

BUDGET ADDRESS 2014

MONDAY 30TH JUNE 2014



**HM Government
of Gibraltar**

Chief Minister's Budget Address 2014

Chief Minister's Budget Speech

2014

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

INTRODUCTION

2. This is my eleventh budget session as a Member of this Parliament and my third 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 2015, which will mark the third full year of a Socialist Liberal administration since we took office in December 2011.
3. I will also, Mr Speaker, report to the House on the revenue and expenditure out-turn for the previous financial year, 2012 to 2013, as well as on the public finances and the state of the economy generally; making this speech, as it has been since it has been led by Chief Minister since Mr Bossano's ground-breaking address in 1988, very much a State of the Nation address and not just an appropriation.
4. Mr Speaker, I will end my address to the House by outlining the budget measures that this Government will introduce this year, in pursuance of our electoral commitments and in order to continue to address the social and business needs of our community.
5. In Parliamentary terms Mr Speaker, I am very proud indeed to reflect on the fact that this is the twenty fourth meeting of the House that I have convened since I was

elected, the twenty fifth if we include the ceremonial meeting for the opening held in December 2011.

6. It is important in my view that we as a Community do not forget that it is only as a result of the election of this administration that we now enjoy the benefit of monthly meetings of the Parliament. Before then the previous administration made up of members opposite convened no more than the three meetings required by the Constitution in any calendar year.
7. Mr Speaker the twenty four meetings of Parliament convened by my Government in the past two and a half years compares very favourably to the same number of meetings convened by the previous administration in 10 years from 2002 to 2011. What we have done in just over half the lifetime of this Parliament, it took them the lifetimes of two and a half Parliaments to do! So we are very proud to have demonstrated to our people that we are committed to democracy, not just at election time but throughout the lifetime of the Parliament.
8. And to make it even clearer Mr Speaker, we have now fully implemented the technology that allows the public full and open access to the proceedings of this Parliament by way of video feed. The public have now had a full year of being able to see what is happening in this place by way of accessing the audio/video feed on their computers, their laptops, tablets or mobile devices. I of course want to pause their Mr Speaker to thank you and your staff for the work done already in this respect. It is incredible to think that it is only a year ago that we started testing the technology that allows such broadcasting of the video feeds. I think that the Clerks of the Parliament have done an extraordinary job in adjusting themselves to the requirement to provide this service. At the same time Mr Speaker as they have adapted from the practices of

a sleepy Parliament that did not meet very often to the demands that we now make of this place, even now publishing a timetable of activity – much in the model of Westminster – also something that was never done before.

9. We are rightly proud Mr Speaker of our record on Parliamentary Reform and we will go even further as we finalise work on the Select Committee on Parliamentary Reform.
10. It is also true that in the past year the Parliament has required funding in order to manage a European Parliamentary Election. Although not supported as we might have wished by those entitled to vote, all members on this side of the House would of course wish to thank the Returning Officer for his work on that election; a good dry run for a new incumbent who will have to deal with a national election in due course. The Deputy Chief Minister will, Mr Speaker, be addressing matters relating to the refurbishment of Parliament in the course of his address later today as I turn now to the economic aspects of my address.
11. Mr Speaker, as has been the case with the previous two budgets of my Government, this budget is carefully designed to support working families, to support our youth and our senior citizens and to support our business community and improve our public services. This budget is designed to continue to deliver on our mission to improve the quality of life and standard of living of all residents of Gibraltar, whilst seeking to keep the costs of doing business here as low as possible so that we remain an attractive place in which entrepreneurs can base their companies. That is an essential pre-requisite for continued growth for our community which we cannot lose sight of.

12. I am pleased to say, Mr Speaker, that we approach this Budget with the European Economic picture a little less bleak than it was a year ago, although in many advanced EU economies the slight economic improvements detected by central banks and financial commentators do not yet seem to be trickling through to citizens. Global activity strengthened during the second half of 2013, as anticipated in the October 2013 World Economic Outlook (WEO) of the International Monetary Fund or IMF. This also predicted that “activity is expected to improve further in 2014–15, largely on account of recovery in the advanced economies. Global growth is now projected to be slightly higher in 2014, at around 3.7 percent, rising to 3.9 percent in 2015, a broadly unchanged outlook from the October 2013 World Economic Outlook”.
13. The World Bank has cut its growth forecast for the global economy in 2014 following a weak start to the year in both rich and poor countries. World Bank President, Jim Kim, has recently stated that the bank expects the global economy to grow by 2.8% compared with the 3.2% predicted in January. Developing country expansion has been revised down from 5.3% to 4.8%, while expansion in high-income countries has been shaved from 2.2% to 1.9%. After a sluggish start to 2014, the bank expects activity to accelerate during the rest of the year and for global growth to be 3.4% in 2015 and 3.5% in 2016.
14. The Vice President of the ECB, Vítor Constâncio, said recently at the 71st Plenary Meeting of the Group of Thirty in Versailles on the 30th May 2014 that “growth remains modest. In many countries, GDP levels are still below or barely above pre-crisis peaks. Euro area GDP in 2013 was 1.7% below 2007 levels.”

15. In the United Kingdom growth will happily – it appears – likely be the highest amongst Europe’s large economies. The most immediate consequence of this for Gibraltar would appear to be the growing strength of the pound sterling. This will obviously have hugely beneficial effects for British holiday makers, our own people included, and for those who work in Gibraltar and live in the Eurozone. The negative effect will be that our products will become more expensive for those who are holding Euros. That makes the shopping experience in Gibraltar also not so affordable. We must keep a careful eye on the strength of the pound sterling and juxtapose that to our need to remain competitive. Local traders may need to adjust pricing as a result to remain attractive to national and international consumers. We have given the cushion with the import duty reductions we have been making in many areas and some which will follow today.

EU STATUS ISSUES

16. Mr Speaker, it is in this context that we are also working on a consultation on the nature of our status within the EU. We clearly have a debt of gratitude to those who determined our current status on entry forty two years ago. In their own analysis, they got right that we should stay out of the Common Customs Union in the early seventies when we entered the European Economic Community, as it then was.
17. Now we are already developing legal papers and starting work on economic briefs in order to work with the employer and employee representative groups and with Finance Centre and Gaming industry representative groups to ensure we once again understand and get right our determinations of where the future shape of our membership of the EU lies.

18. This is an exercise which has been widely welcomed and the strategic importance and relevant timing of which is understood by all right thinking members of our community.
19. Indeed, Mr Speaker, the issue of the UK's position on Europe, membership of the EU and a referendum and renegotiation, the order of which may now not be so clear, is playing out on our television screens and on the front pages of the British press at a speed that is frankly vertiginous and itself has entirely justified and vindicated the manner in which we had positioned Gibraltar for this essential consultation process.
20. Continuing with the economic analysis, in neighbouring Spain conflicting data suggests slight improvements, but unemployment remains, in the areas around Gibraltar, as unfortunately harsh as it has been in recent years. This of course means that there are economic pressures on some Spanish citizens – and on those of other nationalities - which sometimes reflect on us in Gibraltar. At least it is now evident that civil servants in the municipality of La Linea have finally been paid the amounts overdue to them in salary, something which has been a difficult to comprehend reality for many professional people in our neighbouring city. The fact that those payments have been made are an effective demonstration of the hard work put in by the current administration of the municipality in righting that previously listing ship. But economic pressures in Spain have repercussions in Gibraltar in myriad ways, not least in its national government wishing to use Gibraltar as a useful distraction where possible. Mr Speaker, Members of the House will be disappointed to know that UNICEF's 2014 report informs that child poverty in Spain has grown to 27.5%, that represents a heart-breaking 2,306,000 children. Unemployment in La Linea and the Campo Area remains exceptionally high. We continue to be of the view that with

mutual co-operation and understanding, with dialogue and with goodwill, which has been the consistent attitude of this Government of Gibraltar, we are convinced that Gibraltar can be an economic powerhouse for the whole region that would – in very great measure - help redress the unemployment issues in the region. Without such co-operation, we are powerless to help. The Government, nonetheless, looks forward to a recovery in the Spanish economy as soon as possible which does manifest itself in improvements in particular in the daily lives of the people in the whole of the neighbouring Campo de Gibraltar, which would be as good for them as it would be for Gibraltar as a whole.

21. And in this respect Mr Speaker, we remain committed to dialogue as the only mechanism to deliver improved relations with our neighbours' national government in a way that would boost mutually beneficial economic growth and could result in successful joint job creation strategies. But we cannot talk to a wall, Mr Speaker.

ECONOMIC GROWTH & GROSS DOMESTIC PRODUCT

22. Mr Speaker, let me turn now to the traditional detailed analysis our own economic performance.

INFLATION

23. Inflation in Gibraltar averaged at 2.1% in 2013 compared to 2.7% in 2012. The Food Group contributed 0.5 percentage points over the year to January 2014. As Honourable Members will know, the latest published rate of inflation for April 2014 stood at 1.8%, down from 2.5% in January 2014. The Government's Statistics Office reports uncertainly on how long inflation in Gibraltar can remain near the target rate of

2%. This uncertainty arises from the openness of the Gibraltar economy and the effects of movements in the exchange rate and commodity prices, both of which are prone to move sharply. The statisticians' expectations is that downward inflationary pressures in the Eurozone and the weak Euro should nonetheless slow down price increases in Gibraltar during 2014, keeping the rate below the 2% target.

EMPLOYMENT

24. In employment terms the excellent work being done in the Ministry of Employment by the Honourable Mr Bossano, now also one of the longest serving Parliamentarians in the Commonwealth, is also shining through. In October 2013 the number of employee jobs was 22,907, representing a increase of 6.5% (up by 1,388 from 21,519) compared with October 2012. There was an increase in the number of employee jobs in both the Private and Public Sectors, where jobs grew from 15,844 to 16,941 (+1,097) and 4,991 to 5,378 (+387) respectively over the period. Employee jobs in respect of Gibraltarians increased by 126 (+1.2%), from 10,731 to 10,857 over the year, representing just under 50%, or exactly, 47% of all employee jobs.
25. Mr Speaker last year the Government reported the largest ever increase in Gibraltarian employment levels. The number of Gibraltarians in full time employment increased in the year between October 2011 and October 2012 by 524. This demonstrated the massive and unprecedented success of the policies introduced by this GSLP/Liberal Government on the 9th December 2011 by the increasing full time employment levels for Gibraltarians.
26. In the whole 15 years of GSD Government the number of Gibraltarians in full time employment only went up an average of little more than 22 a year or a total of 325 in 15 years. Our average, for the two years of the employment survey since we were

elected is 325! In other words, our average in two years is greater than their total over 15 years.

27. That is, I am delighted to be able to report to the House, a truly remarkable achievement.

28. Mr Speaker, I do know that in some circles it is popular to knock Joe Bossano. But if people put away their prejudices and look at the results that the Honourable Member is producing, they will see that he is delivering for our people jobs at a rate never seen before in history; and certainly nothing like the pitiful results seen under the past administration.

29. So when it comes to other contributions in this debate, I would ask all Honourable Members, in particular the member shadowing Mr Bossano, to deal with the substance of the matter of employment; namely the huge and unprecedented success that we are delivering and the abysmal record that the previous administration were responsible for.

30. Mr Speaker, the numbers speak for themselves and we will not rest until every able-bodied Gibraltarian who wishes to work is in a job.

THE GROSS DOMESTIC PRODUCT

31. Mr Speaker, on the back of those encouraging employment figures, I will turn now to the annual analysis of GDP, which is the internationally relevant measure of progress in all advanced economies.

32. The latest figures available from the Government's Statistics Office indicate that Gibraltar's Gross Domestic Product for the financial year 2011/12 was £1.17 Billion.

33. The GDP figure for 2012/13 is now estimated at £1.28 Billion and the forecast for 2013/14 is £1.41 Billion.
34. Mr Speaker, when we stood for election in December 2011 we made very clear commitments as to the rate of growth that we anticipated for our GDP and how we believed that the GDP figure could grow in actual cash terms over the lifetime of this Parliament. Our prediction was, as has been the case in each election in which the GSLP has made such predictions, entirely ridiculed by individuals standing against us.
35. Well, Mr Speaker, with the continued roll out of our manifesto commitments - in particular the refurbishment of the forgotten estates, the building of affordable housing projects and the excellent small boats marina project, together with the development of two new schools in the Upper Town area, and the effect that just these projects will have on our economy in the coming years, GDP growth can now confidently be expected to accelerate and in fact entirely comfortably be predicted to surpass our original estimate of a GDP £1.65 Billion by 2015/16. Our economy is therefore on target to deliver and exceed the target we set in our Manifesto.
36. There were some that said – almost with glee – that our predictions were too ambitious and unachievable. There were some who said that it was impossible for us to grow our economy as fast. On this subject I am sure I am joined by all right-thinking citizens and residents of Gibraltar, in being very satisfied indeed that the Her Majesty’s Treasury in Gibraltar has confirmed this level of growth has been and is being delivered. There can be no happier “I told you so” than this one for all our Community, even, ironically, those who relished predicting we would fail to reach these targets of growth.

GDP GROWTH %

37. Mr Speaker, I am delighted to be able to report to the House and to the people of Gibraltar that these figures reflect a continued growth in percentage terms in our economy of around 10.3% per annum. This is double digit growth unseen elsewhere in Southern Europe.

38. Mr Speaker, these numbers will rank Gibraltar as one of the fastest growing economies in the world; no mean feat for a nation of 30,000 people in southern Europe – and especially given the current attempts to strangle our economy that have been so evident to the whole world.

GDP PER CAPITA

39. Mr Speaker, last year I told that House that the Statistics Office had reported GDP per capita had risen to an average £41,138 – or US\$64,478. By the per capita rankings of the International Monetary Fund, Gibraltar then ranked fifth in the world ranking of GDP per capita up from ninth place in 2011/12.

40. And, indeed, Mr Speaker, Gibraltar actually now still ranks in the Top-5 worldwide in terms of GDP per capita.

41. In fact, I am very proud to be able to report to the House today, Mr Speaker, I am very proud to be able to report to all our citizens, to all our residents, to all those who come in daily to work in our economy, that our GDP per capita is estimated by the Government's Statistics Office to now be US\$75,117 which translates into THIRD

PLACE on the International Monetary Fund World Economic Outlook Database Ranking of Countries based on GDP per capita.¹

42. Up from 9th to 3rd in two financial years!
43. Mr Speaker, it is personally for me a huge satisfaction – and for the whole of the Government of course an enormous source of pride - that in the two and a half years since we have been elected we have been able to steer our nation on such a steep rise in this index. I told the House then and confirm now my view 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.
44. And the main drivers for this growth, Mr Speaker, are primarily the continuing increased employment and turnover in the online gaming and financial services industries, as well as the increased levels of construction – both from the public and private sectors - now evident in our economy.

PUBLIC FINANCES

PUBLIC DEBT AND CASH RESERVES

45. Mr Speaker, moving on now to the public debt.
46. The level of Gross Public Debt as at 31st March 2014 was £450 million. That means that in the context of an economy that has already grown by over a fifth from £1,17BN to £1,41BN our Gross Public Debt is now £70 million lower than under the previous GSD administration.

¹ Calculated on a Purchasing-Power-Parity basis, 2013 Ranking. The GDP per capita used was £47,066 (£1,412,040,000/30,001) for 2013/14. The exchange rate used was £/\$1.5960 that was based on a monthly average from April 2013 to March 2014.

47. The level of Cash Reserves is estimated to have ended the financial year at a very high level indeed of just shy of £100m, or £96 million to be exact. This is a huge increase in terms of useable cash reserve and is a valuable fruit of our prudent economic management. 50 times more useable cash reserve than the members opposite left at the end of their last financial year in office, which is the measure that matters!
48. This analysis reflects a Net Public Debt at 25% of GDP or £354 million; all well within the borrowing limits set out in the Public Finance (Borrowing Powers) Act.
49. As a percentage of Annual Recurrent Government Revenue in the previous year, Net Public Debt at the end of March 2014 was 65%, leaving a clear margin of 15% (around £82 million) of 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.
50. In short Mr Speaker, Usable Cash Reserves have now been fully restored to prudent levels and the Public Debt is well within the levels permitted under the Public Finance (Borrowing Powers) Act. There will be no need for us to come to this House to seek a resolution to raise the borrowing limit as the previous GSD administration were set to do before the last election because they could not balance the books within the borrowing limit formula set out in the law.
51. Mr Speaker, as we have said since before our election, this administration is committed to seeing reduced levels of Public Debt on both a Gross and Net basis. This year, we are in the middle of paying for projects that will produce revenue in the future, in particular the building of affordable homes. For that reason, we estimate

that the Public Debt will remain broadly at present levels during this financial year; but we can confirm our view remains that it will fall to the levels we estimated by the time of the final Budget in the life of this Parliament. In this respect also, we are therefore on target to deliver the reductions in debt in ratio terms that we committed ourselves to deliver.

REVENUE AND EXPENDITURE BUDGET FOR THE FINANCIAL YEAR 2013/14

52. Mr Speaker I turn now to an analysis of Government revenue and expenditure for the past and coming year.
53. Government revenue collected in the last financial year has exceeded the original budget by around 12%. As a clear reflection of the continuing growth in our economy, PAYE receipts increased by around 8% over the previous year and Company Tax increased by over 20%. Revenue is up from £387m, which was the amount in which the financial year 2010/11 ended on 31st March 2011 – and the figure to which the Financial Secretary referred in his Domesday Memo to me of 13th December 2011 (a copy of which I attach as Annex I here to for ease of reference) to an estimate now of £547m in the two and a half years since we were elected.
54. Mr Speaker that reflects a growth in recurrent revenue in cash terms of £160m.
55. **In percentage terms, Mr Speaker, we have taken our nation's economy on a quantum leap forward of growth of 41.34% from the figure at the end of March 2011 to the figure in the conservatively predicted estimates for the end of this financial year.**
56. In the past year alone, revenue has gone from an estimate of £487m last year to the aforementioned estimate of £547m for this financial year 14/15. That is a cash

estimated growth of £60m or percentage growth of 12.32% in recurrent revenue. That would be hailed as excellent growth in any FTSE 100 company!

57. Departmental Expenditure, on the other hand, has been rightly carefully and tightly contained and has ended the year at less than 5% over the original budget. This is excellent control of departmental expenditure which comes it at less than half the revenue growth increase.

THE SURPLUS

58. Mr Speaker, based on those figures, I would have been delighted to announce to this House that during the last financial year 2013/14, we would have once again achieved an all-time record budget surplus. With those numbers that are reflected in the estimates, at £50.3 million, the Government's budget surplus for the year would have been up by an increase of more than £33 million over the Original Estimate which was originally a conservative estimate of £17m surplus.
59. But this address to Parliament today cannot be one that only delivers good news to everyone. Unfortunately, as you and everyone in our Community knows, Mr Speaker, this has been a year when Gibraltar has suffered continued attempts to strangle its economy. These have been designed to try to undermine the work not just of the Government but of every person who works in our economy. The nefarious attempts to undermine us economically have clearly had an effect on the numbers we expected to be bringing to this House and the prosperity that our Community enjoys.
60. Mr Speaker, I am therefore sorry to have to report to the House, in terms of the surplus to be declared, that there is unfortunately a huge disappointment in store for those watching or listening this morning...

61. At least Mr Speaker, for those who are watching or listening this morning hoping to have damaged us; but unfortunately, not all of those are outside Gibraltar.
62. Mr Speaker Her Majesty's Government is delighted to be able to report that the surplus is actually much higher than expected – even higher than at the time that the estimates book was being put together.
63. I am delighted to disappoint all of those who wish our Community ill.
64. The surplus to be declared this year is expected finally to be in the region of a huge - record busting, economic strangulation beating - £65million pounds!
65. Mr Speaker this surplus is a reflection of the hard work of the government, of every public servant in Gibraltar, of the prudent work being done in the management of our finances by the team at the Treasury and – in particular – it reflects the hard work of everyone in this economy. What some people beyond our shores do not recognise, in particular those who believe their own putrid arguments that we are just a military fortress with a few civilians in it, is that we are a community of hard working, conscientious men and women; toiling each day to make our way in the world.
66. In fact, Mr Speaker, the pillars of the Gibraltar economy are not, in the view of those of us in this GSLP Liberal administration, those sectors that may or may not be doing better in our economy at any particular time. They are not the particular industry that may be in fashion at any particular time. They are not five. Six. Or seven. They are two.
67. The two twin pillars of the Gibraltar economy are our land and our people. Those are our natural resources.

68. And our whole wealth, prosperity and way of life depends on using - and defending our right to use - those resources effectively and efficiently. We have nothing else, as the Honourable Joe Bossano so succinctly and eloquently set out as Chief Minister in the first real GSLP budget after the 88 election. And this is a philosophy that we established from the time we were first in government in 1988 and which resulted in the huge investment made by that administration, followed by others and now added to by us, of educating our population to the highest possible standard in tertiary education – now including even Masters degrees as compulsory scholarship awards.
69. And Mr Speaker that is what the surplus that we declare today reflects above all else; the prudent and appropriate application of wealth to the investment in and management of our human resources and the management of our real estate so that it is geared towards ventures that produce returns in the long run and all of it topped up by the hard work of our people – a reflection of the real twin pillars of our economy.
70. So today Mr Speaker the Government does not just congratulate itself on this record surplus. We congratulate the Community as a whole. The working people of of Gibraltar and the entrepreneurs in Gibraltar. This is the fruit of the labour of those who put out their hands each day to work, not to take. The result of 365 days of toil. Of getting on with it when the chips are down. The Government says congratulations to all sectors of our economy. The Government says thank you to all economic actors.
71. This is a rewarding record year for which our People and their Government enjoy joint responsibility.

72. The prudent management of our economic affairs and the prudent application of our resources is producing the excellent results that we have always believed to be possible.

GRANT TO COMMUNITY CARE CHARITABLE TRUST

73. Mr Speaker, 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 total of £45 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 two financial years, to £80million.

74. Mr Speaker, in making this contribution to Community Care I am very, very proud indeed to be able to report to our Community that the reserves of that Charity are now reported by the Trustees to be in excess of the £60million which they had in 1996 and which, under the previous administration, were allowed to run down to zero.

75. I know that everyone in our Community will understand the importance of having re-established the contribution to Community Care and value of that Charity not having, once again, established reserves in excess of the sums they have ever held before. Once again, the rainy day fund for Household Cost Allowance is in place.

REVENUE AND EXPENDITURE BUDGET FOR THE FINANCIAL YEAR 2014/15

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

77. As I have already indicated, estimated recurrent revenue for the year is budgeted at £547 million. This reflects the significant increase in recurrent revenue that has been achieved in the previous year but, Mr Speaker, this is nevertheless a conservative budget going forward, which is less than 1% above the forecast out-turn figures for the previous financial year. Mr Speaker, we believe it is important to be prudent in making these predictions and not to overstate the potential for increased income.
78. The overall recurrent expenditure budget for the year is £513 million, which includes a contribution of £25m to pay costs of Government companies with recurring expenditure which the previous administration had entered into, and which therefore reflects a very modest increase in real terms over the previous financial year of under 4%.
79. For this year, Mr Speaker, the Government is therefore projecting a recurrent budget surplus for this financial year of around £34 million. Again, we are projecting conservatively based on the conservative estimates we are making of revenue and working hard to once again be able to deliver expenditure as close as possible to the target estimated.
80. Mr Speaker it is important to set that predicted increase in recurrent expenditure into its proper context, and I intend to do so. In that way, any other member who speaks in this debate will have had the benefit of this analysis and will be able to also see how prudent we are being given how these figures have previously increased. More importantly, Mr Speaker, we need to analyse these figures in order to ensure that the Community properly understands where responsibility lies for many of these increases.

81. Historically, Mr Speaker my analysis will begin with the position just before the GSLP was elected in 1988.
82. In 1987/88 Recurrent Expenditure was £67.3m.
83. In 1988/89, the first year that the GSLP was elected, but – given the date of the election – still reflecting really AACR estimates, Recurrent Expenditure was £71m on Revenue of £74.2m.
84. In 1996/97, in the estimates published by the GSLP (although the debate happened under the GSD), and therefore the position the GSLP left behind, Recurrent Expenditure was £73.2m.
85. In 2000/1 Recurrent Expenditure was £126m.
86. In 2003/4 it was up almost £40 million (or 31%) to £165m. In October 2003, Mr Speaker the way in which we account for jobs in the public sector in the Employment Survey was changed, so in order to ensure that I am comparing like with like, I will tell the House that in the Employment Survey that year there were 2,938 people employed in the public sector (excluding the MOD).
87. In 2007/8 Recurrent Expenditure had risen another £40m to £207m or 25.5%. By October 2007, in that years Employment Survey the number of Gibraltarians employed in the Public Sector had increased to 3,092.
88. It is important to note Mr Speaker, that in the Employment Survey for 2011, the year of the last election, the total number of people employed in the Public Sector had increased to 4,574. That is a staggering increase of 1,636 people employed in the

public sector – many of them coming in from the MOD and us now selling services to the MOD; but not all of the increase can be accounted for in this way.

89. It is also important to note that by the time we are elected in December 2011, the Public Sector Pay Roll gives us a figure of employees which we are paying for out of the public purse, and thence quite the best snapshot of the “public sector” that we can have (absent the Employment Survey figures which relate to earlier in the year) of 4,804 people in December that year. That is an increase of 1,866 in the public sector UNDER THE previous GSD administration or 39% since 2003, that is to say an increase in the public sector of just under 40% in just two of their four terms. In terms of increases since 1996, the figure would be even higher, but we may not be comparing like with like.² We are working on obtaining a correct figure for 1997.
90. It is useful nonetheless to see that the payroll of the Government and the increase in Recurrent Expenditure is always going to be dependent on the numbers of Public Sector employees; and that rises quite dramatically in the last ten years.
91. And now coming back to the analysis of the Recurrent Expenditure simpliciter Honourable Members will note, Mr Speaker, that at the end of eight years of GSLP Government from 1988 to 1996 Recurrent Expenditure had gone up from £67.3 to £73.3m. That represents a growth in Recurrent Expenditure in that period of £8m in cash terms, or 8.1%; an average of 1% a year over the first 8 years of GSLP administration.

² There is no easily accessible breakdown for years before 2003 between public sector employment of the GoG and the MoD.

92. Mr Speaker in the first estimates for which the GSD was responsible in 1997/98 Recurrent Expenditure was up to £110m.
93. By 2011/12, the last estimates book prepared by the outgoing GSD administration, the ESTIMATE for recurrent expenditure had gone up to £372.1m. But in fact the forecast outturn at the end of that year was quite different. Remember that financial year was three quarters of GSD administration spending in the run-up to an election and one quarter GSLP administration stopping all expenditure having found almost nothing left in the bank. You see, Mr Speaker, in the year from when the estimates for April 2011 were completed the then Chief Minister valiantly led an effort to increase wages in a number of Government departments, agencies etc. Indeed, some new agencies were even created. The forecast outturn of the recurrent cost of the final year in which the GSD was in office was actually £421m.
94. Mr Speaker, even when giving them the benefit of their own £110m figure which is their first estimate for their second year in Government (97/98) that represents a cash increase of £311m and percentage increase of 283% in the sixteen years of GSD Government. Those figures rise to £348m if compared with the GSLP's closing figure of £73.3m and juxtaposing that to the £421m actual that represents their last financial year in office. That would be a staggering 474% increase in recurrent expenditure in their time in office.
95. In yearly average terms that is an average increase of £20.7m per year or a percentage average increase of almost 18% a year when working from the £110m to the £421m (over 15 full financial years). If we went for the purist approach and compared the £73.3m of recurrent expenditure they inherited to the £421m they bequeathed to us, then the increase averaged out per year they held office is £23.2m per year increase in

recurrent expenditure. In percentage terms, that would be a staggering growth in recurrent expenditure of 31.62% in average annual percentage terms in the full 15 financial years that they were in office. If they prefer to divide by 16 for shorthand the numbers don't differ much.

96. As part of that figure Mr Speaker is a contribution of £28.3m to Government Companies that had recurrent liabilities and which also had a debt due to the Consolidated Fund which included spending commitments of almost £100m and approximately £70m already spent!
97. But that is not the end of the matter, because, in fact, in respect of recurrent expenditure, a large measure of the increase which resulted in 2012/13 estimates really reflect some of the increases already agreed by the outgoing GSD government and the losses that we found and had to tackle.
98. So when we make an estimate in 12/13 of recurrent expenditure grows to £440m, that actually reflects ALSO a growth in recurrent expenditure incurred in particular in the last months of the previous administration. The three year pay deal agreed by the GSD had been 2.5% for 11/12, 2.7% for 12/13 and 2.9% for 13/14. So in the context of the rise from in Recurrent Expenditure from £421m in 11/12 to £440m in 12/13, in the context of that increase of £19m the GSD's pay deal; the part of the rise for which they are again responsible was £4.1m. That is to say, of the increase in recurrent expenditure in our first estimates, 21.5% was what Mr Caruana had agreed with the Unions before he left. And that is just the general, public sector pay deal increase.

99. Let me give you a few examples of where the other growth in recurrent expenditure came from which is not to “blame the GSD” – its actually to do a forensic and detailed exercise and analysis to understand how, why and where Recurrent Revenue is rising.
100. Remember the 16% pay increase in the Buildings & Works Department which became the Housing Works Agency?
101. Remember the 16% pay increase awarded to all GJBS staff AFTER the election had been called?
102. Some things members cannot remember because they are not things ever announced, but, for example, the GBC pension fund has been underfunded by £2m. This is a publicly funded scheme which was allowed to remain in deficit. To bring it back requires a contribution to GBC from the Consolidated Fund of a quarter of a million pounds a year for 8 years.
103. Remember also that you have things like the creation of the Highways Enforcement Officers which was an entirely new agency created by the GSD and which cost in its full year of operation £1.15m. As was the incorporation of a company to be called Gibraltar Car Parks. The latter also operates at a loss, funded by a contribution from Government but in company structures created by the GSD and in which we found the huge black hole of £100m which we will come to later.
104. The creation also in the last financial year in office of the GSD of the Gibraltar Culture and Heritage Agency took spending from an estimate of £1.9m in the estimates for 2011/12 under then Head 38 to a forecast outturn for 2012/13 of £3.7m under the free standing Gibraltar Culture and Heritage Agency. In other words, the real EXTRA cost to the tax payer of the creation by the GSD of the Culture Agency

was a staggering £1.8m. And that, Mr Speaker, accounts for almost 10% of the increase in spending that year; which is therefore also attributable to the time that members Opposite were in Government and the decisions they implemented in the run up to the General Election. Mr Speaker the Community will be happy to hear that spending in the Gibraltar Culture Agency, where the Principal Auditors investigation showed a large number of “a dedo” appointments to very large salaries, has now been reduced considerably by almost £1m. But in the context of the “hand-over” increases in spending, lets be clear, 10% of the increase in spending from GSD to GSLP/Liberal administration represents that increased GSD spending on the creation of the Culture and Heritage Agency.

105. Some increases cannot be budgeted for and are inevitable. For example, the estimate in 11/12 for fuel for the electricity authority was £9.2m; but the increases in the cost of diesel raised that by £5m to £14m by the time of the forecast outturn. And the estimate for £12/13m the year we are now analysing Mr Speaker, was £16.5m.
106. The increase in Scholarship costs is also outside of control when it arises from the increased tuition fees in the United Kingdom. That cost went from £6.4m forecast outturn in 2011/12 to a forecast outturn of £9.6m in 2012/13. So £3.2m of the increase in recurrent expenditure from GSD to GSLP/Liberals is due to increased charges in the UK.
107. So for the increase of £19m that was the increase in Recurrent Expenditure between the last real year of GSD administration and our first year in administration, we can show that:

£4.1m or 21.5% was the cost of the GSD pay deal;

£1.8m or 10% was the extra costs of spending on Culture after the creation of the Gibraltar Culture & Heritage Agency;

£0.5m 2.5% is the approximate cost of the 4 new executives employed in the Financial Services Ministry, or the “4 New Jimmys”, which the GSD had promised and which we employed, and so this increase can also be seen to have been approved in effect under the GSD;

£3.2m or 15% was the cost of increased tuition charges in UK;

£7.5m or 30% was the cost of diesel fuel;

£0.5m or another 2.5% is factored in as the cost of inflation for that year.

108. Mr Speaker, the House and the Community at large will be able to see in that detailed analysis that almost 90% of the increase in recurrent expenditure between the Estimates for 2011/12 and the accounts for 2012/13 are directly attributable to the spending and the spending commitments that Members Opposite entered into before the last General Election (as to almost 40%) or to factors which are outside the control of any party in Government, like fuel cost increases related to the ever growing price of diesel for electricity generation or increased tuition costs for students as a result of a hike in fees in the UK (47.5%).

109. So Mr Speaker, any honest analysis of the increases in Recurrent Expenditure has to be made on the basis of our having inherited Recurrent Expenditure at a level of almost £421m when our responsibility for growth from there to £440m the following year is about 10% of it or about £1.9m of the almost £20m increase. So in terms of annual expenditure growth, which was approximately 4.5%, we were responsible for

£1.9m out of £440m, that is to say, our spending decisions related to 0.43% of that years Recurrent Expenditure Budget.

110. When we trace those inherited increases through into the increase estimated for the following year, members will once again see that a very large part of the next years increases continue to be the effect of policies entrenched by the previous administration.
111. For example in financial year 13/14 which we have just left behind the estimate was for expenditure to grow from a forecast outturn of just above £448m in 12/13 to an estimated £470m. That represents in cash terms an increase in Recurrent Expenditure of approximately £22m or in percentage terms 4.9%, which is about a quarter of the average annual growth in expenditure they were responsible for.
112. Well, of that £22m, again near 25% is represented by the final instalment of the Public Sector Pay Rise agreed by the GSD which cost £4.8m in that financial year.
113. Another continuing increasing expenditure which will not be tamed until we are no longer using diesel to generate electricity was the recurrent cost of that ever more expensive fuel. The cost of that fuel to the Community was estimated to go up AGAIN in that year, now from an estimate of £13m in 12/13 to an estimate of £23.5m in 13/14. That represents a staggering £10.5m increase in the cost of diesel fuel. That is approximately 50% of the increase in recurrent expenditure for that year; again, not driven by GSLP/Liberal spending plans but by market forces outside our control. In fact, the forecast outturn is even higher, Mr Speaker at approximately £26m – but with fuel costs now distributed between Waterport and the new sets brought in; so shown in different part of Appendix I for this year.

114. The cost of scholarships again increased from £9.6m to an estimate of £10.25m (over £0.5m increase) to a forecast outturn increase of £12.3m.
115. Inflation was also at approximately 2% for that year, so another £8m can be attributed to that.
116. Again, Mr Speaker, almost all of the increases – in the region of 80% - in Recurrent Expenditure driven, not be policies of the present administration, but by the spending commitments of the previous administration or the uncontrollable market forces that increased the price of fuel or the UK's increases in the scholarship fees for our students, the latter being something that we are certainly committed to and that members opposite have, until now at least, also said that they remain committed to. I am also, of course, assuming in this analysis that - despite the high cost of diesel, members opposite, if they had been returned to Government would have continued to purchase that fuel because (a) they would have wanted us to have electricity; and (b) because one of the big dividing lines between our respective positions on the generation of fuel has been our commitment to bring in a cheaper and less polluting fuel in the form of Liquified Natural Gas, whilst they actually signed agreements (luckily with one final get-out trap door), to purchase a new diesel fired power station for Gibraltar.
117. In that context Mr Speaker, the increased amounts of spending on recurrent expenditure attributable to GSLP Liberal commitments in 13/14 amount to a miniscule part of the increase. Not much to write home about. Certainly nothing to serious base a speech in reply to a Chief Minister's Budget Address.

118. Turning to this year's estimated increase Mr Speaker, I am very happy that the overall increase in Recurrent Expenditure will represent only a 4% increase on the outturn for the year before. Less than a quarter of their average annual yearly increase from 1996 to 2011.
119. We had to make an even larger contribution than expected to recurrent expenditure in the companies than expected in 13/14. That increased from an estimated £17m to an actual of £20m. Mr Speaker this continues to concern us as a Government. This year we are budgeting £25m contribution. But this is exclusively an issue created by the previous administration. There were no uncovered recurrent costs in Government companies under the first GSLP administration; and the few trading companies in the structure then paid their way. This company black hole is a phenomenon created under my predecessor, the Honourable the now back bencher.
120. So £25m has to go to that which we are seeking in any event to tame in some way.
121. The rest of the increase is in part also going to be explained in terms of market forces affecting the cost of fuel. We are budgeting £33.6m for the cost of fuel. £12m for Waterport and the balance for the additional generating capacity that has had to be imported. Again, the cost is related to the increasing cost of diesel. That is going to represent a further £10.6m increase over the £23m budgeted for the year before; again approximately 50% of a 4% increase in recurrent expenditure.
122. Inflation is similarly running at approximately 2% which represents another £8m or so.

123. Tuition fees are expected to increase again by another £4.5m from an estimate of £10.25m to an estimate this year of £14.86m. That £4.5m is almost a quarter of the increase in Recurrent Expenditure.
124. And, as I will come onto later Mr Speaker, the Public Sector Pay increase for this year, which I will announce in greater detail later in the course of this address, represents again a similar part of the balance of the 4% increase we are talking about for this year.
125. All in all Mr Speaker although this analysis of Recurrent Expenditure has had to be lengthy and detailed, I think it is an important exercise to do with our Community on this “open-book” basis.
126. It is particularly useful Mr Speaker so that we can frame in honesty any debate members may want to embark on in the context of trying to attribute what I might call “political blame” for the increases in Recurrent Expenditure over the years since we were elected.
127. I think it is hugely important to frame in honesty also any suggestions for controlling Recurrent Expenditure increases. You see, we need to understand how the easy soundbite that “Recurrent Expenditure is too high” or “Recurrent Expenditure is growing too fast” would be dealt with by those who suggest they might be able to do a better job than us.
128. Would they stop generating electricity for some hours in the day?
129. Would they cut the pay of civil servants or public servants?
130. Would they not give a pay rise to the public sector this year?

131. Those who express concern about rising Recurrent Expenditure need to be honest and tell the public this is what they stand for.
132. Would they cut down the compliment of the public sector?
133. Or would they be stopping our young people from having their scholarships, even if they themselves have two degrees and a professional qualification paid for by the taxpayer?
134. Well we won't do any of that Mr Speaker, and we will continue to run surpluses, grow the economy and control Recurrent Expenditure; and one of the main ways we will do will be by the switch in fuel from diesel to gas which is good for the environment and is good for the collective pocket!
135. But let us, by all means, have a meaningful debate on Recurrent Expenditure if the House wishes Mr Speaker. Certainly. By all means.
136. But let us have it framed in honesty and not in deceit.
137. Let us not see our people led into thinking that costs which are at large can be controlled in any other way than we are already working to control them by planning for a future when we are buying less diesel.
138. That is how we will loosen the noose that members opposite have tied around the neck of our Community by the staggering average annual increases in Recurrent Expenditure of between 18 and 31% in the years they were in office. Even the lower figure is a staggering indictment of their management of our economic affairs!

139. And let us not seriously have to endure seeing those who agreed pay deals that cost almost £4.5m or £5m a year for three years now say that it is remarkable that costs have increased in part by that very same £15m.
140. Because this debate is not about blaming the GSD, it's about telling the truth; about framing debates in honest and not in deceit; about opening citizens eyes and not allowing members to wriggle off the hooks they made for themselves.
141. And neither should this debate just be about happily going off to spend more. It should be about spending on things that matter to our people, that make their lives better and that are long term investments to our community. And part of that also requires us to have good and strong discipline in sticking to budgets.

CAPITAL INVESTMENT PROGRAMME

142. Mr Speaker, in the last financial year the Government invested around £128 million on capital projects funded from the Improvement and Development Fund.
143. Around £26 million was invested on 'Works and Equipment' and a further £102 million was invested in specific capital projects, including £12 million on the conversion and refurbishment of the Old Naval Hospital Dementia Facility; £5.8 million on the Sandy Bay Beach Protection; and £5.2 million on Improvements to our Housing Estates. A total of £40 million was also provided as Equity Funding for the Government-owned asset-holding corporate structure.
144. Capital Projects that are being funded through the Government-owned companies include the construction of over 1,000 new affordable and rental homes; the construction of car parking facilities in numerous locations throughout Gibraltar; a

programme of replacement of our bus fleet with more environmentally friendly vehicles; a number of reclamation projects, including the Eastside Reclamation Development, which has now been brought back fully under Government ownership and control resulting in a significant increase in the Government's land bank that is available for development projects currently under discussion.

145. Indeed, Mr Speaker, Honourable Members will have recently seen advertisements seeking "expressions of interest" for the development of the whole or part of the Eastside reclamation which the Honourable Joe Bossano had the long term vision to start when he was Chief Minister.
146. We sincerely believe it is possible for us to see that plot in earnest development in the short to medium term. The appetite certainly seems to be there and we are looking forward to the end of the period for expressions of interest in order to progress as much as possible in respect of that particular area.
147. This is an area of responsibility which is principally under the ministerial remit of the Honourable the Deputy Chief Minister, Dr Garcia, under his portfolio for lands. Honourable Members will no doubt agree that the management of that prized land asset could not be in better and more reliable hands.
148. Mr Speaker, in this financial year, the expenditure budget of the Improvement and Development Fund is around £120 million. The investment in Works and Equipment continues at around the same level as in the previous year. The other main capital investments include the first phase of the '700 berth Small Boats Marina'; investments

in our housing estates and our beaches; the relocation of a large number of MoD estates, making way for the release by the MoD of further land and properties for use by our community. Equity funding of £25 million has also been provided as the initial capital base of the Gibraltar International Bank. The new Bank is expected to open its doors to the public later this year and will provide full retail banking services to our community, as Barclays Bank reduces its retail banking presence in Gibraltar.

149. Mr Speaker, I am delighted to announce that we have now secured a board of directors that fits exactly what we had in mind when we announced the bank on the 16th December 2013. In that statement I said that I was “excited that G I B will be a modern, innovative institution designed to meet the needs of our community, licensed and regulated by our Financial Services Commission and independently managed by banking professionals providing an excellent service to its customers”.

150. Mr Speaker as members will know, we have engaged the services of two excellent individuals as the CEO and COO of the bank with extensive expertise and experience in the banking business. However, it has always been our intention to provide them with independent professional support at Board level and this has now been secured. Mr Speaker the Board of Directors of G I B will in addition to the CEO and the COO as Executive Directors be joined by the following Non-Executive Directors:

Mr Albert Langston JP, a banking professional and currently Chairman of the Board of Directors Lloyds Bank Plc in Gibraltar;

Mr Marcus Killick OBE, the former CEO of the financial services commission;

Mr Peter Montegriffo QC, a Senior Partner of Hassans, previously Deputy Chief Minister;

Mr Colin Vaughan, a Director of PWC in Gibraltar;

Mr Stephen Reyes, a Director of Deloittes in Gibraltar;

Mr Anthony (Tony) Welsh, an established and well known Gibraltar businessman;

Mr Peter Isola, the Senior Partner at Isolas; and

Mr Dilip Dayaram Tirathdas, the Financial Secretary.

151. Mr Speaker, each of these individuals is well known in our Community and each has excelled in their own area of expertise. I am grateful to each of them for having agreed to join what is the founding board of the G I B, and I have no doubt that their appointment will reaffirm our serious commitment to deliver to the people of Gibraltar exactly what I promised on the 16th December 2013 and which our Community deserves: a new, first class, independent local bank.

GIBRALTAR SAVINGS BANK

152. Mr Speaker, there is of course very positive news for clients of the Gibraltar Savings Bank, as well. As Honourable Members are aware, when this Government took up office, the reserves of the Bank had fallen to almost zero.
153. Before 1997, there was a requirement for a Reserve of at least 10 per cent of deposits to be held in the Savings Bank before a transfer of any surplus in excess of this could be transferred out. In 1997, an amendment was made to the Gibraltar Savings Bank Act to exclude Government deposits or deposits in Government-owned companies from these minimum Reserve requirements.

154. Despite this change which the previous administration made just after they were elected, Members of the House and the public will recall that in the financial year 2008/9 a further amendment was made to the law by the previous administration so that the reserves of the Savings Bank, which had been £19.8m built up since the bank was established, could be and were transferred by the then GSD administration into the Consolidated Fund.
155. The actual Reserves of the Gibraltar Savings Bank at the end of March 2011 were therefore just £1,444.51. Yes Mr Speaker. I am no longer talking in millions. In this respect I am talking of literally just “one thousand, four hundred and forty four pounds and fifty one pence.” DOWN, from reserves of £19.8m that the Savings Bank had built up year on year since its inception, I believe.
156. Well Mr Speaker, having inherited a Gibraltar Savings Bank with a reserve of £1,444 I am pleased to able to report to the House today that the Reserves of the Bank now stand at around £11 million and that these Reserves are projected to increase to over £20 million by end of this financial year. Mr Speaker, we have therefore re-established the Bank’s own “rainy day fund” having increased the amounts available to it by 1,385,000% - yes one million, three hundred and eighty five thousand percent!
157. That is a phenomenal reversal of the fortunes of the Bank under the life of this administration to date and it leaves little room for argument about how prudent the management of the affairs of the Bank is under our administration. It is a huge and important step forward in the re-establishment of the reserve the Bank had before and likely already exceeding them in the space of only three financial years.

158. Just this would demonstrate that the time we have been in office has been excellent for the Savings Bank reserve.
159. However, in the period since we took office Mr Speaker there have been repeated attempt by members opposite, the Leader of the Opposition in particular, to raise concerns in people's minds about the security of deposits in the Savings Bank. We have been clear about the fact that those deposits are in fact safer than ever.
160. Mr Speaker one the ways in which the Savings Bank has invested part of its deposits is in redeemable preference shares of a company owned by the Government, namely Credit Finance Company Limited.

CREDIT FINANCE COMPANY LIMITED

161. Credit Finance has been the subject of much comment in the past 18 months or so and I therefore want to report to the House on the investments by the Savings Bank in that vehicle and assure the Community that this investment vehicle is performing extraordinarily well and – contrary to the assertions by the Leader of the Opposition, is structured and is operating entirely in keeping with Constitution and all relevant legislation.
162. As I have already said during the course of the proceedings of the House at different Question Times, the Government will provide all non sensitive details of the investments which are being pursued by Credit Finance.
163. Also at different Question Times, and now monthly online, we are providing details of the total amount of the loan book which Credit Finance has been running.

164. That loan book stood at £49.42m when I answered questions last week. The total size of the loan book can be found at table CF1 on the Government website and will be updated on a monthly basis. The details published respect the right of confidentiality of individual borrowers.
165. The details of what amounts have been loan to individuals who have used the money to pay off Government debts has been provided, again respecting the tight of confidentiality of the borrower. That sum is also on the Government website and is less than £1m.
166. The loans which have been granted to enable borrowers to repay debts due to Government are all now SECURED against assets with realisable value. Previously, these debts were not secured.
167. Separately, Credit Finance is paying the commuted pensions of Civil Servants. How is it doing this? It pays the lump sum of the commutation in exchange for an assignment of the pensioners' rights to receive their monthly pension payments. At the moment it has invested approximately £23m that way. The Government still has to pay the pensions of those individuals, as those are the terms of the assignments signed by them when they commute; we just pay them to Credit Finance instead of directly to the individuals. So in each year Government still is paying a recurring amount in respect of those commuted pensions. The recurrent expenditure side is therefore not flattered, as the Hon the back bencher put it, to the tune of the pension which is still paid, only to the difference between the pensions paid and the commutations paid in that year. In other words, if the commutations had been paid out directly by the Government this year then the amounts that would have to be added to expenditure

would be say £11.5m in financial year 12/13 and another £11.5m in financial year 13/14.

168. Interestingly, Mr Speaker, therefore even if the Government had paid the commutations directly, and we had not received (which we haven't) half of the £1m paid in arrears equally in instalments of £0.5m each year from loans granted by Credit Finance, we would still have been declaring record surpluses in each of the years in which I have been addressing this House as Chief Minister. The surplus this year would be just £12m smaller; still a record and still even above the record predicted!
169. I trust that the Leader of the Opposition has followed that and is not going therefore to suggest in his reply that our records this year and last year might not have been records if it weren't for Credit Finance. They would just have been both records that were £12m smaller – but still records nonetheless.
170. And I have also said repeatedly what Credit Finance is not doing, Mr Speaker. It is not funding Government projects. We were asked by members opposite about each project which we have in our manifestos one by one and whether we were going to fund these from Credit Finance or from the Savings Bank. I guess they asked one by one in order to increase the numbers of questions they asked. We answered “no” to all their such questions.
171. So Credit Finance isn't a credit card or a blank cheque for anything that we are doing. But never let the facts get in the way of a good soundbite!
172. In fact, what was interestingly not commented on by the Leader of the Opposition at the last Question Time was the fact that Credit Finance has already started to pay the

Savings Bank returns on the investment in its redeemable preference shares. The payments have totalled almost £25m since late 2012/13.

173. And all of this information is now on the Government website. Talk about transparency!
174. And of course it is also in Parliament, not just because we have answered question from a disbelieving opposition, but also because it is required to be. Let me show Honourable Members how. Appendix L this year shows the amount of the Savings Bank Fund. This estimate once approved is reflected in the approved estimates book. Then it is audited. The Principal Auditors Audited Account will reflect this as well as the investment in which the Savings Bank invests its money.
175. So where is the wall of silence that they like to talk about? More like a wall of understanding which cannot be penetrated by reason because it is purposely shut for partisan political purposes! They do understand. They can see how well Credit Finance is doing. But they want to make mischief.
176. And yet they ask all these questions of Credit Finance; but none about the other more remote funds in which the Bank invests. Incredible that they trust the Financial Secretary and the Chief Secretary less than they trust people they don't even know; any of whom could be another Bernard Madoff...
177. Mr Speaker let me end this part of my address by saying that the Government has taken detailed legal advice from leading counsel on all of the legal issues that the Honourable Member opposite has raised throughout in relation to Credit Finance; not because we consider that there is any grain of reason in the things he has said about Section 69 of the Constitution or the Borrowing Powers Act. We have taken advice in

order to responsibly knock all of his points on the head with the benefit of the best legal advice; and I can happily confirm to this House that everything that Credit Finance has applied funds to has been in keeping with all Constitutional and legislative requirements.

THE GOVERNMENT'S COMPANY STRUCTURE

178. Mr Speaker, I must also address generally the question of using Government wholly owned companies to administer and finance part of the Governments asset holding and development programme.
179. Members of the House will recall that when describing the Recurrent Expenditure issues earlier I have had to refer to the £100m black hole in Government company spending when I addressed the nation just after the last General Election to appraise them of the state of Government finances at the time.
180. Well the issue of Government companies had been a live issue for my predecessor when he back Chief Minister also. In his first Budget Address as Chief Minister in 1996, the Honourable Sir Peter Caruana said this:

Mr Speaker, the list of companies wholly-owned by the Government of Gibraltar directly or indirectly would appear to be as follows:

*Gibraltar Investments Holdings Limited
Gibraltar Land Holding Limited
Gibraltar Residential Properties Investment Company Limited
Gibraltar Commercial Property Company Limited
Brympton Co-ownership Company Limited
Westside II Co-ownership Company Limited
Westside I Co-ownership Company Limited
Gibraltar Information Bureau Limited
Gibraltar Joinery and Building Services Limited
Gibraltar Industrial Cleaners Limited
Calpe Cleaning and Painting Services Limited, subject to question mark that I still have to clarify, and Gibraltar Quarry Company Limited.*

The Government are considering which of these companies can be eliminated and it is the policy of the Government to eliminate such companies as are not essential for the proper and good organisation of the affairs of Government in the light of the structures as they presently exist.

181. That was in May 1996.

182. Well Mr Speaker, I was not at all surprised to hear the Members Opposite once again making reference to “a web of companies” no sooner had they left Government and landed back on the seats Opposite. Interestingly since the time of his maiden Budget Address as Chief Minister, not much had been heard from the Honourable the back bencher on this issue. And yet, in his first New Years Message as Leader of the GSD, the Honourable member opposite said that the use of Credit Finance amounted to:

“a return to the days when public finances were structured through an impenetrable web of companies”

183. I am not sure that wasn't actually just a New Years Mess and not a New Years “Message” at all Mr Speaker.

184. You see, if the Honourable Member had been curious enough to peer not just into his Estimates Book but actually into the approved accounts, which is the book which appears once we have ended the debate in this House and which turns the DRAFT Estimates the House debates into the Approved Estimates on which we spend, he would see that a chart appears there.

185. That chart, in the Approved Estimates for 2011/12 – that is to say, the last Estimates approved by this House with the GSD as the Government and the Hon the back bencher as Chief Minister and the Hon now Leader of the Opposition then as Minister

for Justice with specific responsibility to uphold the Rule of Law – if they look at that book, on page ROMAN 10 (x), they will see a chart which tells us that they maintained the list of companies which Mr Caruana had read in his first Budget speech 16 years earlier except for Calpe Cleaning, which was not a wholly owned company at all I believe and Gibraltar Quarry Company Limited which had been incorporated by the AACR, the first Government to incorporate a company to do Government business. I believe that company was incorporated to work on the sand slopes on the eastside and never did anything and has been struck off.

186. But in all other respects, not only had the GSD maintained the company structure they inherited from the GSLP, they had actually added to it. They added wholly owned companies and the added wholly owned subsidiaries to wholly owned companies; and they added even more trading activities and employees to some of those wholly owned subsidiaries of wholly owned companies; and they added debt due to both capital and recurrent commitments of the wholly owned subsidiaries of the wholly owned subsidiaries. And then, Mr Speaker, almost at the end of their time in office, they added ANOTHER 40 or so companies registered at No6 Convent Place, without announcing it to anyone – the sort of thing that makes the Honourable Mr Bossino apparently apopleptic, except of course of the GSD do it – in order to become the management companies of the Government's post war housing stock as these are sold.

187. In fact, as can be seen now in clear and unequivocal terms, Mr Speaker, what they did was they turned a straight forward asset holding structure with no trading entities into a ... HUGE WEB OF COMPANIES Mr Speaker.

188. Yes Mr Speaker, surprising though it may be for those who have not followed the political careers of members opposite, they did what we always know and expect they will do, that is to say, the very opposite of what they say they are doing or going to do!
189. So I think it would be wise for us all simply to have clear agreement across the floor of the House that companies are an important part of the way in which modern Government can discharge some of its functions in a fully transparent and appropriate way; but in a manner that also adds business efficacy. There is nothing wrong with that. We do not consider this at all a complex structure or a web or anything other than a perfectly straightforward vanilla structure that works – as they obviously think it did, given that they used it for 16 years!³

OBJECTIVE CONCLUSIONS OF THE PUBLIC ON THE SAVINGS BANK DEBATE

190. Mr Speaker, as ever there are, in any event, objective measures that help us to analyse how the public have perceived the positions of the Government against those who have been scare-mongering and clearly trying to undermine both the Government and the Bank in the way that they have approached this issue. In this case the best measure would of course be to look at the Deposit Base of the Bank.
191. Mr Speaker the voices raising unnecessary concern about risk have had an effect on the Deposit Base of the Bank. Mr Speaker deposits with the Gibraltar Savings Bank have in the period since we were elected grown from around £330 million when we took office to over £800 million now.

³ The flow chart showing the structure of Government companies is from the 13/14 financial year and EXCLUDES the presently dormant companies incorporated to act as management companies of the post war estates

192. It seems clear Mr Speaker that when it comes to looking after their money, Mr Speaker, the public has clearly chosen to follow the Government's position that the Gibraltar Savings Bank represents a very safe investment indeed and to take no heed of the scare-mongering of members opposite. Indeed, the position is a little more complex than that of course, given that the very founder of the GSD, Mr Montegriffo has been very clear in his view that, and this is a quote direct from him: "I don't think savers should be worried. The savers' money is in my view perfectly safe and any suggestion that the money is under threat I think is quite irresponsible."
193. Mr Speaker, who would have said, twenty years ago, that a GSLP Chief Minister would be quoting Peter Montegriffo – the founder of the GSD – with approval and agreement at a GSD led by Mr Feetham; but that is the reality. Incredible to think that there are other areas on which there is public disagreement between the man who is presently the current leader of the GSD and the man who will forever be the founder of the GSD.
194. Mr Speaker, building on these strong and strengthening foundations, 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. However, the bank will see a transformation during the current financial year, as it starts to make full use of the latest available developments in banking technologies and as it opens a number of further branches and public counter positions.
195. In the next few months, the bank will be offering our community a number of new and enhanced services. These will include instant access current-account facilities for the payment of Government bills by standing order and by direct debit and facilities for the electronic transfer of funds between bank accounts. There will be a number of new

Gibraltar Savings Bank ATM machines and a new 'VISA approved' Debit Card will also become available to all the bank's current-account holders.

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

THE TUNNEL AND THE POWER STATION

197. Two important projects for the future are the airport underpass or tunnel and the new power station.

THE TUNNEL / OHL LITIGATION

198. Mr Speaker is aware that one of the greatest challenges we faced on our election was the dispute with OHL, the successful tenderers for the development of the tunnel or underpass. That dispute grew into litigation and that litigation has required and consumed a considerable amount of my time since my election. Happily, as the Community is now aware Mr Speaker, we have prevailed in that litigation to date. We are already considering how best now to activate finalisation of the tunnel works whilst we continue the process of enforcing awards and dealing with appeals etc.

199. Today, Mr Speaker, I am delighted to be able to announce this morning that late on Friday I was informed by the Government's solicitors in this matter, Messrs Triay Stagnetto Neish, that we have now received the sum of £4.5m by way of payment of the interim amount of costs awarded to the Government in this matter. Mr Speaker

this represents 80% recovery of all our costs in the litigation to date, calculated on the standard basis.

THE POWER STATION

200. Mr Speaker, I told the House last year that one of the most important things on the Government's agenda and one of the biggest capital projects for the Government is the replacement of our three existing power stations with a single new power station in order to guarantee Gibraltar's power needs for the next three decades.
201. Tenders were invited with a closing date for submissions of 1st August 2013 last year. The time for the award of the tender has however had to be extended in order to deal with queries raised by the tendering parties.
202. The Government has now awarded the tender for the construction of the new power station. All tenderers were advised of the decision by the Government. None of the parties that have been turned down have sought to challenge the tender award in the 10 day period after the award which is allowed for that purpose.
203. Mr Speaker, before I continue, I want to refer the House to a part of the maiden speech as Leader of the Opposition in his Budget Address to the House as such last year. In one part of his intervention he said, talking of our commitment to build a new power station as: "a power station that will cost, in anyone's estimate, over £120m".
204. Mr Speaker I am today able to announce in this House that the Government has awarded the tender to Bouygues [nb pronounce as "BWICKS"] Energies & Services for a basic sum of £67,958,000. The Bouygues offer was found to be the best Capital and Opex offer and also had the best environmental scoring. [So much for the

estimating skills of the Member opposite!] [Maybe we can just put it down to a “Rookie error?”]

205. The new power station will consist of 3 in number MAN branded dual fired engines and 3 in number MAN branded gas engines with a total guarantee power output of 81.45 MWe.
206. An additional sum of £8,200,000 will be payable for the inclusion of Heat Recovery System which was part of the Government requirements to provide additional output of approximately 4.2 MWe using a more efficient and environmental friendly way of producing additional generating power. My colleague, the Minister for Utilities, Mr Linares, will be providing such further details as he may be able during the course of his address to the House in this debate.
207. Mr Speaker, as the Government has set out to do from the beginning, and for financial reasons which will have become obvious to all in the context of my explanation early of the increased cost of diesel fuel, the new power station will operate using natural gas with diesel as a backup. Perhaps most importantly, the use of natural gas as the main fuel for the new engines will reduce air borne nox and particulate emissions.
208. Mr Speaker apart from the fact that the cost of diesel has been rising for many years, international reserves of gas are greater and more accessible than reserves of oil. As a result gas is not just a more efficient and more environmentally friendly fossil fuel, it is also a considerably cheaper fuel compared to diesel and its supply more diverse.
209. Mr Speaker, for all of those reasons, the use of natural gas will be a win-win for Gibraltar technically, environmentally and economically.

210. Bouygues [pro:BWICKS] Energies & Services is the parent company of ETDE who had previously been awarded the Lathbury Barrack power station contract by the previous administration, initially at a cost of £114,200,000 to construct a 64 MWe power station. The overall price for the Lathbury power station later increased to approximately Euro 145,461,110.47 (13 July 2011) due to the delay in awarding the contract. That was the equivalent at the then exchange rate of £128,000,577.00⁴.
211. Mr Speaker, this solution, the Community will be very happy to hear, will NOT require a 100% increase to consumers in electricity costs over twenty years at 5% a year, as was planned by members Opposite as the funding for their own power station plans. Those that constantly urge the Government to keep the cost of doing business in Gibraltar down will want to congratulate us for making a choice for our Community that both will not require such increases as the previous administration had in store for them AND will generally reduce recurrent expenditure.
212. Again, I want to thank the interministerial committee that worked on this matter with me for their clarity of thinking and their tenacity in finding the right solution for the future; not just for today but for many generations to come.
213. The new power station will be located partly in a reclaimed area off the North Mole but the reclamation area may also yield land available for other purposes also.
214. Most importantly, and whilst we develop the new facility Gibraltar now has, thanks to this Government, security of supply and no lack of generating capacity. But we have nonetheless seen catastrophic events this year when Gibraltar has suffered major power cuts not as a result of not having a new power station or sufficient generating

⁴ The exchange rate applied for the 13 July 2011 is 0.88€/£

capacity, which there is, but because of the creaking distribution network. Infrastructure works are already on-going in this respect.

215. Mr Speaker the Government is clear that the Electricity Authority must provide power as an essential prerequisite for modern life and the state of the art businesses we have and want to further attract to Gibraltar. We must do everything in our power, as we are, to ensure security and continuity of supply.
216. But in the context of the huge problem that the recent explosion at Waterport produced, we are all indebted to the staff of the Electricity Authority for the way in which they are working not just on the new facility and the tender, but in repairing the existing facility to see if it is viable that it should provide at least some base power for the months before the facility is finally supplying the electricity. They have been excellent in agreeing changing shift patterns and putting their shoulder to the mill.
217. Similarly, the GEA must also get better at communicating with all its clients, in particular its premium clients; and we are working together in Government and GEA to deliver better communications should the day come again when we suffer a major catastrophic loss of power again; something which all I am sure sincerely hope and are working to ensure does not happen.
218. Mr Speaker, the Government continues to explore other ways of reducing energy consumption including the use of solar energy for street lighting and in Government Buildings and a number of projects are being developed in this respect. My colleague the Minister for the Environment, the Honourable Mr Cortes, will be speaking further – and as ever with him, authoritatively – on this subject.

219. I will add only this: The Government sees huge value in the reduction of the demand for electricity and renewable energy provides a chance to see that become a reality as is already the case in some estates in Gibraltar.

BROADCASTING

220. Mr Speaker, I now turn to my responsibilities for broadcasting, and I am pleased to report that the investment my Government has made in the Gibraltar Broadcasting Corporation over the past two years is paying dividends.

221. Technical facilities are a far cry from what we inherited, a number of additional professional employees have been recruited, premises – although still very cramped – have been improved, staff morale is higher, and very importantly, programming is better. And, the public is acknowledging the change. As reported in the news this morning, a recent survey of 1,000 people has suggested that practically all of those polled consider GBC to be vital, very important or important to the community as all Members of the House will, no doubt, agree Mr Speaker.

222. Radio Gibraltar is listened to by 53% of respondents, making it the most heard station on The Rock by far, while 93% have watched GBC TV since its re-launch last September, with more than half of those consulted enjoying the revitalised programming.

223. Perhaps unsurprisingly, Newswatch is the most popular TV programme with a staggering viewership of 69%, while Viewpoint is seen by 35% of those polled, indicating the public's preference for current affairs-based programmes. In fact, all of GBC's shows fared well, which is very encouraging. GBC's recent re-launch appears to be working Mr Speaker, with Gibraltarians returning to watch their TV station in

relatively large numbers, in the same way as listeners are tuning in to Radio Gibraltar, which with our investment in broadcasting now also offers a choice of English and Spanish language programming every weekday through two distinct services. In any event, the Government would encourage the Corporation to do more to exploit our bilingualism in order to ensure that those around us are able to better comprehend us social, culturally and politically.

224. GBC's must now work as I have no doubt they will so that the Autumn television schedule will reflect the results of the survey.
225. Gibraltar's membership of UEFA has also meant that GBC now also includes live football whenever the senior national team plays. Football transmissions are expensive, and although a drain on the Corporation's financial resources, it is important that local fans are able to follow their team on their national TV. Gibraltar's first game against Slovakia, was also a first for GBC TV, given the live broadcast of the game from Faro. Several other live matches have followed, including one from Estonia, and negotiations are underway with UEFA with a view to agreeing the rights to broadcast the Euro Qualifier matches from September if they are affordable.
226. Mr Speaker broadcasting is an expensive business and creating bespoke broadcasts for a community of 30,000 can cost as much as we want it to. Moreover, the Government shares the view of other main stream media that GBC must – as the only media funded from this House's appropriation – not compete in the market for advertising on which other media depend for their income. For that reason, and as I have repeatedly said since I delivered my first Budget Address as Chief Minister, GBC has to stop taking traditional advertising, with the exception of programme sponsorship. This may require a small increase to the Government its subsidy to cover the reduction in

income when this occurs. Together with the Board of GBC and its CEO, we are continuing the work of developing the huge potential for alternative sources of income for the Corporation, with the consequent benefit to the taxpayer from a smaller subsidy, should these materialise.

227. Mr Speaker, GBC's human resources are now fully maximised and following a professional work ethic, with the results visible on our TV screens. GBC is now very much a different place to what it was just a couple of years ago. But, more needs to be done to ensure the staff remains motivated, and the public is kept informed and entertained.

228. Broadcasting House is desperately small for the size of the operation, for which we must pursue the long promised relocation of facilities. Although we have previously mentioned possible alternative locations, circumstances have meant that for one reason or another, these have had to be discarded. However, the CEO, the Board and my Ministry are considering a number of new options in consultation with the office of the Deputy Chief Minister who holds responsibility for lands, and I sincerely hope to be able to make a final and definitive announcement during the course of this financial year on GBC's move elsewhere.

229. There is one issue regarding GBC that has been of huge concern to this Government. Mr Speaker, apart from the physical and operational problems at Broadcasting House that we inherited in 2011, we have also had to address the matter of a major shortfall in the staff's pension fund. The previous administration ignored the problem for years, resulting in a projected deficit in the fund of very nearly two million pounds. We have had to give this urgent attention in order to ensure GBC is able to meet its obligations in respect of its pensioners, and have agreed to cover the financial hole

over a period of eight years by making annual contributions to the fund. Of course, this could have been avoided if the matter had been addressed by the previous administration when the problem first arose; but a contribution to an underfunded public pension fund doesn't photograph as well as a new roundabout... As Honourable Members will recall, this is one of the matters affecting the increased cost of Recurrent Expenditure and will be relevant for the next 6 years.

230. The pensions issue is in addition to the impending digital switchover that the previous administration also ignored, and which we had to resolve within a period of months to avoid GBC TV's channels from being shut down. I am pleased to report Mr Speaker that the current phase of the required technical infrastructure at both Broadcasting House and the Digital Multiplex has now been completed with very positive results, including GBC HD, whose picture quality is now in sharp contrast to the blurred image that was on air in December 2011. Mr Speaker, investment in technology will continue to ensure this remains so.

231. Mr Speaker, with this Government's support all of GBC's services will continue to develop during the next twelve months as they have over the past two years.

232. Mr Speaker I am satisfied with the direction being taken by our local broadcaster, and pay tribute to the entire team that are making it happen and ask them to do even more as the progress we have seen to date is in my view only the beginning of what they can achieve.

FREEVIEW

233. Mr Speaker, staying with Broadcasting, I turn now to Gibraltar Freeview, the Digital Terrestrial TV platform from which GBC Television is able to broadcast digitally and

an important media asset that as a result of the foresight of this Government is paving the way for exciting opportunities for the Rock. Essentially, in layman's terms, GibFreeview is our very own equivalent of Freeview in the UK, which provides a bouquet of free-to-air terrestrial television channels. The very significant investment in the complex hardware came about following the digital switchover deadline imposed by the EU, a deadline that despite being a legal requirement was one that at the time the previous administration had approached with little more than indifference.

234. Nevermind, Mr Speaker, for although we started from scratch out of necessity, that enabled this Government to do things properly.

235. Gibraltar now enjoys a superb DTT platform from which a number of broadcasters can reach our community and beyond. Attracting international television companies is no easy task, but Gibraltar Freeview Limited is already actively engaged at a commercial level with a number of such entities. Although in the main still very much in the initial stages and with a lot more work to be done, a number of news and general content providers are considering entering into carriage agreements with GibFreeview, with the positive revenue implications that entails for Gibraltar. In fact, this is already a reality, Mr Speaker. One major international media network is, as we speak, broadcasting on GibFreeview and we are proud that such an established, respected household name has been the first international broadcaster to come onboard. We suspect, Mr Speaker, that in due course they will have been only the first of many.

236. By way of example, discussions are ongoing with one TV company that is available to all UK households on platforms like Freeview, Sky, Freesat, Virgin Media and Astra and which is keen to broadcast from the Rock. GibFreeview has been able to negotiate an in-principle agreement with this particular broadcaster (subject to further

discussions) that will result in television exposure throughout the UK of Gibraltar and all it has to offer from a tourism, historical, social and cultural perspective. The potential benefits to our Community are enormous.

237. In addition, Mr Speaker, interest has also been generated for the licensing in and by Gibraltar of DTT entities that will then be able to broadcast elsewhere in Europe. Mr Speaker this is media services using Gibraltar to access the single European Market in much the same way as we successfully passport banking and insurance services beyond our frontiers.

238. As can be seen, Mr Speaker, this Government's approach to Media generally and in this instance to digital broadcasting, is as forward-thinking as it is pro-active. We break away from the tired, plodding dinosaur steps of the past to instead embrace the future and the many possibilities out there that will benefit Gibraltar and its people.

NEWSPAPERS

239. Finally – and returning to the more traditional media with which we could not imagine Gibraltar - Mr Speaker, I continue to salute all our national print and internet media. I believe we have been fair and equanimous in our treatment of each and all of them. They are a hugely important part of our democracy and we as a political class in this House must recognize that role. In particular the Chronicle, Panorama and The New People are our nations newspapers and we must cherish their continued existence and critical analysis in access to news must treat all alike.

240. The respective editors with those of GBC's newsroom are our fourth estate and we – and all who have a role to play in Gibraltar - do well not to loose sight of that or favour one over any other.

THE BORDERS & COASTGUARD AGENCY

241. Mr Speaker, I will now address my responsibilities as Chairman of the Borders and Coastguard Agency.
242. In my address last year I informed the House that the Agency, now coming up to its third year, had carried out a review of its operations at the airport, frontier and the port; the review highlighted a number of deficiencies, which had been inherited by the Agency, which it is positively addressing; striving for a more professional, engaged and focused operation.
243. The review also highlighted the need for professional development, training and management development in particular. This Government continues firmly committed to providing opportunities for professional development for all staff, and as such is supporting the Agency in its effort to address this issue; it has already started the process towards Investors in People recognition and managers at different levels are working towards Chartered Management Institute professional development qualifications.
244. Mr Speaker, the Agency is working 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 well over 12 million people at our borders. 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, has proved extremely successful, and close

to 7000 visitors, whom would otherwise not have been able to visit Gibraltar, have done so to date. Given the success of this initiative, the Government has made additional provisions for visa waivers for persons who hold indefinite leave to remain in any EU member state, which is part of the Schengen aquis.

245. Mr Speaker, the Agency works very closely locally with the RGP, with whom it is currently operating in partnership a Ports Policing initiative. Further afield, it works closely and shares information with HMG's Home Office, the UK Borderforce, Spain's Policia Nacional, Interpol and more recently the Moroccan Immigration Service.

246. As part of the Government's programme to make use of information and communication technology more generally, the Agency has been engaged together with other Law Enforcement partners and Government IT contractors in the setting up of a modern fit for purpose IT infrastructure platform for the frontier. The Frontier Management Project will be available to the public very soon; it will enable us to access real time frontier queue information including cameras, statistics and an improved and digitised frontier queue hotline service. In addition, the Agency is also developing its online presence with an interactive webpage which amongst other things will enable visitors to apply for visa waivers online, thus improving the visitor experience.

247. In addition to their immigration duties, the Agency carries out aviation and maritime security duties at the airport and port, where it is inspected regularly by HMG's Department for Transport to ensure compliance with strict EU legislation. These industries, particularly aviation, are highly regulated, and in order to protect the air and sea transportation of persons and goods, there are established common rules,

applicable across the EU, which safeguard against acts of unlawful interference. I am happy to report that the Agency continues to meet the high standards set by the Department for Transport and the EU.

248. The Agency remains committed to improving the service it provides, contributing to the security of Gibraltar and acting as a facilitator and working in partnership with the private sector.

CIVIL STATUS & REGISTRATION

249. In terms of my responsibilities for Civil Status and Immigration, the big changes in the past year to report on have really been the introduction of the Civil Partnership Act and the recent reduction in the qualifying period for Gibraltar status (from 25 to 10 years of continuous residency) as well as the extension of ability to pass their Gibraltar status to single fathers who are included in their child's birth certificate all of which we were very pleased to introduce to this House.

250. We have also made considerable progress in the elimination of the backlog of applications for exemptions from immigration control to enable persons, primarily Moroccan nationals who have been resident for over 25 years, to be granted British citizenship.

251. This year will see progress on a number of other important fronts also.

252. We shall shortly see the opening of a 'One-stop-shop' for the registration of births and deaths. This will enable the public to conduct other business related to the registrations from a single office without the need to visit other Government departments and Agencies spread throughout town. The One-stop-shop will open during the course of

next month and responds to representations from pensioners' representative organisations.

253. We also expect that this year will see the introduction of new ID cards which will include enhanced security features and microchip technology to allow for a multitude of other uses. The present target date for roll out is in autumn 2014. As Honourable Members know, this is not just an important matter in terms of immigration matters, but is also an essential pre-requisite for the launch of more substantial e-government applications.

INFORMATION TECHNOLOGY

254. This is a good point Mr Speaker in which to turn to my responsibilities for Government IT.

255. Through the use of Information and Communication Technology HM Government of Gibraltar is promoting a more efficient and effective Government which will facilitate more accessible Government services and allow greater public access to information. e-Government will involve delivering a wide range of Government services online.

256. During the past year the key investment areas for HM Government of Gibraltar in this sector have been:

- The work to enhance physical hardware infrastructure.
- Enhancements to network security and connectivity.
- Expansion of Government Secure Intranet (GSI).
- Database integration.
- Continuation of development of industry standard e-Government portal and services.
- Continuation of development of Interactive Government Website.
- Development of Government applications.
- Work on the Gibraltar e-ID card.
- Gibraltar Parliament Audio/Visual System

257. The e-Government portal has recently been launched with basic services. New Services will be added on an on-going basis.
258. The introduction of the new e-ID Card in coming months will offer a citizen profile page where the individual will be able to transact business with Government in a secure environment and will also allow the citizen to access Government Parking and Bus Services with other services being rolled out as they become available.

INDUSTRIAL RELATIONS

259. Mr Speaker I will now turn to my responsibilities for Industrial Relations and to what has been a landmark year in that respect. It was always my desire to introduce a modern and progressive approach to the way that I deal with representative bodies in the workplace. How we deal with Industrial Relations is key to having a productive workforce who feel that they form part of their organisation, and that their voices are heard.
260. This has been done in a way that the previous administration chose not to pursue. We have dealt with legacy issues in key areas of the Public Sector where individuals' claims and grievances have been ignored in some instances for over a decade. Customs, Sewers Department, Ministry for Housing Technical Division, Elderly Care Agency are but a few areas where we have not only improved terms and conditions of service to employees but we have also brought in modern working practices that ultimately deliver better, more cost effective services to the taxpayer, all achieved in partnership.
261. And Mr Speaker, talking of partnership, I have also broken ground in Governments relationship with representative bodies. As announced at May Day we have entered

into a Partnership with Unite the Union were we look at a principle of mutual gains through cooperation. This approach is designed to produce more efficient working practices and improved financial performance within a better working environment.

262. Mr Speaker, I sincerely hope that within the next year it will be possible to extend this approach in the dealings with other representative bodies also.

263. And it has been in application of these principles, Mr Speaker, that we have already been able to deliver on long standing, life changing issues that will form the basis of our future public sector workplace. The introduction of the new public sector working hours is something that the workforce has been crying out for. As has been the implementation of legislation to prevent bullying at work. Mr Speaker we have delivered these changes within my first two years of office, and not only have we delivered a flexible system that focuses on the needs of individuals, we have ALSO been able to deliver a vastly improved service to our customers by the extension of public opening hours!

264. Too often one hears criticism of the Civil Service; some of it deserved, some of it less so. So, Mr Speaker, let me share with the House and the Community at large today an email I received last week as I prepared for this debate which reads as follows:

“Just a short note thank you and your staff at the Income Tax Department for your assistance and professionalism in dealing with the various issues I had with your Department.

Despite the many criticisms received from the general public towards Civil Servants, it was certainly a breath of fresh air to be dealt with in this manner.

Keep up the good work.”

265. It is right to speak up for the Civil Service and report on positive feed back also Mr Speaker, and I am delighted to have had such an apposite chance to do so today.
266. Much progress has also made on the legislation designed to deliver the eradication of bullying in the workplace, making it an environment that people will now feel safe in. We have also introduced a Health and Safety Working Group to introduce changes in the way we manage risk in the work place.

RELATIONSHIP WITH THE MINISTRY OF DEFENCE

267. Mr Speaker, I would now like to move my attention to the relationship with the Ministry of Defence (MOD). Under this administration our relationship with the MOD has reached what I believe to be an unprecedented level of mutual respect as had been the case with the United Kingdom Government generally. In the last 9 months I have meet with both the Secretary of State for Defence and the Minister for Armed Forces (twice). We have an extremely close working relationship with the MOD in Gibraltar and this will allow us to develop projects and partnerships in the mutual best interest. In our view, this partnership will not only ensure the security of a long-term commitment from the British Government to the Defence of our Rock; but also ensure job security for a large number of our local workforce, who do an amazing job under difficult circumstances and in the past years since 2009 with salary increases well below inflation.
268. In this respect, Mr Speaker, I will certainly be very sorry indeed to see CBF Clink leaving the Rock at the end of next month. We shall warmly welcome his successor and trust our relationship will be as strong, honest and fruitful as it has been to date with the current incumbent.

THE ESTABLISHMENT OF “THE CHIEF MINISTERS CONSULTATIVE COUNCIL”

269. I move on now to an entirely different matter, Mr Speaker.
270. I have spoken before about establishing for Gibraltar a status akin to that of the Privy Council in the United Kingdom. When a nation such as ours finds that there are issues that affect the National Interest there needs to be a body above party politics that can provide an opportunity for consideration of those issues.
271. Mr Speaker, such a body can of course be established on an ad hoc basis at any time. I have had ad hoc contact with the Leader of the Opposition on such terms last year. The previous Chief Minister established a similar ad hoc consultative body when Gibraltar was facing the threat of Joint Sovereignty but did not include the Opposition in it.
272. I want to go further than that Mr Speaker. I want to change the way we do politics on issues that matter to the National Interest. I am a supporter and defender of the Westminster, party adversarial system. But when the National Interest is at stake, then we must be able to all work together; because Gibraltar’s best brains can be brought to work in unison when necessary but not condemned to never have to challenge each other by a change to a Committee System of government that some have talked off in the past.
273. But any such new body must be permanent. It cannot be ad hoc.
274. I therefore today propose to create a body to be known henceforth as the Chief Minister’s Consultative Council. The make up of it should be as follows:
- For their lifetime all individuals who have held the post of Chief Minister;

- For their lifetime all individuals who have held the post of Deputy Chief Minister;
- For the period of their tenure in office, the Leader of the Opposition and the Minister for Justice;
- For such period as may be stipulated in the notice of appointment, such other person or persons as the Chief Minister of the day may consider appropriate to appoint.

275. Membership of the CMCC will require members to sign the Official Secrets Act so that information shared with them is subject to strict rules of confidentiality.

276. The CMCC will enable the Chief Minister of the day to meet with all, some or just one of its members as he or she may consider appropriate and exchange ideas or take advice on any particular matter or issue within the parameters of the strict confidence required of individuals who will make up the CMCC.

277. It is my view Mr Speaker, that all individuals who become members of the CMCC should be able to use the pre-nominal letters The Right Honourable, as is the case in respect of membership of Her Majesty's Privy Council in the United Kingdom.

278. I have asked that legislation be drawn for this purpose. Before anyone starts getting any ideas, Mr Speaker, the appointments will not be remunerated!

BUDGET MEASURES

279. Mr Speaker, I now turn to the Budget Measures for 2014.

WIDOWS AND ORPHANS PENSION SCHEME

280. Mr Speaker, it was a manifesto commitment to 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. Much work has already been done in this respect in the Treasury. Implementation of this manifesto commitment has however been delayed following on-going representations from, and discussion with, the Gibraltar Pensioners Association.
281. As a result of this, Mr Speaker, it has been agreed to introduce a revised basis for re-entry which the Government believes represents a more equitable resolution of this longstanding issue than has been previously proposed.
282. As a consequence, Mr Speaker, those re-entering the scheme will repay arrears paid to them in 1989/90 revalued for RPI increases to date. They will also repay outstanding contributions on the same revalued basis up to the date of their retirement. However, such contributions will be adjusted to take account of PAYE relief which is available under the Income Tax Act throughout the period in question.
283. The effect of this measure introduced in this way Mr Speaker, will be to effectively treat re-entrants in exactly the same basis as existing contributors who remained in the Scheme.
284. The Gibraltar Pensioners Association, with whom I have met on this subject, have made numerous impassioned representations about the terms of repayment arguing that, in some cases, it may be onerous to repay monies due in one up-front payment. The Government has therefore decided that applicants should be offered the

opportunity to reenter the scheme on the basis of one of the following payment mechanisms, either:

- 100% repayment on acceptance of terms; or,
- 75% repayment on acceptance of terms, with the balance deducted in equal monthly instalments from the applicant's pension during the following 12 months ("the repayment period"); or,
- 50% repayment on acceptance of terms, with the balance deducted in equal monthly instalments from the applicant's pension during the following 18 months ("the repayment period").

285. With the caveat, Mr Speaker, that in the event that the applicant dies during the "repayment period", the monthly repayments are to be made in proportion to the pension payable to the widow thereby extending the repayment period until the full amount due is repaid.

286. This seems to us to be fair and equitable Mr Speaker. For those who may have not yet expressed an interest in being included in this option, there is still an opportunity to do so by writing to No 6, with their letter addressed to either WOPS Opt-In, No 6 Convent Place or by email to WOPS@gibraltar.gov.gi.

REDUCING THE COST OF DOING BUSINESS IN GIBRALTAR

287. Mr Speaker, the following measures are designed to encourage and reduce the cost of doing business in Gibraltar:

288. In order to further stimulate the retail sector in Main Street for which we care deeply as a Government and to continue to make Gibraltar a more attractive destination for shopping, and in order to stimulate environmentally positive behaviour by businesses

and citizens alike, the following reductions in import duty will be introduced, with immediate effect:

- Import duty on all LED lighting, including LED torches, is reduced from 12% to zero (0%);
- Import duty on all appliances or white goods with a C or D rating is doubled from 6% to 12%. There are very few such items on the market these days and they are hugely inefficient.
- Import duty on all writing implements, including pens, pencils, ball point pens, and felt-tip pens, is reduced from 12% to zero (0%);
- Import duty on mobile phones is reduced from 3% to zero (0%);
- Import duty on pleasure craft, yachts and other seagoing vessels, under 18 metres in length, including jet-skis and kayaks, is reduced from 6% to zero (0%);
- Import duty on pet food, including dog and cat food, is reduced from 12% to zero (0%);
- Import duty on fertilizers, for all flowers, gardens and other greenery, is reduced from 12% to zero (0%);
- Import duty on all paper-based stationery, including receipt books, carbon paper, envelopes, diaries, maps, plans, drawings, trade advertising material and post cards, is reduced from 12% to zero (0%);

- Import duty on all umbrellas, including sun umbrellas, is reduced from 12% to zero (0%) and the import duty on sunglasses is also reduced by 3% to zero (0%);
- Import duty on musical instruments; musical instrument parts and accessories, is reduced from 12% to zero (0%);
- Import duty on natural and cultured pearls is reduced from 12% to 4.5%, in line with the import duty on other jewellery items;
- Import duty is introduced on the commercial importation of single use plastic bags and single use paper bags not made from recycled paper, at the rate of 5p per bag;
- Import Duty discount and cash-back on hybrid vehicles is extended to purely electric also. The cash back is increased to £750 for cars and introduced at the rate of £150 for motorcycles:
- electricity and water charges will not be increased this year, despite the increasing costs of providing these public utilities; as per our manifesto commitment and in order to keep the cost of doing business down. Government will continue to subsidize the balance between the reduced amounts collected in revenue and the cost of generating power. This is – for the reason ventilated earlier in my address on the subject of Recurrent Expenditure – a huge subsidy for every household in Gibraltar and every business in Gibraltar which needs to be understood by those who call for even greater subsidies and reductions of costs;

- AND, Mr Speaker, as I announced at the Thomson Reuters Jaguar Landrover Dinner at St Michael's cave a week and a half ago, the import duty on all artwork, including paintings; drawings and pastels; sculptures and other statuary; original engravings, prints and lithographs; basketwork and wickerwork, is reduced from 12% to zero (0%). There is no export duty.
- Given that the Government is expecting the stock of affordable homes to come on stream in large measure during the course of the next calendar year, we want people to find it attractive to furnish their homes purchasing from local furniture suppliers. As a result, Mr Speaker, on items of furniture and furnishings as well as domestic appliances (also known as white goods), import Duties payable by locally registered companies with a valid trade licence are reduced from 6% to 3%. Import Duty on textiles imported also by those with a valid trade licence are reduced from 6% to 3%.
- In order to better promote the use of Gibraltar as a maritime jurisdiction in all respects, passenger tax at Gibraltar Airport is abolished for passengers who are joining vessels in Gibraltar.
- Any vessel calling at the Eastern Anchorage (EA) in order to take on provisions, spares, stores, or to carry out crew changes will receive a 75% discount on tonnage dues (compared to 50% discount at present).
- Ships anchoring in the Western Anchorage (WA), whose main purpose is bunkering, will receive a 75% discount on tonnage dues (compared to 50% discount at present).

- Mr Speaker, in line with the Government's manifesto commitment to encourage and reduce the cost of doing business in Gibraltar, the discount for early payment of Rates for Offices, Workshops, Construction and Manufacturing Industries, and Transport and Distribution Industries, will be increased from 10% to 15% with effect from 1st July 2014. A further discount for responsible businesses who pay on time.
- For new companies starting up business in Gibraltar, there will be a larger discount for early payment of Rates of 65% for their first year of trading. Rates further reduced to encourage start ups! An excellent additional incentive for entrepreneurs.
- In addition to this, the Government has already announced that for bars and restaurants, the discount for the early payment of Rates will be increased by a further 20% to 40% between 1st October 2012 and 30 September 2013 and to 30% between 1st October 2013 and 30 September 2014 in order to assist in the introduction of the smoking ban. This assistance is extended for another year until September 2015.

289. Mr Speaker, Government will be setting up a small Fund to support the development of new start up's in Gibraltar. We will set aside £250,000 and invite the Chamber and the Federation of Small Businesses to sit on the board of the Fund to consider applications from business start ups for loans which would be secured and at competitive rates.

SOCIAL INSURANCE

290. Mr Speaker, our social insurance benefits will in future need to be funded, as far as possible, from the income receivable in social insurance contributions with less reliance on Government contributions. In this respect, 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. We had hoped to do this this year, but we have not been able to do so. As a result, once again this year, the cost of Social Insurance will NOT increase. This will I know be welcomed by the business community as it will reduce this cost again in real terms by the rate of inflation. The reduction has therefore been in the order of 6% since we were elected.

SUPPORT FOR WORKING FAMILIES ON THE PURCHASE OF THEIR HOME,

STAMP DUTY ON PROPERTIES – FIRST AND SECOND-TIME BUYERS

291. 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 £250,000 of the cost of their property, irrespective of the total cost of their new home.

SOFT LOANS TO RESIDENTIAL ESTATES FOR FUNDING PROJECTS TO CHANGE TRADITIONAL LIGHTING TO LED LIGHTING

292. The Government will arrange to provide soft loans to residential estates for funding projects to change traditional lighting within their residential estates to LED lighting. Approved projects will receive funding which would be repayable in a period of up to

10-years at an effective interest rate of 1 per cent interest per annum, with the Government funding the difference in the cost of finance by way of a grant.

SUPPORT FOR OUR SENIOR CITIZENS

293. The Annual Pensioners Utility Grant, applicable to persons aged 60 and over, will be increased from £75 per annum to £100 per annum, with effect from 2014. Old age pensions will this year also of course increase by the rate of inflation. The Minimum Income Guarantee will similarly increase.

NATIONAL MINIMUM WAGE

294. Mr Speaker, in line with this Government's commitment to keep the National Minimum Wage under constant review, the statutory minimum was increased from £5.40 to £5.70 in August 2012; from £5.70 to £6.00 in August 2013. This will now be increased, in line with the Index of Retail Prices, from £6.00 to £6.11, with effect from 1st August 2014.

PUBLIC SECTOR PAY

295. 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 as a result of the introduction by my predecessor of increases in Gibraltar which kept up with the cost of living. These put the public sector in Gibraltar beyond parity. The Government will once again increase Public Sector salaries under the 2014 Pay Review, which will increase by 2.5%, with effect from 1st August 2014.

HM CUSTOMS

296. Her Majesty's Government of Gibraltar felt, as expressed in its election manifesto, that HM Customs Gibraltar was under resourced in the execution of its role as one of our Law Enforcement bodies and in particular in the administration of our country's imports and exports controls and one of our main sources of Government revenue.
297. HMGoG embarked on a review process with stakeholders which has now successfully concluded. The purpose of this process has been to deliver to our Community and to those working at Customs a stronger department that transitions to a statutory disciplined body with its discipline code, the law enforcement functions of which will be specifically recognised and enshrined in a tailor made Act of Parliament. Raising the status of the department to be in line with other Law Enforcement bodies has been a key aspiration of all members of staff of the department and of the representative bodies. This will also require the staff to adapt to these changes to meet the needs of the organisation.
298. To achieve this, Government and staff have now agreed to implement a roadmap in which individual points of this agreement will be introduced as and when these are ready to come into force. HM Customs have powers of arrest, search, detention, right of access, investigation, seizure of goods etc. The remuneration of officers has therefore been increased to reflect their rank, duties, responsibilities, risks and exposure and any other duties that may be assigned to it.
299. A general restructure of the department will be introduced to bring it in line with modern operational needs which will include, in salary terms, an agreed 12% increase which is in line with the proposal made by the previous administration to the men and women of that department. A change of nomenclature to the current grades will reflect

the new law enforcement status and separation from civil service grades. In order to deliver this change, Government will be creating new Custom Officer posts.

300. The advertisement for those posts has appeared in today's national press. Applicants will need to meet entry qualification requirements and attend a one day selection programme to assess their suitability. With the introduction of a new structure, there will be six additional promotions at Senior Customs Officer level (HEO) and seventeen new Executive Customs Officer posts (EO).
301. This proposal provides for an excellent step forward for HM Customs. It is designed to enhance opportunities within the department and to add to officer's career prospects. The Government thanks all the parties for their positive involvement in these negotiations and for their patience in seeing these proposals through – a process which, floundered under the previous administration as voted down and which has prospered now by a huge and overwhelming majority of officers.

THE CITY FIRE BRIGADE

302. Mr Speaker, it is also true that Government has been in negotiation with the members of the City Fire Brigade for some time. Under the previous administration there was little progress in the practices of the Brigade. Again, with good faith and hard work we have made huge advances in our discussions but have not yet reached final agreements in some areas; including progress on new premises. One thing that is clear is that the commitment is there from both the official and the CFB side to now accelerate and reach new agreements and understandings which are within reach and with which both sides will feel we are able to consider progressive and value for money whilst ensuring we have the fire service our Community deserves. For this

reason I am today able to announce that the public service pay review will be doubled for members of the City Fire Brigade and that the present 3% abatement applicable to their pay is henceforth eliminated.

THE ROYAL GIBRALTAR POLICE

303. Mr Speaker this Government's commitment to law and order and the rule of law has been clear from the moment that we presented our manifesto to the electorate in November 2011. Mr Speaker the RGP has enjoyed unprecedented access to resources in the time since we have been elected. This year members of the public will have noted the arrival of splendid new BMW police bikes. New vehicles are on order. This week a further new police vessel has been launched after we agreed to fund a full refurbishment of a forfeited vessel. Another very large vessel will be delivered to the RGP also during this calendar year which will be aptly named "The Sir Adrian Johns". Why so many resources to this organization: Because a commitment to law and order and a commitment as real as ours to the rule of law cannot materialize into reality without that level of delivery on resources and the commitment and ability of a Minister as able and dedicated as Mr Licudi.
304. Indeed, Mr Speaker, The only accusation levelled at us in this respect is that we are too committed to the Rule of Law, even if it has required us to make difficult decisions about not accepting agreements that some can break the laws of Gibraltar with impunity.
305. And the primary instrument of law and order amongst our law enforcement agencies is the Royal Gibraltar Police; an organisation of which everyone in this Community is and should be justly proud.

306. Last week we saw fourteen new Police Officers pass out on Parade in the square outside. We were all reminded then in the programme that “Policing in Gibraltar presents unique demands and challenges. It is a difficult and demanding role.”
307. Mr Speaker that is only the tip of the iceberg of what we as a nation expect of our Police men and women as they strive to work together with all of us to make our Community safer.
308. Only last week we have seen what is possible with figures that speak to continued decreasing crime. I am delighted to say that Commissioner Yome’s Neighbourhood Policing mechanisms are working at every level, something on which I am sure my colleague the Minister for Justice, Mr Licudi QC will be saying more.
309. Mr Speaker, deciding to join the police and deciding to stay are not things that anyone person would do simply on the basis of looking at earnings; but the Government accepts that such might could in the future affect recruitment and retention in this important body. I sincerely believe that the success of our Police is principally down to one thing above all else, the sense of vocation and love for this Community and its safety which makes our officers such an example to others.
310. Mr Speaker, for that reason I am today announcing the removal henceforth of the abatement of 3% from officers salary, and the doubling in the case of the RGP of the civil service pay award of 2.5% also as from 1st of August. In addition Mr Speaker, we have wanted to see Police Officers be able to purchase their own homes for some years now. Officers who enjoy the benefit of Government housing do not pay rent or rates. Officers who have bought their own homes have enjoyed an allowance pegged at £76 for some years now, analogue to the average rent of a 3RKB Government

quarter. Years ago there was even a central area of residence for Police Officers in the Old and New Police Barracks. Those days are gone and more and more the new officers that are recruited are home buyers like so many others in our Community. I am therefore today formally breaking the analogue in the RGP's housing allowance for officers who do not reside in Government accommodation. Given that it has been stuck so long at £76, I am raising it today to £125 per calendar month with immediate effect.

IMPORT DUTY ON TOBACCO

311. Mr Speaker how apposite after dealing with the RGP and Customs that I should now deal with the duties in relation to tobacco. In support of this Government's continuing efforts to discourage smoking generally among our Community, and despite the sensitivities in raising the price of this commodity of which Honourable Members are fully aware of, Honourable Members will have noted that Import Duty on cigarettes was raised in April 2014 by 10p per packet, which followed a similar increase in December 2013.
312. We will now again raise the import duty on rolling tobacco, which was last raised in May 2013, with immediate effect on midnight last night, by 20% from £35 per kilo to £42 per kilo.
313. Mr Speaker, we are conscious of the growth of the import duty collected in respect of this particular commodity in the past 18 years. For reasons related to public health arguments around the world, this is not in our view a future proof source of revenue and we are therefore keen to move our economy back to the situation we were in in 1996, when we last left Government, which made income from that source surplus to

expenditure needs. This requires short, medium and long term work on which the Government is already embarked and is a sensitive area in which I trust that we will be able to work without attempts being made to undermine our efforts in the interests of the whole Community. As the whole House knows, this is an area exploited poisonously against us by our international political adversaries. We must not allow them to use any part of our national political debate to fuel their toxic discourse.

314. I will say no more at this stage about those strategic issues at this stage.
315. I am however very proud of the fact that the Government can further demonstrate our commitment to the rule of law and law and order in the manner in which we have acted decisively in the banning of retailing of tobacco in the residential estates at Laguna and Glacis. I particularly want to thank the RGP and Customs for the work they have done and are doing in curtailing activity in these estates, other estates where there are less serious but equally anti-social issues which are going to be tackled and generally throughout Gibraltar.
316. We have also acted decisively in respect of the EU Commission's recommendations in this respect. The House has before it legislation to consider later in this session.
317. Mr Speaker, I am very happy to tell the House today, that in addition to the position we have taken in relation to Laguna and Glacis Estates, I have now directed the Trade Licensing Authority that I consider that it is not in Gibraltar's public interest for any further retail licences to be granted given the serious reputational risk to Gibraltar and I have accordingly, within the parameters permissible in law, discouraged the Trade Licensing Authority from issuing any new retail or wholesale tobacco licences unless an existing one falls away. I have also directed the Authority that I strongly encourage

it to grant requests from holders of existing tobacco retail licences who may wish to move out of residential areas to areas not designated as Special Zones. A copy of my Direction to the Authority will be annexed to printed copies of this address.

318. Mr Speaker, in order to assist those businesses which have had to move their tobacco retail licences out of Laguna and Glacis, a 100% discount will be applied on General Rates payable in their new premises for one year and an additional capital allowance or tax credit is allowed equivalent to the relocation costs approved by the Commissioner of Income Tax in his discretion.

319. This year Mr Speaker there will be no increases in the duties on fuels.

INCOME TAX

320. Mr Speaker, in pursuance of the Government's commitment to reduce the level of personal taxation for every taxpayer in Gibraltar, the following reductions in income tax will apply, with effect from 1st July 2014:

321. Taxpayers with assessable income of £10,500 or less will be brought out of the taxation system altogether and will pay no income tax. This applies to taxpayers in both the Allowance Based System and the Gross Income Based System.

322. A tax free allowance up to £3,000 over two years is introduced for both the GIBs and Allowance Based System for the installation of solar energy for boilers. A stream lined application process will be applied for any necessary Town Planning applications along with a waiver of any fees payable.

ALLOWANCE BASED SYSTEM

323. Taxpayers under the Allowance Based System will benefit from the following increases in allowances:

- a. Medical Insurance Allowance is increased by 100% from £2,000 to £4,000;
- b. Nursery School Allowance is increased from £3,000 to £4,000 (per child);
- c. Blind Persons Allowance is increased from £3,000 to £4,000;
- d. Disabled Individuals Allowance is increased from £5,000 to £6,000. At present, any deductions for disabled individuals under the Income Tax (Allowances, Deductions and Exemptions) Rules 1992 are dependent on whether the parent or individual claiming the income tax allowance is in receipt of financial assistance out of the Social Assistance Fund. However, eligibility to financial assistance out of the Social Assistance Fund is dependent on the applicant residing in Gibraltar for a period of five years. Even though this five year residency requirement will remain in force for social assistance purposes, this requirement will be dispensed with for the purposes of obtaining an income tax allowance on the grounds of disability.
- e. Single Parent Family Allowance is increased from £3,000 to £4,000;
- f. Personal Allowance is increased from £3,000 to £3,100;
- g. Spouse Allowance is increased from £3,000 to £3,100.
- h. For those taxpayers who have elected to pay income tax under the Allowance Based System, the tax rate for the taxable income bracket ranging from £4,001 to £16,000 will be reduced from 24% to 18% as set out in our manifesto.

GROSS INCOME BASED SYSTEM

324. Taxpayers under the Gross Income Based System will benefit from the following measures

HELP FOR FIRST-TIME BUYERS

325. In order to further assist working families with the purchase of their first-time home, a deduction from assessable income of £6,000 will be made to taxpayers under the Gross Income Based System in respect of approved expenditure incurred towards the purchase of their home, during the tax year commencing 1st July 2014.

HELP WITH PENSION SAVINGS

326. In order to encourage saving for retirement by way of employee contributions to approved pension schemes, a deduction from assessable income of £1,200 per annum will be made to taxpayers, under the Gross Income Based System, in respect of contributions made with effect from the tax year commencing 1st July 2014.

HELP WITH PRIVATE MEDICAL INSURANCE

327. For those members of our community who choose to have private medical insurance, a deduction from assessable income of £2,5 00 per annum will be made to taxpayers, under the Gross Income Based System, in respect of premiums paid for such cover with effect from the tax year commencing 1st July 2014.

LOANS TO SHAREHOLDERS AND DIRECTORS

328. Mr Speaker, at present any employment-related loan made to a director, a shadow director or any connected person is treated as earnings from employment and is taxed as a benefit-in-kind. This applies to all loans or advances irrespective whether an arms-length rate of interest is paid or not. I believe that there are genuine cases where

a company may wish to make a loan to a director and expect a repayment to be made and interest paid. I am therefore happy to announce that, with effect from 1 July 2014, all loans or advances made to a director, a shadow director or any connected person and the terms of the loan is such that an arms length rate of interest is paid and that the loan agreement has received the approval of the Commissioner of Income Tax then such loans or advances shall not be treated as earnings from employment.

STANDARD RATE OF TAX

329. Mr Speaker, the standard rate of tax for individuals currently stands at 30%. This rate has remained unchanged for over 25 years notwithstanding reductions in tax rates in both the Allowance Based System and the Gross Income System. Today no one pays tax at an effective rate of more than 25% therefore, with effect from 1 July 2014, the standard rate of tax for individuals is reduced to 20%.

TRUST INCOME

330. Mr Speaker, the income of a trust resident in Gibraltar is currently charged to tax at the standard rate of 30%. With effect from 1 July 2014 the standard rate of tax for trusts is reduced to 10%.

TRANSFER OF PRIVATE PENSION SCHEMES

331. Mr Speaker, changes are being introduced to the Pension Scheme Guidelines by the Commissioner of Income Tax, which will permit members of Approved Pension Schemes in Gibraltar to continue as active members and make contributions to such pension schemes, even whilst not in employment.

332. Mr Speaker, this will encourage all members of our community, whether or not they are in active employment and indeed the self-employed, to save for their retirement.
333. Mr Speaker, the Government is also pleased to note that the Provident Trust Pension Schemes have been approved by HM Revenue and Customs as Qualifying Recognised Overseas Pension Schemes (QROPS).
334. This QROPS approval, together with the changes to the Pension Scheme Guidelines mentioned previously, will be of particular benefit to Barclays Bank employees who may wish to transfer their UK pension funds to Gibraltar, following the decision by Barclays Bank to close its retail business in Gibraltar.

SOCIAL INSURANCE CONTRIBUTION CREDITS

335. Mr Speaker, in my last Budget address I stated that occupational pensions received by retired members, aged 55 or over, of the Royal Gibraltar Regiment would be exempt from Income Tax. I am now delighted to announce that this measure will now also extend to members of HM Customs Department, in keeping with the implementation of the agreement entered into with Government which I have already announced to the House. In addition to this measure, we shall be awarding to retired members of the Royal Gibraltar Regiment and HM Customs social insurance contribution credits as from the age of 55. In doing so, we shall be bringing the Royal Gibraltar Regiment and HM Customs in line with the Royal Gibraltar Police and other uniformed bodies. This will take effect as from 1 July 2012 for the Royal Gibraltar Regiment and from the effective date of the implementation of the aforesaid agreement for Customs.

PAYROLL GIVING SCHEME

336. In last year's budget, I announced that the Government was considering the introduction of a Payroll Giving Scheme, thereby allowing tax-free charitable donations to be made to approved charities through employment earnings. I am now delighted to confirm that this Scheme will shortly be introduced, enabling any person who pays income tax in Gibraltar to give regularly and on a tax-free basis to approved charities of their choice.

337. Donations under the Payroll Giving Scheme shall be capped at a maximum of £5,000 per taxpayer per annum.

PLACES OF WORSHIP

338. As a separate measure, Mr Speaker, places of worship of all faiths and denominations recognised as such by the Chief Executive Officer of the Gibraltar Electricity Authority will enjoy a credit against their electricity bill of the average of their consumption in the past 2 financial years.

COMMON LAW RELATIONSHIPS RECOGNISED FOR BENEFIT PURPOSES

339. Also separately, all spousal allowances will now apply between Civil Partners as a result of the Civil Partnership Act. Today, Mr Speaker, I am announcing that the Government will now consider claims for allowances or benefits payable from individuals who are or have been in common-law partnerships in respect of allowances of benefits payable to married couples or couples in a civil partnership, if the relevant individuals can satisfy the relevant officers of the administration who are in charge of payment that they are or have been in a common law relationship. Discretion will remain with the relevant officer, subject to review by the Chief Secretary as appropriate. Legislation will be required for this long over due change.

INCENTIVES FOR HIGH END ACCOMMODATION

340. Finally, in order to encourage the construction of office accommodation in Gibraltar last year I announced that any such developments on which construction commenced on or before 31 March 2015 would be allowed a Capital Allowance deduction in the first year following completion of construction equal to 30% of construction costs and the remaining 70% written down over the following 7 years. This allowance will be claimable in part or in full by either the developer or the occupant up to a maximum claim of the full construction costs. Construction costs will be considered to be those costs wholly, and exclusively laid out or expended in the construction of the office accommodation including all preliminary planning, design and associated costs but excluding the cost of the land.

341. That measure has met with huge success Mr Speaker. A number of such schemes are now in development and about to break ground seeking to meet the deadline of March 2015.

342. As the Government is presently providing for the market in affordable homes, we are therefore now extending the measure I made for office accommodation to developments of high value accommodation, where ground is broken before December 2015.

343. In the same way as Gibraltar needs affordable homes for our people we also need to stimulate the market in high end homes for those who wish to re-settle in Gibraltar.

CATEGORY 2 STATUS

344. Mr Speaker, one of the products in our Financial Services Sector which has certainly stood the test of time and which has led to many people resettling in Gibraltar in

luxury homes – and in that way added to our economy very significantly - is the Category 2 Individual Status. Professionals across the sector have used and worked with this status in the structuring of their clients personal affairs since this was first implemented in 1992 as the High Net Worth Individual Status.

345. Yes Mr Speaker, this hugely successful financial services product was introduced by the last GSLP administration and unfortunately has not been seriously reviewed since that time other than by the hiking of the tax payable by those who hold the status.

346. This particular product is one which involves personal status and residence issues and is therefore also one in respect of which I carry ministerial responsibility for that reason.

347. We firmly believe that it is the duty of Government to work in partnership with the private sector to maintain our portfolio of products current and updated in an ever-changing world and to ensure that these products remain relevant to the needs of Gibraltar's clients.

348. I am therefore Mr Speaker delighted to announce today that in an inter-ministerial committee comprised of my office and the office of the Minister for Financial Services and Gaming, the Hon Albert Isola, my Government will have commissioned a long overdue review and report of the Category 2 product, and to this end has engaged and instructed the professional services of the leaders in their field in each of these areas.

349. Mr Speaker the professional working group will be asked to consider and report on all aspects of this product and its development. They will engage with existing holders of this status as well as with those involved in the application process to ensure that applicants enjoy the benefits of a product that is fit for purpose in today's world and

delivered in a manner that meets the expectations of those we are seeking to attract to Gibraltar. They will also be in contact with professional intermediaries outside of Gibraltar who are experts in the field.

Affordable Home Ownership

350. In terms of the Government's affordable home ownership scheme, progress is huge and for all to see at the building sites at Eastern Beach and Waterport.
351. We are well down the road of the construction of the first projects and the acquisition of the Queen's Hotel will allow us an opportunity to develop even more rental housing for the elderly near the town centre.
352. Mr Speaker, the Government is nonetheless of course conscious of the difficulties currently being experienced by prospective home owners in obtaining finance from mortgage-providers in Gibraltar, especially mortgages for financing the purchase of their homes under the Government's home-ownership schemes.
353. The Government is in advanced discussions with the local banks and other financial institutions, in this respect, and is considering proposals which will lead to an increase in the availability of such mortgage finance in order to assist the growing number of working families who would like to own their own home.
354. Mr Speaker, the Government is also working on proposals to provide further assistance in order to free up some of the pressure on the mortgage market by arranging facilities for public sector employees who may wish to purchase their home under any of the Government's home ownership schemes. Government is seeking to arrange that such loans to be secured against their pensions and gratuities. This would enable many public sector employees to purchase their home in cash and without the

need to have a mortgage on their property with interest charged at market rates, on a reducing-balance basis. Interest and any capital repayments would be deductible from their monthly salaries with the loans being repaid in full upon the employee's retirement or earlier departure from Government Service.

355. Moreover, Mr Speaker, the Government will also now be extending the 50/50 scheme to the sale of its Post War Housing Stock to sitting tenants and eligible relatives. We shall shortly be communicating with those who were eligible to purchase to advise them of how this extension of the scheme will work in relation to that part of the Housing Stock.

356. Mr Speaker, as a further measure to assist those who may wish to buy their home in cash and who may have their savings locked-up in fixed-term debentures with either the Government or the Gibraltar Savings Bank, such debenture-holders will be given the option to redeem their debentures before the maturity date, with no penalty if they can satisfy the Financial Secretary that the redemption monies will be applied for that purpose.

PRIVATE SECTOR PENSIONS

357. Mr Speaker I have received a petition from Unite the Union signed, amongst many other, by members of the Government and the Opposition in which we are asked to consider the possibility of making it compulsory for every individual in the private sector to have a pension. I am today creating a working group to be made up of relevant unions and employers representative bodies including the Chamber of Commerce, the Gibraltar Federation of Small Businesses and onto which we will also invite the Gibraltar Betting and Gambling Association in order to consider whether

such measures are feasible in the context of our economy. I am aware that these measures are now in place in the United Kingdom and I want to recognise and praise the work done by Unite in understanding the way in which these systems have been introduced in the UK by the Conservative Liberal Coalition who have done so in a manner that appears to have enjoyed the support of employers and employee organisations. I will be asking Michael Crome from my office to chair that Working Group.

ARTS SCHOLARSHIPS FOR UNDER 18s

358. Finally, before rounding up Mr Speaker, I am delighted to announce that the Government will be creating two annual scholarships to be available to children under the age of 18 who are exceptionally gifted in the arts and who are able to obtain placements to progress their development and study of music, dance another art other than at degree level which is covered by the present Scholarship programme.

359. CONCLUDING REMARKS

360. Mr Speaker, last year I was very disappointed that the Hon gentleman did not actually reply to my budget address. Just like I did last year, I have again made a very large number of announcements this morning which are clearly for the good of our community, I have disclosed important figures that demonstrate that some of his criticisms throughout the year have been unfounded. I have shown that his oft expressed concern about the growth of recurrent expenditure is actually something they created whilst in government that we are now taming and brining under control. I trust that this year he will in his speech respond to these matters and not simply deliver the speech he has come prepared with. I do hope he will specifically respond

to what I have said and not just fall into the trap of delivering his prepared text; because his analysis will be less than relevant if all he says to us is that he is worried about rising Recurrent Expenditure, blaming us for what he says is a £66m rise without addressing the fact that it actually has grown principally as a result of what his previous leader used to call untameable market forces and as a result of the things they did in Government before they left.

361. Mr Speaker I want to thank the unions who have worked with me this year, the Chamber, the Federation, ATCOM and the Finance Centre Council for their input. Not all their requests or shopping lists can be accommodated, but good input from those organisations helps us to better calibrate this appropriation and to consider how some structures may change to accommodate innovative suggestions in the future. We will certainly continue our full engagement with them.
362. It is also right of course that I should also thank all Public Servants of Gibraltar without whom Government cannot operate and who in great measure are as responsible for these great results as any of the 10 of us on this side of the House.
363. In particular Mr Speaker, our thanks to you, the Clerk and staff of the House for bearing with us this year. This month we continue the work of refurbishing the work areas of Parliament behind the Speaker's Chair and as a result there will be no July session. I apologise in advance to you and your staff Mr Speaker for the disruption the refurbishment will create and trust that the absence of a meeting whilst it is ongoing will minimize the effects it will have on your work which as members know – but the rest of the Community may not be aware, continues even when Parliament is not in session. The installation of the lift to make the Chamber accessible will also now

commence in earnest I understand and is expected to be finished in time for the October sitting.

364. Again, this year, this is a useful moment to extend a very special acknowledgment also to all the staff of No6 Convent Place; especially the team that works on my corridor of the building.
365. Two and a half years in it is very much thanks to them that I never feel alone at any time of the day or night when I am at work on our nation's challenges at that emblematic address that is finally being transformed into a representation of the modern Gibraltar.
366. Today, I want also to continue the tradition I established, which I think is fitting in a system of real Cabinet Government of thanking all other members of the ministerial team; for their sterling endeavors in the course of the past financial year.
367. It is that work and the work of the civil servants who work alongside us that delivers these excellent results.
368. Because it is quite clear to me and no doubt to people outside this place that this is a GAME CHANGING BUDGET; a game changing appropriation of monies for our Community.
369. This Budget shows our Community that our long term strategy for the future of this Nation of ours is starting to bear fruit.
370. Already the rainy day funds are well established once again in Community Care, now with over £80m already.

371. Already the rainy day funds are well established once again in the Savings Bank where Reserves are estimated to be restored again to the level at which they were before members opposite took the money for their general purposes – talk about using savers' money for the government's own purposes!
372. Mr Speaker, this is the Socialist Liberal Government's third budget, which once again delivers social justice for all our community.
373. This is a budget for people of aspiration; for hard working people who are the spine of our success as a community.
374. Because this budget demonstrates that we care about the people who can't pay their bills and who are not riding high and we care about businesses that are not doing as well as they could because of the attempts to strangle our economy.
375. This is a budget for the entrepreneurs and the working man and woman.
376. A budget 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.
377. And these are exciting times for businesses in Gibraltar.
378. Entrepreneurs can see that there is a Government in Gibraltar that is on their side.
379. A Government that understands their needs.
380. A Government that wants to see growth continue and to spread to every sector of the economy.
381. A Government that understands that each taxpayer is a shareholder in this common enterprise that we call the nation we are building.

382. And our role is to ensure we maximise shareholder value in everything we do; adding shareholder value in tangible, economic terms and in non-tangible non-economic ways to ways; a balancing act we are getting right at each turn.
383. We are delivering game changing developments like Commonwealth Park in partnership with responsible charitable organisations like the Kusuma Foundation; whilst also delivering game changing surpluses.
384. And we are not just relying on established industries and established standards.
385. We are dragging Gibraltar out of the culture of mediocrity; we are reaching out for a better standard and new business.
386. We take not just the low-lying fruit of the established sectors, we go further to try to establish new industries with innovative thinking and our sights set on the future and not just the present and the past.
387. And that is what is resulting in investors breaking ground on new office developments which just did not get off the ground before.
388. That is why we already have a fabulous, new, 5 star hotel already operating : barely 30 months after our election – organising functions Gibraltar could never have hosted before.
389. We can see we have the confidence of the financial services sector which has grown in jobs since our election despite the challenges that industry faces;
390. Confidence from the gaming sector which has grown in jobs since our election despite the challenges that industry faces.

391. We enjoy the confidence of unions and employers representative organisations because we listen and we act when we believe their ideas are better than ours.
392. But we are clear that we enjoy the confidence from all sectors of society because we are working for all sectors of society and delivering to all sectors of society.
393. And so I say to every member of our Community, Mr Speaker, whoever they may have supported at the last election: this is a budget for you; for those of you who voted GSD or PDP, for those of you who mixed your vote and for those who did not vote at all as much as for those who voted GSLP LIBERAL, because we are a government for all of Gibraltar - as we promised to be AND WE MAKE NO APOLOGY FOR THAT!
394. We are a government delivering a budget for workers and for entrepreneurs; for those on middle class incomes and working class incomes; for the worker and for the business man.
395. A budget that delivers social justice for all of our people, as we will endeavour to do in every appropriation bill we bring to this House.
396. A budget that demonstrates that we will take no lessons in finance from those who left Gibraltar with just £2m in the bank when they left.
397. We will take no lessons in democracy from those who financed their party newspaper exclusively with tax payers' money or hardly called any meetings of this Parliament when they could.
398. Because this is a budget of a government that will always put country before party and not the other way round.

399. This is a game changing budget Mr Speaker that sees our people basking in the bright sunlight of the new dawn.
400. A budget of a record breaking surplus that exceeds even the record breaking estimate;
401. A budget of useable cash reserves up again to almost £100m – 50 times the paltry £2m the members opposite left behind;
402. A record high in Gibraltarians in employment.
403. And Gibraltar now 3rd in international rankings of GDP per capita with people enjoying the benefits of that in the carefully targeted spending commitments of their Government.
404. Mr Speaker, more cash, more jobs, more surplus and much more transparency and democracy than ever before.
405. Not just a record breaking Socialist Liberal Government; a GAME CHANGING SOCIALIST LIBERAL BUDGET FOR ALL OUR COMMUNITY. □
406. Mr Speaker, it is therefore with both great pride and humility in having been allowed to present the fruits of the work of this whole team in the opening address in this debate, that I commend the Bill to the House.

ENDS

CHECK AGAINST DELIVERY

ANNEX I

FINANCIAL SECRETARY'S MEMORANDUM TO CHIEF MINISTER

DECEMBER 2011

B



GOVERNMENT OF GIBRALTAR
FINANCIAL SECRETARY
MINISTRY OF FINANCE
No 6 Convent Place
Gibraltar

Hon Chief Minister

13th December 2011

Re: Public Debt – Proposed Resolution to Draw on the Cash Reserves

1. Under section 3 (1) of the Public Finance (Borrowing Powers) Act 2008, the Government is not permitted to draw down or incur any additional Public Debt nor without the leave of the House by Resolution draw on the Cash Reserves in a manner that will cause –
 - i) the Net Public Debt after such borrowing or drawdown to exceed the lower of:
 - (a) 40% of the Gross Domestic Product; or
 - (b) 80% of Consolidated Fund Recurrent Annual Revenue; or
 - ii) the Annual Debt Service Ratio [the ratio of annual debt service payments, to the Consolidated Fund Recurrent Annual Revenue] to exceed 8%.
2. The Aggregate (or Gross) Public Debt currently stands at around £520 million and current Cash Reserves stand at around £230 million. The Net Public Debt (i.e. the Gross Debt less the Cash Reserves) is therefore £290 million.
3. The Consolidated Fund Recurrent Annual Revenue for the financial year ended 31st March 2011 amounted to £382.7 million. This leaves the Cash Reserves which are available for drawing at around £16 million ($£382.7 \times 80\% = £306.6$ million less £290 million).
4. In order to fund the Government's ongoing capital expenditure commitments and in order to give the Government the necessary flexibility in the implementation of its economic plan, I recommend that a Resolution be passed in order to enable the Government to draw on its existing Cash Reserves.
5. The following draft motion is proposed:

“that this House approve a Resolution, pursuant to Section 3 (1) of the Public Finance (Borrowing Powers) Act 1988, giving leave to the Government to draw on its existing Cash Reserves.”
6. The following is a draft explanatory note, which could accompany the motion:

“Mr Speaker,

The Government intends to bring a Bill to this House early in the new year in order to amend the Public Finance (Borrowing Powers) Act 2008 to provide for the Government's borrowing limits to be measured and controlled in future on the basis of a maximum level of 'Gross Debt' rather than 'Net Debt'. It is the maximum 'Gross Debt' which this Government considers to be a clearer measure of our national debt as well as a better measure for comparison purposes with other countries.

Telephone: (350) 20048394, Centrex 2526; Fax: (350) 20074552, Centrex 2558

The gross public debt of Gibraltar currently stands at around £520 million and the Government is committed to bring this gross debt level down significantly during its first term of office.

This Resolution seeks the leave of this House for the Government to draw on its existing Cash Reserves in order to enable it to fund immediate and ongoing capital expenditure commitments and in order to give the Government the necessary flexibility in the implementation of its economic plan.

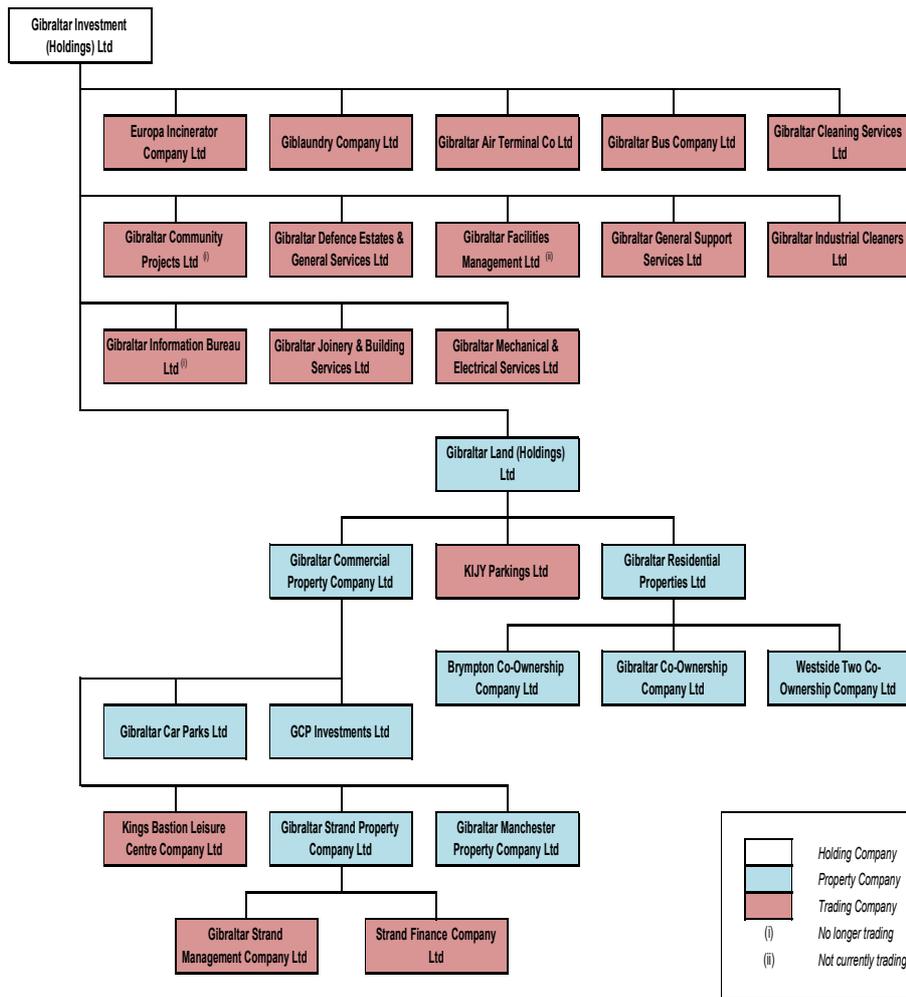
This will in no way increase the current level gross debt which the Government envisages will go down steadily over the next few years.”

Dilip Dayaram Tirathdas
Financial Secretary

ANNEX II

FLOW CHART OF GOVERNMENT COMPANIES FROM APPROVED ESTIMATES 2013/14

Government Companies (wholly-owned)



ANNEX III

THE TERMS OF THE DIRECTION BY THE CHIEF MINISTER TO THE TRADE LICENCING AUTHORITY

Addressed to the Chairman of the Trade Licencing Authority

DIRECTION PURSUANT TO SECTION 16(3) OF THE TRADE LICENSING ACT AND A STATEMENT OF POLICY IN RELATION TO THE PUBLIC INTEREST OF GIBRALTAR FOR CONSIDERATION BY THE TRADE LICENSING AUTHORITY IN APPLICATIONS FOR TOBACCO LICENCES

Pursuant to the authority contained in and vested in me under Section 16(3) of the Trade Licensing Act and of all other powers vested in me by virtue of Sections 46 and 47(2) of the Gibraltar Constitution Order 1969, I hereby direct the Trade Licensing Authority in relation to the following matters that affect the public interest:

1. In the direction issued by The Honourable Keith Azopardi QC as Minister for Trade, Industry and Telecommunication on 7 August 2002, it was stated at paragraph 5 of the same that:

“I (The Honourable Mr Azopardi QC) would like to see the issue of further tobacco wholesale licences strictly curtailed and applications for licences to diversify into new lines of wholesale or retail tobacco business strongly discouraged. I would also like to see the grant of further retail tobacco licences scrutinised and strictly controlled”.

2. Notwithstanding said direction, a significant amount of tobacco retail licences have been granted by the Trade Licensing Authority from 7 August 2002 to date. The number of licenses has, in part, contributed to the significant increase of cross-border purchasers of tobacco coming into Gibraltar.
3. I consider that it is not in Gibraltar’s public interest for such a practice to continue unabated since, amongst other issues and without prejudice to the generality of the foregoing, it poses a serious reputational risk to Gibraltar and affects the day to day lives of those living and working in Gibraltar.
4. Accordingly, I would strongly discourage the Trade Licensing Authority 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 but not to retail tobacco licences issued exclusively for the

purposes of selling cigarettes via a vending machine or to retail licences in respect of any new supermarket.

5. For the avoidance of doubt, I consider that in determining whether an applicant for a licence is to be considered a supermarket, the applicant must avail itself of premises similar in nature and size to those currently run by the likes of Morrisons, Eroski or Coviran supermarkets. A convenience store or similar business venture should not be exempt from this direction.
6. Only to the extent necessary, the direction at point 4 above should initially not be applied to those retail tobacco licences that have been suspended in Laguna Estate and Glacis Estate pending their relocation to other areas or any other relocations that may occur as a result of directions issued by the Collector of Customs. Once relocated, however, the direction shall apply to said licences also.
7. Furthermore, the direction should also not apply to those applications which have already appeared in the Gazette by the time this direction is issued, or which appear in the Gazette within 2 weeks of the date of issue of this direction.
8. In terms of the relocation or transfer of existing retail tobacco licences, I would strongly discourage the Trade Licensing Authority from allowing any movement of said licences to any area designated from time to time as a Special Zone under the Tobacco Act.
9. Moreover, I would also strongly encourage the Trade Licensing Authority to consider favourably any requests made by the holders of existing retail tobacco licences to transfer said licences out of a housing or residential area (including the Town area) to an alternative location not being a designated Special Zone under the Tobacco Act.
10. I am issuing these directions because I consider it will assist the Trade Licensing Authority to have guidance from me which clearly sets out the position that Her Majesty's Government of Gibraltar takes on this issue in the public interest. I accept, however, that the Trade Licensing Authority must consider each application on its merits and, in particular, must consider whether any exceptional circumstances apply such as would justify a deviation from the directions.
11. I would nevertheless expect that the Trade Licensing Authority shall keep Her Majesty's Government of Gibraltar'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.