of living.

55. Mr Speaker per capita on a GDP of £1.64 Billion, that gives us an estimated GDP of £50,941 per person using the latest published figure of population of 32,194 people, published last week in the Census.
56. In US Dollar terms, taking the monthly average US Dollar rate for the calendar year 2014 of \$1.64 dollars to the pound sterling, the GDP per capita stands at U\$83,544.
57. Mr Speaker, together, what we have achieved with the leadership of this GSLP/Liberal administration is to maintain Gibraltar once again in 3rd place on the International Monetary Fund, World Economic Outlook Database of GDP per capita rankings.
58. Third place out 187 countries.



59. We trail only Luxembourg with a GDP Per Capita of \$92k and Qatar with a GDP Per Capita of \$143k.

60. I tell the House each year that my view is that these measures are not entirely scientific because of differing methodologies and fluctuating exchange rates; but they are the measures that the rest of the world relies on.

61. Mr Speaker when we took over in December 2011, Gibraltar had placed ninth on that index. I am very proud indeed that we have risen to third in the time of my leadership of our small nation. Indeed, I know the whole of my ministerial team feels huge pride in this

respect, but I would also call on the wider community to feel that pride. Because this is the achievement of all of us combined. The product of the work of us all as a people.

62. As was the case last year, the main drivers for this positive growth, Mr Speaker, are primarily the continuing increased employment and turnover in the online gaming and financial services industries, and the very increased levels of construction now evident in our economy with the private sector taking more and more of the lead in that respect.
63. And Mr Speaker one of the most exciting things that is happening in our economy is now the rise of the private sector as the main driver of GDP growth for the future.
64. Well Mr Speaker, having almost entirely delivered our main manifesto commitments and being in the process of delivering those still not finalized, we can now see that the private sector is starting to work on developments that were previously not taking off.
65. The WORLD TRADE CENTRE is now becoming a reality.
66. Two new blocks of flats at Ocean Village are likely to start construction in the next 12 to 24 months.

67. Quay 29, alongside Kings Wharf, is expected to break ground in the same time frame, with the public benefitting from our insistence as a Government in the reduction of the height of that development. The same developers are already talking to Government about the development of the site at Coaling Island where there may shortly be an announcement of another interesting development involving further reclamation, which will also provide a huge boost to GDP and will involve positive effect on Government revenues by way of premium.
68. The MidTown development is already underway. This development, importantly, will not benefit from the Government investing £20m in the equity of it as the previous administration had planned on doing. But it is going ahead, reduced in size after we pushed for a better deal for the tax payer.
69. The area of Victory Place is also slated to begin development in the next 12 to 24 months.
70. Rooke is shortly to be handed over and will shortly be the subject of a request for expressions of interest for its development also. A number of potentially uses could provide major economic value for

Gibraltar beyond the simple redevelopment as flats or offices and there may be an interest in combining it also with some social and community uses.

71. But Mr Speaker, the best example of private sector investment is the recent announcement made by the Deputy Chief Minister and myself in respect of the Eastside.

72. Mr Speaker Blue Water Resort will equate to an investment in Gibraltar of a total of £1.1 Billion pounds of outside investment into Gibraltar. The largest amount of money ever invested in our nation. £1.1 Billion represents a huge boost for our GDP, not funded by the Government and the taxpayer, but from investors from outside Gibraltar. In addition, Mr Speaker, the developers will be building affordable homes on the Eastside plot and in the area currently occupied by the Customs Department at Waterport. They will be financing the development of the affordable homes with the Government being only a purchaser in partnership with the homebuyer at the end of the building period. Mr Speaker, the Ombudsman states, in the Introduction to his recently tabled Report for 2014, states, when referring to the 900 affordable homes about to be delivered, that “without doubt, this development has done away

with the huge pressures that the Housing Authority has historically been subjected to... [and that] Judging by present trends we could for the first time see housing issues being removed from the top of the complaints league." Well, Mr Speaker, the Government believes that the development and delivery of these additional 1,700 homes will achieve exactly that.

73. Of course Mr Speaker, the decision to invest £1.1 Billion is also a huge statement of confidence in our economy, in our public finances and in our parties' stewardship of our nation's affairs. It demonstrates in real terms that whatever else might be said about public finances and our economy, when we are x-rayed by outside investors, they see what they like and give no credibility to the hell and brimstone being preached by some.
74. Another great driver of economic growth for our future will be the establishment of an entirely safe Liquefied Natural Gas storage, re-gasification and bunkering facility.
75. The Government's discussions with interested parties suggest that the facility is likely be financed entirely by third parties, giving the Government the option to invest in such a facility but not requiring us

to do so. This will be the beginning of a new industry for Gibraltar which, given current predictions, is likely to dominate the maritime transport industry in coming years. Recent statements from Carnival Corporation demonstrate that even the maritime leisure industry see LNG as a safe and less polluting fuel which is the future.

76. Mr Speaker, Gibraltar needs to be at the forefront of these developments if we want to continue to be the largest bunkering port in the Mediterranean. I know Gibraltarians are proud to say that we are such a port and will not want to see the bunkering industry disappear from Gibraltar as diesel slowly disappears as the fuel of choice in that market.
77. Ill informed comment and opportunistic scaremongering will not blind the people of Gibraltar to the importance of developing our bunkering industry in that way. In fact, Mr Speaker, the Government expects that the mature proposals it will put before the people of Gibraltar in respect of the LNG facility will be markedly safer than the operation of aircraft within the distances currently relevant between the airport and residential areas. Indeed, Mr Speaker, we confidently believe that the risk analysis to be put before people will show that there is a greater chance of an airline pilot or an air traffic controller making a

human error and landing or directing an aircraft on Waterport Terraces, on Marina Bay, on Glacis or Laguna than the risk of anything going wrong with the operation of an LNG facility. Indeed, Mr Speaker, members of the public will know that operations with aircraft fuel, known as JET-A1 are hugely more dangerous than operations with LNG. And yet JET-A1 fueling operations are carried out each day within spitting distance of millions of airline passengers and here within metres of residential areas like Laguna, Glacis, Devils Tower Camp and Four Corners. Nuclear powered submarines have long been made welcome in Gibraltar and berthed within short distances of established residential areas, and very welcome they are too. Indeed, airtraffic controllers at Gibraltar reputedly land large and unwieldy military aircraft loaded with missiles and war-heads to refresh those on board those nuclear powered submarines and think nothing of it. Never mind the potential consequences if something went wrong once in one hundred million years. But there are some Mr Speaker, who won't let the facts get in the way of a spurious argument when they are not the ones making the decisions.

78. And it is not just the Government of Gibraltar and most responsible Governments and organisations around the world that are working on

the basis of the safety of LNG as a fuel, as we have seen from the Carnival announcement two weeks ago. Indeed, in years to come, the LNG bunkering facilities at Gibraltar are likely to make us attractive not just as a bunkering port, but also as a cruise port given that the Carnival lead is likely to be followed by other cruise operators.

79. In a nutshell, if an American Cruise corporation, risk averse and litigation averse as they naturally are, is prepared to have 6,000 passengers sleeping ontop of a gas storage and re-gasification facility, then we can understand that with the proper planning and technology, we can operate a safe LNG storage, re-gasification and power plant.

80. But Mr Speaker, we all in this place know that; its just that some just don't know what else to say to try to scare a few people into voting for them...

81. Anyway, onto other matters...

EMPLOYMENT

82. Mr Speaker, one of the largest components of our GDP growth is of course the growing levels of employment in our economy. The

number of jobs in our economy is at a record high level of 24,422. This represents almost a 16.4% increase since 2010.



Figure: Total number of jobs

83. In comparison to October 2011, the last survey relevant to the time the Honourable Members were in Office, the growth has been huge in particular in terms of Gibraltarians in jobs. Year on year growth Mr Speaker in respect of this hugely important figure, the number of our compatriots in full time employment!
84. In terms of all Gibraltarians in employment, whether full or part time, once again we are breaking records.
85. In October 2011 when we took over, the total number of Gibraltarians in employment has suffered a huge decrease under the previous GSD administration. The figure had SUNK by 4.5% from the year

before under the GSD. In fact, in October 2011 the total number of Gibraltarians in employment was 10,220, having fallen by 486 in just one year.

86. In just our first year of administration, the figure of Gibraltarians in employment, full or part time JUMPED by a huge increase of 511. That is to say Mr Speaker, in one year we were able to see more Gibraltarians find jobs than had lost their jobs in the year before. 486 had lost their jobs in the last year under the members opposite, whilst 511 found jobs under us, even though we had to stop all the Government projects because the members opposite had left us almost no useable cash reserve. In percentage terms Mr Speaker, what the GSD saw diminished by 4.5%, we increased by 5% in just one year. A stunning reversal of the bad fortunes many had suffered, losing their jobs during the last days of the previous administration. The final figure of Gibraltarians in employment in 2012 was thus 10,731.

87. In the following year, reported in the survey of October 2013, the number went up AGAIN from 10,731 by a further 126 to 10,857 or 1.2%. ANOTHER RECORD YEAR. THE HIGHEST FIGURE EVER of Gibraltarians in employment.

88. And this year, Mr Speaker, I am delighted to be able to inform the House, that the total number of GIBRALTARIANS IN EMPLOYMENT has risen AGAIN and is up by 134 jobs or 1.2% in the year from October 2013 to October 2014 taking the total from 10,857 to 10,991.

89. ANOTHER RECORD YEAR Mr Speaker!

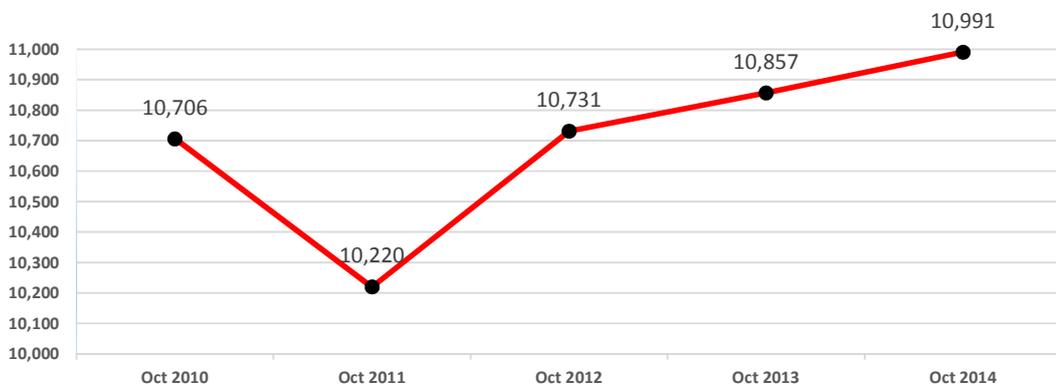


Figure: Total Gibraltarians in employment

90. AGAIN more Gibraltarians at work than ever before!

91. And as socialist and liberal parties, Mr Speaker, this is the part of our record of which we are the proudest off.

92. Creating sustainable employment.

93. Putting people to work.

94. REAL jobs bringing REAL dignity to the lives of REAL people.

95. The people, Mr Speaker, who members opposite used to say were “unemployables” because they could not understand how to make the job market work for our people as well as it works for others.
96. Indeed, Mr Speaker, Members opposite used to say that 300 registered unemployed would constitute “full employment”.
97. Actually, as with so many of the “hostages to fortune” which one can see developing in Gibraltar politics these days, that phrase lies on the lips of the now Hon Leader of the Opposition who uttered that phrase on a television programme with the Hon Joe Bossano...
98. Well, the latest unemployment figure available to the Ministry for Employment tells us that the number of unemployed in Gibraltar is now 190.
99. Not 300 Mr Speaker.
100. Not 200 Mr Speaker.
101. But 190!
102. I therefore would expect that the Honourable the Leader of the Opposition will want to congratulate the Government for that remarkable achievement during the course of his address.

103. By his standards, we have achieved "full employment".
104. And we have done so despite 486 Gibraltarians having lost their jobs in the year up to October 2011, two months before members opposite were themselves dismissed by the great Gibraltarian public!
105. But one Gibraltarian unemployed who genuinely wants a job is one unemployed person too many.
106. We consider any persons unemployment to be a tragic issue for that person, for his or her family and a matter which we must work with them to resolve.
107. So we will not rest on our laurels Mr Speaker.
108. And we will not just be there to help people find jobs.
109. We are also here to help people improve themselves and to better themselves.
110. That is why we are providing continuing education for those who want it.
111. Because we want to help people also to develop...

112. And the two Ministers who have been involved in the Ministry of Employment since our election deserve praise in this respect. The brilliant Joe Bossano broke the back of unemployment and the efficient and disciplined Neil Costa demonstrated his great ability by improving even further on Joe's huge achievements over three years in the post. I am proud indeed to share a Cabinet with them.

AVERAGE EARNINGS

113. Let us also look Mr Speaker at what has happened to the earnings of those in employment in the time we have been in office.

114. Mr Speaker, AVERAGE ANNUAL EARNINGS in Gibraltar were £23,575 in 2010. By 2014 AVERAGE ANNUAL EARNINGS in Gibraltar had grown to £28,244.

115. That amounts to a 19.8% increase in AVERAGE ANNUAL EARNINGS under this administration. Almost exactly 20%, Mr Speaker.

116. Inflation for the same period is 13.5%, giving earnings an inflation busting headroom of 6.3%.

117. So we are delivering DOUBLE DIGIT GDP GROWTH, alongside DOUBLE DIGIT GROWTH in the job market and DOUBLE DIGIT GROWTH in AVERAGE ANNUAL EARNINGS. A DOUBLE WHAMMY OF GROWTH in respect of every positive economic indicator Mr Speaker!

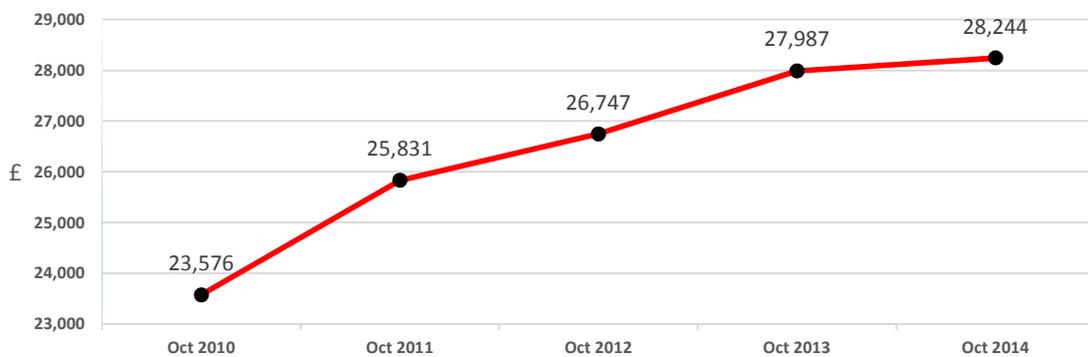


Figure: Average Earnings 2010/11 to 2014/15

Public Finances

Public Debt and Cash Reserves

118. Mr Speaker, the level of Gross Public Debt as at 31st March 2015 was lower than last year at £448 million. This sum is already £72 million lower than the level we inherited of £520million.

119. The level of Cash Reserves is estimated to have ended the financial year at around £72 million. That means that we have exceed the

estimate for Cash Reserves which the Government had anticipated would have been £70 million by £2.3 million. Another very positive development of the estimate being exceeded by better than expected economic performance.

120. Our current estimate is that Cash Reserves will hit £85 million next year.

121. Mr Speaker, in effect reflects a Net Public Debt at £375 million or 22.8% of GDP.

122. Mr Speaker, our borrowing level continues to be low in relation to the size of our economy and, as a percentage of GDP is currently among the lowest of the countries in the European Union. This is so even if we were to include the borrowing of Government-owned companies, which as Honourable Members know, is not and has never been deemed to be part of the Public Debt, since borrowing by Government-owned companies is secured solely against the assets held by those companies and is serviced directly from income derived by the Government-owned companies.

123. As a percentage of Annual Recurrent Government Revenue in the previous year, Net Public Debt carried forward to 1st April 2015 was

65%. This leaves a clear margin of 15% (around £82 million) of further borrowing capacity, or permissible drawings from useable Cash Reserves, under the Public Finance (Borrowing Powers) Act. This compares with usable Cash Reserves of just £20 million when this Government took office on 9th December 2011 and just £2.5 million at the end of March 2012.

124. Mr Speaker, I was pleased to table in the House at the beginning of this session, in the context of the management of our Public Debt, the renewal the Government has managed to agree in respect of the £50 Million Revolving Loan Facility with the Royal Bank of Scotland for a further period of 5 years to 31st March 2020. The interest payable on this loan is LIBOR plus 0.875%. Mr Speaker, I would like to commend the Financial Secretary for having negotiated and arranged this excellent loan facility, which will provide the Government with additional flexibility in the management of the Public Debt. Mr Speaker, the low margin agreed on this loan is also a reflection of the increasing level of confidence by international financial institutions in our economy and Government, and this Mr Speaker, despite a backdrop of locally engineered negativity. Which serves to demonstrate that international institutions are not following the lead

set by those ill-informed and self-serving commentators who peddle a negative story about the state of our Public Finances.

125. Mr Speaker, the Government continues to be fully committed to reducing the level of public debt and we expect that, in the coming months, in particular with exceptional income expected this will fall to in the region of half the level that it was when we took office. Indeed, just the sales of those apartments can provide a considerable payment to government from the purchasers.

126. However, public debt is expected to edge upwards again in the latter part of the financial year – given that there will be a new administration with new projects to start - to end the year with Gross Public Debt at around £400 million and Net Public Debt at £314 million, representing a further significant reduction during the financial year.

127. Mr Speaker it is hugely important to recall that at the time that we took over as a Government the Gross Debt, which is the measure used in every serious measure of debt, was at £520m. The Gross debt of our nation had peaked at over half a billion pounds on a GDP of £1.1 Billion. In other words, our Gross Debt under members

opposite was 47% of GDP. And that was without including company debt which is not and never has been included as part of the Government debt.

128. Today, it is clear that the gross debt is lower than it was under the GSD.

129. Indeed, let us do the exercise Mr Speaker together in this House of looking at the debt in the context of the past seven financial years since 2008, the first financial year after the 2007 General Election, so that we look together at the lifetime of the last Parliament and the life time of this Parliament until now. What does the history of two full Parliaments tell us?

130. In 2008, the GDP was £898.7m. The Aggregate Public Debt, or Gross Debt, the measure which really matters and which the internationally accepted measure was then 21.3% of GDP. Net Debt was 6.9% of GDP. By the following year, GDP was up to £1BN. That was the time that members opposite went on the largest spending spree in the history of Gibraltar politics. Before their term was up they would from this moment go on to spend more in the three financial years that followed than they had spent in the previous 13.

That year the Gross Debt JUMPED to an astonishing 38.4% of GDP. Yes, a growth in Gross Debt in one year from 21.3% of GDP to 38.4% of GDP. That means that Gross Debt more than DOUBLED in ONE FINANCIAL YEAR under the GDP. The Gross Debt actually increased by 80.3%.

131. The most astonishing thing, of course Mr Speaker, is not just that the party Opposite were in power at that time, but that the Honourable now Leader of the Opposition was Minister for Justice in that Government! He expresses such concerns about debt these days, and yet he was a member of the Government that more than doubled Gross Debt as a measure of GDP.
132. In Net Debt terms, the debt went from 6.9% of GDP to 13.8% of GDP. It EXACTLY DOUBLED in Net Debt terms. A 100% increase in the Net Debt, Mr Speaker. And not over the lifetime of a Parliament, but over ONE FINANCIAL YEAR!
133. So it is really quite incredible to see that the person who was a Minister in such a Government might now be concerned when Gross Debt is actually down at last to BELOW the levels at which they left it at £520m.

134. But let us continue the exercise of looking at the debt as a percentage of GDP, because Honourable Members on this side of the House will be very interested to hear how things pan out and members opposite will no doubt on this issue also question the Leader of the Opposition's wisdom in having made debt such a central issue of his criticism of this government...
135. By 2010, GDP had grown to £1.08BN.
136. Gross Debt as a percentage of GDP continued to shoot up to 44.4% of GDP. Mr Speaker, that is the high point of GDP to Gross Debt that our Nation has ever had to labour under. FORTY FOUR POINT FOUR PERCENT! That means that for every pound that went to the calculation of the size of our economy, forty four and a half pence was Government debt. Incredible Mr Speaker.
137. For those who might have just started listening, they might think that this is the situation now, given the hell and brimstone argument we hear constantly from the Leader of the Opposition. No. This was the position in 2010.
138. Gross Debt had shot up to £520 billion. From 21.3% of GDP to 44.4% of GDP in 700 days! That means that Gross Debt had grown

by 108% in two years under the GSD, with Mr Feetham as Minister for Justice.

139. I know it makes for uncomfortable listening for them Mr Speaker, but it is important for our Nation to understand how the party Mr Feetham now leads approached debt when they were in Government, despite what they are saying now.

140. Net Debt, in that year, 2010, went up to 19.1% of GDP, up from 6.9% two years earlier.

141. Mr Speaker, our people need to understand that in those two years, the GSD, the members Opposite, Mr Feetham amongst others, presided over an increase in Net Debt not of 1.7%, not of 17%, but of 176.8%! ONE HUNDRED AND SEVENTY SIX PERCENT INCREASE IN NET DEBT IN TWO YEARS!

142. Mr Speaker, talk about unprecedented growth, but of the wrong type!

143. Imagine if we had grown Net Debt by 176%. The Honourable Leader of the Opposition would have made an application to Court to have me burnt at the stake!

144. Well, the steak is about to get even better cooked. Although I like mine rare, Mr Speaker, theirs is about to get very well done indeed...
145. In their last year in office, in 2011, GDP had grown to approximately £1.2bn. That is the latest revised figure that has been made available to me by the Statistics Office who do such a magnificent job of like for like calculations.
146. Remember, Mr Speaker that for the first three quarters of the year, members Opposite had been in Government. For the last quarter of the financial year, the New Dawn of the 9th December 2011 had swept a new broom into power, namely the GSLP/Liberal Administration which I proudly lead.
147. Confronted by the memo from the then financial secretary telling us we only had £20m of useable cash reserve, which would fall to £2m by the end of that financial year, the LOWEST it has ever been, we had to take some very very painful decisions.
148. The position of the former Chief Minister, the Honourable Backbencher, Sir Peter Caruana QC, was to invite me to bring a Resolution to the Parliament to be free to borrow more, accepting in

that way that the debt ceiling was to be reached if we continued to spend or burn money at the rate we inherited.

149. The most important decision we took was to stop all Government projects which were still ongoing under the previous administration.

150. Despite that third quarter of strict financial control, the year ended with a Gross Debt of 43.1% of GDP. Our full quarter of financial control resulting only in a reduction of 1.3% of Gross Debt to GDP ratio.

151. The Net Debt had continued to rise to 25.3% of GDP. That means that the Net Debt of our Nation had gone up in the last three years of the administration by members opposite from 6.9% of GDP to 25.3% of GDP. The increase, Mr Speaker is of 266%!

152. Yes, Mr Speaker, The Net Debt as a share of GDP increase from 2009 to 2011 under members opposite, with Mr Feetham in Government was TWO HUNDRED AND SIXTY SIX PERCENT!

153. Well, how can the persons who presided over such increases in ratio terms now be preaching concern about Net Debt under this administration?

154. The ratio element is hugely important of course because it is about comparing debt to the size of the economy.
155. Well that is how they left things.
156. Let's look at the position today. The debt is decreasing and the economy is growing. After three and a half years of GSLP Liberal Administration, where are we taking Gibraltar in debt terms? Have we cured things or has debt gone up? Mr Speaker in doing this analysis, we will look at the cash position, real terms and at ratio terms.
157. Mr Speaker, the GDP estimate at the moment for this year is £1.64BN, just below the position we anticipated it would be at the end of the 2015/16 financial year. I will say more about that later.
158. BUT, Gross Debt, is DOWN to £448 million and will be going even lower by the time of the election. That means a cash terms reduction from £520m of Gross Debt by a total of £72 million pounds already.
159. Now, in RATIO terms, as a percentage of GDP, Gross Debt is DOWN from 43.1%, as it was under the GSD, to 27.3%. That is reduction in Gross Debt of 36.6%.

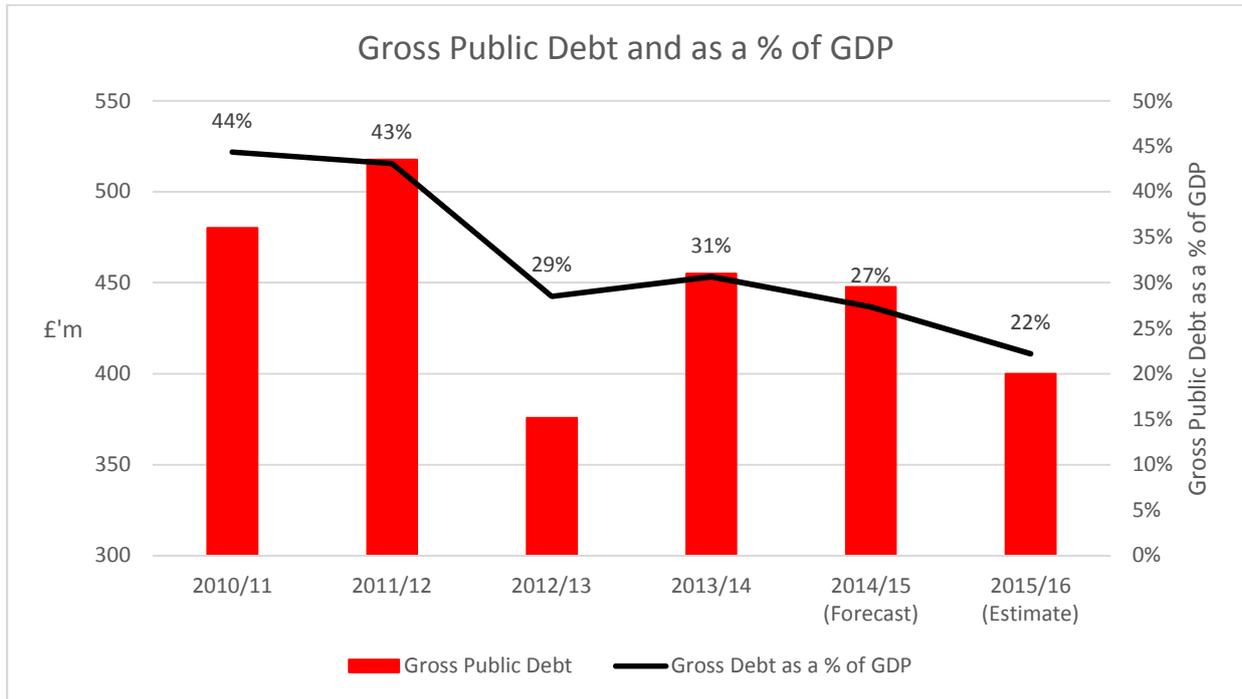
160. Mr Speaker, that is a very very creditable reduction in Gross Debt of almost 40% in just three and a half years!

161. And this is a percentage that has been reducing year on year. In 2012 the Gross Debt to GDP ratio had been a massive reduction from 43.1% to 28.5%, In 2013 a reduction to 29.6%. And ending as I said a moment ago at 27.3%.

162. Mr Speaker, if I may say so, exactly the right direction of travel!

163. And the same is true of Net Debt. From the GSD historic high of 25.3% Net Debt to GDP ratio of their last year in office, the Net debt to GDP ratio has now been reduced to 22.9%.

164. And as debt has reduced, revenue has increased and expenditure has fallen as a ratio to revenue.



Revenue and Expenditure Budget for the Financial Year 2014/15

165. Mr Speaker, I am, in fact, delighted to announce to this House that during the last financial year 2014/15, we have once again achieved a budget surplus which is among the highest on record. The amount of the surplus this year is higher than any surplus ever predicted. It is higher than the surplus predicted last year. We have therefore once again exceed our income by our expenditure to a greater extent than predicted.

166. Mr Speaker, the estimate had been for a surplus of £34.65m. In fact, I am very happy to report, both to the House and to the Nation, that we have exceeded that estimated surplus by almost 50%.
167. Mr Speaker, all will be or should be delighted to note that this year's Budget reflects a surplus of revenue over expenditure standing at a staggeringly high £51.3 million.
168. And let me add, Mr Speaker, that this surplus is calculated AFTER the deduction of £25 million as a contribution to the Government Companies.
169. Honourable members will be aware that the systematic contribution to the Government Companies was a process commenced by this administration when we found ourselves, just after our election, staring at a black hole in the Company structure of £100m and with the Government Companies loosing money every year which had to be made up from the Consolidated Fund and for which there was no provision made by the previous administration.
170. This year's contribution to the Government Companies is, as I have said, £25 million.

171. If we had followed the model of the previous administration, that is, if we were comparing like for like our calculations with those of members opposite when they were in administration, we would be declaring this year a surplus of £76.2 million. That would have been the highest surplus ever on record. But instead of recklessly failing to fund the Government Companies as they did, we prudently set aside £25 million pounds above the line and thereby reduce the surplus to a nonetheless record breaking £51.3 million, still the second highest actual surplus on record only after last year.

172. Another GSLP/Liberal record year, Mr Speaker.

173. One after the other, Mr Speaker, another record year of growth.

174. One after the other, Mr Speaker, another year of record surpluses.

175. But we are prudent Mr Speaker. We do fund the Companies to fill in the black hole of expenditure left by the previous administration. And even then we declare the second largest surplus in the history of our nation.

176. And so that the public can understand the huge scale of this surplus being declared today Mr Speaker, it is more than TWICE the size of the biggest surplus ever declared by the GSD when in office. More

than twice the size! And that, Mr Speaker, despite the fact that they did not make above the line contributions to fund the Government Companies.

177. Mr Speaker, as in previous budgets and in line with our manifesto commitment to allow Gibraltar Community Care Trust to build up its reserves so that it can once again be totally independent of Government grants, I am delighted to inform the House that, out of this record budget surplus for the year, a further sum of £30 million has been earmarked by the Government as a contribution to this Charity. This brings the total contributions made by this Government to Gibraltar Community Care Trust, during the past 3 financial years, to £134 million.

178. In this respect, Mr Speaker, I note statements from the Honourable Leader of the Opposition on television when asked questions by journalists, in which he said he would not fund Community Care. I am very grateful to him for having made his position so clear. We entirely disagree with him on that as on so much else.

179. Because, once again, Mr Speaker, a GSLP/Liberal Government ensuring Community Care is properly funded.

180. Once again, Mr Speaker, a GSLP/Liberal Government protecting our elderly.

181. Once again, Mr Speaker, a GSLP/Liberal Government honouring the generations that came before and that built the Gibraltar we have today.

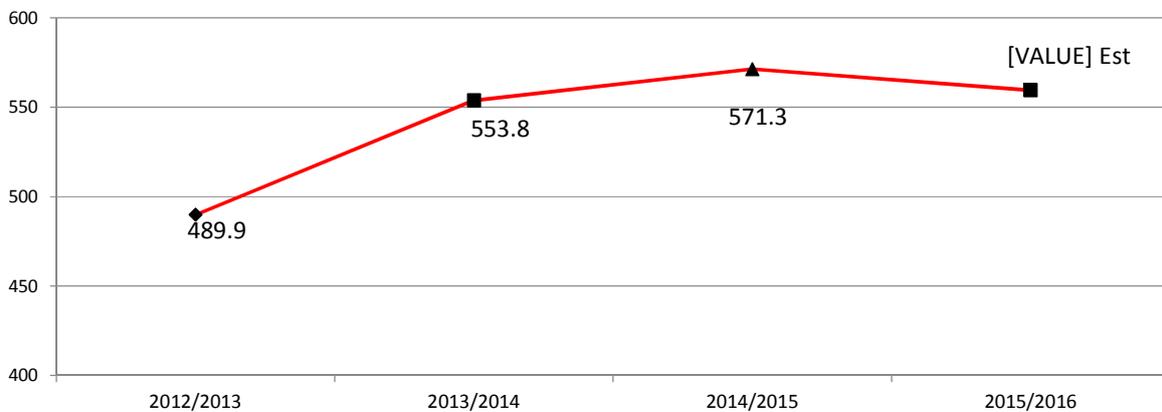


Figure: Recurrent Revenue 2012/13 to 2015/16 (est)

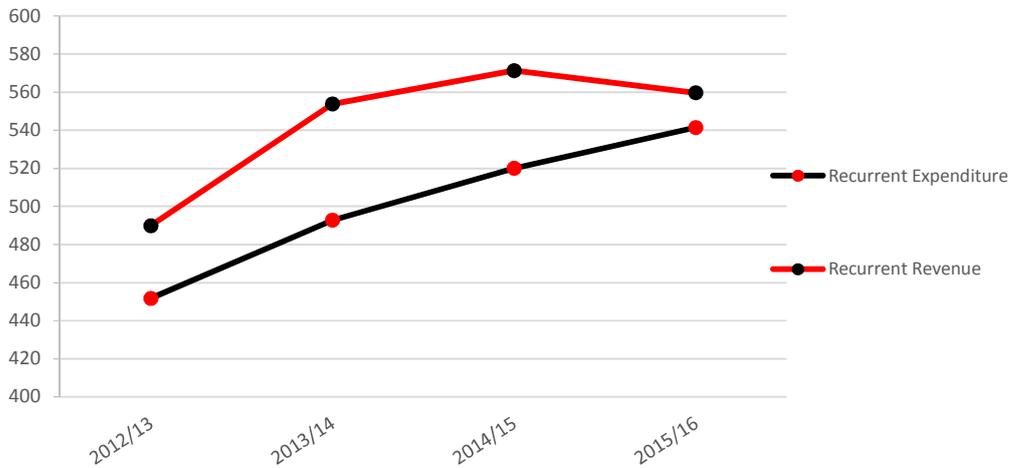


Figure: Recurrent Revenue and expenditure 2012/13 to 2015/16 (est)

THE AREAS OF GROWTH OF REVENUE

182. Government revenue during the last financial year exceeded the original budget by around £24 million. As a reflection of the continuing growth in our economy, income tax receipts were up by around £8 million over the budgeted figure and Company Tax receipts were up by around £9 million. In fact, year on year growth in respect of income tax and Corporation Tax amounted to 6% and 7.8% respectively.

183. Indeed, in relation to both income tax and CORPORATION TAX, MR Speaker, I want to highlight the remarkable growth that we have been able to achieve and how it has been achieved.

PAYE

184. In respect of income tax, for example, we have from a collection of £122m in 2010/11 to a collection of £144m this year. That is an increase of £22m or 18%, whilst at the same time the tax rates have been decreasing.

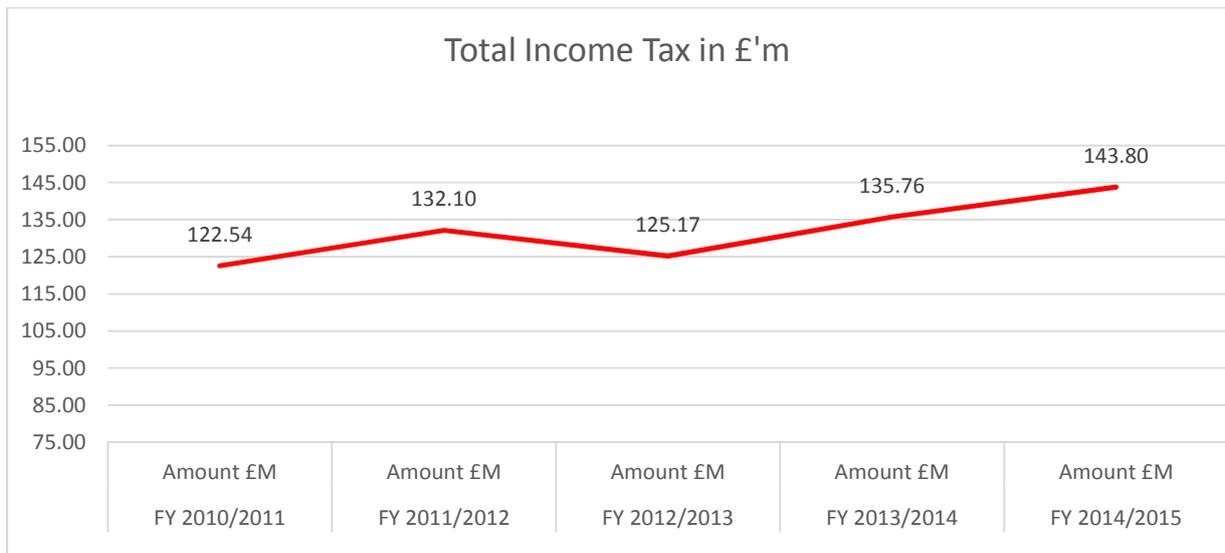


Figure: Revenue from Income Tax 2010/2011 to 2014/2015

185. In the Insurance Industry we collected £2.87m of PAYE in the last full financial year when members opposite were in administration

compared to £4.3m this year. That represents an increase of 50% just in that sector. Indeed, Mr Speaker if we look at financial services generally, the growth in PAYE receipts is being led by a growth in employee numbers. In October 2011 the number of employees in the industry was 3,109. By October 2014, the number has risen to 3,388. This represents a percentage growth of 9% in an already mature industry.

186. In the Gaming Industry, we collected £16.3m of PAYE in their last year compared to £22.5m this year. An increase, Mr Speaker, of almost 40%. It is worth noting, Mr Speaker, that behind these collections in PAYE are the rising numbers of employees in the industry also. These can fluctuate in some measure depending on the corporate fortunes of one company or another, but the growth in the time since we were elected has been remarkable. Open contracts recorded by the gaming regulator on 31st October 2011 (the date of the annual Employment Survey), reflects a total of 2,665 employees¹ in the industry. That number has now risen to 3,423, representing a growth of 28%, more than a quarter more employees in the industry!

¹ Referred to as "Open Contracts"

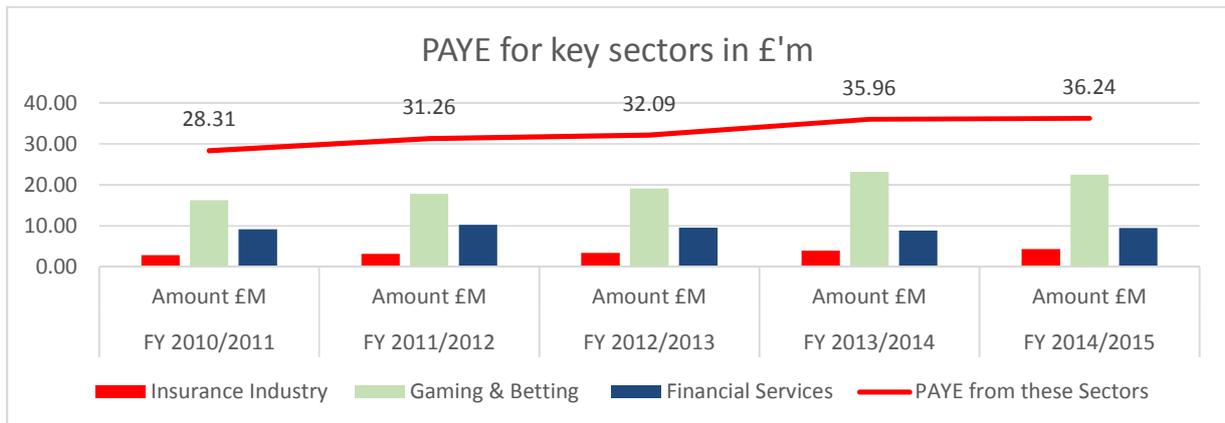


Figure: PAYE in total from key sectors in £'m 2010/2011 to 2014/2015

187. Mr Speaker, before I move on to an analysis of Corporation Taxes I want to report to the House that I have recently received the recommendations of the Committee I established to advise on the Personal Tax offering of Gibraltar. I want to thank Nick Cruz, Peter Montegriffo, Peter Isola, Stephen Reyes, Freddie White and Melo Triay for their hard work and diligence in the preparation of these recommendations. The Government is presently considering their very detailed recommendations and expects to be in a position to work on the implementation of some of their more high level proposals very shortly. They have produced an excellent report and some very sensible recommendations which we will further stress test in order to be ready to progress matters in the direction I indicated would likely be necessary given recent international

initiatives in respect of corporate taxes. Indeed, the effects of FATCA and other international measures may already be to affect individuals ability to plan their tax affairs as much as corporations, especially given the moves towards more and greater tax transparency. And that transparency agenda means not just that individuals from large economies will see information provided to their home exchequers, but also individuals from small economies will see their information shared with their tax authorities also. I will later introduce a measure today to address those issues also.

188. That is a convenient moment to move onto the analysis of Corporation Tax receipts.

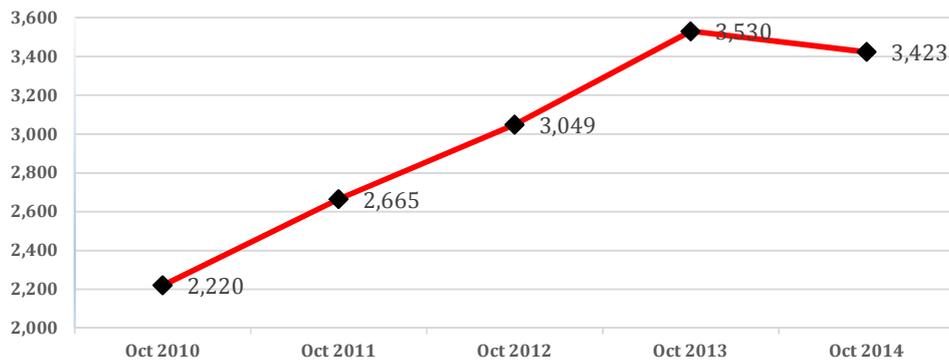


Figure: Employees in the Gaming Industry

CORPORATION TAX

189. And in relation to Corporation Taxes, Mr Speaker, the growth has been even more remarkable.

190. In Insurance we collected £1.8m in 2011, growing to £22.6m now, a growth of 1,155%. Yes a growth of one thousand, one hundred and fifty five percent!

191. In the Gaming Industry, we collected £7.98m in 2011 compared to £33.42m in the last financial year. That represents a growth of 318%. Three hundred and eighteen percent!



Figure: Corporate tax in total from key sectors in £'m 2010/2011 to 2014/2015

192. Indeed, in corporation tax generally growth has been steep. From £29m collected in 2011 to £89m collected last year. That is a growth of 206% Mr Speaker.

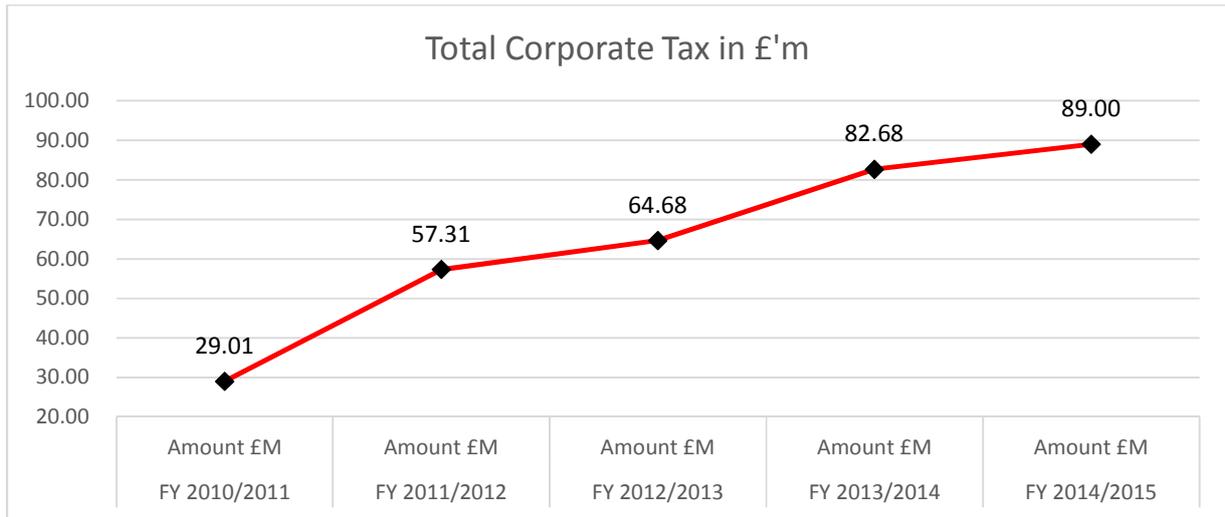


Figure: Corporate tax in total in £'m 2010/2011 to 2014/2015

193. And it is that growth of 206% in Corporation Taxes and approximately 40% growth in income tax, that is principally delivering our economic growth and funding government expenditure.

194. I would just add Mr Speaker, that this has been achieved whilst not in any way scrimping the rebates. We have paid approximately £28million pounds by way of rebates to personal and corporate taxpayers in the past four years. We are not hanging on to peoples' money!

TAX AS A RATIO OF GDP

195. Importantly, Mr Speaker, these increased collections of Corporation and income taxes has occurred in the context not just of lower rates at the personal level, and increased allowances throughout, but also in the context of taxation reducing as a share of GDP. In fact, tax as a share of GDP has been reduced by this administration from 13.5% in 2010/11 to 10.6% today.
196. As Gibraltar has repositioned itself as an open and transparent financial services centre with a competitive rate of tax acceptable to the OECD, the International Monetary Fund and other objective international institutions, we are reaping the rewards of seeing real business done from here which accrue and derive their profit here and are taxed here. That is one of the principal drivers of sustainable economic growth.
197. Too often people think growth is just in import duties. People think of our economy as growing because of revenue from tobacco sales. Well they are wrong Mr Speaker. In fact import duty receipts are down 2.7% against the estimate from £170m estimated to £165.4m of actual collections. In fact, the total for Duties, Taxes and other

Receipts at Head 2 of the analysis of Consolidated Fund Recurrent Revenue is actually up from an estimate of £178.492m to £180.831m or a growth of 1.31%. So there is no concern there as to overall revenue either.

198. Departmental Expenditure, on the other hand, has been contained and has ended the year at less than £7 million over the original budget.

199. Mr Speaker I am very happy to be able to share that figure with the House and with the Community as a whole as that demonstrates excellent and indeed remarkable control of expenditure which has brought in the forecast outturn to within 1.6% of the estimate.

200. Indeed, if we are to hear from anyone about that not being anything other than an absolutely excellent figure demonstrating real control of expenditure, let us not forget that control of spending was the not forte of those who might now preach to us.

201. In respect of Capital Projects, in respect of IND Expenditure, remember the 236% overspend on the airport (from £24million to £84million) or the New Prison, the now Leader of the Opposition's project. That started at £5.2million and came in at £8.1million. A

55% overspend. And the Courts which resulted in an 82% overspend.

202. So a 1.6% overspend in departmental expenditure, although in respect of recurrent and not capital expenditure, reflects remarkable spending discipline which the members opposite have shown that they could not deliver. So the public wont want us to be taking any lessons from them on spending control, Mr Speaker.

203. Indeed, Mr Speaker, the recent Chamber of Commerce report suggested that the public finance debate might benefit from the adoption of some external measure or standard, as if none applied. In fact, the many statistics I am disclosing in the context of this debate delivers the indicators which are internationally recognized as relevant in measuring Public Finances and the performance of any economy. I recently met with the President of the Chamber, Christian Hernandez in order to consider with him his organisations wish list for this year, something I have done since elected with both the Chamber and the Federation of Small Businesses. Christian has since confirmed that his position is that adequate comparators are available in order for a proper analysis to be reliably undertaken making like with like comparisons with past years and that the

adoption of new standards would potentially distort the ability to compare like with like. I agree with his conclusions, but we will continue to work with the Chamber in identifying any appropriate new measure which may assist the public in clearly being able to see through the distortions peddled by some in order to try to obscure the outstanding success of our economy and the remarkably strong and resilient performance of our public finances.

Revenue and Expenditure Budget for the Financial Year 2015/16

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

205. Estimated recurrent revenue for the year is budgeted at £559 million. This takes account of the significant increase in recurrent revenue achieved in the previous year but is nevertheless a conservative estimate going forward. Mr Speaker, just to ensure that everybody in our community understands the growth of revenue we have presided over in our public finances in clear terms since we took over, let us look at the exact growth in revenue.

206. Mr Speaker revenue estimated by members opposite when in government for the year 2011/12 was £393million.

207. Today, at £559 million, the growth is of £166million more. That is percentage growth of 42.2% in respect of Government revenue in the time since we were elected.
208. Perhaps some members opposite can now start to understand why the Government does have the money to carry out all its projects
209. The overall recurrent expenditure budget for the year is £541 million, which reflects a modest increase over the previous financial year of around 4%.
210. Mr Speaker, the Government is therefore taking a very prudent course and conservatively projecting a recurrent budget surplus for this financial year of around £18 million. In this respect, Mr Speaker, we definitely prefer to under promise and over deliver so that we are never caught short!

Capital Investment Programme

211. Mr Speaker, in the financial year 2014/15 the Government invested around £104 million on capital projects funded from the Improvement and Development Fund. Around £21 million was invested on 'Works and Equipment' and a further £83 million was invested in specific capital projects, including £10.2 million on the conversion and

refurbishment of the Old Naval Hospital Dementia Facility; £11.5 million on the demolition and conversion works of the Old St Bernard's Hospital into a new school; £4.1 million on the St Bernard's Catering Facility; and £12.2 million on the '700 Berth Small Boats Marina'. A total of £9 million was also provided as Equity Funding for the initial share capital requirements of the Gibraltar International Bank.

212. Mr Speaker, the expenditure budget of the Improvement and Development Fund during this financial year is around £95 million. The capital investment in Works and Equipment is estimated at around £19 million and investments in other Government projects total £75 million. This includes equity funding of £15.9 million for the Gibraltar International Bank, which has already been contributed; equity funding of £5.0 million for the University of Gibraltar; and funding to complete ongoing projects including £4.8 million for the continuing works on the '700 berth Small Boats Marina'; £4.8 million for the demolition and conversion works of the Old St Bernard's Hospital into a new school; £3.1 million for the St Bernard's Catering Facility. Other projects include the development of Wellington Front; provision for a new Bathing Pavilion; investments in infrastructure for

our housing estates; and the relocation of a large number of MoD estates to enable the continued release by the MoD of further land and properties for use by our community.

213. All of this, Mr Speaker, represents, a huge investment in our community for the long term benefit of current and future generations and for future prosperity.

214. And two new schools Mr Speaker.

215. Not one. Two.

216. And in only three and a half years.

217. More, Mr Speaker, than members opposite provided in the time that they were in office for 16 years.

218. So it would be foolish, Mr Speaker, for anyone on the other side of the House to suggest that we should have prioritized new schools over other projects, when we have already clearly done so. We took the two schools that needed most work and immediately have re-provisioned them.

219. An excellent track record on its own in respect of education, before even starting to talk about the mandatory post graduate degrees, the

47 new teachers, the arrangements with the Washington Centre and, of course, the Crowning Glory in respect of our achievements in education in this first term, the new Gibraltar University which will open its doors in September.

220. The Hon Minister for Justice has done an incredible job on this respect on education. He really has been able to show his remarkable dedication in delivering a project that has eluded so many others in the past in being now on the cusp of opening the University of Gibraltar, as well as delivering those two new schools AND a 700 berth marina. What a record for any minister in less than four years. An achievement indeed, especially whilst also shouldering the burden of his Justice Ministry.

Gibraltar Savings Bank

221. Mr Speaker, there is also continued positive news in respect of the Gibraltar Savings Bank.

222. As Honourable Members are aware, when this Government took up office, the reserves of the Savings Bank had fallen to almost zero with the actual reserves of the bank at the end of March 2011 having fallen to just £1,444! The £17m the bank had built up over the years

had been taken into the Consolidated Fund by the previous administration. And I can understand why, Mr Speaker, because the Honourable Backbencher explained his logic. As the bank's deposits are guaranteed by the Government, there is no need for it to have a reserve like a credit institution. He is right, because the Savings Bank is not a credit institution and does not need to behave like one. But we are nonetheless creating a fund in the bank for reserves.

223. Mr Speaker, I am pleased to report to the House that the reserves of the Bank have continued to grow during our term in office and now stand at £20 million at the end of the last financial. The reserves are now estimated to grow further to reach almost £27 million by end of this financial year.

224. The Deposit Base of the Bank has also grown from around £330 million when we took office to almost £1 Billion! - yes Mr Speaker to almost one thousand million pounds!

225. Last month, Mr Speaker was a record month. I am informed that the Savings Bank took more deposits last month than in any other month in its history. It was, of course, the final month in which some very attractive rates were available. But I am further informed Mr Speaker

that this month deposits continue to run at a very high level also despite the reduced rates. Indeed, Mr Speaker, in this respect, it would appear that the prophets of doom are not prophets in their own homeland!

226. Mr Speaker, the Gibraltar Savings Bank will continue to provide a good range of savings products to our community, as indeed it has been doing since it was established over 130 years ago.

227. These developments will complement the services that will be offered by the Gibraltar International Bank Ltd, which will be providing a range of retail banking services to members of our community, including mortgage finance to prospective home-owners and commercial lending to our local businesses.

228. Mr Speaker this is an appropriate place to thank Dilip Dayaram for the work he has done on the Savings Bank through the years as Financial Secretary and indeed to congratulate him for the recent recognition of his work by Her Majesty in the award to him of an MBE. It is also now the work of Albert Mena, the new Financial Secretary, to work on issues relating to the Savings Bank with Minister Bossano. Both are doing an outstanding job. And the increased deposits

demonstrate that the public continue to have huge confidence in the Gibraltar Savings Bank as an institution and in the administration of its affairs by Financial Secretary Mena and Minister Bossano as both men are renowned for their integrity and ability in respect of financial management. Both are equally highly regarded in this field and their reputations have sustained the most unsavoury attempts to discredit them and the important job they do. Many elderly members of our Community have in fact contacted the Government to express their concerns about the level of disinformation which is being put in the public domain by some who should know better. In fact, it is very easy to scare elderly people with reckless statements, but those who do so demonstrate their own lack of respect when they do so.

229. Indeed, Mr Speaker the Government has maintained the interests previous available for deposits in the Savings Bank for pensioners because that is one way of honouring the generations who have come before us and built the Gibraltar we enjoy today. The previous Leader of the House established that principle and we have continued it. And in doing so, and in delivering those interest payments without fail and investing the monies in the Savings Bank wisely under the auspices of titans in their respective fields like Mr

Mena and Mr Bossano we honour the generation of people who have given us all so much.

230. And Mr Speaker let me say that the depositors in the Savings Bank include very close relatives of mine whose life savings I would never want to see in any way endangered. And I am satisfied, Mr Speaker, that they are not only safe, they are safer than ever! And anyone who suggests otherwise simply does not have the understanding of the workings of public finance to realize how wrong they are in their analysis. They simply do not understand the difference between an investment and a loan. They simply do not understand how to make a Bank grow from £300 odd million to almost a Billion pounds in just over three years. They simply do not know how to grow a profit from a thousand pounds to what will be £27 million by the end of this financial year. And of course, Mr Speaker, they simply do not care if they scare an elderly person with talk of funds not being available for repayment. But people do see through that Mr Speaker, and quickly. And they have voted to demonstrate how they feel. They have voted with their monies. They have voted with their confidence. And when they vote with their votes, they will deliver the same verdict; no doubt punishing those who have reckless set out to create panic and fear

when there is only reason to rejoice and celebrate in a fantastic performance by those now directing the affairs of the Savings Bank.

231. Finally, Mr Speaker, I want to move from the Savings Bank to the International.

232. I want to thank the team that has helped to establish the Gibraltar International Bank so quickly. They have done a sterling job. Of course there are problems and today's customers want glitch free operations from the word go. They are entitled to demand that and the Bank must deliver that. But when you see established entities like Natwest labour under technological problems, we have to understand what a superb job has been done by the independent board of directors of the bank, by the hands on managing directors of the bank, by the builders that delivered its premises, GJBS, as ever brilliant at what they do, and by the staff of the Bank who already show they have tremendous pride in the institution they have created. So from Albert Langston, the Chairman, who did not hesitate when I asked him to serve in this hugely important role, to the teller who deals with basic queries, all have done a fabulous job.

233. I must also pause there and reflect on the brilliant job done by Albert Isola, the Minister for Financial Services, who in the short time available has galvanised everyone to deliver with him – not under him – on this fantastic project. There is of course a lot of work to be done, but Gibraltar now has its own bank and we are all in this Community justly proud. Another building block of Nationhood firmly established. Another milestone achieved. Another strong foundation laid.

Power Station

234. Mr Speaker, the Government has already awarded the tender for Gibraltar's new power station. We will shortly also be in a position to make an announcement about the choice of option for an LNG storage, regasification and bunkering facility. This is one of the biggest capital projects for the Government and will guarantee Gibraltar's power needs for the next three decades.

235. As has already been reported to this House, and as I referred to earlier when setting out the commercial opportunities which may arise from it, the new power station will be located in the North Mole and will be dual fired by liquid natural gas-fired engines as well as being able to burn diesel, should gas supplies not be available at any time.

236. This is a hugely important project for our Community that cannot be mired in blatant electioneering. Indeed, delivering sustainable power to our Nation is one of the most important things we will do, finally undoing the failure of the previous administration to do so in the time.
237. This is an "essential project". [All economies rely on the ability of each to provide energy to its businesses and people and Gibraltar is no exception. Gibraltar's long term energy needs have not been catered for at all] [by the previous administration]. [Gibraltar is reliant on what, in a home or business, would be classified as "emergency" generators, for spin purposes called "skid" generators. Without power Gibraltar has no economy.] That is why we must undertake this new, less polluting project and do it quickly and in a cost effective manner which means that just the savings in the cost of the type of fuel will and the ability to stop paying the costs of the emergency power will enable us to finance the cost in great measure. [The [previous administration] has the prime responsibility to explain itself on this core policy failure during its 16 years in government. This omission could have disastrous consequences on Gibraltar and its economy]. But we will not allow it to do so and have planned to ensure that we are able to deliver the power we need with a modern, clean and safe

plant. [The previous administration] left a massive legacy problem for Gibraltar. [It will] be resolved in the best interests of Gibraltar.

238. Mr Speaker, the decision to use liquid natural gas-fired engines for the new power station will result in very significant savings in the cost of fuel, which now represents almost 60% of the total recurrent costs of the Gibraltar Electricity Authority. These savings will generate enough additional cashflow to meet the cost of any finance that may be required to meet the investment required to fund this project.

239. This is also in line with the Government's manifesto commitment to investigate alternative sources of energy and eradicate the noise pollution and emissions in residential areas.

240. Another important Government project is the tunnel or underpass under the runway. Work continues in respect of delivering that project, although the litigation process has slowed us down. De-watering has or is about to start and the road and roundabout South of the runway will shortly be finished.

241. And we will continue to defend that litigation and seek a substantial payment of damages to cover the extra over costs of completing the tunnel and related works. As we will continue to fight the complex

Bruesa litigation, where claims against the Government exceed €26m, as well as the litigation by the OEM Liquidator which seeks damages of £7m from the taxpayer. Mr Speaker, all of these are the so-called "golden legacy" of the previous administration, which we have been left to deal with.

242. Mr Speaker this is, in fact, an appropriate place to also congratulate Michael Gil, the previous Chief Technical Officer of the Government for the work he did with the inter-ministerial team on these project before his retirement. His work also has recently been recognized by Her Majesty in the very richly deserved award to him of the MBE.

243. Mr Speaker, a number of further projects continue to be developed by the Government in order to make use of alternative energy sources and in order to reduce energy consumption where possible. This includes the use of solar energy for street lighting and Government buildings and the replacement of high-consumption lighting in Government offices and buildings for more energy-efficient LED lighting.

THE INCOME TAX OFFICE

244. In respect of the Income Tax Office, in the financial year 2014/15 the Income Tax Office has continued to develop a programme of improvements aimed at providing a more efficient assessment and collection of taxes in Gibraltar. In this connection, the introduction of amendments to the new legislation introduced in 2011 is in its final Parliamentary stages.
245. In relation to assessments made on taxpayers, the Income Tax Office is currently issuing assessments for the tax year ended 30 June 2011, in respect of those individuals paying tax under the PAYE system, and assessments for the year ended 30 June 2014 in respect of self-employed individuals. In the course of this financial year, the Income Tax Office intends to issue PAYE assessments up to the tax year ended 30 June 2013.
246. In relation to tax arrears, the Income Tax Office continues to take a very serious view of employers who do not comply with their tax paying obligations and the Commissioner will shortly be "Naming a Shaming" employers who are not up-to-date with their PAYE payments by publishing their names in the Gibraltar Gazette.

247. The Income Tax Office has, as part of its programme of improvements, introduced a more streamlined, accessible and user friendly service to the general body of taxpayers in Gibraltar.
248. In-line with other Government departments counter hours have been extended to provide a continuous uninterrupted service from 8.30 am to 3.00 pm. In the implementation of HM Government of Gibraltar E-Government and modernisation, the Income Tax Office has a new webpage including user friendly portals (for example, "question and answer").
249. The ongoing modernisation of systems within the Income Tax Office has commenced with a comprehensive streamlining review of taxpayers files aimed at improving back office administration efficiency for the benefit of taxpayers whereby time spent re-filing and accessing files have been significantly reduced. The objective of the Income Tax Office is to continue this process as a phased project to scan the contents of all taxpayers' files and moving towards the digitization of all records.

250. In conjunction with the new Office of Fair Trading, the Income Tax Office is actively involved in the introduction of the “Single point of contact” scheme through which businesses will be able to register on-line.
251. Improved systems for payment of tax via debit cards has already been introduced and refunds directly credited to taxpayers bank accounts will be introduced shortly (15,000 taxpayers have already submitted their bank details).
252. As part of its multi-faceted user-friendly strategy to make taxation easier to understand (and trust Frank Carreras to believe that is actually possible Mr Speaker!), the Income Tax Office has embarked on public awareness initiatives with the publication of information leaflets. These initiatives also include advertising in the local press (for example, reminders on important payment-on-account dates), Business Support Unit Seminar presentation in August 2015 on Understanding Corporate Tax & Self Employed (organised by the Office of Fair Trading) and it is intended to extend these outreach initiatives further to the public.

253. Mr Speaker as the House has seen in respect of the fabulous figures on collection of personal and corporate taxes, the work being done by the men and women of the Income Tax Office is really superb and I want to thank them all for it.

254. I turn now Mr Speaker to my various departmental responsibilities beyond Finance.

Immigration

255. I will start with matters relating to immigration.

Applications for exemptions

256. The backlog of applications for exemptions from immigration control to enable persons to be granted British Overseas Territories citizenship has now been eliminated. From April 2014 to date we have processed a total of 135 applications bringing the total number of applications that have been processed since December 2011 to 1,027. Of these there are 769 are Moroccan nationals, 42 Indian nationals and 62 are Spanish most of whom have been resident in Gibraltar for over 25 years.

257. Almost all of these applicants have also opted to register as British citizens and to help them achieve this we have conducted 25 British citizenship ceremonies since December 2011.

258. The House will be pleased to hear that Ms Dorian Reyes, long of the Civil Status & Registration Office has actually moved to physically work from No 6 Convent Place in order to assist with the ongoing work that is created in relation to the day to day applications coming

in so that we do not fall into backlog territory again. I welcome Dorian to my team.

The One-stop shop

259. In March 2015 we opened the 'One-stop-shop' under the banner of "Tell us once... and we'll tell the others". This has enabled the public to conduct other business related to the registrations of births and deaths from a single office without the need to visit other Government departments and Agencies throughout town. Registration of births averages at approximately 40 per month and to date we have attended to over 150 families who have registered the births of their newborns in these new offices. Registration of deaths averages at approximately 20 per month and a total of 72 deaths have also been registered since opening.

260. In an effort to further improve the service, an appointment system has been started for the registration of births whereby persons are now able to pre-arrange the time and date that is most convenient to them to register the births of their children. The aim of this initiative is to minimise the waiting time for members of the public once they get to the office. With the co-operation of maternity staff in the GHA, our

officers are advised of the births together with a contact name and telephone number of the parents. Our officers then proactively call to arrange the appointments for the registrations.

261. The total cost for all of the above has been approximately £30,000 of which £28,393.53 has been spent on capital works

262. This year we hope to further enhance the service with the introduction of an appointment system for the registration of deaths with the further co-operation of the GHA and funeral directors and on the spot production of birth and death certificates for all new registrations (too late for Oliver though!)

Civil Partnerships

263. Since the introduction of the Civil Partnership Act in March 2014 we have conducted a total of 35 civil partnerships, 18 in 2014 (all of which were same sex couples) and 17 from January 2015 to date (all but one of which were same sex couples). At the moment we also have 5 civil partnerships which have been booked in advance for later this year.

Marriages

264. On the marriages front we have conducted a total of 1,229 marriages from April 2014 to March 2015. That represents 288 more than in 2011/12 or a 31% increase, despite the introduction of the requirement for those who come from outside to spend a night in our hotels!

Gibraltarian status

265. Since the introduction in June 2014 of the reduction in the qualifying period for Gibraltarian status from 25 to 10 years we have received a total of 167 applications under s.9 of the Gibraltarian Status Act and of these 51 have already been approved.

Centralisation of passport printing

266. In March 2015 we finalised a 3 year negotiation to seamlessly introduce the centralisation of the printing of all passports to mainland UK. The total cost of this project to date has been £621,664.77 (including the cost of £413,400.00 for a contingency stock of passports to last until 2020 and £120,051.91 in capital costs). We still

have an outstanding balance to pay of approximately £158,000.00 in respect of uncompleted milestones.

267. As part of the negotiations we have been able to retain our status as an issuing authority; guarantee the 10-day maximum turnaround period in the production of the passports; maintain the same cost for the passports at no increase in the public; and retain the ability to print passports locally in emergency situations. Later this year and in par with the UK we hope to introduce a new generation passport which will incorporate extra security features together with wet signature and an on-line smart application form. The cost of this is as yet not known.

New e-ID card

268. The first of the new e-ID cards will be issued at the end of June and will continue to be a validated travel document throughout the EEA. The new e-ID card will also incorporate many enhanced security features to form the back-bone of HM Government's e-Gov initiative. It is envisaged that during the switch-over, the new e-ID cards will be issued without cost for a limited period time and the existing laminated cards will be phased out during the course of the year.

269. The total estimated cost of this project is £1.9M of which £1.4M has been spent to date.

270. I want to thank Paul Balban, Mr Speaker, for the work he has done assisting me in delivering the very exciting project which is the new ID card project, given the experience he had in delivering the new driving licence project. I am very grateful indeed for his consistent help in delivering on this important project not just for those wishing to travel with the new ID card but also because of the importance the card will have in respect of interaction with the government's e-government services.

THE BORDERS & COASTGUARD AGENCY

271. Mr Speaker, I will now address my responsibilities as Chairman of the Borders and Coastguard Agency.

272. The Agency, now in its fourth year continues to respond and adapt to the significant changes in demand. This year it is facing increased but welcomed challenges at the airport where the number of flights have increased, as well as at the port where throughout 2015 we will see the number and size of visiting cruise ships increase. At the frontier it works tirelessly with the current threat level to balance the very difficult challenge of fluidity versus risk and is being particularly challenged this summer as works on the Spanish side scheduled to be completed this month are delayed and expected to go on throughout the summer.

273. This Government continues firmly committed to providing opportunities for professional development for all staff, and as such continues to support the Agencies training and development initiatives. It embarked last year on the process towards Investors in People recognition and managers at different levels continue working

towards Chartered Management Institute professional development qualifications.

274. Mr Speaker, by developing its staff and setting challenging objectives, the agency continues to work hard to become the focal point for a more centralised immigration service in Gibraltar, working in partnership with other Government departments and Law Enforcement Agencies to improve the level of immigration service Gibraltar provides. In the last year alone the Agency has processed approximately 12 million people at our borders.

275. In addition, this Government's initiative to introduce amendments to the Immigration, Asylum and Refugee Act, granting Tourist Visa Waivers to Moroccan, Russian, Chinese, Indian and Mongolian nationals in possession of Schengen visas, continues to prove extremely successful, and close to 13,000 visitors, whom would otherwise not have been able to visit Gibraltar, have done so to date.

276. Mr Speaker, the Agency has continued to develop its international links and works very closely locally with the RGP, with whom it continues to operate in partnership a very successful Ports Policing initiative. Internationally, it works closely and shares information with

HMG's Home Office and Borderforce, (with whom it is in the process of signing an MOU), Spain's Policia Nacional, Interpol and more recently with Morocco's Direction Générale de la Surveillance du Territoire.

277. In addition to their immigration duties, the Agency continues to carry out aviation and maritime security duties at the airport and port, and have been subject recently to a thorough and exhaustive inspection by the Civil Aviation Authority to ensure compliance with HMG's Department for Transport and strict EU legislation. The aviation industry is thankfully highly regulated, and I am happy to report that despite the challenges, the Agency continues to meet the high standards set by the DfT and the EU.

278. The Agency has continued to prove that it remains committed to making a significant contributing to the security of Gibraltar and acting as a facilitator and working in partnership with the private sector, keeping Gibraltar open for business.

279. The Borders & Coastguard Agency goes from strength to strength Mr Speaker and I am working with Union colleagues in understanding and addressing concerns of some staff members there. What is clear

is that this is an organisation which is professionalising what it does under strong leadership in a way that Gibraltar can be proud. They deal daily with an extraordinary number of visitors to Gibraltar at all our entry points and do so with discretion and nous. Recently we have seen how they and the Royal Gibraltar Police have worked with other international agencies all over Europe and even in Spain in order to stop a people trafficking scam which involved Gibraltar being used as a transit point. I extend our Community's sincere congratulations to all in the BCA and the RGP for that excellent result.

Customs

280. I turn now Mr Speaker to my responsibilities for Customs.

281. At the 2014 Budget Session the Government announced the successful completion of negotiations with HM Customs Management, staff and the unions to implement a roadmap for a change programme to be introduced in the department. Throughout this year we have been working closely with all stakeholders to introduce individual points of the agreement as and when these were ready to come into force.

282. We have already seen the introduction of a new structure to bring the department in line with modern operational needs. This has included the creation of 66 new posts to man the new marine section, commercial controls units that will deliver timely revenue collection, statistics, trade facilitation and improved import/export controls, dedicated rummage teams for commercial activity (bonds, transit sheds, airport and commercial gate holding area) and a drug detector dog section to enhance import and export controls. An increase of the shift workers to deploy staff according to operational needs whilst maintaining core manning levels at entry points, the Training Unit to

deliver in-house recruit and continuous development training and the IT Section to introduce new electronic modules.

283. The final recruit class of 2015 will start in September, and all induction training programmes run for 11 weeks. It is expected that the completed structure will be in place by December.

284. Gibraltar Customs have been around since 1750 when the then Governor Lt Gen Humphrey Bland made certain appointments. This year we held the first official 'passing out parade' in recorded history of new recruits in the presence of their families and dignitaries.

285. All officers up to and including the Collector of Customs are now wearing a uniform to demonstrate the transition to an acknowledged disciplined, law enforcement department. As a result, we have lowered the retirement age and years of service in line with other law enforcement or essential services.

286. This is a real success story of restructuring a department that was riven by division and is now unified in purpose. And I want to thank John Rodriguez and all the unions and the individual members of the department for the way they have responded to the Government's initiatives to develop the Customs department in this way.

287. We have worked to resource the department with adequate equipment and vessels. The Government has already procured two fast RHIBs, which will enable HM Customs to safely conduct chases and patrols in Gibraltar's waters. These are the first new vessels acquired for Customs in nearly 20 years and have advanced safety features, thermal imaging and night vision cameras. Customs officers previously had to rely on forfeited vessels.
288. Moreover, works at Four Corners Station were completed including the addition of two further incoming vehicular lanes to enhance searching facilities and traffic flow. (Unfortunately not fully utilised due to the current Spanish works.) And an enclosed purpose built search bay with car lift was also built and we have recently finalised the installation of CCTV and ANPR cameras administered by Customs in and near to the frontier to monitor and tackle illicit activity.
289. Mr Speaker, this Government has demonstrated to all objective observers that we are determined to curtail illegal tobacco activity. In addition to the legislative measures already announced in this respect, we have also provided for the introduction of security gates to restrict access to the Commercial Gate during silent hours. Outgoing vehicular barriers are now deployed which can allow us to

carry out non systematic checks on vehicles and persons. And changes to the Tobacco Act have included extending Special Zones which give additional powers to Customs to stop and search and limit the possession of cigarettes on persons especially in the area adjacent to the frontier, closure of tobacco retailers in Laguna and Glacis Estates, provisions to suspend tobacco retailers or wholesalers in breach of the Tobacco Act, extend concealment and forfeiture powers, limit quantities of cigarettes to be kept in shops, limit the hours of sale of cigarettes and the Collector of Customs shall not consent to a change of director or shareholder of a body corporate if any person associated with that body corporate has been charged with an offence under the Tobacco Act.

290. Moreover, Mr Speaker, a Direction to the Trade Licensing Authority (“TLA”) and published in the Gibraltar Gazette on 14 August 2014 to “strongly discourage the [TLA] from issuing any new retail tobacco licences unless an existing retail tobacco licence is surrendered, terminated or otherwise rendered permanently inactive. The same should apply to wholesale tobacco licences...”. In the final paragraph of the Direction, I have told the TLA that the Government expects it to keep HMGoG’s policy “on what is in Gibraltar’s public interest at

the forefront of its considerations and that a deviation from these directions will be an extremely rare and exceptional occurrence”.

291. The investment in respect of the recruitment and development of Customs is already reaping benefits. Drug searches and arrests are up including for Class A drugs. Tobacco operations to curtail illicit activity are on the increase and detections of commercial evasion of duty are on the rise. Very shortly will see the completion of the new EPU to house all officers dealing with commercial imports and exports and we will be constructing new 'fit for purpose' premises for the Shifts, Marine and Dog Sections. What is particularly significant is the new buoyant mood within Customs who have embraced this change programme. All see the exciting developments taking place and want to be a part of these and contribute to them.

GBC / Broadcasting

292. Mr Speaker, I now turn to my responsibilities for broadcasting.

293. I am pleased to report that this financial year has been another successful period for GBC. This government has made substantial investments in broadcasting over the past three years, and the results are there for all to see and hear. Better television, better radio and better online services – it's what the public expects, and I pay tribute to all those at GBC who have made it happen – although there is no doubt still a long road for GBC to travel.

294. That investment Mr Speaker has resulted in a number of additional media professionals being recruited, not only providing improved programming, but also enjoying quality careers in journalism, in radio and TV production, and in the technical professions too. And I am pleased to say that the feedback I receive is that the vast majority of GBC's employees are happy in their workplace and look forward to rewarding careers with the Corporation. This has all been possible due to the funds required having been made available by this government, as well as the drive and determination of GBC's new

management to introduce and develop the changes required. A big difference to the sorry situation endured by GBC in previous years.

295. The enhanced budget now available to the Corporation has allowed the introduction of further improvements on air. On GBC TV, Newswatch has been revamped, as has the weather forecast. New programmes have been introduced, and the current affairs series, Viewpoint, is now scheduled on a weekly basis.

296. The Corporation has rightly directed its resources to the type of programming that according to a recent survey is preferred by viewers, with continuity sequences also brought up to date, giving GBC TV a much more professional feel that is befitting of the community in which we live.

297. On Radio Gibraltar, programming has been extended on some evenings, taking advantage of new technology that our improved funding has allowed to be acquired.

298. And, GBC's online services have been totally updated, with a brand new website providing on demand programming, as well as a continuously updated local news section seven days a week.

299. The GBC News and Radio Gibraltar apps have also been updated, with these having already been downloaded by thousands of users, with many others also following the news and radio services on social media too.
300. GBC's Chief Executive is ensuring that programming remains of the best possible affordable standard, for which a policy of long-term planning has been introduced at Broadcasting House. A number of specials are planned for the summer, as well as several new series starting in the autumn, other specials at Christmas, and with pre-production already having begun for programmes planned for 2016.
301. Mr Speaker I am also glad that after some very tough negotiations GBC acquired 'affordable' rights to screen all of the UEFA European Qualifier 'Gibraltar' matches as an official host broadcaster. These have so far been hugely successful, and are scheduled to continue until October. The intention is for GBC to also negotiate the rights for the broadcast of any future UEFA 'Gibraltar' national team matches, as and when these arise. It is right that our national team games should be available on our national TV channel.

302. Mr Speaker, our investment in local broadcasting has allowed more people to be employed in the industry, and new technology to be purchased. This year the Corporation has ensured that its IT infrastructure is upgraded in order to cope with the demands placed on it by the greater trafficking of digital video files, while also introducing a digital video archive, which until now had not existed at Broadcasting House resulting in many historic images being lost forever.
303. It is this Government's intention to provide the GBC archive on the Gibraltar National Archive, for this continuously growing bank of valuable images to form part of our national heritage going forward.
304. Despite the positive advances at GBC, there are two aspect of the Corporation that we have not been able to solve so far during this term of office.
305. The first is the withdrawal of GBC form the market in commercial advertising, which in our view can distort the advertising market. I am working on this with the CEO and the Financial Secretary.
306. The second, Mr Speaker, the relocation of Broadcasting House is now necessary. With around 80 employees and a greater number of

services provided, the Corporation has outgrown its current home in South Barrack Road, where it has been based for nearly 40 years. Although some very necessary works have been carried out to improve the working environment, there is no escaping the reality that it is not fit for purpose.

307. Accordingly, the CEO and I continue to explore alternatives, having not been able to deliver the ones we had previously identified together and we are confident that in the not too distant future we will identify a new location, that could potentially also allow GBC to diversify and attract new forms of revenue. We have many ideas to explore together in this respect, and our joint aim remains a self-financing GBC, using Gibraltar's fiscal advantages as the main draw for others to use GBC's services.

308. Mr Speaker, I am confident that GBC has a bright future ahead of it. GBC TV is increasingly attracting more positive feedback, especially in respect of its local productions and coverage of local events. Radio Gibraltar remains very popular within our community, where evidently many listeners like its programming style and choice of programmes, and GBC Online has become the 'go to' website for reliable local news updates 24/7, as well as on-demand

programming. Gibraltar deserves a professional and reliable national broadcaster, and I am glad to report that this Government's trust in local media talent has paid off, with GBC now being a far cry from what we inherited three years ago.

309. In respect of other media, I continue to salute all our national print and internet media. I believe we have been continued to be fair in our treatment of each and all of them. They are our fourth estate and a hugely important part of how our democracy works.

THE TWIN PILLARS AND INDUSTRIAL RELATIONS

310. Mr Speaker the brilliant performance of our economy that I have been able to disclose today is not the product just of my work and I don't present it as such. It is not the product of just my ministers' work, and I don't present it as such, although we are clearly the lightning rod for its delivery. This is the product, as I do not tire of saying, of the combined effort of all of us in this economy. The combination of what the Hon Father of the House called the real twin pillars of our economy, the use of our land and the employment of our human resources in the most efficient way possible.

311. In this respect, Government's relationship with local unions, who represent the labour side of that equation, is an essential ingredient in delivering this great success. And in my view, the Union/Government relationship is stronger than it ever has been. Unite, GGCA and GTA/NASUWT are our partners in delivering social justice and safe and secure places of work. In my role as Minister for Industrial Relations, I work closely with these responsible representative organisations for the good of their members and our citizens. And believe me, Mr Speaker, no-one sells out to the other, no-one Kow-

Tows, but everyone understands the mutual benefit in pulling together towards agreements that work for all sides.

312. In respect of the Civil Service, we are working well to deliver a new Public Sector code and have seamlessly implemented new working hours in a manner that has not caused any major issues for businesses.

313. The progress we are constantly making in respect of e-government is helping in this respect. There are areas where we progress faster than we expect and others where we do not, the introduction of pensions in the private sector being one, where we are nonetheless making strong progress. That is not to say we do not face challenges with each other or together on occasions, as it could not be otherwise. But with the principles of social partnership in mind, we resolve these together in a way that is almost inevitably mutually beneficial.

314. I would describe the relationship with the Ministry of Defence in the same positive light and believe that there is much that we can achieve with colleagues in the MoD, as has been shown by the recent announcement of a new Lands Agreement. My Government is

particularly happy that we are moving towards a transfer of the Defence Fire Service to Government and we are already talking about talking about the Global Agreement which will become relevant again in 2017. Again, many challenges on the horizon, but none that cannot be successfully dealt with if we are open, honest and frank with each other with a positive attitude to mutually beneficial outcomes.

HISTORICAL BUDGET BACKDROP

315. As we approach the end of our first term of office, the results achieved by my Government in the last three years, speak for themselves. Economic growth of more than 10% per annum. Record annual budget surpluses. Employment levels up to 24,422 - an increase of 13.5% or 2,903 since October 2012.

316. And employer and business representative organisations will have been delighted with the annual reductions in the cost of doing business in Gibraltar which we have delivered, including the fact that there have been no increases in electricity charges WHICH IS in effect A DISCOUNT OF the rate of inflation for the period, namely, 11%; similarly no increases in water charges WHICH IS in effect ALSO A DISCOUNT OF 11%; and also, perhaps most importantly, no increases in employer social insurance contributions WHICH IS in effect ALSO A DISCOUNT OF 11%. But in addition, Mr Speaker, reductions in import duties on most goods; discounts on early payment of rates; the abolition of salt water charges; and a £250,000 fund established to support start-up businesses.

317. And support for our working families has also been forthcoming. In the past three years we have already take important steps in this regard with Income Tax abolished for those with income below £10,500; indeed significant reductions have been delivered in income tax across the board for all taxpayers. A 50% increase in Nursery School Allowance; support on the purchase of the family home - with abolition of Stamp Duty on the first £250,000 for first-time and second time buyers. And we have delivered increases in Maternity Grants and we have led increased levels of death-in-service gratuities to afford protection and security for working families in Public Service.

318. Mr Speaker, support for our Senior Citizens has also been strong. We have made donation of the surplus to the independent Trustees of Community Care having discovered it empty of all its own resources. The Old Age Pensions and Minimum Income Guarantee have been increased every year. The Pensioners Utility Grant has been increased every year; and the Widows and Orphans Pensions has been re-introduced with an option for existing pensioners who were in it to re-join the scheme. In this respect, Mr Speaker, in line with our manifesto commitment, we will re-activate the Widows and Orphans Pension Scheme and to give those officers who opted out of

the scheme in the late 80's to opt back in. The required amendments to legislation have now been drafted and a Bill is due to be published shortly. The effective date of the amendments will be backdated to 9th December 2011 and all officers in service, retired officers who expressed an interest in re-joining the scheme since that date will be able to rejoin upon payment of their arrears of contributions.

319. Support for our youth has also been forthcoming, with increased level of scholarship grants for all our university students; increased number of teachers in our schools; and increased investment in school infrastructure.

320. Support for our disabled has already been outstanding with 50% increase rates for sponsored patients, significant increases in income tax allowances for our disabled; reductions in import duties on goods used by our disabled and elderly community.

Budget Measures

321. Mr Speaker, building on those foundations of social justice and fairness already delivered in our first three years in office, I now turn to the Budget Measures for this financial year 2015/16.

Payroll Giving

322. Mr Speaker, in my Budget Speech last year, I announced that the Government were considering the introduction of a Payroll Giving Scheme which would allow tax free charitable donations to be made regularly and automatically through employment earnings. I am now happy to report that following a study carried out by the Commissioner of Income Tax, Government will soon be announcing the introduction of the Scheme. Mr Speaker Gibraltarians are an extraordinary generous and charitable people. Many I know give out of religious conviction. Many give out of sheer generosity. Any many others give simply because it is in our culture to provide for those who have less or need help at any particular time. We as a Government are helping with the magnificent new Calpe House at Norfolk Square, but the foundations of that brilliant establishment were laid by the generosity of our community's charitable giving and, of course, Joe Bossano's courage in matching the public's donations. But as philanthropy is more and more professionally associated with Gibraltar, we must also make it easier for our professionals to give money regularly and easily in a more modern way. That is why I am going to be leading a review of our Charities legislation alongside this

very positive introduction of facilities for payroll giving. It will be a hugely exciting project that I am very much looking forward to in the coming weeks and months.

Reducing the Cost of Doing Business in Gibraltar

Import Duty

323. In order to further stimulate the retail sector and to make Gibraltar a more attractive for national and international purchasers, the following reductions in import duty will be introduced, with immediate effect.

324. Import Duty on flooring, carpets and associated construction materials will be reduced for trade imports by half from 12% to 6% in order to assist local retailers in these products to be competitive as individuals set out to decorate the almost 900 affordable homes that will shortly be conveyed to purchasers, as well as the almost 1,700 new affordable homes that are shortly to be marketed. In this respect also, a new mechanism will be introduced, on which I am already working with the Collector of Customs, the Commissioner of Income Tax and the Financial Secretary, to ensure that those who sell services into our Community from outside our frontiers will do so in a way which is fair to those who are established here. We envisage

that all services being provided here will be subject to pre-notifications to the Collector and Commissioner and will therefore be subject to withholding taxes on payments. This will in particular apply to the sale of services into the home such as the sale and installation of kitchens, bathrooms and other fitted furniture. All of this presently comes blatantly through the frontier and only import duty is paid. The new system being devised will be simple to operate for the consumer, who will no longer even have to come down to the frontier to pay for an importation. All can be paid for online and with a credit card and a notification email of duties paid and works value declared will be sent to Customs and the Income Tax Office and payments of duty and withholding taxes made on line. We do not want to hinder cross border services Mr Speaker. Consumers must have choice and if they want to buy a kitchen, a bathroom or a fitted wardrobe from retailers outside our borders they must have the choice of doing so. That is the single market we reap such rewards from. But the work done in Gibraltar, which is taxed in the hands of national retailers, must be executed by those from outside on the basis of a level playing field, paying all taxes and duties that an established business in Gibraltar pays. Only in that way will a product or service provided

in Gibraltar genuinely be compared with a similar product or service provided by businesses outside Gibraltar. This is a genuinely exciting development that e-government will deliver and one that I know the business representative organisations will very much welcome.

325. Trade imports of white goods rated A and above are reduced from 6% to 3%.
326. Import duty on the following items for the elderly, disabled and infirm is reduced to 0%, namely, hearing aids, walking aids, wheelchairs, glasses and frames for prescription spectacles, contact lenses and dentures.
327. Import duty on toys is reduced from 6% to 3%.
328. Import duty on hybrid vehicles by those with a valid trade licence is reduced from 2% to 0% and for private imports the import duty is reduced from the current range of between 12.5% and 17%, to a flat rate of 5%. In addition, Mr Speaker, the hybrid & electric vehicle new car registration cashback is increased from £750 to £1,000.
329. Import duty on inboard and outboard marine engines and marine engine spares is reduced from 6% to 0%.

330. In line with import duty on televisions, which was reduced to 0% in our first budget in 2012, import duty on television spares is now also reduced to 0%.
331. The duty on suitcases is reduced from 6% to zero.
332. A one-off tax deduction is introduced against assessable income (with the percentage to be verified and subject to the discretion of the Commissioner of Income Tax) on the investment made by an individual, company or business that makes a significant improvement to the EPC rating of their premises.

Electricity and Water Charges

333. In keeping with our manifesto commitment, electricity and water charges will again not be increased this year, despite the increasing costs of providing these public utilities.

Social Insurance Contributions

334. Mr Speaker, our social insurance benefits will need to be funded, as far as possible, from the income receivable in social insurance contributions with less reliance on Government contributions. As I announced last year, the Government continues to study a number of

proposed innovative reforms to our social insurance scheme in order to make this self-financing for future generations of our community. An announcement in this respect will be made when the study has been completed. However, there will be no increases in social insurance contributions this year meaning that in real terms, social insurance contributions have now been reduced in effect by 11%.

Other changes to Import Duties

335. Mr Speaker, I will now deal with various changes to import duties which will take effect as from midnight last night.

336. Mr Speaker, in support of this Government's continuing efforts to address the problems arising from tobacco and smoking generally, we will once again raise the import duty on rolling tobacco from £42 per kilo to £45 per kilo.

337. In line with our policy to encourage the use of LED lighting, including LED bulbs and LED torches, the import duty on which has already been reduced to 0%, the import duty on filament bulbs and other non-LED lighting is increased by double from 12% to 24%;

338. Mr Speaker, the import duty on all appliances as well as domestic appliances (also known as white goods) with a C or D rating was

doubled last year from 6% to 12%. This year we will also double the import duty on white goods with a B rating from 6% to 12%.

339. Two stroke motorcycles will see the duty levied on the importation rise from 30% to 50%, making the less polluting four stroke motorcycles more attractive since duty on those will remain at 15%. This measure will not apply to two stroke motor cycles already in bond in Gibraltar.

340. Mr Speaker, the import duty on wines, beers and spirits has remained unchanged for a number of years, in some instances for over a decade. These will be marginally increased this year but ensuring that the selling prices of these products in the market remains competitive.

341. Import duty on wine is increased from 39p to 50p per litre bottle;

342. Import duty on beers is increased from 32p to 35p per litre; and

343. Import duty on spirits is increased from 80p to £1 per litre bottle.

Support for our Working Families

Stamp Duty on Properties – First and second-time buyers

344. In order to assist working families with the purchase of their homes, as well as those families who may need to move to alternative accommodation as their family composition changes, no Stamp Duty will be payable by first-time and second-time buyers on the first £260,000 of the cost of their property, irrespective of the total cost of their new home.

345. In addition, purchasers of new Affordable Homes will benefit from a Rates Holiday, so that no Rates will be paid in the first full Rates year (July to June), then increasing by 10% every year until 100% is reached in the 11th year. Additionally, the Rates Holiday will commence on the 1st July following completion of the purchase of an affordable apartment so that no rates will be paid for that portion of the year either.

346. Maternity Grants are increased from £600 to £700.

Support for our Senior Citizens

347. In order to further assist our senior citizens, the Annual Pensioners Utility Grant is increased from £100 to £120. This represents an increase of 100% in this grant since this Government took office.

348. Old Age Pensions will once again increase this year as will the Minimum Income Guarantee in line with increase in the Index of Retail Prices.
349. In order to assist our pensioners with their investments, and address their need for instant access to their investments together with a reasonable rate of return, the Gibraltar Savings Bank will issue a new Savings Bank 'Instant Access - 5-year Pensioner Bond'. These 5-year bonds will pay monthly interest at 2% per annum; will allow our pensioners to have instant access to their investment whenever they need it with no early redemption penalty; and will pay an additional 10% bonus on maturity on any amount that remains invested for the full 5-years.

Pensions and retirement savings

350. In addition to any other pension contributions to an Approved Pension Scheme and in order to encourage our community to save for their retirement, a new 'Retirement Savings Bond' will be issued by the Gibraltar Savings Bank. Investments will attract interest at 2% above the Bank Base Rate (currently 0.5%); and these will be redeemable on the investor's 60th birthday. Contributions to the GSB - Retirement

Savings Bond can also be made by employers on behalf of their employees with such employer contributions being allowable as a business expense for tax purposes. Up to £1,000 of contributions by the investor will also be deductible from the individual's assessable income for tax purposes, under both the Allowance Based System and the Gross Income Based system.

351. Mr Speaker, in pursuance of the Government's commitment to reduce the level of personal taxation for every taxpayer in Gibraltar, and having already complied with all our manifesto commitments in this respect, the following reductions in income tax will apply, with effect from 1st July 2015:

Personal Tax Measures

352. In relation to taxpayers on the Allowance Based System, the following reductions will be applied to the Tax bands, namely:

- The first £4,000 of taxable income, currently taxed at a rate of 15% is reduced by 1% to 14%.
- The next £12,000 of taxable income, currently taxed at a rate of 18% is reduced by 1% to 17%.
- The remaining taxable income (that is to say, income exceeding £16,000) currently taxed at 40% is reduced by 1% to 39%.

353. In relation to the Allowances in the Allowance Based System, the following measures will be applied, namely:

- The Personal Allowance was £2,812 when we were elected and was increased to £3,100. This year it is further increased by £100 from £3,100 to £3,200, representing a total increase since our election of 13.8%, almost 14%;
- The Spouse or Civil Partners was £2,632 when we were elected and was increased to £3,100. This year this allowance is further increased by £100 from £3,100 to £3,200, representing a total increase since our election of 21.6%;
- The One Parent Family Allowance was £2,632 when we were elected and was increased to £4,000 last year. This year this allowance will be doubled from the figure we inherited from members opposite and is therefore further increased this year to £5,264 representing a total increase since our election of 100%, or 200% of the allowance;

- The Nursery Allowance was £1,023 when we were elected and has been increased steadily to £4,000 over the years since we were elected. This year it is increased further by 25% or another £1,000 from £4,000 to £5,000 representing a total increase since our election of approximately 500%;
- The Child Allowance has not increased for some years. It is now increased from £997 to £1,100;
- The Child Studying Abroad Allowance has not increased for some years either. It is now increased from £1,105 to £1,250.
- The Dependant Relatives Allowance is increased from £190 to £300 where the relative is resident in Gibraltar and from £139 to £200 where the relative is resident outside Gibraltar.
- Mr Speaker to further assist the many working families and young people who will be buying affordable homes from the Government and who complete on purchases after the 1st July this year, the House Purchase Allowance will now be increased

for first time homebuyers for the first time since 2001. The allowance is increased by £500 from £11,500 to £12,000.

- The Medical Insurance Allowance was £1,120 when we were elected. It has steadily risen to £4,000 over the years since we were elected. This year it is increased by a further 25% or £1,000 to £5,000 representing a total increase since our election of approximately 450%;
- The Disabled Individuals Allowance was £2,724 when we were elected and was increased to £6,000 over the years since we were elected. This year it is increased by a further 50% from £6,000 to £9,000 representing a total increase since our election of 330%;
- The Blind Persons Allowance was a lowly £627 when we were elected and was massively increased to £4,000 over the years since we were elected. This year it is increased by a further 25% or £1,000 from £4,000 to £5,000 representing a total increase since our election of approximately 800%;

- The Special Deduction for Senior Citizens, which has not been increased for some years, is increased from £10,887 to £12,000;
- Mr Speaker, at present persons who are aged 60 years or over and need to carry on working because they have no occupational pension, receive a tax credit of up to £4,000 in respect of their earned income. However, this tax credit is not available to persons who have commuted their occupational pension for a lump sum or are in receipt of or are entitled to receive an occupational pension in excess of £2,000 per annum. In order to assist such persons, the £2,000 pension cap is, with effect from 1 July 2015, increased to £6,000. This means that all persons who are aged 60 years or over and remain in employment to supplement their income will receive a tax credit of up to £4,000 so long as their pension does not exceed £6,000.

Life insurance

354. Mr Speaker, at present, new life insurance policies or increases to existing policies currently attract tax relief at 17%. We are today removing this cap and will now allow premiums paid in respect of new policies and increases to existing policies to attract tax relief at the taxpayers' personal rate of taxation

Gross Income Based System (GIBS)

355. In respect of tax payers on the Gross Income Based System, the following increases in Deductions are introduced.

- An increase, Mr Speaker, in the private medical insurance deduction from £2,500 to £3,000 in respect of premiums paid for such cover with effect from the tax year commencing 1st July 2015;
- An increase in mortgage interest deduction from £1,000 to £1,500;
- In order to further assist working families with the purchase of their first-time home, a deduction from assessable income of £6,500 will be made to taxpayers under the Gross Income Based System in respect of approved expenditure incurred towards the

purchase of their home if completion on the acquisition of the property occurred after the 1st July this year; and

- An increase in deduction for contributions to an approved pension scheme from £1,200 to £1,500 in respect of any such pension contributions made with effect from the tax year commencing 1st July 2015.
- Also in the Gross Income Based System, we are reducing the high-end tax band from 10% to 5% for all income exceeding £700,000. This measure will affect very few tax payers at present but is an important part of starting to have one uniform personal taxation code across the board as we harmonise our system of personal taxation away from special statuses into one uniform code applicable to all residents.

Other Tax Measures

356. Mr Speaker, a number of other measures are introduced in respect of taxation which are designed to assist individuals and businesses alike.

357. In relation to individuals the Government will shortly be publishing the details of a tax AMNESTY, which I believe will be the first in our history. As I said earlier, the international initiatives on transparency and information sharing that Gibraltar has signed up to will mean not just that we will have to provide information to other states, but that

other states will have to provide information to us. That will mean that our tax office will see if some tax payers have failed to declare income in past years. Its time to allow people to rationalize their tax affairs before they are caught out. In order to do so, for a period of six months from midnight last night, individuals who repatriate monies held abroad which are the product of income accrued and derived in Gibraltar, or which on remittance to Gibraltar would have otherwise attracted taxation, will be able to wipe the slate clean on payment of 5% of the total amount remitted to Gibraltar and deposited here. Any individual who fails to avail themselves of this amnesty and in respect of whom the Commissioner of Income Tax subsequently finds taxable income abroad will be subject to a penalty charge in respect of the total of such monies of 100% of the tax that would have been due if properly declared at the time.

358. Also in relation to individuals, Mr Speaker, currently, the income received by students from employment during vacation is exempt from tax. This only applies to students who are in full time education and will continue in education following the vacation period. There are a number of full time students who work the whole year round (part-time and weekend jobs) and are being taxed on the income earned

outside the vacation period. It is proposed that the tax exemption be extended to the income earned by a full time student outside the vacation period.

359. Not in relation to tax but to Social Insurance, Mr Speaker, currently where an individual has a secondary employment both employers are required to pay social insurance contributions. It is proposed that the employers' contributions in respect of an employee's secondary employment be abolished. This is subject to the full contribution having been paid once in Gibraltar.

Corporate Tax

360. In relation to Corporate Tax, Mr Speaker, I will be commencing a detailed consideration, with the Gibraltar Society of Accountants and other business representative bodies in order to agree the treatment of capital allowance for intangible assets and the potential for the introduction of an Allowance for Research and Development Expenditure. This exercise has to be carefully undertaken to ensure that EU State Aid Rules are not in any way infringed.

Start-ups

361. In order to further incentivise new businesses to set up in our thriving economy and generate economic activity, companies, partnerships and self-employed individuals shall be able to claim 100% of its eligible Capital Allowance in the first year of trade. This will provide new business with maximum cash flow in their first year of trade which is when they most need it, by providing immediate set-off of their start-up costs, thereby increasing their chances of success. This measure will apply to all bona-fide new activity for new business in Gibraltar on the purchase of new equipment. The provisions will not apply to restructures of existing businesses seeking to take advantage of this incentive.
362. Also in relation to Corporation Tax, and following proposals from ATCOM, in order to incentivise training in the workplace, training costs will be allowed as an expense against the profits of a business or company at the rate of 150%. In other words, a company that invests £1,000 in training its employees with a view to them obtaining a qualifying qualification, will now be able to claim £1,500 as a deduction against its profit for the accounting period in its tax computation. As professional trust and company managers face the burden of continued training and retraining in new transparency

initiatives such as FATCA and the like, this will help ensure that our professional intermediaries are able to provide the training their staff need. This allowance will nonetheless be valuable in many other sectors also and will no doubt stimulate further training being available to employees in diverse industries.

The Audit Threshold

363. The Audit Threshold, that is to say the level of turnover beyond which audited accounts are required, is raised by a quarter of a million pounds from £1,000,000 to £1,250,000, although a discretion is retained to the Commissioner of Income Tax to require an audit should he consider it necessary.

Architect's Fees & Planning Costs

364. Also in order to assist small scale start-ups, a capped 200% credit is introduced in respect of the cost of any architect's fees incurred in respect of successful planning applications under the Town Planning Act (and any fees charged by Government in respect of any such planning application) made by such a company in respect of its own property in the first 24 months of operation of any new company. The credit will be available to be deducted from tax liabilities in the first

three years of operation of any such company. The Cap will be at a total of £5,000 as this is NOT designed to be a measure to help large scale developers of land, but to assist small scale businesses who may be incurring planning fees in remodelling business premises.

365. To further encourage and assist small businesses and start-up companies, a Social Insurance Credit is introduced of £100 per employee in respect of the Employers' Contribution for companies who have who have 10 or less employees. The credit will be made against the final payment of the year and companies will ONLY be eligible if the required payments have been made on time throughout the year.

366. For a new company, the credit will apply to companies with up to 20 employees in the first year of operation.

Public Sector Pay & The Minimum Wage

367. I turn now Mr Speaker to the annual consideration of Public Sector Pay and the Minimum Wage.

368. Mr Speaker, despite the continuing pay restraints in the UK public sector over the last few years, Civil Service pay in Gibraltar has continued to increase over the years and has kept up with increases

in the cost of living. The Government will once again increase Civil Service Pay under the 2015 Pay Review. In order to give certainty to members of the Public Sector, many of whom will also be purchasing affordable property in the coming months and years, the Government is today committing itself to a three year pay deal. The rate will see a pay increase linked to average rates of inflation of the past four years. Mr Speaker the average inflationary rate for the past four years amounts to 2.75%. The Public Sector will therefore benefit from a pay increase of 2.75% per year for the next three years of a pay rise of the rate of inflation in any one of those given years, whichever is the HIGHER. That means that public sector pay will rise by a minimum of 8.25% over the next 36 months starting with effect from 1st August 2015.

369. Mr Speaker, in the Royal Gibraltar Police, the Prison Service, HM Customs and the Fire & Rescue Service, an additional quarter of a percent will be added to the annual increases in the next three years.

The Prison Service

370. Mr Speaker, the Government has been in negotiation with members of the Prison Service for some time now in view that no meaningful

review had been undertaking since the introduction of the Fresh Start Agreement in 1988. The Government values the service delivered to the general public by this highly professional body and we are committed to improving their terms and conditions. We have already undertaken an important step in modernising their working conditions with the abolishment of TOIL in November last year. Now every additional hour worked by a Prison Officer is paid for, and as from the 1st July weekend premiums will also be paid, bringing them in line with the rest of the civil service. In addition to this I am today able to announce that the present 3% abatement applicable to their pay is henceforth eliminated.

371. In relation to the Royal Gibraltar Police, I am also very happy to announce that last week the Government and the Police Association agreed a way forward for the establishment of the new Gibraltar Police Federation, which I certainly believe will be an important step forward for the representation of the men and women of that force.

The National Minimum Wage

372. And now, Mr Speaker, to the lowest paid in our Community who deserve our consideration as much if not more than any others.

373. Mr Speaker, before New Labour in the United Kingdom and before many other Nations around the world the first GSLP administration introduced the Minimum Wage in Gibraltar. We are justly proud of that achievement and our pioneering move in that respect. We were right to introduce the minimum wage and we are right to ensure it is kept under annual review.
374. Therefore, Mr Speaker, in line with this Government's commitment to keep the National Minimum Wage under constant review, the statutory minimum was increased in our first Budget from £5.40 to £5.70 in August 2012; in our second Budget from £5.70 to £6.00 in August 2013; and in our third Budget from £6.00 to £6.15 with effect from 1st September 2014. Mr Speaker it was important that the minimum wage should have caught up with the cost of living as it now has.
375. The minimum wage will now be increased further – in line with the increases in Public Sector Pay - by the average rate of inflation in the past four years, which amounts to 2.75% and which equates to a minimum wage rise of 10p from £6.15 to £6.25 with effect from 1st September 2015.

376. The minimum wage will therefore have risen by 15.7% since our election, whilst inflation has risen 11% and nothing can make us prouder on this side of the House.

The Tax free threshold

377. Finally, Mr Speaker, in order to help the lowest paid in our Community, the tax free threshold is increased from £10,500 to £11,000 for low earners. Mr Speaker this means that anyone who earns less than £11,000 will now pay no Income Tax. A fair measure by a fair Government that is fair to the lowest paid in our Community.

378. Mr Speaker, there is a Bill before the House to Amend the Income Tax Act. I have not proceeded with it before so that, by giving written notice of the amendments necessary to give effect to these budget measures, when it is passed it will be up to date with the latest changes in our tax laws. Probably the first time that we are entirely up to date in many years.

CONCLUDING REMARKS

379. Well, Mr Speaker, before I sit down I will share with you that last year, as the year before, I was very disappointed that the Hon Leader of the Opposition did not actually provide any meaningful reply to my budget address. I have this year, again, made a very large number of announcements about increased allowances, about GDP growth, about the important reductions we have seen in gross and net as a share of GDP. All of these things are massively important for our community. I have provided the detail behind important figures that demonstrate that the criticisms we have heard throughout the year from our political opponents has been entirely unfounded. The falling debt, the growing rate of Government Revenue, the tight control we have demonstrated on recurrent expenditure. All of these things are good for Gibraltar and demonstrate that our economy and our public finances are strong and resilient.

380. In the circumstances, and given it is an election year, I wonder whether the Honourable member opposite might be prevailed upon to actually reply to what I have said instead of simply reading a speech he prepared earlier and which he reads out now with little regard to

what I have to say now. Maybe because it is an election year he will treat us to a response? I won't hold my breathe!

381. Mr Speaker, on a more positive note, I want to thank the unions who have worked with me this year, the Chamber, the Federation of Small Businesses, ATCOM and the Finance Centre Council for their input. As usual, it is not possible to give effect to all of their mostly sensible recommendations in their entirety, but the responsible feedback that they provide certainly helps me and my team to better calibrate this appropriation and to make innovative changes for business. I look forward to continuing my full engagement with them.

382. It is also right of course that I should, on behalf of the whole of Gibraltar, also thank all Public Servants of Gibraltar without whom Government cannot operate and who, I will never tire of saying, are in great measure are as responsible for these great results as any of the 10 of us on this side of the House.

383. In particular Mr Speaker, our thanks of course to you, the Clerk and staff of the House for bearing with us this year. This year we have concluded the work of refurbishing the areas of Parliament behind the Speaker's Chair and the effect I think has clearly been favourable to

you all in particular as the environment in which you now work is more modern and dignified than it had been for many years. And thank you again for the work being done on establishing the new register of electors. The installation of the lift to make the Chamber accessible remains outstanding pending a further round of consultation which I sincerely hope will happen quickly and be resolved positively so that we can finally make the Parliament an accessible building.

384. Mr Speaker I must now also pick out for particular tribute and thanks the people who work with me in my corner of the public service at No6 Convent Place. According to some of the more short sighted, it is wrong that we have invested in bringing your offices up to scratch. According to some you are not entitled to the modern type of offices delivered to others at even greater cost. Well, you have my warm thanks I extend to you all a very special acknowledgment to all the staff of No6 Convent Place; especially the team that works on my corridor of the building immediately to me.

385. It seems incredible to think that it is three and a half years ago that the Deputy Chief Minister and I walked into No6, with our wives, excited but with trepidation, feeling almost as if we were walking into

someone else's domain. From the car to the desk and through our modest corridor of "power", you have made us feel at home and you have enabled us to deliver the best of ourselves for the benefit of our people. And when the chips are down and Gibraltar is under attack, you ensure that I feel surrounded by support and by the most effective team on the planet at the most emblematic address in our small nation that has finally being transformed into a representation of the modern Gibraltar. Because at the craziest moments, at the times when the world around us seems to be going mad you keep me sane. And now, after the short time we have been in Government you have become more than just colleagues. You are friends and I thank you sincerely not just for your work this year, but in particular for your friendship. Thank you for these first four years as we seek the peoples' confidence for four more years.

386. In this final Budget Opening Address of the lifetime of this Parliament, I want also to continue the tradition I established in the first year I addressed the House as Chief Minister, and which I think is particularly fitting in a system of real Cabinet Government such as the one I lead, of thanking all other members of the ministerial team for their effort and determination in the course of the past financial year.

387. It is our work and the work of the public servants who work tirelessly alongside us and the work of the rest of the nation each in their own sectors that delivers these excellent results.
388. Because the numbers in the estimates book, the growth in our economy, the increases in allowances and wages are just the metaphor of the success that our nation is enjoying under this administration.
389. This is a Budget that has confirmed that what so many called a mission impossible when we embarked on it, has become a mission accomplished in economic terms.
390. What THEY said could NOT be done, WE HAVE DONE.
391. This Budget demonstrates to our Community that we mapped out the right long term plan for our economy and our public finances.
392. With Community Care having received £134million.
393. With the Savings Bank reserve estimated to be at £27million by the end of the year.
394. With a GDP of £1.64 Billion and likely to reach £1.75 to £1.8 Billion next year.

395. With Debt Down by £72million.
396. With Average Earnings jumping up.
397. With more jobs than ever before.
398. Mr Speaker, this is the Socialist Liberal Government's fourth Budget, and for all those reasons it is one to go forth and brag about.
399. Because this Budget delivers for those who work harder because they aspire to more.
400. This is a Budget for the hard working man and women who are the backbone of our economic success story as a nation.
401. Because this Budget shows that we work first for the people who can't pay their bills and who cannot afford the cost of living and we care about those businesses that need help to better establish themselves as the employers that drive our growth.
402. This is a budget for the start-up businessman and the working man.
403. A budget like all we have delivered before, not for those who put out their hands just to take; it is a Budget those who put out their hands to work and for those who genuinely cannot work.

404. And we are delivering exciting opportunities for businesses in Gibraltar.
405. Working on the side of business and not setting out to hinder business.
406. Understanding the needs of those who want to create wealth and in that way spread wealth.
407. A Government that wants to work to stimulate continued growth extending to every sector of the economy.
408. A Government that is committed to seeing each taxpayer as a shareholder in this common enterprise that we call the nation we are building.
409. A Government which is maximising shareholder value, delivering innovative solutions and making real the dreams of previous generations of leaders.
410. Creating an International Bank and a University.
411. Finishing off 900 new homes and starting work on 1,700 others.
412. Turning our backs on a culture of professional mediocrity; and demanding higher standards of ourselves and others.

413. And that is delivering growth in jobs and revenue and demonstrating the confidence of the diverse sectors of our economy that are not allowing the negative narrative of a desperate few to get in the way of the positive work on this dynamic executive team.
414. From the gaming industry to the financial services and from the Chamber and the Federation to the Unions in each sector, we are working together with all to deliver better ideas than just one of us might produce.
415. Joined up Government. Joined up ideas. Joined up delivery.
416. And in the same way as we have worked with all sectors, we have worked with people of all partisan opinion because we put Gibraltar first always AND WE MAKE NO APOLOGY FOR THAT!
417. A Government for all of Gibraltar, as we pledged to be.
418. A Government delivering a Budget for low earners and for high achievers in equal measure.
419. A budget that delivers social justice for all of our people, as we will always seek to do in every Appropriation Bill we bring to this House.

420. A budget that evidences why we have been right to pursue the course we set and take no lessons from those who left us an empty Community Care kitty, an empty Savings Bank kitty and an empty useable cash reserve kitty.
421. Because as will always be the case with us, this is the budget of a Government that will always put country before party, people before politics and service above self.
422. This is the budget of a nation coming of age Mr Speaker.
423. The budget of a Government delivering estimate busting surpluses.
424. A Government presiding over a record high in Gibraltarians in employment.
425. And Gibraltar maintaining and consolidating its position as third in international rankings of GDP per capita.
426. Mr Speaker, more reserves, more jobs and more cash surplus.
427. And not a pre-election give away budget, not a budget of goodies but but a responsible budget, delivering an adjustment and rebalancing of allowances where it is fair and equitable to do so.
428. Breaking records in employment, Mr Speaker

429. Breaking records in average earnings, Mr Speaker.
430. And breaking the broken record of negativity that a disgruntled few have made their mantra.
431. And we can show Mr Speaker that we have not cynically held back in previous budgets. We have been generous throughout the four years in increasing allowances and deductions, so that no-one can reasonably suggest that we are doing so only this year!
432. Mr Speaker, it is therefore as ever with both great pride and equal humility in having been allowed by colleagues the honour of presenting once again the fruits of the work of our whole team in the opening address in this debate, that I commend the Bill to the House.

ENDS