

Hon Dr Joseph Garcia
BUDGET SPEECH – 27 June 2007

Mr Speaker,

This is my ninth budget debate as a member of this Parliament. Having listened to the honourable members opposite this year, and having sat through the previous eight budget debates in this House, I can only conclude that the Government have run out of ideas.

The Government, Mr Speaker, have become masters in the art of the announcement and the re-announcement. Over the years, projects have been announced, re-announced and then re-reannounced both inside this House and outside it. Some have not materialised at all, while others have been carried forward no doubt for re-announcement yet again at some future date.

Mr Speaker, I remember as a sixteen year old history student being taught the Disraeli versus Gladstone era of nineteenth century British history. One of Disraeli's famous remarks, and there are many, when referring to the policies of Gladstone in Government was that the Government front bench reminded him of a range of exhausted volcanoes. Far be it for me, Mr Speaker, to compare the policies of the honourable members to exhausted volcanoes. It is up to our listeners, with more vivid imaginations than I, to conclude whatever they wish.

I propose to start my budget address this year with an examination of issues relating to development and planning.

DEVELOPMENT PLAN

We have been debating the lack of an updated Gibraltar Development Plan in this House for many years.

As this House knows, normally a development plan is produced every ten years or so. This means that the plan which is currently in its final stages of production, we have been told that the draft is ready, should have actually been produced in 2001, not in 2007 which is already six years too late.

The Government have tried to defend their position by stating that developments are not out of control, and that the 1991 development plan is still in force. We have often said, Mr Speaker, that the 1991 plan was suited to the conditions of 1991. It is not suited to the conditions of 2007 where there are developments going up all over Gibraltar at the same time.

It is worth recalling, Mr Speaker, that in the budget debates of 2005 the Minister told the House, and I quote: "I will shortly be announcing that the plan is ready for consideration by the Development and Planning Commission." The year was 2005 and the word then used was "shortly", Mr Speaker.

About nine months later, in March 2006, the Minister told me in this House that he hoped that the draft development plan would be presented to the Development and Planning Commission in the very near future. He said he hoped with would happen within the next month. The next month, at the time, was April 2006. This time the words used were “in the very near future”.

About four months after that, at the time of last year’s budget in June, the Minister told the House that he would shortly be announcing that the plan was ready for consideration by the DPC. Yet in October last year, another four months later, the Minister told me that the plan had not yet even been presented to the DPC. This time, in all fairness to him, he did say that he did not dare to give me a date any more but he added optimistically “we are almost there”.

Finally, in February 2007, the Minister told this House that “in the next few days” the draft development plan would be circulated to all members of the DPC. Today we have finally been told that the draft is ready.

So, Mr Speaker. This is an issue on which the Opposition have been pressing the Government for many years. The completion of consideration of the plan by the DPC is only the continuation of a process. Once the DPC has considered the working draft the plan goes off to environmental reporting again. Then there is a two month public consultation, then it may need to be reconsidered by the DPC and re-exhibited for three more weeks, depending on the feedback from the public. Then, and finally, the DPC submit the plan to the Chief Minister for final publication.

Indeed, of the £20,000 estimated expenditure approved by this House last year in respect of the Development Plan, it is relevant to note that none of it has been spent, and that this year we are being asked to vote another £26,000.

Mr Speaker, the whole process to prepare and produce a new development plan has taken too long. At least we should be able to agree on that.

In the meantime Gibraltar continues to be regulated by an out of date plan which saw the light of day way back in 1991. By the time the new plan is in place, it will already be closer to 2011 when the next one would have been due, than to 2001 when this one should have been published.

The Government have defended the accusations that we make against their planning policy, but the fact of the matter is that their position is indefensible. Some decisions seem to be taken on a haphazard basis almost on the personal whim of a Minister, and the evidence suggests that the consequences of those decisions are not properly assessed before implementation.

Last year the Minister, who is also the Chairman of the Development and Planning Commission, said that the Government attached great importance to the planning process and suggested that the Opposition made every effort to

discredit it. Mr Speaker, the planning process does not need the Opposition to discredit it. The Government are doing a pretty good job of it by themselves!

The Chief Minister suggested in his intervention that in the next few months they will show that no Government ever before has taken the care that they have in their approach to development. I take this to mean that we will have the best plan in the world only after, and not before, all the current developments are under way.

AD HOC PLANNING

I have just said earlier that the Government were doing a good job in discrediting the planning process. Let me give some examples.

A site which was going to be a worker's hostel in Cumberland Road becomes what they termed affordable housing at one stroke of a pen. This happens because, with another stroke probably of the same pen, the height of the Nelson's View development was reduced. With a simple announcement, a site in Devil's Tower Road which had been earmarked for affordable housing is now going to be for a multi-storey car park. They say that the road itself will be transformed from an avenue leading to the east side project to a dual carriageway leading to the airport and to Spain.

And lets not forget the famous concrete plant which caused so much grief to environmentalists and others with its original location at the base of the talus slope near Catalan Bay, and which suddenly found itself transported to the aerial farm site near Eastern Beach instead. Mr Speaker, they decided to move the hospital into an office block and created a shortage of office space in the process, all this without taking into account that the building was designed to be for use as an office and not for use as a hospital. There are still outstanding problems waiting to be resolved even to this day as a consequence of that decision.

All this reflects a policy of taking planning decisions at a political level by reacting to events without regard for a proper planning process, as reflected in a new development plan. Little thought seems to be given for the consequences of those decisions.

There is more. For example, the decision to construct the Nelson's View development on top of the Rosia Tanks is a case in point. The heritage implications of this is something that I went into in my budget address of last year, so I do not propose to repeat them again now.

The House knows well that there were other implications, namely the settlement that the Government arrived at with the owners of the Rosia Cottages. Let me say that the Opposition does not blame the owners of the cottages for securing the best possible deal for themselves. We blame the Government for having the created the situation in the first place by insisting that the Nelson's View development could only be built on the Rosia tanks site.

Let me add by way of an aside that I do not know what all the rush was for. If anyone goes to the site and looks at the project they will see that it is far behind the one at Cumberland Road for example. This suggests that there could have been time for a full heritage assessment to be carried out.

But coming back to the Rosia Cottages, Mr Speaker, the Government told this House in October that they had exchanged Surrey House, Suffolk House, Lancashire House and St Bernard's House (four ex-MOD houses) for the four Rosia Cottages. One of the ex-MOD properties had been valued at £625,000 and two at £675,000 each. This is nearly two million pounds for three of the four cottages. The fourth one, St Bernard's House, had been valued at £510,000 in 2004, more than the other three. It is therefore safe to assume that it would also have been valued at more than the other three in 2006 as well. The sum involved would therefore have been nearly £ 3 million.

In addition to this, the Government also paid £ 50,000 each in relocation costs to three of the four cottage owners and the conveyancing fees, Stamp Duty and registration charges.

The Government and the Development and Planning Commission had separate legal representation in this case. We know that the costs of the DPC were £14,280. We do not know the cost of the Government's lawyers as this information was not available the last time that the question was asked. The fees of the lawyers who acted for the cottage owners, which the Government also has to pay, were not known at that time either.

Mr Speaker, the point is that the decision to site the Nelson's View development on the Rosia Tanks has been an expensive exercise.

What we do know is that the Government has had to pay out £150,000 to the cottage owners and over £ 14,000 for the DPC's lawyers. We also know that about £ 3 million in income from the sale of the MOD properties has also been blown away, not to mention the charges and duties and fees which would have been paid had they been sold instead of exchanged. In all probability the money that the Government will obtain from the sale of the cottages will be nowhere near to what the Government have spent when this is added to the revenue that has been lost.

The House knows, as a point of fact, that there is another case pending taken by a number of owners in Rosia Dale.

All these consequences stem from the original decision taken by the Government to site the Nelson's View development on the Rosia tanks site and nowhere else.

MOD PROPERTIES

Mr Speaker, it was the Minister for Trade who told the House in 2005 and I quote, "the policy of the Government will continue to be to maximise the price

that they can obtain from the sale of important former MOD properties for the good of Gibraltar.”

Suffolk House, Surrey House, Lancashire House and St Bernard’s House are four examples of MOD properties where the Government has failed to obtain the maximum benefit for Gibraltar. Indeed, it is questionable whether any benefit has been obtained at all.

As the House knows, the research conducted by the Opposition has revealed that there are other cases.

Lind House is a further example. The announcement that this property was sold by tender for just over one million pounds was made in December 2004. A few weeks ago it was being offered for sale on-line by a real estate company in the United Kingdom for over £ 4 million and given an estimated development value of £ 15 million.

The House may be interested to know that the property has since been removed from the website which is perhaps an indication that it may have already been re-sold. The Government have said that they cannot be held responsible for the contents of the website. However, they can be held responsible for not having secured the maximum benefit for Gibraltar from this particular former MOD property. The case of Lind House will have shown that the Government have some thinking to do regarding the way in which it places these properties on the market.

Mr Speaker, it is clear to us that in the five cases of MOD properties that we have highlighted the benefit for Gibraltar has not been maximised.

But there are other issues raised by the sale of these properties. One of these issues is what the owner does with them afterwards. We need to take care of these old buildings, in so far as we can, because some of these colonial type houses are part of the heritage and the history of Gibraltar.

Mr Speaker, in this context, it is regrettable that the New Aloes has been completely destroyed to make way for a four-storey mini-block. The irony is that the tender in this case was awarded to a company called Historic Buildings Conservation (Gibraltar) Ltd and that, in this instance, no conservation of a historic building has taken place. Instead the building, which some people considered part of our heritage, like others considered Rosia tanks part of that same heritage, has disappeared off the face of Gibraltar.

Given that so much of Gibraltar’s land is already in the hands of the same commercial interests, we have to question the wisdom of the policy of the Government to award tenders for former MOD properties to the same people as well. The Government cannot carve up Gibraltar for the benefit of the same few developers, who then construct houses that most of our people cannot afford to buy, and who, to top it all off, receive generous discounts to their final taxation bill through development aid.

Mr Speaker, I have spoken to many Gibraltarian families who submitted tenders for the purchase of an MOD property, and all of the people I have spoken to consider that it is unfair that they should be competing against property developers for the same house. This is also something for the Government to think about with regard to future tenders.

MID TOWN PROJECT

In respect of another former MOD area, the House will recall that the Opposition has questioned the manner in which the Government allocated the land in the centre of town which is now known as the Mid-Town project. The initial arrangements were that the developer would pay no premium, but would instead construct £ 10 million worth of works for the Government. The Opposition has estimated that the development value of this land was more than double this amount at the very least.

Mr Speaker, the Government may well have claimed at one time that they were getting a school, a park, a car park and a leisure centre for nothing, in the sense that nothing was supposed to be paid out. However, this is no longer the case as it has already been established that the leisure centre alone is costing double the original estimate at over £11 million, and that the Government will have to pay the bulk of the balance.

In our view the policy of the Government in relation to the Mid-Town project has been a mistaken policy. Obviously, they are in a position to proceed in this way because they are the Government, but we are equally free to disagree with the way in which they have handled the issue. The Government should have established from the very outset whether there was a better deal on the table from any other developer. They failed to do this.

Therefore we are convinced that in relation to this project, part of which will be built on former MOD land, the Government have also failed to maximise the benefit to Gibraltar that could have been obtained.

Mr Speaker, last year we heard the Government say that the number of development projects which are going up all over Gibraltar reflects and projects the huge international investor confidence that now exists. This is complete nonsense. What it reflects is the fact that Gibraltar has become a paradise for developers because they can make a fast buck on the sale of residential property. This is only so because the policy of the Government has pushed house prices higher and higher beyond the reach of many ordinary Gibraltarians.

The Opposition is not saying that we are against luxury developments. What we are saying is that there has to be a balance over the years between low cost housing, on the one hand, and more expensive residential developments, on the other. It is a fact that over the eleven years in which the honourable members opposite have been in office, that balance between the two has been sadly lacking.

In a wider sense, Mr Speaker, this debate is about the kind of Gibraltar that we want to see in the future. Do we want a Gibraltar that becomes a concrete jungle, or do we want a Gibraltar where there is a balance between progress and conservation? At present there is no balance at all.

It is worth pointing out that for many citizens, including those who have approached the Opposition with their concerns, this more a civic issue than a political issue. It is a matter of civic pride in our Gibraltar. Therefore if there is an encroachment into King's Street by an office development adjacent to it, concerned citizens have a right to bring the matter to the notice of the Opposition. They do so because it is a matter of civic pride.

TOURISM - Figures

Mr Speaker, I move on now to tourism matters. The first point I have to make is to say that it is totally unacceptable that the Tourism Survey, the Hotel Occupancy Survey and the Air Traffic Survey for 2006 have not been made available to the Opposition until budget day. It is true that some of this information is made available to me on a monthly basis by the Minister. However, what the Opposition receives every month does not cover everything in the surveys. We have nothing at all on hotels, for example. Without the surveys, and without enough time to analyse them, we on this side of the House, are not presented with a full picture of what is going on. After all, it is the surveys, and not the monthly statistics that are supplied to me, that are the official figures for Gibraltar.

TOURISM - Hotels

I had wondered, Mr Speaker, why no information had been received on the performance of our hotels as reflected in the hotel occupancy survey. I also thought it odd that the Chief Minister made no mention of hotels in this context in his address.

Having had the opportunity to look at the latest statistics, I now know why. Mr Speaker, 2006 was one of the worst years for Gibraltar hotels in recent times. Room occupancy is down by 10% from what it was in 2005. The average length of stay is down, guest nights sold are down, room nights sold are down, and sleeper occupancy is the lowest since 2000. These refer to all arrivals.

When you look at tourist arrivals the picture is just as bleak. The number of tourists arriving at our hotels is the lowest since 2002. The room nights sold to tourists is down, the room occupancy in relation to tourists is down, the sleeper occupancy of tourists is down and the guest nights sold to tourists is down. The average length of stay of tourists is also down.

I remember, Mr Speaker, how for many years the policy of the Government was to encourage more air arrivals from the UK to stay in our hotels. At the moment we have less air arrivals from the UK, less air routes to the UK and less tourists staying in our hotels. It was curious to hear the Minister say that

future plans in relation to the air terminal, roads etc will be taken into consideration when planning the use of the airport. Given that we do not have Manchester or Heathrow and that Fly Gibraltar which should have started in April is not going to materialise, what provision is there for those slots which are now vacant?

TOURISM - Marketing

The estimates show that the marketing budget for tourism has grown from £ 850,000 last year to £ 900,000 in this financial year. The Opposition will continue to use a value for money criteria as the benchmark against which the marketing budget should be tested.

We know, for example, that the cost of attending Fitur in 2006 was £20,640.19. This year, that cost went up to £23,916.27. Mr Speaker, a reception was organised on the eve of Fitur which 32 Spanish journalists attended. The Government gave the cost of the reception as £3495.14 in respect of catering alone. Presumably this figure does not include a charge for the venue. This cost of this reception works out at £109 per guest. This is not value for money in our books.

TOURISM – by air

Moving on now, Mr Speaker, the Opposition regrets that the Fly Gibraltar operation now looks as if it is not going to materialise. This was a project that we welcomed at the time. We supported, and we continue to support, the idea of an airline based in Gibraltar and we support the idea of flights between Gibraltar and more destinations in the United Kingdom and, in this case, flights to Ireland for the first time.

When the project was launched in August of 2006, the Government was very closely identified with it. The Minister for Tourism was present at the press conference and the Government itself issued a statement on the matter. In that statement, the Minister is quoted as saying that the initiative is typical of the investor confidence that exists in Gibraltar in the current economic climate. In that context, Mr Speaker, now that the Fly Gibraltar project is not going to happen, I am not quite sure what the Minister would consider that it says.

This reminds me of the similar situation that arose with regard to Fly Europa. The House will recall that that Government announced flights to London Stanstead and Manchester airports and that these flights too never materialised.

We have no doubt that Fly Gibraltar would have been good for Gibraltar. Indeed, the latest figures show that air arrivals from the United Kingdom have dropped in 2006 from what they were in 2005. They also show that from January to April 2007 there were less UK arrivals by air than in the corresponding period in 2006.

The main reason for the drop is probably the loss of two air routes, one the British Airways flight to London Heathrow and the other the Monarch Airlines flight to Manchester. It seems that our share of the market is being lost to Malaga and other Spanish airports as over 8000 people last year presumably chose to fly directly to their destination from elsewhere, rather than break their journey in Gatwick or Luton.

Mr Speaker, again last year the Minister gave a pre-announcement that an announcement on other UK carriers flying to Gibraltar may be made shortly afterwards. Once again we regret that nothing has happened, and that we continue with the same two carriers that we have had to the United Kingdom only that we do so with two less routes.

TOURISM – by land

I would like to move on now to tourism by land. Every year, as the Government knows, the Opposition highlight the fact that the number of tourist coaches coming into Gibraltar has fallen, and continues to fall. There is a corresponding drop in the number of coach passengers as well.

Every year the Government come up with a different reason to explain why this should be the case. Excuse after excuse given by the Government have been examined and rebutted by the Opposition. Last year, the Minister finally declared that, and I quote “the Government do not attach importance to any drop in coach arrivals at the Gibraltar coach terminal”.

Having said that in the House in June, it came as a surprise to us that at the end of the same month the Government should announce a marketing campaign in Costa hotels which included a presentation to coach tour representatives. The Minister himself was quoted as saying that and I quote, “It is important that we support the popularity that Gibraltar enjoys as a day trip destination on the Costa del Sol. The market sector is significant for Gibraltar’s tourism industry...”

So Mr Speaker, it was not of importance to the Government that coach numbers were and are declining, but that same market is significant for Gibraltar’s tourism industry. I am sure that there is a contradiction in there somewhere.

Mr Speaker, the Government have again highlighted that the number of visitor arrivals by land has increased from 7.4 million in 2005 to 7.8 million in 2006. The Opposition has often pointed out that there were already 6.5 million visitors in 1996 which was the year in which they came into office. We have also pointed out, given that non-Gibraltarian frontier workers are included in the figures, as they have always been, that the increase could simply reflect more frontier workers and may not only be tourists.

In other words, on the assumption that a frontier worker crosses into Gibraltar once a day every weekday, an increase of 400,000 crossings into Gibraltar could simply reflect an increase of 1500 non-Gibraltarian frontier workers. It is well known that there is a proportion of unregistered frontier workers who are

not included in the official employment figures but who would be counted for visitor arrival purposes as they cross the border. The Government, Mr Speaker, needs to be careful about the claims that it makes in this area.

It is also important to note that the whole point of marketing Gibraltar is so that more money is spent in our economy by visitors. In 2006, although there were marginally more people, the overall amount spent by tourists seems to have stagnated compared to what they spent last year. In real terms, this represents a decline in purchasing power.

TOURISM – By sea and port issues

Mr Speaker, in relation to my responsibility for the Port, there is one specific area which I would like to touch upon. In the report of the Principal Auditor for 2005-2006, the auditor expressed his concern that there was no system in place to allow the Port Department to verify the accuracy of returns submitted by the yacht marinas on the number of berths and the amounts paid. The House will recall that the Opposition voted against this Bill when it was introduced by the Government in 2005. The Auditor says that he was informed that since the closure of the Yacht Reporting Berth in December 2005, and the new reporting arrangements which places the responsibility on the marinas themselves, it is practically impossible for the Port Department to check the number of arrivals.

The number of yacht arrivals, Mr Speaker, continues to fall according to the latest statistics that have been made available to the Opposition. I understand that Shepherd's Marina is now closed while the Ocean Village development is going up. However, this is a trend which goes back a number of years before the marina closed down. In 2006 there were only 3112 yacht arrivals, which compares unfavourably with the figure 5042 for the year 1996 which is the year in which the Hon Members opposite first came into office.

Mr Speaker, the lack of a development plan is obviously coupled to the sad demise of Gibraltar's public seafront. We know and we understand that there are plans for new marinas in different locations. However, ordinary people for whom boating is a hobby, and who cannot afford their going rates, have become the victims of the uncontrolled development of our seafront. Berths for many local small boat owners are severely lacking, and the general public as a whole has been systematically denied access to more and more of our seafront. We find ourselves, Mr Speaker, in the incongruous position of being practically surrounded by the sea, yet access to it is limited in this way.

CONCLUSION

In conclusion Mr Speaker, many of these concerns that I have outlined today are concerns that the Opposition have expressed before. In many cases, the issues that we highlight in relation, for example, to development and planning are a consequence of constituents bringing these matters to our attention. They have a right to complain to their elected representatives, and we have a right to raise the issues that concern them in this House or outside it.

Mr Speaker, I take this opportunity to thank you, the clerk and the staff of the Parliament for their assistance and support throughout the year.

ENDS