



**RECORD OF THE BUDGET MEETING
OF THE LEGISLATIVE COUNCIL
HELD IN STANLEY
ON 28TH AND 30TH MAY 2008**

**RECORD OF THE MEETING OF THE LEGISLATIVE COUNCIL
HELD IN STANLEY ON WEDNESDAY 28TH AND FRIDAY 30TH MAY 2008**

THE SPEAKER OF THE HOUSE
(Mr Darwin Lewis Clifton OBE)

MEMBERS (Ex-Officio)

The Honourable Chief Executive
(Dr Timothy Rupert Thorogood)

The Honourable the Financial Secretary
(Mr Derek Frank Howatt)

Elected

The Honourable John Birmingham
(Elected Member for Stanley Constituency)

The Honourable Dr Andrea Patricia Clausen
(Elected Member for Stanley Constituency)

The Honourable John Richard Cockwell
(Elected Member for Stanley Constituency)

The Honourable Ian Hansen
(Elected Member for Camp Constituency)

The Honourable Mike Rendell
(Elected Member for Camp Constituency)

The Honourable Janet Robertson
(Elected Member for Stanley Constituency)

The Honourable Richard James Stevens
(Elected Member for Camp Constituency)

The Honourable Michael Victor Summers OBE
(Elected Member for Stanley Constituency)

PERSONS ENTITLED TO ATTEND

The Attorney General
(David Francis William Pickup)

The Commander British Forces South Atlantic Islands
(Brigadier Nicholas Roy Davies MBE, MC)

CLERK: Claudette Anderson MBE

PRAYERS: Reverend Richard Hines

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**The Record of the meeting of Legislative Council
held on Wednesday 28th May 2008**

Prayers

Clerk of Council

His Excellency the Governor and his Address to the Nation.

HE The Governor

Mr Speaker, Sir

Last year, the 25th Anniversary of the Argentine invasion of the Falkland Islands and of their liberation by British forces, was a very moving year for us all. The commemorative events allowed us to remember the courage and commitment of the British servicemen and their civilian counterparts who helped to restore freedom and re-instate the rule of law and democracy to these Islands – and it allowed us to honour the dead on both sides.

We were able to show how the Islands have progressed and prospered since 1982 – and how, ironically, the conflict provided a catalyst for change. Many UK veterans, who came back in the SAMA 82 pilgrimage in November, found comfort and a sense of closure from returning to the battlefield sites. They saw too the new growth and change for the better in Stanley – and, in experiencing the warmth of the welcome and the hospitality of Islanders who opened their homes and made their time and vehicles available to them without hesitation, they understood more clearly that, notwithstanding the loss of life, their efforts had been worthwhile and wholly justified. Nothing better, in the circumstances, could have been achieved for the community here than that.

Mr Speaker, the British Government's commitment to the Falkland Islands remains absolute. Gordon Brown, as new Prime Minister, reasserted this in his New Year message to the Islanders. And the number of senior visitors to the Islands, from the Earl of Wessex in June, to Derek Twigg the MOD Minister for Veterans in November, and Meg Munn the FCO Minister for the Overseas Territories in January, as well as parliamentarians and senior Whitehall officials and military officers, underscores this. The British Government consistently makes it clear in international fora and to the Argentine Government that British sovereignty over the Falkland Islands is not for negotiation or discussion unless the Islanders so wish it – which you don't.

The Government of Argentina continues, however, to press its claim to the Falklands, whenever and wherever it can. In doing so, it ignores the principle of self-determination which the UN Charter recognises as a right under the International Covenant on Civil and Political Rights. It seeks to get round this by arguing, wrongly, that the principle of self-determination should apply only in cases where there is no dispute about sovereignty and it speaks about taking the interests (but not the wishes) of Falkland Islanders into account. In contrast, the British Government stands firm in upholding the right of the Islanders to determine their own future. And Islanders have

consistently made clear, through their freely and fairly elected representatives, their wish to remain under British sovereignty. Self-determination does not necessarily mean independence.

The British and Falkland Islands Governments do of course want to have good, stable relations with Argentina. We regularly make constructive suggestions on ways to advance practical co-operation with Argentina, for example in the conservation of fisheries. But instead of wanting to discuss practical co-operation, the Argentine Government repeatedly accuses us of “unilateral acts” and wants to talk about something else. Too often the something else is more political or somehow implying an Argentine right to be involved in decision-making over the Falklands. Yet that was not the purpose of the various co-operation agreements under the so-called ‘sovereignty umbrella’ where sovereignty issues were specifically set aside. And the Argentine Government consistently refuses to acknowledge the role of the Falkland Islands Government in the government of the Territory, preferring instead to portray the Falklands’ relationship with Britain, again wrongly, as a colonial relationship, with the Islanders under British Government administration. Well, we have progressed a long way from that as the new Constitution, if agreed, will show.

There are things that we all want - or at least should want – for example, better air and maritime links between South America and the Falklands to allow more economic opportunity; closer co-operation on fisheries conservation, both bilaterally and internationally in the south-west Atlantic; and greater mutual understanding between our communities. And all three governments want the special service(s) for Argentine next-of-kin at the Argentine cemetery near Darwin to go ahead. We need to find acceptable ways of making progress on these, so long as sovereignty issues do not intrude.

Mr Speaker, we are now a long way forward on constitutional reform. The talks have been conducted in a friendly, positive spirit and, subject to agreement on a few remaining issues, I hope that a revised draft constitution will be put to public debate and consultation soon. Subject to any further points arising out of this process, and any UK parliamentary input, it should be possible to submit the Order in Council containing a new constitution to Her Majesty the Queen for approval in Privy Council to be made before the end of this year.

The new constitution, if agreed, will make it much clearer where responsibility for the government of the Territory really lies. The Governor will be bound to accept the advice of Executive Council on most internal matters unless there are good governance grounds not to do so (in which case he would have to report to the Secretary of State conveying the views of Executive Council). Except in certain specified areas, including defence and external affairs, this places responsibility for domestic affairs exactly where it should belong – with elected representatives. It will, therefore, be a major step forward in democratic self-government and self-determination.

The draft constitution also reinforces the public checks and balances against the power of the Executive by establishing an independent Public Accounts Committee, as well as a Commissioner to investigate complaints of maladministration in the government of the Falkland Islands. Again, this can only be to the good.

Mr Speaker, last year, I changed the nature of this address by focussing on the Islands' Plan in an attempt to indicate what had been achieved against its commitments and what more needed to be done. This year, I have asked Councillors to make their own assessments, more in the style of a Queen's Speech in Westminster. What follows therefore represents their views.

Mr Speaker, Government finances are in a reasonably healthy state, with no borrowing and levels of disposable reserves in excess of the target of 2½ times annual operating expenditure. But balancing the revenue and expenditure budgets is getting ever more difficult. With government revenues flat and increasing cost pressures through inflation and increased expectations, the forecast shows no sign of improvement. We need to act now to increase revenue and decrease expenditure, since eating into reserves is not an option. To this end, the Government has begun the implementation of a Medium Term Financial Plan which seeks to increase revenue by £500,000 per annum over the 07/08 budget, and to decrease expenditure by the same amount from the same base, over the next five years. Achieving this will not be easy, but it has to be done.

Government spending must be targeted towards the most important areas, and growth and cost savings must be preferred over consumption. The Treasury has already set some demanding targets, which will involve difficult, and sometimes unpalatable decisions. We shall apply the "user pays" principle wherever it is reasonable to do so, and we shall review various schemes for means testing, including family allowance, holiday credits, and further and higher education living allowances. We shall engage in public debate to determine where savings can best be made.

But the economy is not all about Government finances. We need to provide incentives for growth in our key industries. We must, therefore, maximise economic opportunity in the fishing, tourism and agriculture industries, and in services to these, as well as in hydrocarbons exploration. We shall engage with the private sector to identify where growth opportunities are and how they can best be achieved.

Falkland Islands companies make up a thriving business community that continues to express confidence in the economy. It is the Government's role to ensure that business can thrive with as little Government regulation and interference as possible. We are committed to that and will this year seek to move services currently provided by the Government into the private sector where that can be done without disadvantage to the private citizen. We shall publish a "green paper" on this, after consultation with the private sector.

We have published the Islands Plan for 2008-2012. There is, however, a dearth of solid economic data in the Falklands on which to base macro-economic policies. We have therefore made it a priority to complete the collection of statistical and economic data that will enable us to link the annual budget cycle to the Islands Plan. Clear and agreed GNP and GDP figures will allow us to investigate where opportunities exist for increased economic activity.

The nature of the Falklands economy is unusual, with low tax rates and a small tax base making relatively small contributions to Government revenue which is heavily

supported by resource rents taken directly from the allocation of fish quotas, and heavy reliance on international financial markets to produce income from reserves. It is nearly five years since the publication of the last Tax Policy Framework in July 2003. We intend this year to conduct a review of our tax regimes, again in consultation with the business sector.

Mr Speaker, we can all take pride in the fact that the Falkland Islands fishery is one of the best managed in the world. The *loligo* fishery remains the powerhouse of local industry development; with catches of 42-58 thousand tonnes over the last three years. Sustainable exploitation of this reserve depends on effective management. The transfer of responsibility for most of our fisheries stock assessment from Imperial College to the Fisheries Department has yielded important operational and financial benefits. The introduction this year of an enhanced programme of safety inspections on all fishing vessels, together with the introduction of the Overseas Masters fishing licence should help to improve conditions on fishing vessels where these fall short of our expectations. Tragic incidents this year have reminded us that this is a tough business, and we must seek to improve safety standards on board vessels fishing in our waters.

The Government will require the installation of the Automatic Identification System (AIS) and Vessel Monitoring System (VMS) on all licensed vessels to improve both monitoring and search and rescue capability. The *Dorada*'s departure also gives FIG the opportunity to reassess our fisheries protection and scientific research requirements: we look forward to the recommendations of the Fisheries Protection Review Group for a cost-effective way forward. We shall continue to improve the procedures relating to the ITQ system and look forward to reviewing proposals for the assessment of efficiency in the taking of ITQ to ensure continued economic growth in the industry.

Mr Speaker, last year was the Falklands most successful tourist season to date. We welcomed over 62,000 cruise ship passengers – an increase of over 21% - whilst land-based operators reported an increase of 18% in the number of tourists spending at least a week in the Islands. Even on the busiest of days - 4 December saw Stanley's population nearly trebled – the feedback from those coming ashore was positive. Our only real disappointment was not to be able to pay a final farewell to the *QE II* due to bad weather.

Tourism has established itself as a major contributor to the economy in the summer months, with steady growth predicted for the next few years. The development of the new National Tourism Strategy is well advanced, and will set down some key challenges to continued economic success – ensuring that the right infrastructure is in place to handle predicted growth, accommodating increased customer expectations, improving air access, and marketing ourselves better. This year will see the closure of the iconic Upland Goose Hotel substantially reducing available bed spaces in the high season, but providing opportunities for others. The debate on FIGAS will be pivotal for the industry, and the introduction of the new East-West ferry service should result in increased land-based tourism. It will be as important as ever that the Government and private sector work closely together to maximise opportunity and output.

Mr Speaker, this season has shown some improved wool prices for farmers and significantly better prices for exports of meat from FIMCO, providing continued encouragement for the development of camp businesses. The pasture improvement programme now involves 50 farms, increasing the available feed for stock at critical times of the year, and we have seen steady genetic improvement in both sheep and cattle. The development of dual purpose sheep breeds for both high quality wool and mutton has shown good progress, and the delivery of a series of workshops on managed grazing by a specialist consultant has proved popular. FIMCO staff have continued to work hard to improve efficiency and to deliver improved financial results (albeit still with a substantial subsidy from Government) which provides encouragement that the Falklands can achieve a successful long-term alternative source of agricultural income. In these days of world food shortages and high food prices, our involvement in the supply of both fish and meat is encouraging for the long term.

The Department of Agriculture will continue next year to provide the necessary technical support and data collection to enable farmers to make informed choices and business decisions. The establishment of an appropriate internationally recognised scheme of organic certification for agricultural products should be completed, with a view to increasing returns to participating farms. The creation of the Rural Development Strategy Group led by Cllr Hansen will focus on a number of key areas to continue the push towards economic self-sufficiency in camp; with new developments in communications, opportunities are improving though the challenges are still significant.

On minerals, although Falklands Gold and Minerals left without success, the data they bequeathed us will be of huge importance in years to come. In hydrocarbons, the prospects for another drilling round look good. The year has seen the completion of a major 3D Seismic survey in the southern basin, and various other surveys in both southern and northern basins in preparation for drilling. There has been a significant farm-in to the FOGL acreage in the south-east, and another in the Desire holdings in the north. Drilling commitments therefore remain on track and new activity can be expected to materialise in the coming months. Open door production licensing has been re-opened for a limited area in the north to encourage potential bidders.

The tasks of the Minerals Department next year will be to facilitate drilling programmes by advising licensees on the required environmental, health and safety and technical approvals in order to bring rigs to the Islands. From the industry perspective, some easement in the market for drilling rigs combined with unprecedented oil prices makes the prospect of drilling in 2009/10 much more likely. As in the first drilling round, it will be the role of FIG and FIDC to ensure that every possible opportunity is provided to local companies to provide the support services required, and to maximise local involvement in the drilling process.

Mr Speaker, the Government will continue to provide high quality essential social services to the community in the most cost-effective way possible.

The Health and Social Services Department exceeds expectations of a small territory. This year an external MOD Clinical Governance Audit identified high standards of treatment and health care and service delivery of which all at KEMH should feel

proud. The new dental facilities have reduced dental waiting lists. Whilst the overall standard of oral hygiene in the Falklands remains below the European average, it continues to improve. A digital x-ray reporting scheme has been set up with Clinica Alemana in Chile, and will assist diagnosis.

However, the burgeoning cost of medical treatment overseas must be addressed. The use of UK clinical governance guidelines may be a major contributory factor in this, reducing the discretion of doctors in diagnostic options and treatments available to them. DHSS are to see whether they can put in place more appropriate standards for the Falklands. In parallel, a full scale review of the long term affordability of our current health service provision will be carried out; health cost inflation here, as in Europe, runs at around 10% per annum and is currently not affordable.

Smoking is one of the most common direct and indirect causes of poor health, hugely contributing to healthcare costs. The Working Group on the Prevention of Smoking in Public Places completed its deliberations earlier this year, and legislation is now being drafted to ban smoking in a variety of public places. Revised legislation to help prevent smoking by those under 16 will be completed in this session of LegCo, together with measures to increase the legal age to 18. This, with education and the re-introduction of free smoking cessation aids, should improve the overall health in future generations and reduce smoking-related health costs.

On education, there has been vigorous public debate on how to deliver the quality of education that the community wants. An external audit conducted by the Service Children's Education (who inspect to the English National Standard) found that the Infant Junior School and Camp Education were providing a satisfactory to good quality of education, but that the Community School needed to improve.

The standards of 11 year olds at the end of Key Stage 2 this year were above the UK national average, consistent with earlier years. The IJS and Camp Education have now merged under a unified management system and the management structure enhanced. This should help to maintain the high standards that staff have been producing over the years, and for which they should be congratulated.

At FICS this year, 50% of 16 year olds gained 5 or more A*-C Grades at GCSE, a marked improvement on previous years. But this cannot hide the patchy performance assessment handed out by the inspection. There are excellent teachers at FICS delivering well planned lessons, ably and effectively led by Alistair Baldwin. But the inspection found there are also some lessons that are no better than satisfactory. We have therefore put in place various measures to raise standards. The management structure is to be enhanced to improve school performance, with greater monitoring of teaching and learning, and extra capacity to deliver this. We also expect improvements in overall lesson quality and in school discipline. On the positive side, our students at Peter Symonds continue to do well and a new loan agreement to secure places for the next 7 years has been put in place.

We continue to support 25 students in a wide range of Higher Education courses principally at degree level, but this year we also plan to introduce a range of vocational options as an alternative to GCSE and to develop a structured entry to the employment scheme for 16/17 year olds.

Mr Speaker, we await the report from Supt Elliott on community policing in the Falklands. This will require the full attention of Government to ensure that we have the right level of expertise and resources, and the right style of policing to retain our relatively crime-free environment, and to satisfy the community that the level of policing is correct both in deterrence and in enforcement. Like all the uniformed services the police work to serve and protect the community often in difficult circumstances. In this context, I pay tribute also to the work of the Fire & Rescue Services, our Ambulance crews, and the FIDF, who contribute so much in response to emergencies. The Customs and Immigration Department play a major role in the efficient running of both the fishing and the tourism industries, which provide income that helps to pay for many of Government's other non-revenue raising services.

It is not the intention here to comment on all Government departments one by one. Those not mentioned deserve no less appreciation for getting on with their jobs in a quiet and efficient manner. But how efficiently people do their jobs is often conditioned by the organisational structures within which they work. The arrival of the new Chief Executive has given Councillors the opportunity to request a major review of what we do as Government and how we do it, and if necessary to revise the structure of Government. An important part of this will be to pass to the private sector activities which can be equally well or better managed there, but also to rationalise the management structure and administrative support services wherever possible. This review is under way.

A crucial area for future development is communications. Stanley now enjoys a mobile telephone system and a broadband facility that is revolutionary compared with its predecessor. We may complain from time to time that it is not world class, but by and large it is adequate for our needs. The camp has only limited mobile phone accessibility and an antiquated phone and internet system grafted on to technology for which it was not designed. The new telecommunications system now ordered and under construction will bring huge improvements to camp, and opportunities for new and existing businesses that have hitherto been only dreams. Like the ferry, it has the potential to revolutionise camp and reinforce its economic and social importance to the Falkland Islands. Technology continues to drive change, and the new BFBS digital TV service requires new ways of doing things. Leaving aside the issue of how to cover the inevitable costs, Councillors believe that British television, British news and British culture are central to the ethos of these Islands and government will continue to ensure that British television is available, however it is delivered.

The FIGAS review will also be important. Closer co-ordination between the air service, now in its 60th year of operation, and the ferry service, to provide affordable travel, at the least possible cost to public funds, has to be an important objective. Government is also recruiting a project manager to move forward plans for a new port; this is likely to be our biggest ever investment in infrastructure, and will take much soul-searching, commitment and vision. But it has the potential to take economic growth in fisheries and tourism to new levels, and to support the hydrocarbons industry when it materialises. And finally on communications, negotiations continue on improved access to and service on the Airbridge to support our key development needs. We anticipate a conclusion to this process in July with the award of the Airbridge contract for the next three years.

I cannot complete this review without mentioning the new wind farm. Like many of our best projects, it has been long in gestation, but it has been a technical and commercial success, and is tribute to the detailed planning and execution of the Power and Electrical department and to the management of Public Works.

We have a challenging legislative programme ahead, with an outstanding list of over 70 pieces of primary and subsidiary legislation to be drafted for submission to Legislative Council. This cannot be completed during the remaining life of this Council, and Members have determined that priority should be given to the re-draft of the Education Ordinance and any legislation essential to economic development. To this end we plan to bring into force by the end of 2008 the Offshore Petroleum Licensing Regulations, a Merchant Shipping Amendment Order to enable the classification of the Concordia Bay, the Education Amendment Bill, legislation required in connection with EU phytosanitary approval of fishery products and the abattoir, bills required in consequence of Constitutional amendment, and the two anti-smoking Bills. Government will then review the next phase of legislative drafting work in accordance with resources available.

Finally, on a personal note, Mr Speaker, I wish to make several points – first to record that this the last Legislative Council that Brigadier Nick Davies will attend as CBF: he departs on 14 June when Air Commodore Gordon Moulds takes over. Nick Davies and the military at MPC work tirelessly on our behalf in creating the safe, secure environment in which our economy can thrive, we should be grateful. Secondly, we shall see the retirement of our Financial Secretary, Derek Howatt, who has kept us wisely on a prudent budgetary path for many years. Derek will be succeeded by Keith Padgett and we wish his wife Val, who is fighting her illness with magnificent determination, the speediest recovery. Thirdly, we now have an excellent senior management team in the public service, a mix of local and expatriate expertise, which should help to guide us in managing the changes that must be implemented if we are to continue to prosper.

I should mention here the apology tendered by the British and Falkland Islands Governments to the Government of Argentina over the discovery that a bone, believed to have belonged to an Argentine airman shot down in 1982, had not been declared at the time to the Argentine authorities. I have commissioned an investigation into the circumstances of the bone's discovery in 1986 and its subsequent retention. The aim is not a witch hunt but to draw up procedures to ensure that this can never happen again, so that the remains of the fallen, British and Argentine, are given due respect and treated accordingly.

And as a community we must confront the social issues that we face in this modern age. There is much that the Government can, and should, do to set standards and the legal framework to enforce them. But it is for all of us in the community to determine the type of society in which we wish to live. It is our responsibility to maintain its values and to pass them on to future generations. I hope, therefore, that lessons will be learned from the recent tragic death of one of our finest youngsters. There are many issues to consider in this context but one thing in my view is certain wearing seatbelts will save lives and we should all insist on their use.

Mr Speaker, Sir, I thank you.

Mr Speaker

Your Excellency, thank you for your address to the Nation, may I invite you to please be seated and to receive Honourable Members response to your address.

The Honourable Mike Summers OBE

Honourable Members, Governor, Mr Speaker, in responding to the address by the Governor I would like to make just a few points if I may.

I would like to thank you very much for your comments on Foreign Affairs matters and the relationship between the Falkland Islands and Argentina and the United Kingdom in particular. I hope that the words that you delivered today will be widely published not only in Argentina but in the rest of Latin America where sometimes active but mainly passive support for a mistaken claim of sovereignty based on spurious grounds will not be continued. I have no great hope that that's the case but we must try to continue to educate people who, frankly, do not understand the reality of the Falklands and, people who should frankly know better in terms of supporting a country that doesn't recognise the right to self determination. So, thank you for those words and the words of the British Government on a regular basis in support of our rights.

On the Constitution just a couple of words, I am happy to report that I responded positively today to you that the Select Committee on the Constitution has agreed to the terms put to us by the Minister, Meg Munn in a recent letter suggesting how we could resolve the outstanding issues on the Constitution. We are happy with those proposals and have formally accepted them. So, we can now move to the final draft of the Constitution to put to public consultation.

You mentioned the structure of Government and the work to be undertaken by the Chief Executive. This is quite a big piece of work and is fundamental to all of us and will affect not only all departments but will affect the community as a whole because the Chief Executive has rightly involved the community as a whole in this discussion. And, private sector businesses in particular who we will engage positively in this process and provide to us ideas and opportunities for restructure of the Government that we can then respond to and not simply wait for the Government to come up with all the ideas. And, I know that there are lots of interesting proposals about in the private sector that we hope to be able to review and take advantage of.

Just in closing, I would like to make mention of the community at large. Last year was a special year in this community but its success reflects not just the special effort for the 25th anniversary but an important, enduring commitment by many members of this community to voluntary and charitable works. The contribution per head to charities of local and world-wide never ceases to amaze me and, I know, many other people and, the time and resources dedicated by voluntary workers and businesses alike to the care of the young and the elderly, Medical Support charities, Educational Scholarships, Conservation charities and trusts, the Mission to Seamen, Sporting Events overseas and local community activities help to make this community what it

is. We may complain from time to time that things are not what they used to be but nobody in serious need in the Falklands is ever alone and long may it be so.

Sir, I thank you for your address.

The Honourable Dr Andrea Clausen

Mr Speakers, Your Excellency, Honourable Members, I would also like to join my Honourable Colleague in thanking His Excellency for his strong words of continued support from HMG regarding our neighbours. It is of paramount importance that HMG remains firm and consistent in its message and that we as representatives of the people of the Falklands continue to make our position clear on the international stage. That it is and always will be our legal right as provided for under the UN charter to determine our sovereignty. Nevertheless I recognise that there are important areas in which we should all work together for the good of the environment and our economy so we should make every effort when and where appropriate. It is highly frustrating to read of the doom and gloom in the Argentine Illex fishery because of high catch and a collapsed market one minute and poor management of resource in the next. All of which could be to some degree mitigated against by co-operation on fisheries management in the South West Atlantic.

Whilst on the subject of fisheries I would like to pick up on your comments regarding the Loligo fishery being the power house of local industry development. Certainly significant progress has been made in this fishery but I would like to suggest that there is yet more to come and indeed from other sectors of the industry, as we move through the early stages of the long term property rights system. In order to measure the effectiveness of this system it is therefore essential that we get on and develop the economic efficiency and turn over test as provided for in the Fisheries Ordinance. We can then be assured as custodians of this valuable resource that it is being utilised in the most economically beneficial way.

I too look forward to the outcome of the Rural Development Strategy Group. It is essential that we strive towards establishing a self sufficient rural economy in the long term by whatever means. We are still very much in a transitional phase with many previously wool only producers finding alternative income streams. Whilst I fully support the provision of transitional assistance I believe that this must come to an end at some point in time. Of course the difficulty is always knowing when that time is. In order that our limited resources are put to best use there must be clear evidence that any assistance provided is targeted in the best manner and that there is a clear exit strategy. The requirement for effective targeting of Government spending is by no means restricted to the Rural economy as mentioned by His Excellency, it is essential that it is targeted towards areas across all our industry in which growth can be facilitated. Indeed, one of the key objectives of the recently implemented Medium Term Financial Plan is to produce finance that can be redirected towards aspirations of the Islands' Plan which will include such areas.

Of course, the ever increasing levels of expectation for high quality services remains a constant challenge and whilst it seems easy to the bystander to target the odd project here and there for cutting, it is usually those projects, which are embarked upon to stimulate the economic growth, which if cut will inevitably reduce our ability to

strengthen our economic base. The ongoing review of public services has been mentioned and I like many look forward to the outcome of that review and hope that it will allow us to further increase the efficiency and effectiveness of the service and, if we are really lucky, reduce the expenditure at the same time.

I would finally like to add my thanks to those made by my Honourable Colleague in relation to the voluntary and charities areas of work in the Islands, their contributions are an essential element of our unique society and it is often only when you are on the receiving end of such charities that you fully appreciate the work that they do. Sir, I thank you for your address.

The Honourable Ian Hansen

Mr Speaker, Your Excellency, Honourable Members in rising to speak to the Motion of Thanks, I would begin by congratulating Your Excellency on your interesting and knowledgeable address to the people of the Falklands. If I may, I will briefly take this opportunity to comment on some of my portfolio responsibilities.

In the past I guess it is fair to say that the description of Agriculture in the Islands and the industry was pretty much just the wool industry and the problems of marketing and selling that particular product. However, with the birth of FIMCO and to a certain extent the purchase of the land which created FLH this changed, and changed in no small way. The marketing of meat now has become a challenge as well as the marketing of wool. The running of a large farm or business such as FLH is now at a crucial stage as far as the recovery plan is concerned. The challenges of creating business plans for the Department of Agriculture, FLH and FIMCO just individually, that is difficult enough and I think credit has to go to all three for putting a tremendous amount of time and effort into ensuring that these aspirations, strategies are in place. However, the real challenge is joining them all up so that they complement each other, in my view it is not impossible but it will not be a simple exercise, it is something which must be done and particularly so that FLH and FIMCO have the best opportunity to succeed.

I mentioned joining things up, this leads me to your reference Your Excellency and my colleague's references to the rural development strategy. It is an exciting and innovative project to be part of I am impressed with the community for their enthusiastic efforts to make a contribution and a positive and sensible contribution. This strategy is not just about identifying the problems and challenges, far from it, that of course is a very important part. It is about providing a vision on where the Camp can be or wants to be in fifteen or twenty year's time and, how we collectively, can get there. I look forward to much more discussion with those within the community who really care what happens in and to the Camp and at the end of it all being able to present along with all those involved a solid and realistic case for Falkland Islands Government making a contribution to the Camp in the form of investment rather than the perceived subsidy.

Sir, you mentioned Minerals and I believe you virtually covered everything that can be said about them at this stage all I have to add to that is the next phase in the licence agreements will be interesting to say the least.

Finally, Your Excellency and Mr Speaker I would just like to take this opportunity to thank the staff of the Department of Agriculture and Minerals, the staff of Falklands LandHoldings, and the staff of the Falkland Islands Meat Company for their commitment over the past year. I just hope that I have been able to give them the support they deserve. Thank you, Sir.

The Honourable Janet Robertson

Your Excellency, Mr Speaker, Honourable Members, members of the public, I would like to thank Your Excellency for the speech, it was interesting and it gave us all cause to think about some issues. With regard to the first part it did remind me, I looked at the Penguin News this week and I'm sure we all read the article by Patrick Molitoris who claims that the right to self determination is a confusing and misleading obstacle to peace. He argues that self determination is a political tool that confuses and cloaks the true sense of identity which is a unique and separate from a sense of Britishness and, because of this, it devalues our right to it. It is interesting what he says and it is always interesting to engage in intellectual analysis and I do not think we should be afraid about people questioning what we take to be our inalienable right and looking at it further. But what he is missing from this analysis, at least what we saw in the Penguin News is that the deconstruction of why the issue of self determination as a concept even needs to exist within the Islands and in the manner it does. Or, why it is not clearly defined by the majority, or when it is, why it is largely couched in terms of our respective relationship with Britain and Argentina. The answers to all of these of course are interlinked. Without a sovereignty claim clawing at our shoulders we would not need to think quite so stridently of the issue at all. It would be a political tool to define our relationship with Britain and probably encapsulate little beyond a constitutional definition of internal self government. In most countries of the world people do not need to prove their uniqueness, or define their values and agonise about, to quote self and collective identification. Even less do they have to try and relate a political concept such as self determination to their sense of belonging and identity to a place. There is no political reason why we should either. We have to fight an ongoing battle for the right to be able to control our own future, and to have the right not to be usurped, not to be invaded and not to be taken over. It is very much added spice to our particular brew of collective identification over the years. With all of this it is no surprise that this complicated recipe, the people struggle to define self determination in a way that encompasses all of this and to paint a fully rounded picture of what it means to be a Falkland Islander, it is a complicated issue and it is very hard to define. I do not believe that self determination is the obstacle to peace in the South Atlantic and I think the onus of that quite clearly lies somewhere else, not too far from here.

Having said all that, I would like to take issue with the view that British television is central to the ethos of being a Falkland Islander, I just do not believe this. We had an ethos of and the sense of identity being Falkland Islanders long before we had British telly in the Islands. Whilst in all the discussions about British television, we can certainly take it into consideration, cannot think this to be a central argument for it.

Talking more generally, we had a meeting recently with the Chamber of Commerce, I thought it was an interesting meeting and I think, to me anyway, highlighted the need for us to engage further and more often in the sort of dialogue with the private sector,

we do not do it enough, I think this helps to lead to misperceptions and a lack of understanding and it works on both sides, we sometimes feel that they do not understand us and they certainly feel that we do not understand them. We need to do that more. One of the things that really came out of that meeting for me, and I think, it is not a new idea and it is certainly not something that we had not thought of, but it highlighted how important it is that we are going to welcome in July the arrival of Sonny Jose as Head of Policy, I think we really need to be looking at macro-economic issues in the Islands and getting a better understanding of how all the decisions we are making in terms of the investments we are seeking to make, we have mentioned a few here, FIMCO, ferries, port development, all of these issues need to be looked at from a macro-economic perspective and I think we have really been lacking in that and it is a pity that we have had such a gap without that sort of economic input and advice. So, I look forward to that.

Lastly, I just wanted to have a discussion, you mentioned right at the end , the issue on seatbelts, I'm hoping that we will be able to look, not just at seatbelts in this issue but to look further at a broader strategy as to how we tackle this. I think the incident last week, highlight the fact that rules alone do not achieve what we want to achieve, we have put the seatbelt legislation in two years ago and partially it was a response to another terrible accident at the time. Clearly, that message has not got across, we need to look at a whole wide series of things. Its how we are implementing the law, its about education and I know there are members of the public out there who would like to see further restrictions for example, restricting the age of driving until 21 or higher insurance premiums. There have been a number of suggestions made and I do not think it would be right to react over suddenly to this kid of situation. I think we need to considerate it and we need to devise a strategy and I do hope that everyone will support me in trying to get this forward within the next couple of months.

Thank you very much Your Excellency and I support the Motion.

The Honourable Richard Stevens

Mr Speaker, Your Excellency, Honourable Members I have not got a lot to say. I did not envy the huge document you had to plough your way through, Sir, but it was most interesting and enlightening.

It has been a turbulent time for the Education Department but I was certainly impressed by the upbeat presentation at the public meeting on Monday night that was given by the headmasters of the Infant/Junior School, Camp and Falkland Islands Community School talking about the future of Education in the Falklands and having confidence in their staff to deliver a quality service. I am especially pleased that we are developing a non academic route from 14 to 16 and recognising that students learn in different ways and that practical skills can be used to develop all the other subjects. It was something that we talked about in the 1990s as perhaps cutting edge to the Falkland Islands and here we are over 10 years later putting a scheme in place in the Community School.

I am also pleased that you mentioned the wind turbines and these kind of issues when Councillors are working overseas are of great interest and a number of the Commonwealth Parliamentary Association conferences that I have attended with my

colleague Richard Cockwell, people are very impressed with what we are doing with our waste heat from the Power Station to heat the swimming pool, Community School and the hospital and then with the wind turbines. Green issues are very current and everybody has something to say.

On the subject of wind turbines I would like to talk about the Camp systems. These have been in place since the middle 90's. They do not seem to be high profile, but I would say that most people in Camp view them with just as much enthusiasm and have seen them bringing about a great change in their lives. With 24 hour power where you can just consider so many things like you would not want to run out and put the generator on to use your computer or to watch the news at midday. I would just like to mention that now, I think of the early days when Clive Wilkinson bought the systems in place and we did have a few technical hiccups, we had to with the first wind turbines as they were not quite up to the wind although they were very good so certain parts of the wiring had to be upgraded and then again we were one of the first to see them in the islands, so the first turbines had one spring to control the blades and then it was two and now I believe it is three, they have stood the test of time. Today, probably most people that want these systems have got them, but they are very costly and at some stage they will have to be replaced.

I attended the first Rural Strategy Development group at San Carlos as a farmer but also a Councillor and people are talking about the wind turbines and about their future because they are a big capital expenditure for a farm. I am not quite sure how much they are but I would say, and I am sure the phone will be ringing when I get home if I am completely wrong, but it will be around about £20,000. It was one of the issues that were discussed at the strategy group. It was encouraging to see so many farmers and others coming and discussing and wanting to debate the future and most people present can see a strong future in the Camp.

Sir, I thank you for your address.

The Honourable John Birmingham

Mr Speaker, Your Excellency, Honourable Members I would also like to thank you for your address and I will be as brief as I can but probably not as brief as the next speaker.

Sir, I read the article in the Penguin News, but I did not read it to the end. Academics are always interesting to listen to and if you want to make a name for yourself when you are younger, then you swim against the tide. I know what self determination means, I am content and happy with that, maybe I will go back and finish the article but maybe I won't.

Sir, could I also put my name to thanking the voluntary sector in the Islands and especially the Red Cross and the Seaman's Mission who are always there when there are problems with ships. As we know throughout the year there very often are problems and they do a splendid job and I do think they should be well and truly thanked.

Sir, the FIGAS review which you mentioned, can I ask that the review that is in progress be looked at in a positive and not negative way. I visited the department and the staff that I spoke to were by far confident and supportive of going that way ahead. There will be hiccups, there always going to be hiccups but I just ask that people give it a chance.

One of the first events that happened to me when I was re-elected in January was to be taken to the wind farm by Glen Ross and being geared up. I was taken to the top, heights do not really worry me that much, I suppose it something to do with my size, I do not know, but anybody does get the chance to go up there I will suggest that you do. It is a marvellous facility and of all the sections of PWD of which I am responsible for at the moment, technically I would suggest that the Power Station, (and we all need that power) is probably number one. I would like to thank Glenn Ross and his team without whom we would not have that wind farm. I hope that the stage two which will be coming up for a decision at some point, if not this year then early part of next year, will receive the support that stage one did.

You did mention the Education department, there was a couple of sections within that department that were not mentioned, one was the Training Section, they do play a fairly substantial role in the Education part of the Falkland Islands and I would like thank them for that. I would also like to thank the Leisure centre, I am one of the users of the Leisure Centre and I think that it's a well run facility and I would ask that those who use it at the moment continue to use it and those that have never been, please go along and trial something. Today is Challenge Day, so I would like to challenge the other Councillors and others sitting around this table to go and do something athletic for the day.

I would just like to finish with one last thing which is I actually like British TV I want to keep British TV. Thank you very much.

The Honourable Richard Cockwell

Honourable Members, Mr Speaker, in rising to thank Your Excellency for his very long, but not as long as it has been in the past, but still surprising precise discussion about the affairs in the Falklands, I would just like to mention one or two things.

I have like many others changed my portfolio during the last year and when going into the year I was very proud to have the Public Works portfolio and be associated with the wind farm, naturally this was something that had been going on for some time as you said, but I was very proud to be the portfolio holder of the public works when it actually came into fruition. Also, the heat recovery system and as the Honourable Richard Stevens said when we are overseas we are able to talk about our achievements here and I think the Falklands can be very proud of the fact that most probably we have the best record in heat recovery and in alternative power.

My new portfolio is the Development Board, has gone through a difficult time but I must congratulate the staff on their positive approach to difficulties and I look forward to the future which all our difficulties will disappear.

In Fisheries there is little more to say than what you have said Sir. The Fisheries is a very successful organisation and I look forward in the future, hopefully the near future, to see developments coming out of the ITQ system where Industry is investing within the Islands and increasing the income from Fisheries.

Tourism, has been very successful this year and I look forward again to growth under the guidance of our new General Manager who in his first six months has done an amazing amount of work and I think everybody in the Tourist Industry has a lot to thank him for.

While I was away in Gibraltar, the Commonwealth Parliamentary Association meeting, I was very taken with something which the Chief Minister of Gibraltar said in his wind up speech. He is much more eloquent than I am, but basically he said that all of our countries need to get together more often and discuss how we run things and how we do things, we all have a lot to learn from each other and I think that was very evident from this last Commonwealth Parliamentary Association meeting. There was a lot of to-ing and fro-ing about ideas and how to generate money, all these type of things. I think we really should be looking to each other and discussing with each other how we run our countries. We sit and look inwards all the time, we need to look outside and see if we can do things another way, we can always learn from somebody.

It is going to be a very difficult budget this year and I cannot say that I am particularly looking forward to it but it is something that we are going to have to sort out and I am sure under the careful guidance of our Chair we will get through without any problems or without major problems.

Finally, I would like to associate myself with Councillor Robertson's remarks regarding road safety; I think it is important that we follow that. Sir, I thank you for your address.

The Honourable Mike Rendell

Mr Speaker, Your Excellency, Honourable Members. Firstly I would like to compliment you on the format of the Nation's address; I think we are moving forward year by year in the way in which it operates and I think this is becoming more and more user friendly and that is the important thing that the general public find it easy to understand and listen to.

I am not going to be doing too much talking today but there are several camp issues that I want to comment on starting with the FIGAS review. Without wishing to pre-empt the outcome the consultation currently underway, it is very important not to lose sight of the crucial role that FIGAS plays in maintaining the needs of its customers. It is vital that FIGAS customers make their thoughts known during the consultation period. Customer feedback will play an essential part in persuading Councillors which of the proposed key initiatives should be taken forward and which should be discarded. Whilst there are some potentially very useful options such as the same day return flights from east to west, coming through loud and clear already are the concerns of some members of our Tourism industry who have real worries that their businesses will be adversely affected by spiralling flight charges for tourists. Could I be provocative and suggest that with the Concordia Bay now well on its way here

should we not let the new ferry service run for a full season before taking decisions about which airstrips on the west should be closed. This would allow a much clearer picture to emerge about how next summer's FIGAS operations will be involved by the increased usage of the ferry. I will not comment further on the review now, but hopefully other customers will make sure that their views are heard.

Even though the winter months are going to slow down some works on the Camp telecommunications upgrade, nevertheless substantial progress has been made so far and Cable & Wireless and their subcontractors are now all doing a sterling job in what has to be emphasised, is a very tight installation schedule. For those already connected up to the Broadband service the benefits are very apparent, but for the many that will not yet be connected up until next summer please be patient and at least you have got something to really look forward to.

The recently initiated Rural Development Strategy will be very reliant on what stakeholders believe to be the most practical and cost effect measures that can be taken to improve the Camp economy. Clearly things got off to a very good start at San Carlos last week, but it will be important to keep the momentum going right through the winter when people have got spare time and I know that there is a fairly active programme during the winter to do this. As the second Councillor on this core group, I look forward to contributing once this first series of meetings have taken place and we have got some real issues to focus on. I totally support the comments of the Honourable Ian Hansen in relation to need for long term investment in the Camp, not just looking at the Camp as something that has to be subsidised.

That is all I have to say Your Excellency, my sense of taste and smell is pretty poor at the moment, but I think this water is pretty good. I support the Motion.

Commander British Forces

Mr Speaker, Your Excellency, Honourable Members I have over the last eighteen months had the pleasure to help host two MOD Ministers and numerous senior military visitors to the Falklands and of course numerous veterans throughout last year. I think all of this has certainly indicated to me personally and indeed to those visitors when they have gone back, the continuing importance of support for these Islands, both now and in the future.

Britain's military commitment to the Islands remains as it has been for the last 26 years and indeed will remain like that forever in the future if that is what is required. We along with an increasingly effective and capable Falkland Islands Defence Force will continue to work to ensure the Islands remain free and secure to develop in the future. I also include in that my additional responsibilities for ensuring the same degree of security for South Georgia and South Sandwich Islands. Security of course is not just against foreign interference but also it is a wider responsibility for search and rescue coverage, for the Fisheries and indeed for the increasing cruise tourist industry which we now see in these Islands and down to the South towards Antarctica. I believe this is an area where there are greater opportunities for regional co-operation than perhaps is the case at the moment.

The continuing progress of refurbishment and new building up in MPA which many of you will no doubt have seen is I think a clear indication of our continuing commitment in these Islands. However busy the military are elsewhere in other theatres currently in the Middle East and South Asia we will always ensure that the Force here has the tools it requires to do its job effectively. Mr Speaker, I support the Motion.

Clerk of Councils

The confirmation of the record of the meeting of Legislative Council held on Friday 22nd February 2008.

Mr Speaker

Honourable Members I have before me a record of the last meeting, is it your wish that I sign them as a true and accurate account of the business?

Agreed

Clerk of Councils

Papers to be laid in the table by The Honourable the Chief Executive

Copies of Subsidiary Legislation published in the Falkland Islands Gazette since the last sitting of Legislative Council and laid on the table pursuant to Section 34.1 of the Interpretation and General Clauses Ordinance 1977

- Fisheries (Eligibility Renewal Applications) Order 2008
- Fishery Products (Hygiene) (Revocation) Order 2008
- Health and Safety at Work etc. Act 1974 (Application outside the Falkland Islands) Order 2008
- Offshore Installations (Safety Case) Order 2008
- Offshore Minerals (Health and Safety) (Amendment) Order 2008
- Provision and Use of Work Equipment Order 2008

The Honourable Chief Executive

Mr Speaker, I am pleased to lay on the Table the papers as listed by the Clerk.

Clerk of Councils

Questions for Oral Answer

Question number 6 of 2008 by the Honourable John Birmingham

The Honourable John Birmingham

Mr Speaker, Honourable Members, can the Honourable Richard Cockwell please assure this house that the level of remaining Loligo biomass from the first season 2008 is sufficient to ensure healthy recruitment for the first season 2009?

The Honourable Richard Cockwell

Mr Speaker, Honourable Members, I am happy to assure the House that the status of the stock or well-being of the stock of the first Loligo stock in 2008 fully met conservation objectives. These are in essence sufficient Squid are left at the end of the fishing season to reproduce and produce sufficient individuals to maintain stock levels for next year.

Even if the conservation objective of having sufficient Squid at the end of the fishing season is fulfilled, a number of factors can impact on the stock levels of 2009. These include success of reproduction and spawning, predation and environmental conditions. This and the fact that Loligo have one-year life cycles can result in fluctuations in population and size from year to year.

However, sufficient Loligo Squid left to spawn at the end of the first season 2008 thus satisfies at least one of the basic precursors necessary for healthy recruitment in the 2009 season.

The Honourable John Birmingham

I would like to thank the Honourable Richard Cockwell for his answer. In layman's terms, because you know far more than I, Councillor Cockwell, but in layman's terms, if you get to the point where there is far more Loligo in a given season, or in fact, any other fish than you thought there was, would you, perhaps, think of extending the season a little bit longer?

The Honourable Richard Cockwell

Mr Speaker, Honourable Members, that's a curved ball. The answer to that at this stage has not actually been decided. This has been discussed before but no clear directive has been issued on this matter. The Individual Transferable Quota (ITQ) system is based on the seasons that we have. We can shorten the season but I am not personally aware and I have to assure you that I am a layman just as yourself and I take advice from the Director of Fisheries. I am not aware of the fact that we do have the ability without actually going to Executive Council and being very sure of our facts that we can actually extend the season.

The Honourable John Birmingham

I thank the Honourable Richard Cockwell for his answer; I personally have no more supplementaries.

The Honourable Dr Andrea Clausen

Thank you Honourable Richard Cockwell. I take the points that you have made. I was assured at an Executive Council Meeting almost two years ago that, in fact, there was legislative provision for excess stock within a fishery to be taken. It might have

to go to the ITQ holders but there was quite a detailed discussion about that and I wonder if perhaps that needs to be re-visited. Because if we are going to end up in a situation where, on a regular basis we have significantly more stock left in the fishery than is our target for conservation reasons, which of course we must meet, I wonder whether there is any scope for that being utilised in some way. I appreciate the delicacies with regard to it being an annual species and so on but I wonder if it's going to be possible for the Fisheries Department to think about ways in which this surplus stock could be utilised with a new ITQ System going forward – if indeed it's available.

The Honourable Richard Cockwell

The question from the Honourable John Birmingham is whether we could extend the season. We can alter the amount of effort. We have the right or legal provision to increase the amount of effort if there are sufficient stocks there. The question is, which I am not properly clear on, is whether we have and I don't believe, we actually have the ability to extend the season without actually going back to Executive Council.

Mr Speaker

Honourable Members I do have a request before me for an urgent question to be submitted and, given the nature of the question and its currency I am prepared to let the question come forward so I invite the Honourable Michael Summers deliver it, please.

The Honourable Mike Summers OBE

Mr Speaker thank you and thank you to the House for giving leave to put an urgent question. Could the Honourable John Birmingham explain to the House the measures being taken to mitigate environmental damage in Berkley Sound following the sinking of the Ocean 8?

The Honourable John Birmingham

Mr Speaker, Honourable Members, following on shore surveys of the South Coast of Berkley Sound by Falklands Conservation and the owners of the Murrel and other volunteers on the 25th and 26th of May it is clear that an Intermediate Fuel Oil (IFO) is having a serious affect upon birdlife and probably also to shallow marine species and habitats. It is now known that at the time of the sinking of the Ocean 8 it was carrying approximately 112 tonnes of IFO and 25 Tonnes of Marine Gas Oil (MGO) distributed amongst 12 tanks. Although it's not clear how many tanks have been ruptured, this could have serious long-term consequences and ways of plugging the leaks are being considered as a matter of urgency so that thought can then be given to means of removing the oil completely.

The owners of the vessel have, through their agents, been very co-operative and I can assure this House and the public that all departments and companies and individuals involved in this unfortunate event are working both hard and together to minimise the damage done to our environment.

May I make a special thank-you to the fire-fighters and those involved in the initial actions when the fire first broke out?

The Honourable Mike Summers OBE

Mr Speaker, in view of the short notice of the question I do not wish ask any supplementary, I think that would be unfair.

Clerk of Councils

Orders of the Day: Bills

The Appropriation Bill 2008

The Honourable Financial Secretary

Mr Speaker, Honourable Members the purpose of this Bill is to authorise the withdrawal of £43,865,530 from the consolidated fund for the service of the Financial Year beginning 1 July 2008. The schedule to the Bill summarises the appropriation under three headings: Firstly, £34.4 million is allocated to the operating budget, which represents estimated expenditure net of internal charges of £1 million and capital charges of £3.2 million. Secondly, £4.5 million is allocated to fund transfers and thirdly, £4.9 million is allocated to transfer payments.

As usual, before dealing with the detail of the 2008/2009 budget, I will briefly review the current year. The draft estimates show the out-turn at 30 June 2008 is expected to result in a budget deficit of £2.5 million compared to a surplus of £322,000 forecast a year ago. The main reasons for this shortfall are a net reduction in investment returns of £1.7m and an increase in the transfer payments budget of £1.1 million. It is also forecast that operating expenditure will be maintained at its original budgeted level.

At 30 June 2008 it is estimated that the balance of the consolidated fund will amount to £91 million. This represents just over 2½ years worth of operating expenditure, and is an appropriate point to start the report on the 2008/2009 budget.

Operating revenue for 2008/2009 is forecast at £45.8 million and the submissions for total expenditure, excluding depreciation, are estimated £44.9 million. This results in a budget surplus of £900,000. The prime objective of the budget strategy, to produce at least a balanced budget, has therefore been achieved. However, the budget strategy was expanded this year to include the development of a Medium Term Financial Plan. As mentioned by His Excellency the Governor the aim of this plan is to make bottom line annual improvements of £1 million over the next 5 years consisting of reductions in expenditure of £½ million and additional income of £½ million. The prime objectives of the plan are related to the desire to reduce the dependence of government on illex licence fee revenues and to generate funding for redirection towards island plan aspirations. Although the plan is in its early stages of development, the options selected so far have contributed to the estimated surplus but have not met the planned target. Furthermore, at this stage, the balance between additional income and reduced expenditure is not equal and this will be addressed

over the coming months as the plan progresses. It is intended that much more public consultation will take place in the future development of the Medium Term Financial Plan along with the Islands Plan and the economic and fiscal strategies which are essential to support them.

Operating revenue shows an increase of £2.6 million on the original estimate for the current year. The main positive variances are an estimated £1.3 million from taxation, £780,000 from fisheries, £750,000 from customs and £280,000 from aviation, partly offset by a reduction in investment income of £629,000. The revenue forecast includes fisheries licence fee income inserted at £16.2 million. This is the main source of government revenue and represents 35% of the total. After the poor results of recent illex seasons the current season has shown some stability and the revised estimate for licence fee income from all species is £15.5 million. The £16.2 million estimate provides for some improvement following an increase in fees for loligo.

This brings me to the draft estimates of operating expenditure where a total of £38.7 million is inserted. Following adjustments made at the recent budget meetings of the Standing Finance Committee this figure is £1.8 million more than the original estimate for the current year. This is the result of a long process of discussions between Treasury and managers, and several days of debate by Honourable Members. During the process, and starting from a base of expenditure projected this time last year, consideration has been given to proposed savings, additional spending proposals and Medium Term Financial Plan options which are all subject to approval by the Budget Select Committee. The additional spending proposals include a provision of £300,000 for a pay award for government employees subject to a distribution method to be devised by the Chief Executive and approved by Executive Council. There is a need to address the influence on pay of market forces and performance. Therefore it should not be assumed that an inflation adjustment will form part of the pay award.

The Draft Estimates for transfer payments amount to £4.9 million. This is £100,000 more than the original estimate for the current year. However, there are significant variations on individual schemes. There are proposed increases in subsidies for the new ferry service and tourist board and additional allocations for improvements to services provided by BFBS and for meeting an anticipated increase in draw downs from the holiday credit scheme. These are offset by reductions in subsidies for the Wool Company and Meat Company and the deletion of the FIDC subsidy for one year.

Fund transfers of £4.5 million are included in the Draft Estimates. This is at the same amount as the original estimate for the current year and for the same purposes.

All operating revenue is required to be paid into the Consolidated Fund. All operating expenditure, transfer payments and fund transfers are required to be paid from the Consolidated Fund. As mentioned at the start of my presentation, this is the purpose of the Appropriation Bill.

Moving now to proposed capital expenditure for 2008/09 to be met from the capital equalisation fund. This is inserted in the Draft Estimates at £5.8 million, or £3.6 million net of capital receipts. The projections for the following two years amount to a net £5.1 million. As a result the net capital programme for the next 3 years totals

£8.7 million. This is well within the £12 million 3 year rolling programme strategy on which the annual £4 million contribution to the capital equalisation fund was based. The projections for future years are not approvals to spend at this stage and further work will be required to firm them up.

I now turn to revenue measures:

Next year will mark the 70th anniversary of the introduction of income tax but no changes are proposed to rates or allowances to celebrate the occasion. It is usual for rates and allowances to be reviewed periodically and they were adjusted from 1 January this year following the 2007/08 budget deliberations. It is considered that no further adjustments should be made until the affect of any changes on the economy can be assessed following the arrival the new Economic Adviser in July.

However, it is proposed that an employment tax should be reintroduced from 1 January 2009. Medical Services Levy, or MSL for short, was the name given to an employment tax introduced in 1979 and abolished in 1994. As MSL will be remembered by some as a popular tax I will refer to it by that name in celebration of its proposed resurrection on what would have been its 30th birthday. The possible reintroduction of MSL has been raised several times over recent years following the ever increasing costs of health service provision. Out of several tax raising options put forward under the medium term financial plan, MSL was the only one selected thus far. It is proposed that MSL should be payable monthly on the gross pay of employees at the rates of 2% by the employer and 2% by the employee. For the self employed, the rate would be 2% of the annual net profits before tax. The former legislation would need to be reviewed and modified slightly before being submitted to Executive Council for onward remission to this house. It is estimated that this revenue raising measure would generate net income of £900,000 in a full year or £400,000 in the forthcoming financial year and this has been taken into account in the Draft Estimates. Although not directly related to the provision of health services, MSL would represent around 16% of the net costs of providing those services.

To keep revenues in pace with inflation, and in line with the health of the nation initiatives, it is proposed to increase customs import duty on cigarettes by 17%, tobacco and cigars by 8% and alcoholic beverages by 3%. These increases would, for example, add an extra 48 pence on a packet of 20 cigarettes, 52 pence on 50 grammes of tobacco and 30 pence on a litre of spirits. An additional £30,000 has been added to the health budget to cover the estimated costs of providing smoking cessation aids and support free of charge. The increase in duty on tobacco products in excess of inflation is based on a calculation to recover those costs.

A 10% increase to £16.50 and £5.50 respectively in the cruise vessel passenger levy was agreed last year from 1 July 2007. The delayed implementation date reflected the advance notice requested by tourism industry representatives due to the impact on cruise operators. To keep pace with inflation advance notice of a further increase of approximately 9% to £18 and £6 respectively from 1 July 2009 is proposed.

Harbour dues and customs entrance and clearance fees were last increased by 3% from 1 July 2007 and, in order not to fall too far behind inflation, a 3% increase is again proposed. Members may recall that the scale of charges for harbour dues was

extended last year to take account of the fact that larger passenger vessels now visit the islands. No further structural change to the scale of charges are therefore considered appropriate at this stage.

Vehicle licence fees were last increased by 3% with effect from 1 July 2007. An increase of 5% is now proposed to better reflect the clerical effort involved in the production of vehicle documents. This would, for example, increase the fee for a land rover from £99 to £104. It is also proposed that the fees for vehicle registration, drivers licence, drivers test, firearms and ammunition registration and licence should be increased by 5% to more accurately reflect the associated administrative costs.

In view of the fact that government house rents are lower in the public than in the private sector, the policy in recent years has been to increase rents by more than the rate of inflation. It is therefore recommended that a general rent increase of 4% be applied to government houses. There are some tenants in flats who are provided with communal heating schemes. The charge for this is recovered along with rent on a monthly basis. An increase of 12.5% is proposed in line with the increase in fuel price. In order to provide consistent protection to low income tenants it is also proposed that the allowances and thresholds under the rent rebate scheme are increased by 4% and 3% respectively.

When water charges were considered last year, a 12.5% increase was agreed as part of a move towards full cost recovery. The current deficit on the water supply service is £58,000 and it is therefore proposed that a similar increase should be applied from 1 July 2008 to continue the move towards full cost recovery.

A separate refuse collection charge for non-domestic properties was introduced in 2004/05. An annual charge of £93 is currently payable for each wheelie bin or £280 for each large bin. There is a significant deficit with charges at their current level. For this reason it is recommended that refuse collection charges are increased by 20% for 2008/09 and 10% per annum thereafter until the breakeven point is reached in 2012/13.

The domestic property service charge is currently £300 per annum with a 50% reduction for pensioners. In order to reflect the increases proposed in water and refuse charges for non-domestic properties on cost recovery grounds it is proposed that the service charge is increased to £348 with a 50% reduction for pensioners. It should be noted that the service charge is payable by tenants of government housing and that the rent rebate scheme also covers this charge. To ensure that all householders on low incomes are afforded equitable protection, it is proposed that the allowances and threshold under the service charge rebate scheme should be increased by 3%. Please note that a proposal to impose a media access fee to recover part of the cost of both radio and TV services funded by government, and for it to be added to the service charge, was not approved by Executive Council.

Due to the large increases in fuel prices over recent months it is proposed that the electricity tariff is increased by 2 pence to 19 pence per unit from 1 July. Based on current fuel prices this increase is necessary in order to break-even at the Stanley power station. It should be noted that were it not for the efficiencies gained by having the wind farm a further increase of around 3 pence per unit would have been required

based on full cost recovery. Having due regard to the ever increasing fuel prices and now that the wind farm has proved itself proposals are being investigated to expand it. An allocation has been made in the capital programme to enable this investment to take place, starting next year, subject to the approval of the Budget Select Committee.

The prices for quarry products have remained static for several years. However, since most of the production costs are fixed, significant deficits have been apparent in recent years. To make a greater contribution to those fixed costs and to help recover the increased variable costs it is proposed that prices for quarry products to the private sector are increased by 20%.

Given the increase in the cost of fuel it is proposed that the charge made by the PWD for emptying a septic tank is increased from £100 to £110.

Postal charges have been reviewed biennially since 2000 with the last changes implemented in July 2006. The postmaster has carried out the normal review and it is proposed that an inflation adjustment should be made to postage rates from 1 July 2008. It is anticipated that the revised rates will maintain rather than increase the profitability of the postal service.

It is proposed that an inflation adjustment be applied to various charges levied by the Department of Agriculture.

It is proposed that the Stanley house school hostel fees be increased by 3% from the beginning of the next school year.

As part of the recent review of FIGAS, it is proposed that fares and freight charges are increased by 20% and that a fuel surcharge is introduced from 1 July. These proposals form part of a public report setting out options of how FIGAS could improve the way it operates and generate more income or reduce costs following the developments made to the road and shipping components of our national transport system designed to enable greater integration. Comments on the options are welcome and should be sent to the General Manager, FIGAS.

Moving now to pension benefits, contributions and social payments:

The last discretionary adjustment to old scheme public service pensions and Falkland landholdings pensions was a 3% increase from 1 July 2007. This reflects the provisions of the Falkland Islands Pensions Scheme where an annuity with a guaranteed 3% annual increase has to be purchased as a contribution towards inflation protection. For the same reason it is again proposed that old scheme public service pensions and Falkland Landholdings Pensions be increased by 3% from 1 July 2008. These pensions are payable from the old scheme fund and the funding implications for them are kept under review by the government actuaries department.

Retirement pensions and contributions were increased last year by 5%. From 1 January 2009 it is proposed that the voluntary overseas contribution rate should be increased by approximately 4% in line with inflation and that the resident rates of contribution are increased by a slightly higher percentage in order to continue to close the gap between these two rates. This would, for example, increase the employer and

employee rates to £11.50 per week and the self-employed rate to £23.00 per week. It is also proposed that the earnings limit threshold should be increased to £180 per week.

It is proposed that retirement pensions should be increased by approximately 3%, from 1 January 2009, as follows:

Standard rate	to £118.00 per week
Married couple's supplement	to £66.00 per week
And the ex gratia pension	to £106.00 per week
in order for it to remain at 90% of a standard rate pension.	

Retirement Pension Contributions are paid into the Retirement Pensions Equalisation Fund and Retirement Pensions are paid from that fund. The funding implications for these pensions are also kept under review by the government actuaries department. The provision of a subsidy of £300,000 per annum continues to be included in the Draft Estimates as a transfer to the fund. This subsidy is necessary to make up the funding shortfall caused by the resident contribution rate being lower than the overseas rate which is based on an actuarial calculation.

It is proposed that a Christmas bonus equivalent to one week's pension should continue to be paid to those pensioners in receipt of a retirement or ex-gratia pension who reside in the Falkland Islands.

It is proposed that welfare, attendance and fostering allowances are increased by approximately 3% from 1 July 2008.

Following the large increases in the price of kerosene it is proposed that the winter fuel allowance for pensioners should be increased by 15% to £460 for the 2008 winter. It is also proposed that the income threshold should be increased by 3% to £15,300.

The child allowance is currently £53.50 per month per child and has been at that rate since 1 January 2003. A review of the child allowance system is ongoing. As part of that review it has been agreed that the development of a comprehensive means testing system should be examined with the aim of covering all forms of social payments and assistance. Since the review is not yet complete it is considered inappropriate for an increase to be applied in isolation.

Finally, following the consideration of options on the future of the holiday credit scheme, it is proposed that the accrual of credits should cease from 1 July this year but that the scheme should remain open for 3 years for access to credits already accrued. If the proposal is approved this means that any credits unused at 30 June 2011 would be forfeit. It should be noted that the public accounts for the year ended 30 June 2007 shows a balance of £1.37 million of accrued credits due to entitled residents at that date.

In my last budget presentation I am pleased that a surplus has been produced. Although the levelling out of fishing licence fee income continues to challenge the process, other sources of revenue from the overseas investment of our reserve funds

and from our maturing economy have helped to ease the situation. Necessary and measured adjustments to charges and expenditure plans have also helped to ensure that government remains in the black.

This is not down to me of course but to the whole machinery of government working together for the benefit of our country. After 18 years of leading the bean counting and book cooking the budgets haven't got any easier. This one was particularly challenging so well done to Claudette for planning budget day to coincide with Challenge Day. Or did Steve Dent have a premonition that this year's budget would be tougher than most. In any event I'll get my own back tonight at the Leisure Centre where I'm running some energetic dances for those who are looking for a different sort of challenge.

It is clear from the almost static state of projected revenues and their volatile nature on the one hand, combined with cost pressures and aspirations to finance on the other hand, that future budgets are going to remain challenging. In developing a Medium Term Financial Plan to cope with these challenges tough decisions and choices between reducing service levels or increasing charges and taxes in some areas will need to be made. But we are approaching this challenging environment from a healthy financial position and from a strong resource base. It is not all doom and gloom. For instance, although the upward movement in our balances has slowed down recently, over the past 17 years the Consolidated Fund, which is our main reserve fund, has gained real value by going up from £36.8 million to £93.6 million that, is by 154%. During the same period the local retail prices index rose by 66%. Over the next 5 years it is projected that the Consolidated Fund will maintain its value in real terms and by 30 June 2013 will represent a multiple of 3 times operating expenditure, an improvement over the current 2.6 times. However, such improvement will only be realised if our financial plans and budget strategies are followed and we continue to live within our means.

The production of a budget is a team effort and I would like to thank heads of departments, accounting officers and support staff for all their hard work. I must also pay tribute to Honourable Members who have had to devote more time than usual to the process. It's bad enough having to write or review the papers let alone read them. Thanks must also go to my colleague on my left, the Chief Executive, for his enthusiastic leadership in driving forward the development of the Medium Term Financial Plan and for his contribution to the rest of the budget process. As ever I relied very heavily on Treasury staff in pulling the whole thing together. In particular I must thank Keith Padgett, our Financial Secretary Designate, who is currently overseas accompanying his wife, Val, on medical treatment, but who is able to work remotely in his usual efficient style. In fact he has had several long days in front of his computer putting the final touches to papers and the process is not quite over yet. I am equally indebted to Nicola Granger, our accountant, who fortunately took over the number crunching from Keith at the outset of this, her first budget session, and who keeps track of all the adjustments in her well constructed spreadsheets. I would also like to thank Margaret Butler for her assistance in providing secretarial support. Margaret has only recently taken over the reins as my PA and is working at her first budget session also.

Mr Speaker, this concludes my last budget presentation to this house and I beg to move the first reading of the Bill.

The Honourable Dr Andrea Clausen

I second the Motion.

Mr Speaker

The Motion is that the Bill be read a first time, is there any objection to the Motion? There is no objection to the Motion, the Bill will be read a first time.

Clerk of Councils

A Bill for an Ordinance to provide for the service of the Financial Year commencing on the 1st July 2008 and ending on the 30 June 2009.

The Honourable Financial Secretary

I beg to move that the Bill be read a second time.

Mr Speaker

The Motion is that the Bill be read a second time. Does any Honourable Member wish to speak to the Motion?

The Honourable Dr Andrea Clausen

Mr Speaker, Honourable Members I would like to thank the Honourable Financial Secretary for a thorough report on our progress so far during this budget round and I would like to extend my thanks to everybody in the Treasury team, and Heads of Departments as well as colleagues. There has been an awful lot of work and an awful lot of paper and there is yet more to come. I would also like to note the increased challenges that the Treasury team are faced as a result of Keith's unfortunate absence and we wish him and Val a speedy return to the Islands. The additional challenge of keeping a new chair of Standing Finance Committee sufficiently briefed through the process.

You have already, Financial Secretary commented extensively on our new approach to the budget strategy and we do indeed appear to have thus far achieved a balanced budget but we also wish to expand our planning in the form of the five year Medium Term Financial Plan. Whilst the aspirations of this plan are fully subscribed to we must be realistic about appreciating how challenging it will be to meet our objectives. Despite the plan being adopted in December last year it has taken until May for Members to receive a selection of expenditure and revenue options, this is not entirely the fault of budget managers although I understand there has been reluctance in some quarters to appreciate that we are serious about implementing this plan. It is essential, the proposals are well thought out and consulted upon and in order to do this sufficient time is required. To this end I fully support that work on future policies proposals for considerations should start on the 1st July and not December of this year to ensure that Members have well thought out and considered proposals before them

prior to next year's budget process. Furthermore, this process should not be behind closed doors, there have already been suggestions and support for opening up the budget process and this is precisely one of those areas where we can aspire to do this.

Whilst the Appropriation Bill proposed today may have achieved the balanced budget and indicates that we have met our target of a Consolidated Fund balance of at least 2½ times the annual operating expenditure, the actual level of expenditure proposed reflects and increase on the current years. Whilst the key drivers appear to be entirely justified, areas such as fuel, medical services and important economic support that we need, we have the outstanding challenge of the Medium Term Financial Plan of reducing our operating expenditure to £½ million less than that of the original budget of the current Financial Year. From a revenue point of view the proposed budget looks more optimistic and goes some considerable way to meeting and indeed surpassing our MTFP targets. The issues surrounding the implementation of the MTFP as just mentioned have been the key reasons for us not progressing as well as we had hoped. However, there is still a long way to go and whilst we may not have had the variety of well considered options requiring tough decisions some will certainly have to be made over the forthcoming days.

The Honourable Mike Summers OBE

Mr Speaker, Honourable Members as usual on this occasion I will reserve my thanks to the Financial Secretary for when the job is finished. I will say something on Friday no doubt but we do recognise the amount of hard work that has had to put into this process.

I would like to make a couple of comments, we appear to have set a balanced budget and I use the word appear advisedly we have a one off reduction of about £700,000 because of reserves sitting at FIDC which will not recur in future years and we have unusual receipts in the revenues of £500,000 in respect of sale of shares in Stanley Services Ltd. Those two added together as unusual receipts and reductions more than wipe out the apparent surplus so we are not in a position to get over excited about having a surplus of £800,000 or £900,000, there is still a huge amount more work to do.

I have to say that I very, very reluctantly agreed after a number of years to the reintroduction of an Employment Tax. I do not approve it being called a medical services levy because I do not wish to deceive the public. It is not a levy that goes directly to medical services, it is an employment tax. It would have been my preference to include the option for employment tax in the Tax review that is planned but given the current burgeoning cost not only in medical services but elsewhere, it has been necessary to take action in this area already. So my approval of the employment tax will always be conditional on it being called an employment tax and not some kind of spurious levy that is for the benefit of the health services because it is paid into the Consolidated Fund and it is allocated from the Consolidated Fund according to the way that Councillors determine the budget should be spent. What I do not want to see is expectation raised of particularly additional medical treatment overseas allocations because people are making a further direct contribution. So call it what you will but let us be clear it is an employment tax.

The issue of fuel is going to challenge us all I think for the next several months and we may have to think about some more creative approaches to how we deal with fuel. Every time you see yet another increase in the cost of fuel at the pumps or the cost of fuel for fishing vessels you wonder whether the Government shouldn't try to somehow intervene. Intervention however is a dangerous tool. When you start to interfere with world market prices and whilst it is a tempting idea, so far, I at least have been able to resist any suggestion of intervening in suppressing fuel prices, but we do have to be very conscious that in some areas fuel prices are getting to a pretty critical level as far as affordability is concerned.

I would just like to say a quick word about FIMCO because I know it generates so much hot air. The subsidy to FIMCO this year will be reduced by a substantial amount again. I believe it is £150,000 from last year that means that the subsidy is down around £½ million a year, that is an improvement of course, but it is still a very substantial amount of money. We all have to be certain that that money is well directed, I am pleased therefore that we have agreed that a full scale review should be undertaken by the new Chief Economic Advisor when he arrives of the inter-relationship between payments to FIMCO and benefits to agriculture in the Falklands, so that we can be satisfied that it is a payment that produces a positive net benefit.

My only other comment is that in respect of the budget we also have in the revenue side substantial additional amounts of money from the FIGAS review. I remain unconvinced that a lot of this money will in fact materialise but it remains to be seen. I will support the staff at FIGAS and everybody else in working through the FIGAS review to ensure that we have an efficient service but one that nevertheless still serves the community in the way that is required, both to support the agricultural industry, Camp in general and to develop the tourism industry.

The Honourable Janet Robertson

Mr Speaker, Honourable Members, I would like to take the opportunity to thank the Financial Secretary and all the staff at the Treasury for their work, I am not sure how many forests have gone into the preparation of this budget, it is frightening, but unfortunately necessary. I just wanted to echo Councillor Clausen's comments with regards to the budget process beginning 1st July, I think personally that there are probably some decisions that we are taking at this budget which ideally should not be happening the way they are, they should have happened over a longer period. There should have been more time for better consultation and in fact some of the decisions about decreasing expenditure, or at least increasing revenue have not been taken in this financial year simply because we felt that the process really needs a longer period of discussion and consultation especially in this particular case in areas which we are looking at applying means testing. Admittedly we have a lot of work to do on deciding the criteria for means testing, but in any case we do need to look at generally talking with, discussing and debating these issues over a longer term. The point has been made that, in fact, we haven't really met our MTFP targets because the end was to increase revenue by £500,000 and to decrease expenditure by £500,000. I suppose it is arguably whether raising revenue from charging for services is an increase in revenue or a mitigation of expenditure, but either way the point is made, most of our million pounds has been achieved by revenue measures rather than decreasing expenditure measures. That is why we really have to work over the next year to

properly identify that. My feeling is that if you give people the choice of contributing to a service or removing it altogether my instinct is that in most cases people will prefer to retain the service provided it is affordable.

Just a comment on Medical Service Levy (MSL), I think that this is one of areas that I think should have been in the public arena under debate for a longer period before putting it in. I have always thought that MSL should never have been taken away in 1994, it is much, much harder to put something back in place than it is to retain something and increase it or to make use of it year on year. With regard to whether it is tax or whether it goes into the Health and Social Services budget or not to a certain extent is immaterial, all our revenue goes into Consolidated Fund. If we were to raise money, raise contributions from the public to the Health Services by charging consultation fees that would go in as a revenue, we are aware that everything goes into the Consolidated Fund rather than to a particular department.

It just remains to be seen with regards to FIGAS review how we are going to be able to be able to make the service more efficient. I really commend the people who have worked on that review because it has taken some imaginative thinking and it is hard because FIGAS is something that is dear to many people's hearts and to see it change, it is going to be hard to think about how that is actually going to work in real terms. I think it is necessary and I think it is a natural extension of the decision that has taken in the past with regards all our transport and communications; it was an integral part of the integrated transport study.

Clerk of Councils

A Bill for an Ordinance to provide for the service of the Financial Year commencing on the 1st July 2008 and ending on the 30 June 2009.

The Honourable Chief Executive

Mr Speaker I beg to move that the Bill and the Draft Estimates be referred to Select Committee of the House and that the Honourable Dr Andrea Clausen be appointed chairman.

Mr Speaker

Honourable Members, the Motion is that the Bill and the Draft Estimates be referred to a Select Committee of the House and that the Honourable Dr Andrea Clausen be appointed chairman. Is there any objection to that Motion? There is no objection to the Motion, the Bill is now referred to a Select Committee of the House.

Clerk of Councils

The Finance Bill. This Bill is being presented under a Certificate of Urgency.

The Honourable Financial Secretary

Mr Speaker, Honourable Members the purpose of this Bill is to give effect to the adjustment to those fees, charges, pension contributions and benefits regulated by

legislation which I proposed in my budget presentation. I beg to move the first reading of the Bill.

The Honourable Dr Andrea Clausen

I second the Motion.

Mr Speaker

Honourable Members, the Motion is that Bill be read a first time, is there any objection to the Motion? There is no objection to the Motion the Bill will be read a first time.

Clerk of Councils

A Bill for an Ordinance to increase fees, charges, pension contributions and benefits provided for under various laws of the Falkland Islands.

The Honourable Financial Secretary

I beg to move that the Bill be read a second time.

The Honourable Dr Andrea Clausen

I second the Motion.

Mr Speaker

Honourable Members, the Motion is that Bill be read a second time, does any Honourable Member wish to speak to the Motion? No Honourable Member wishes to speak to the Motion.

Clerk of Councils

A Bill for an Ordinance to increase fees, charges, pension contributions and benefits provided for under various laws of the Falkland Islands.

The Honourable Chief Executive

Mr Speaker I beg to move that the Bill be referred to Select Committee on the Estimates.

Mr Speaker

The Motion is that the Bill be referred to the Select Committee on the Estimates. Is there any objection to the Motion? There is no objection to the Motion, the Bill is now referred to the Select Committee on the Estimates. The Council is adjourned until 2.15pm on Friday 30th May 2008.

COUNCIL RESUMES

FRIDAY 30th MAY 2008

Mr Speaker

Honourable Members good afternoon, welcome back to this convened session of Legislative Council.

Clerk of Councils

Motion number 2 of 2008 by the Honourable Financial Secretary

It is resolved by the Legislative Council, under section 113 of the Customs Ordinance 2003 (No 9 of 2003) that—

(a) the Customs Order (Title 26.1.2) is amended to increase the customs duties payable for alcoholic drinks and tobacco products as follows—

on beer from 26p to 27p per litre;
on wines from 68p to 70p per litre;
on fortified wines from 80p to 82p per litre;
on spirituous beverages from £5.44 to £5.60 per litre;
on spirits from £9.93 to £10.23 per litre;
on cigars from £197.65 to £213.46 per kilo;
on cigarettes from £183.95 to £215.22 per kilo;
on tobacco from £129.91 to £140.30 per kilo; and

(b) this amendment of the Customs Order comes into force on 31 May 2008

The Motion is proposed by the Honourable Financial Secretary.

The Honourable Financial Secretary

Mr Speaker, Honourable Members this resolution will bring into force on 31st May 2008 the increases in Customs import duty I proposed in the budget presentation. I beg to move that the resolution be adopted.

The Honourable Chief Executive

Mr Speaker, I second the Motion.

Mr Speaker

Honourable Members do you wish to have a debate on this issue? There is no debate, the resolution is carried.

Clerk of Councils

Motion Number 3 of 2008 by The Honourable Mike Summers OBE

That this House, pursuant to section 2 of the Children and Young Persons (Tobacco) Ordinance 2007, moves that sections 8 and 9 of the Children and Young Persons (Tobacco) Ordinance 2007 will come into force on 1 September 2008.

The Honourable Mike Summers OBE

Mr Speaker, Honourable Members sections 8 and 9 of the Children and Young Persons (Tobacco) Bill 2007 deals with the power of teachers to search and to confiscate tobacco products on school premises. Section 9 also deals with the increase of age progressively from 16 to 18 over a period of a couple of years. This Bill was passed by the House some time ago but these two provisions were left un-enforced until such time as certain issues were dealt with.

In terms of the power of teachers to search pupils' who they reasonably suspect are in possession of tobacco or cigarette papers relied on the putting in place of certain policies and procedures in school so that everybody was entirely clear about what the rights of teachers were and what the duty of pupils were. Those policies and procedures are now established at the school and will be implemented from the 1st September in accordance with this legislation. I think it would be very helpful if the Headteacher would ensure that all parents are aware of these policies and procedures well in advance of the date of 1st September so there is no confusion.

The increase of age from 16 to 18 was part of the original philosophy of trying to encourage young people not to take up smoking, it will be progressive as we have previously agreed in Legislative Council so that any 16 year old who currently smokes will not be forced to quit. At the time that this becomes effective anyone under the age of 16 will not in fact be able to smoke until they reach the age of 18.

Mr Speaker, I beg to move the Motion.

The Honourable Dr Andrea Clausen

Mr Speaker, Honourable Members on rising to second the Motion, just a couple of further comments I would like to make. As part of this Bill we have already brought into force clause 7 which entails the powers of the Police and I am pleased to report that they have been able to utilise these powers. They proposed to us that they needed these powers to enable them to carry out searches of under aged children and they now have those powers and they are being utilised, that is a good sign and I look forward to the powers that we are now providing to teachers to do the same.

Regarding the increase in age, I think it will be an important step in helping with the deterrence in taking up a very addictive and detrimental habit for young people and there is evidence that taking such action works on its own. In Guernsey in 1997, the legal age was raised to 18 immediately overnight. Whilst I do not necessarily think that is the best way of doing it and I prefer the option and the route we are taking it wasn't until last year or the year before I believe that they brought in a ban in public

places for smoking and there is a significant reduction in the numbers of children who took up smoking so, I think there is evidence out there that it helps. Obviously, it will not stop all but any deterrent that we can provide is very useful.

Sir, I support the Motion.

Mr Speaker

Does any other Honourable Member wish to speak to the Motion? No, then I declare the Motion is so carried.

Clerk of Councils

Orders of the Day: Bills

The remaining stages of the Appropriation Bill 2008.

The Honourable Financial Secretary

Mr Speaker, Honourable members, this report covers both the Appropriation Bill and the Finance Bill referred to the Sub-committee on the Estimates on Wednesday morning. Following the detailed and lengthy considerations at the special budget meeting of Standing Finance Committee, the proceedings of the Select Committee were completed on Wednesday afternoon.

The efficient way business was conducted within the time allocated was down to the effective chairmanship, ably assisted, of course, by the Officers present. This was Councillor Clausen's first budget meeting as Chair and she managed to keep everyone in control without the use of her predecessor's gavel.

The Committee made a small number of adjustments to the operating budget, which resulted in a reduction of £505,000 in the estimated surplus. The approved budget surplus for 2008/09 is therefore £440,980.

The main adjustment was the transfer of estimated income of £500,000 from the planned sale of shares in Stanley Services Limited to a holding company from the Operating to the Capital Budget.

Reductions for the following two years for a further £2.5 million in sales proceeds from the same source are estimated and also adjusted accordingly. This means that the Capital Equalisation Fund, rather than the Consolidated Fund will be credited with the income.

Although this is a paper transaction, it was considered that this income is capital in nature and the inclusion of such large receipts in the Operating Budget distorted the trend of ordinary revenues.

Despite another tight budget round all essential services are maintained at existing levels. For Example:

- The Public Works Department Continues to be allocated with the largest slice of the Cake at £8.7million.
- Next is Health and Social Services, which are allocated £6.7 million.
- Education and Training are allocated £5.5 million.
- Fisheries Department is allocated £4.9 million. This level of expenditure is necessary for the conservation and management purposes and continues to represent 37% of the estimated direct income to Government from the Fishery.
- £4 million is allocated to Central Administration. This includes the services provided by the Secretariat, Treasury and Computer Section. The allocation includes a total central reserve provision of £883,000 consisting of funding for the proposed pay adjustment and contingencies for other areas, in particular to cover part of the increased costs of energy.
- Aviation, which covers Civil Aviation, Stanley Airport and FIGAS is allocated £2.3 million

These are those Heads of Service where expenditure is over £1 million.

Details of the revenue and expenditure for all departments will be shown in the approved estimates document. This will also include the full Capital Programme. This document will be available in a few weeks from the Secretariat for members of the public to purchase or receive electronically free of charge.

No adjustment was made to the transfer payments budget of £4.9million. The Transfer Payments budget includes the following important allocations in the form of assistance to non government organisations, Social payments and programmes.

- £412,000 as a contribution to the Tourist Board to support investment and the promotion and development of tourism. This represents an increase of £192,000 almost double the original estimate for the current year.
- £150,000 as a contribution towards Defence in the form of funding for the building of two houses at MPA. This annual provision has been made for many years and continues to feature in the projections for the foreseeable future.
- £243,000 for improved TV and Radio Services from BFBS. This represents an increase of £150,000 on the original estimate for the current year
- £350,000 for the Holiday Credit Scheme. This represents an increase of £50,000 on the original estimate for the current year. The Select Committee agreed that accruals to the scheme should be suspended from 01 July 2008 and that any credits unused after 3 years from now should be forfeited. But to encourage the use of credits before that deadline it was agreed that draw-downs in cash would be permitted at 50% of their value. I can report that these changes in policy were approved by Executive Council this afternoon.
- £289,000 is allocated for Family Allowances
- £70,000 for donations and subventions towards youth, sports and other charitable organisations.
- £170,000 to support the Falkland Islands Radio Station
- £109,000 to support the Pensions Board for the Falkland Islands Pension Scheme

- £70,000 to support the Museum and National Trust with £20,000 of this sum is subject to the Trust raising the equivalent additional income from other sources.
- £67,000 to support the work of Falklands Conservation
- £2.8million is allocated for direct and indirect support to the Camp Community in the form of assistance with coastal shipping and ferry services, meat company and wool company subsidies, energy grants, Agricultural business development, labour scheme, farm improvements, and pension contributions. This represents a net increase of £500,000 on the original estimate for the current year, mainly as a result of an increase in shipping subsidies due to the forthcoming new ferry service, partly offset by reductions in subsidies, for the wool and meat companies.
- It should be noted that there is no subsidy allocated for FIDC for the forthcoming financial year, since the Corporation is able to fund its operations from accumulated balances. This represents a one-off saving and annual subsidy allocations of £420,000 are included in the projections for future years.

Turning now to the Capital Programme, the Committee increased expenditure marginally by £30,000 to increase the allocation for the replacement Category 2 Fire Appliance for Stanley Airport to £130,000.

I can also report that the Capital Programme includes allocations for the following major schemes:

- £873,000 for continuing the building, capping and repair of Camp Roads both on East and West Falkland. This includes £283,000 for roads to sites which form part of the Camp Telecommunications upgrade.
- £140,000 for completing a road to Mt Byron for the Ministry of Defence, for which recovery is included.
- £250,000 for the third and final year of a programme for replacing culverts.
- £200,000 for the construction of sea terminals and related infrastructure.
- £200,000 for major repairs to roads in and around Stanley.
- £610,000 for the refurbishment of the police station and prisons
- £90,000 to improve the Tourist Reception Facilities at the Public Jetty
- £595,000 to start a new phase of development improvements to the Abattoir.
- A further £700,000 is included in the 2009/10 projections to complete the improvements. The estimates for this project were not firm at this stage and are subject to approval by Executive Council following a cost-benefit analysis.
- £100,000.00 to allow procurement to begin on an expansion of the wind farm, subject to a cost-benefit analysis and approval by Executive Council. The projections for the following two years include an allocation of £1.4million to complete the project. It should be noted at this stage that the total estimated cost of £1.5million has not been fully costed.
- £750,000 for infrastructure development and a further £1.5 Million is included in the 2009/10 projections for this purpose.
- And finally, £100,000 to continue the major repairs to Stanley Airport Runway. A further £300,000 expenditure is projected at £100,000 per year to complete repairs and resurfacing.

This mix of Capital construction schemes and herewith the other more minor works should help to keep the in-house labour teams fully occupied to take up any slack in the private sector contracting business.

As well as construction schemes the Capital Budget includes the following investments:

- £230,000 to finance the shared equity scheme in the event it is decided there is a need to develop one
- £370,000 for the purchase of plant for the Public Works Department
- £200,000 for the replacement of other vehicles across the whole of Government
- £468,000 to complete the investment in the new Camp Telecommunications system. A total cost of FIG share of this joint investment with Cable & Wireless is estimated at £2.2million, including the roads to sites I mentioned earlier.
- £156,000 for medical equipment for Hospital Capital Works
- And finally, £81,800 for the first phase of substantial investment in information and communication technology for the schools. A further £85,700.00 is included in the projections for next year to complete this investment.

With the exception of the FIGAS charges the Sub-committee approved all of the proposals on revised taxes, fees and charges. It was agreed that the proposed increase in FIGAS charges should await the outcome of a review. The revenue targets inserted in the Draft Estimates were not amended so this will provide focus for some increase in charges or compensating reduction in expenditure.

Although the policy to re-introduce the employment tax has been agreed as mentioned in my presentation, the formal legislation will need to be reviewed and modified. It will then be submitted to Executive Council for consideration of the detail and publication of the Bill before onward remission to this House for formal approval.

Revenue of £400,000 from this source is inserted in the draft estimates and this also represents a target.

There is also one point in the budget presentation that I made to the House on Wednesday that I would like to clarify. In that report I referred to the Non Domestic Refuse Collection charge and the fact that there is a significant deficit with charges at the current level. I should have mentioned that although it is referred to as a refuse collection charge, it actually includes other community costs such as street lighting, town cleaning and plant maintenance as well as direct refuse collection and disposal costs. This is the same principle on which the service charge, which is levied on domestic properties, is placed. The deficit I referred to arises when all these costs are taken into account.

I am pleased to report that the Committee approved the proposals on:

- Revised pension contributions and benefits

- Social payments and allowances

All the provisions of the Finance Bill to implement those revisions were approved.

As well as striking a balanced budget, I believe we have also struck a reasonable balance between expenditure across the full range of service provision, social purposes, economic development and capital investment.

The Government is planning to spend more than £40million next year and it's down to the private sector to determine how much of that money will circulate within the economy in order for it to benefit more than just the original payee.

The estimates, once approved, and in support of the Islands Plan, form a series of promises in financial terms to the general public. Starting on 01 July this year, the job of the Public Service is to do its utmost to deliver those promises and obtain the best value for money for the benefit of all residents by the time the finish line is reached on 30 June next year, while meeting the milestones and targets set along the way.

As usual, Honourable Members will be able to monitor performance as the year progresses through the monthly meetings of the Standing Finance Committee.

A paper summarising the changes made to the Draft Estimates in Select Committee was presented to Executive Council earlier this afternoon. I can now report that the Executive Council recommends to Legislative Council the amendments to the Appropriation Bill necessary to accommodate those adjustments.

Once again, I would like to thank all Officers and Honourable Members who took part in the budget process. In particular I thank Keith and Nicola for keeping me on track. In addition, I am most grateful to all staff in the Treasury for their excellent work in maintaining the accounting and financial control systems leading up to and following the approval of the budget.

Mr Speaker, this concludes my report on the proceedings of the Select Committee on the 2008/09 Estimates.

The Honourable Dr Andrea Clausen

I beg to move that the report be accepted by this House and I would now like to speak to the report.

Firstly I would like to thank the Financial Secretary for his kind words about my chairmanship. I think I have quite a lot to live up to from my predecessor but I will do my best to do that. It was a tough process and we have come through it.

I would like to reiterate my thanks that I made on Wednesday to Derek and all of his team. There's a huge amount of work involved and I don't think anybody could underestimate it and thank you very much for all of that.

Just a couple of words on the budget outcome itself overall: I have to say that personally I feel quite disappointed with our outcome. We might have achieved a

balanced budget but the surplus that we have is quite small. And, in fact, if you take into account the fact that the transfer payment to FIDC has been removed for this year, we actually don't have a surplus at all because that will be back in next year.

We also failed to meet the Medium Term Financial Plan objective, which was to reduce our overall spending by £1million. We didn't have very long to reach that objective, it's fair to say but I always prefer to remain optimistic about these things and I hope we might be able to do that.

Our Annual Operating Expenditure may meet our consolidated fund target but it also has risen by £1.8million. And, I mentioned some of the key drivers for this earlier this week and they are all entirely justified. But of course, what we need to do is to try and find reductions in expenditure in other areas.

I am pleased to see that we've moved the potential revenue from sale of "Hold-Co" shares out of the operating revenue and into the capital receipts as I think this makes everything far more transparent and more accurate and, so the public can see they are different and see it is outside the operating revenue.

I just want to reiterate again that we have a huge amount of work to do, I believe, on reducing expenditure whilst trying to maintain a good level of services to the community at large and that we have to start work on that immediately. It can't be left until the back end of this year coming before we start work. So, we Elected Members as well as Heads of Department and budget managers need to work hard together to come up with proposals. There's nothing stopping us introducing some of those measures throughout this year but we need to get on with it.

On Revenue Measures, I would just like to mention the Medical Services Levy/Employment tax. I think members of the public might be interested to hear about the history of the Medical Services Levy. It, in fact, was introduced in 1979 and, for legislative purposes it was referred to as an employment tax but Members of the Budget Select Committee of the day wanted it to be referred to as a levy and not a tax because it replaced medical service fees such as charges for in-patient stays and costs of medicines and so on. Interestingly enough, during this budget process some of the options that we had from the table to reduce expenditure or to recover revenue were to do with some of those things, not the in-patients but the medicine charges and so on. I feel that by re-introducing the Medical Services Levy it is so that we don't have to mess around at the edges with small charges which are targeting the sick directly and that we all contribute to a service that is absolutely essential for us all.

I think that's the other point to make. It would merely be a contribution. It would by no means cover the cost of providing medical services. I do feel uncomfortable because it's related to gross income and therefore is a tax and, particularly in the discussions that we had with members of the Chamber of commerce regarding awaiting a tax review before we did anything else. But we cannot escape the ever increasing costs of Medical Services and we have to do something about it. I do support the re-introduction of that Medical Services Levy.

Sir, I support the Motion.

The Honourable Mike Summers OBE

Mr Speaker, Honourable Members, I probably have more reservations about this budget than any other budget I have been involved in, save, perhaps, for the one in 1997 when the outgoing Council voted £17million in the Capital Estimates. Fortunately, there wasn't a hope in hell of spending it so it wasn't really such a serious issue. We have much greater capacity these days to spend money both in operating and capital terms.

All budgets are a question of balance and then getting the balance right between expenditure on services and savings, between money for development and money for other purposes, it has got to always be uppermost in your mind.

I think what we have been able to do in this budget is to address the revenue side of Government's finances relatively successfully but we haven't really been able to complete a number of deliberations on cost reduction issues. There are a number of areas where work has commenced but is not yet completed. And, it may well be necessary to have a "mini budget" in December to review where we are, having completed some of these issues.

There is the FIGAS Review, which promises significant cost reductions and significant additional revenues

We have a major review into health costings and the way that the health service budget is made up and delivered, which has the potential of delivering substantial savings. We have to see how that will go

We have promised a green paper on Education Fees and the way that Education Fees are currently provided and whether there are options for sharing the costs and the students through student loans. That has a long way to go - a lot of discussion to take place.

There is the issue of Fisheries Patrol, which is currently under review and will be going out for tender. There is potential there to save significant amounts of money provided that we don't over rate the process and decide if we have all this money we might as well get on and spend it. What we need to do is what's necessary to ensure proper stewardship of the fishery.

I think in Public Works there are opportunities to save significant amounts of money but they will involve changes in the way that we do things.

For the significant reduction in Capital programmes looking forward, I think we have to review the necessity for a partner in contract and whether that will continue to bring us value for money.

We could sell the Quarry and save ourselves £150,000 tomorrow. That involves quite a lot of discussion, not only about who would take it on, who would be responsible for it and would they maintain it and look after it. But it also involves issues to do with control of prices, so it's not a simple issue

I could go on but I think the most important thing for us between now and the end of this calendar year at least is going to be the review of Government. It's the review of Government and the structure that has the greatest potential, I think, to save us significant amounts of money and I will talk a little bit more about that later on.

I support this budget with a slightly heavy heart. I have already talked about the Employment Tax and Medical Service Levy and the like. There is another discussion to take place between now and a Bill coming to this House on that issue. I think a significant part of that will be to do with how that money is branded how it's used and how effective that will be. Now if it can be used for some kind of medical insurance scheme that then benefits the people that are ill then I think that is much more palatable for members of the public than simply having to pay another tax.

So we are half way there, I think, with this budget. Having said that, I would like to stress, yet again, that Government finances are actually in quite good shape. We do have significant amounts of reserves. I do not, in any way, shape or form, support the suggestion in today's Penguin News that actually, all we really need to do is spend a bit of the reserve and we will all be happy, Chay, I think that is thoroughly irresponsible. I do not propose to go along that route.

But there is more to do and we will get there. I beg to support the Motion.

The Honourable Richard Cockwell

Mr Speaker, Honourable members, on rising to speak to the motion I feel I should make a few observations.

This budget, as already been said, has been a very difficult one and I do welcome the Chair of Standing Finance Committee's proposal that next year's budget considerations should start much earlier. I think this is important.

There is no doubt in my mind that this budget hits the lower paid person much harder than those on higher incomes. It also creates extra costs for employers who may have to look at their staffing levels. I regret this.

I believe that the "User Pays" concept should actually be "the user who can afford it pays". Thus, for instance, while we are reluctantly accepting at this time the proposals for an employment tax, I believe that this all encompassing tax should be taken into consideration in any coming tax review and it is absorbed into the income tax system. Thus those who are on low incomes are not penalised. It is difficult enough for people on low incomes to survive now and we have to be very careful we don't just try and take more money out and make their lives even more difficult because we do need these people.

It has been suggested that this tax should be termed a medical service levy. In fact, this discussion has already gone ahead in order that people would accept it. This sounds great but the fact is that it would and always has been part of another way of taxing everybody and the money has been absorbed into the Consolidated Fund. The fact is that all tax goes towards costs of our medical services. I would not support the sort of deception of trying to call it a medical service levy.

I also believe that although we need to ensure that all departments' budgets are tightly controlled and we should spend time attempting ways to find ways of investing to save, as in the wind farm and investing to create income, we spend little effort in finding ways of earning more money from outside our economy. As a Council we have spent many hours trying to find ways of creating savings within departments and this is very good. However, how much time have we spent trying to find ways of creating new income? How much time do we spend in looking at ways of investing to save expenditure?

We also need to try and encourage people and businesses to invest their savings within the Islands. Many years ago it was proposed that the Falkland Islands Government should issue development bonds. Should we not have another look at this concept?

It's easy for an individual to pick out projects that they would like to see scrapped in order to make savings. However, we do need to continue to develop our Islands and move forward. Otherwise we shall only stagnate into a situation it will be difficult for us to extract ourselves from.

I still remember the affects of the cut-backs in the early '90s, with redundancies and reduction in services resulting. It is easy to forget that many of the capital projects that cause so much criticism also give employment to many islanders. Much of their income in turn supports our retail businesses and our service industries.

It took some years for the Private Sector and Government to recover from the lack of confidence that the cut-backs in the '90s caused.

Sir, I reluctantly support the Motion.

The Honourable Janet Robertson

Mr Speaker, Honourable Members, in speaking to the Motion I think that most of the points probably have already been delivered by colleagues and I don't have anything terribly new to say to that other than to echo everyone's sentiments about the general feeling that we have not achieved what we set out to do with this budget. We have not achieved our Medium Term Financial Plan targets especially with regard to expenditure. And, there is a big inflationary ingredient in that through fuel costs and, unfortunately, our wind farm, whilst a fantastic investment, cannot insulate us from the rising costs of that and we are subject to all those world inflation issues and, on that we really don't have any control.

I just wanted to say something a little bit about revenue. Most of the measures that we put in place actually, really, are only circulating money that is already here. It's not really new money into the Islands. And, that's why the development of our industries is so critical because that is when your revenue comes in. And that's in all of them that's Agriculture, tourism and fisheries. So, FIG input to these industries through FIMCO, the ferry, port development and the Tourism Board will continue. And, I think that it is important to bear that in mind when criticising FIMCO that it is

actually a source of new revenue into the Islands and, we would hope that it will eventually one day be greater than the expenditure.

There is an issue here about changes in agriculture and changes in rural development and I think I will talk a bit about later. But it is a very important part, facet of it and about the future of these organisations such as FIMCO and the services such as the ferry and how they will contribute to that.

With regard to expenditure, I think the point has been made that we simply cannot go on year after year slicing percentages from the budget and hoping to retain our services that we have. It is just not feasible any more and I think there's a general feeling that it is not sustainable and some departments, at least, are stretched to the maximum with this approach. So, it's worked very well for eight or nine years, I can't remember how long it is exactly, but that has to stop. And, what we are looking at now is real choices about our levels of service, choices about our cutting the service or finding means of having public contribution towards them. And this is probably the one single reason that those measures have not been put in place for this budget, as Councillor Clausen said, we actually had very little time, really, to look at them thoroughly and clearly there's going to be a lot of discussion, a lot of debate about it issues such as means testing, as Councillor Cockwell says they cannot be universal it has to be targeted or at least helped to alleviate those on lower incomes. So, the issues of means testing, which we are definitely going to be adopting, I should imagine next year, will have to take place and that's a long and arduous process.

Just a point about MSL, there is a rather semantic discussion about whether or not it's an employment tax or the Medical Services Levy. It is something that people understand the point about contributing to our health services and whether it goes into the Consolidated Fund or not is really not an issue. All our revenue and I say that again – all our revenue goes into the consolidated fund and this would be no different. The issue, really, is where it's going to come in and which line it's going to be put in, in the complete list of revenue and expenditure. Is it going to go in as tax revenue? Or is it going to go in as revenue for Health and Social Services? Really, that's a matter of choice.

I would just like to point out that were we to choose to raise revenue through prescriptions and consultation fees, they would go in the revenue of Health and Social Services. MOD contributions to the Hospital go in as revenue to the Health and Social Services and we can have that discussion again later.

Lastly, just a comment about television £283,000 going through and I think for reasons that I do support, no charge is going to be made for this. I think this is a really difficult issue and there's no answer for it. I'd like to make it very clear, there's no right or wrong answer to this. The choice is as stark as not having the service or having the service had to be considered. The general feeling has been that we should continue to have that service. I don't think that that is self evident, frankly, there are just as good arguments for turning and walking away from it. However, the choice has been made that we shall have the service. The next decision that has to be made is exactly how and what level that it is going to be paid for. That is not going to be easy, either but I'd like to say that I do not believe that full cost recovery on a user pays basis will work, simply the figures do not add up. So the principle then has to be at

what level it would be subsidised if a charge was to be made and if a universal charge is to be made, or whether the whole thing continues to be subsidised or not. I think those are discussions that we will have to have during the course of the year and address again the next. I don't think the answer is going to be any easier than it is now.

That's it from me, again not roundly happy about this budget and the only comfort I have is knowing that this time next year we'll probably feel just as bad.

I support the Motion

The Honourable Ian Hansen

Mr Speaker, Honourable Members, in rising to speak to the Motion I will say a few very brief comments.

I was very pleased to hear Councillor Summers say that it was one of the most difficult budgets he'd ever been through. This is only my 5th budget but it is by far more difficult than the previous four. So I thought it was just me and I was quite relieved to hear him say that.

On the Medical Service Levy, or the employment tax, I think a lot has been said about that but I think Councillor Cockwell's point, whether or not it's affordable is the one we should be concentrating on when we get into detail.

The £2.3 Million invested or put into the programme for the Camp as the Financial Secretary described I think we should remember that isn't just for the Camp. That isn't just for the people in the Camp to keep that going. That actually is an investment. This is money put in to open the Islands up as a whole for everybody. So, it's not just for the Camp or for the benefit of the Camp.

I think, just finally, its pretty much doom and gloom so far but one thing that I am very, very pleased about in this budget and that is that the investment in tourism is gone to the level, which I frankly believe should have been attained two or three years ago.

Sir, I support the Motion.

The Honourable John Birmingham

Mr Speaker, Honourable Members, in rising to speak to the Motion I am just rising to disagree with the colleague on my right here, when he suggested that this budget will hit the lowly paid. I will suggest that it will actually hit the middle levels of income because the lowly paid are actually below the threshold at which they would pay tax.

I would also just like to make a couple more comments. One is about taxation. I have had a look around the websites and it seems to me that in countries where there is extremely low taxation they also have extremely low levels of service. When I say "service" I am talking about low levels of educational facilities for members of the

public. If you've got the money, you can do very well. But more importantly, very low levels of public health and, again, if you have the money, you can do very well.

I would just like to reiterate that low taxation very often means low levels of service.

Just one other thing about means testing, it has been mentioned that means testing generally is on its way. I think that people would accept means testing Islands-wide as long as it was seen and accepted as being fair.

Thank you very much, Mr Speaker

Mr Speaker

I declare the Council to be in Committee.

Clerk of Councils

Clauses 1 and 2.

The Honourable Financial Secretary

I beg to move that clause 1 stand part of the Bill and consideration of clause 2 be left until the Schedule has been considered.

Mr Speaker

The Motion is that clause 1 stand part of the Bill, is there any objection? No objection clause 1 stands part of the Bill.

Clerk of Councils

Schedule.

The Honourable Financial Secretary

I beg to move that the Schedule stands part of the Bill with the amendments set out in Executive Council paper 104/08 circulated this afternoon.

Mr Speaker

The Motion is that Schedule as amended by Executive Council paper 104/08 stands part of the Bill, is there any objection? There is no objection, the Schedule as amended stands part of the Bill.

Clerk of Councils

Clause 2.

The Honourable Financial Secretary

I beg to move that clause 2 as amended stands part of the Bill with the following amendments, delete the words and figures £43,865,530 and insert £43,862,530.

Mr Speaker

Honourable Members, the Motion is that clause 2 as amended by the Financial Secretary stands part of the Bill, is there any objection? There is no objection, clause 2 as amended stands part of the Bill. Council resumes.

The Honourable Financial Secretary

Mr Speaker, I beg to move that the Bill be read a third time and do pass.

Mr Speaker

Honourable Members, the Motion is that the Bill be read a third time and passes, is there any objection? There is no objection the Bill will be read a third time and passed.

Clerk of Councils

A Bill for an Ordinance to provide for the service of the Financial Year commencing on the 1st July 2008 and ending on the 30th June 2009.

The Finance Bill 2008 Remaining Stages

The Honourable Financial Secretary

Mr Speaker, Honourable Members, I included the decisions on the provisions of the Finance Bill in my report back from the Select Committee on the Estimates. I can confirm that Select Committee approved all the provisions contained in the Bill as proposed in my Budget presentation in Wednesday morning.

The Honourable Dr Andrea Clausen

I beg to move that the report be accepted by this House.

The Honourable Mike Summers OBE

I second the Motion.

Mr Speaker

Do we wish for a debate on this report, Honourable Members? No desire for debate, then I shall declare the Council to be in Committee.

Clerk of Councils

Clause 1 to 11.

The Honourable Financial Secretary

I beg to move that clauses 1 to 11 stand part of the Bill.

Mr Speaker

The Motion is that clauses 1 to 11 stand part of the Bill is there any objection to the Motion? There is no objection to the Motion, clauses 1 to 11 stand part of the Bill.

Clerk of Councils

Schedule.

The Honourable Financial Secretary

I beg to move that the Schedule stands part of the Bill.

Mr Speaker

The Motion is the Schedule stands part of the Bill. Is there any objection to the Motion? No objection, the Schedule stands part of the Bill.

Council resumes.

The Honourable Financial Secretary

I beg to move that the bill be read a third time and do pass.

Mr Speaker

The Motion is that the Bill be read a third time and passed. Is there any objection to the Motion? No objection. The Bill will be read a third time and passed.

Clerk of Councils

A Bill for an Ordinance to provide, to increase fees, charges, contributions, benefits and allowances provided for under various laws of the Falkland Islands.

The Education (Amendment) Bill 2008, this Bill has been gazetted so we therefore go to the second reading.

The Honourable Chief Executive

Mr Speaker, this Bill amends Provisions in the Education Ordinance in relation to the School leaving age. In particular it seeks to allow students to finish their statutory

school attendance shortly after the completion of their GCSE Exams in June each year, rather than having to wait until the end of term in August.

There are, in fact, several reasons why this is a sensible move to make.

- First of all, and most obviously, academic courses are completed in June. So, from the student's point of view, from an Educational viewpoint there is simply nothing to be gained by staying on at school any longer.
- Secondly, we have found that many parents and students see that there is no point in staying on any longer. This obviously makes their motivation difficult and can put staff in a difficult position in trying to secure continued education at school.
- Thirdly, staff do have an increasing and very demanding work load, particularly now with the need to implement the School Improvement Plan and the time that could be freed up by allowing Year 11 Students to go earlier would be extremely invaluable.
- Over and above that, it would create space at an important time of year to facilitate the better induction of pupils from the Infant and Junior School at this particular time and, we know how important that is.
- Finally, these changes or this change would bring FICS into line with other schools world-wide.

I should reassure the House that they will, however, be provided for in the Bill a "transition programme" of one week each year in order to prepare students either for further education or for work and, over and above that, work experience will be on offer for all students from the end of June.

Mr Speaker, I beg to move the second reading of the Bill.

The Honourable Financial Secretary

I second the Motion.

Mr Speaker

The Motion is that the Bill be read a second time, is there any objection to the Motion? There is no objection, the Bill will be read a second time.

The Honourable Richard Stevens

I would like to ask for a point of clarification from the Attorney General, I would like to have his explanation of how this will affect the Employment Laws and how these students that will be leaving the school at 15 will be legally allowed to work.

Attorney General

Mr Speaker, Honourable Members there is a read-across from the minimum age as provided for or the max, which is provided for in this Bill, directly into the employment legislation so that once a child is no longer of compulsory educational

age, they can be employed, so this Bill changes that definition and once changed, the working definition is also changed as a result.

The Honourable Richard Stevens

I would like to thank the Attorney General for that answer. It makes that quite clear now.

I would just like to briefly say I think the Chief Executive had given quite a good overview but there are some issues about age and the students being fifteen when they are leaving school and, just to point out to members of the public that over a number of years in 2013, I believe, that the anomalies that were brought in by changing the school year, the academic year will have gone out of the school by 2013 and, at that time, all our students, as I understand it, will be over 16 when they leave school.

Clerk of Councils

The Education (Amendment) Bill 2008.

Mr Speaker

I declare the Council to be in Committee.

Clerk of Councils

Clauses 1 to 3.

The Honourable Chief Executive

Mr Speaker I beg to move that clauses 1 to 3 stand part of the Bill.

Mr Speaker

Honourable Members, the Motion is that clauses 1 to 3 stand part of the Bill, is there any objection to the Motion? There is no objection, clauses 1 to 3 stand part of the Bill.

Clerk of Councils

There are no Schedules.

Mr Speaker

There are no Schedules, I declare the Council to resume.

The Honourable Chief Executive

Mr Speaker, I beg to move that the Bill be read a third time and do pass.

Mr Speaker

Honourable Members, the Motion is that the Bill be read a third time and do pass, is there any objection to the Motion? There is no objection, the Bill will be read a third time and passed.

Clerk of Councils

The Education (Amendment) Bill 2008.

The Taxes (Amendment) Bill 2008, this Bill has also been gazetted and requires a second reading.

The Honourable Financial Secretary

Mr Speaker, Honourable Members, the purpose of this Bill is to amend the Taxes Ordinance relating to Individual Transferable Quota (ITQ). ITQ is a valuable right, which enables companies to fish lawfully. The legislation governing ITQ is contained in the Fisheries (Conservation and Management) Ordinance, which provides ITQ only to be owned by Companies, the shareholders of which are individuals having Falkland Islands Status and residence, or Falkland Islands' Companies.

ITQ can be traded between companies. When the trading takes place, any profits and losses are treated as income gains and losses, not Capital gains and losses. This follows from the definition of income in Section 2 of the Tax Ordinance.

Section 100 (A) Of the Tax Ordinance taxes as income, any gains, or losses arising on the disposal of shares in companies which own ITQ. This prevents shareholders avoiding the charge of tax on the disposal of the ITQ itself by transferring shares in the Company.

The purpose of the amendment is to introduce a number of tax reliefs:

- The Bill changes the definition of a group of companies in this context so that relief can be claimed where one company disposes of shares of ITQ to another company and both companies are in the same group.
- The Bill introduces certain exemptions from a charge to tax where the shares are transferred as a gift for less than market value,
- Where they are being transferred by a retiring shareholder, where the amounts involved are relatively small.

Normally the type of reliefs to be transferred by this Bill would feature in a Capital Gains Tax Regime. As the Falkland Islands does not have a Capital Gains Tax Regime the amendments to be introduced by this Bill are essential additions to the existing tax law following policy decision to tax gains from disposals of ITQ granted by the Government to Falkland Islands Fishing Companies for no consideration.

The reliefs to be introduced by these amendments are considered to be fair and reasonable for the tax payer and necessary in order to remove any potential tax

disincentives in the trading of ITQ or in shares which derive all or part of their value from ITQ.

I beg to move the second reading of the Bill.

The Honourable Chief Executive

I second the Motion.

Mr Speaker

Honourable Members the Motion is that the Bill be read a second time, is there any objection to the Motion?

The Honourable Janet Robertson

Mr Speaker, I would like to ask a question if I may. This is quite a complicated Bill so, for the purpose of clarification, I am hoping my question will be easy. I just want to clarify that it means that if a person transfers for no payment, say shares of £95,000 of nominal value to a relative, the receiver nor the donor are liable for tax on the market value of those shares. But the shares of nominal value that are over £100,000 are transferred then they are taxed on the market value, the total is taxed on the market value.

The Honourable Financial Secretary

Where there are shares that are transferred of any value for no consideration then there is no tax liability that arises at that point. It is only where disposal for a cash consideration where there might be a liability to tax.

The £100,000 limit is where someone disposes of shares and their total shareholding is less than £100,000 then there is no tax liability on that. That's how that works. So, the transfer for no consideration shares of any value and there is no tax arises at that point. It's only when the shares are ultimately disposed of for a consideration it is where there is liability, potential liability for this subject at that point in time.

The Honourable Janet Robertson

So to clarify, as long as shares are transferred for no income, they are transferred and no money changes hands then there is no tax or liability.

The Honourable Financial Secretary

At that point.

The Honourable Janet Robertson

At that point only if they are transferred at a later date or sold or disposed of in another way at a later time.

Thank you.

The Honourable Mike Summers OBE

Mr Speaker, may I make a brief statement to the House? I would have like to have done it before the question but I am the owner of a company that itself owns ITQ. I therefore wish to have that declared in the minutes and I will abstain from any voting in this issue.

Mr Speaker

So recorded, Councillor Summers. Any other Honourable Member wish to speak before we proceed? The Motion is therefore that the Bill will be read a second time.

Clerk of Councils

The Taxes (Amendment) Bill 2008.

Mr Speaker

I declare the Council to be in Committee.

Clerk of Councils

Clauses 1 to 5.

The Honourable Financial Secretary

I beg to move that clauses 1 to 5 stand part of the Bill.

Mr Speaker

The Motion is that clauses 1 to 5 stand part of the Bill, is there any objection to the Motion? No objection, clauses 1 to 5 stand part of the Bill.

Clerk of Councils

There is no Schedule.

Mr Speaker

Council resumes.

The Honourable Financial Secretary

I beg to move that the Bill be read a third time and do pass.

Mr Speaker

The Motion is that Bill be read a third time and do pass, is there any objection to the Motion? No objection, the Bill will be read a third time and passed.

Clerk of Councils

The Taxes (Amendment) Bill 2008.

The Motion for Adjournment.

The Honourable Chief Executive

Mr Speaker, I beg to move that this House stands adjourned *Sine Die*.

Mr Speaker

Honourable Members the floor is open for a wind up.

The Honourable Ian Hansen

Thank you, Mr Speaker. Mr Speaker, Honourable Members, I will be very brief. There have been a lot of things mentioned today that perhaps I would have covered but first of all I would like to thank the Financial Secretary and the Treasury staff for preparing the budget and, at this point, I think I would also like to wish Keith and Val Padgett all the best and hope they will return soon.

It's been indicated by previous speakers earlier that deliberations of the Select Committee were lengthy and they certainly weren't easy this year. So I won't dwell on that at all.

One of the issues people have seemed to be concerned about that we have mentioned today is the amount we spend on outside consultation for projects and I think it's obviously true under certain circumstances we need outside advice, we need those sorts of services. But, in my opinion, sometimes I think we can be guilty of undervaluing or selling short our own internal expertise and, I think it's something we really need to be conscious of, because especially with all the progress we have currently under consideration. I mean, after all, the ark built by amateurs is the Titanic of the professionals.

I think, just a few brief comments in no particular order or priority, but the decision not to charge any fees at the time for television and radio until we see what we are actually are getting I think that was correct. I am very much of the opinion that when a charge is incorporated we have to be fair and make sure that only those receiving the service should pay any sort of fee. I have to mention the Holiday Credit scheme. I am very sorry to see it suspended but I am actually quite pleased to be able to say "suspended" instead of abolished. I am not at all surprised and I think it was inevitable it had to go. I personally have been fortunate enough to have the scheme to be used to accompany the family out of the Islands on medical visits, which otherwise

I wouldn't have that option and I think that's one of the reasons that the holiday credit scheme was good.

Hopefully the outcome of the review of Family Allowance and how that might be changed that will be a benefit to those most affected by the holiday credit scheme suspension.

Just a couple of other issues that are topical at the moment; the FIGAS review that's out for consultation and is rightly generating a lot of debate it is vital at the end of the debate and the consultation period that we evaluate the people's advice and their views correctly before we make a decision. It won't just be about whether we can create revenue or slow expenditure at FIGAS by implementing all or parts of the review but it will be whether or not we will be causing any loss of income with the tourist industry in particular and how other changes will impact on other businesses and users of the service. That's very important.

I would just like to mention I would definitely support Councillor Rendell's suggestion that he made yesterday that we don't consider closing any of the present operational airstrips until the Ferry Service has been running for a year or part of the year or part of a season. I think it would be a very good mark to see what we should be doing.

It is, of course, FIGAS' 60th anniversary year. They have been around almost as long as our Financial Secretary. I am not sure if anything has been planned to mark the event but I certainly expect or hope that something will happen. And I am not sure who will run with that bit. I think it has to be done as it was 10 years ago.

When we actually reflect that our locally employed pilots have between them clocked up, fairly close to in excess of 100,000 safe or successful landings and take-offs. It just gives us some idea of the service FIGAS has provided to the Islands over even part of the 60 years. They take on extra freight to locations when other services haven't been able to cope and this often goes unnoticed simply because of the quiet and efficient way that all the staff handle the extra work and I think that needs to be mentioned.

I have mentioned the ferry or the "Concordia Bay." It's not just a ferry, it's a coastal shipping vessel as well. It will serve the outer islands. It should be in operation within the next few months.

I still have concerns about the availability of a haulage facility to be able to cope with everything going through Port Howard and Newhaven, or at least in the early stages for at least the first season. I really do hope there's somebody out there who actually does have more than just a casual interest in maybe doing something. I do hope that when they come forward and express interest that they will get realistic assistance, if needed, from FIDC to start a business up, if that's what they wish to do.

Whether the road structure is actually ready to handle considerably more and heavier vehicle usage is another concern I have, certainly in the first instance anyway. So I believe that we can and must be flexible in the initial scheduling of the Concordia Bay to cover any of those problems that might arise in the first season of operation.

Finally, Mr Speaker, I would just like to say farewell to the Commander British Forces and thank him for the time he spent here and I wish him well in his posting and of course, I would like to thank the Financial Secretary for all he has done over the many years involved in the budget process. It will seem very strange next year not to hear his voice presenting the budget. It will be very strange indeed.

There is a rumour going around the Treasury and Gilbert House that the Financial Secretary has declined any sort of farewell party because it is his intention to treat us all to a slap up meal to show how much he will miss us. However, this being the Falklands I suspect that story might be slightly exaggerated.

Mr Speaker, I beg to support the Motion.

The Honourable Dr Andrea Clausen

Mr Speaker, Honourable Members, I will certainly be brief. I think I said enough over this budget process and, indeed, all I wish to say now is a series of thanks.

First of all I would like to thank the members of the Community and organisations such as the General Employees Union and Chamber of Commerce who have contacted us over the last 48 hours since the Appropriation Bill was submitted to this House. I think it's really important that when we are considering the budget that they feel they can put their views to us for us to consider during the process.

Just to reiterate, again, I think it's important, though that we open up and make that process so they don't have to make their appeals to us in the 11th hour when a lot of the work's already done. I hope that going forward they will be able to do that real time as we work through things. But I'd like to thank them all for their comments.

I'd also like to add my thanks to that of my colleague to CBF and thank him for his robust defence of our Islands during his tenure here in the last 18 months. I'd like to wish you and your family all the very best with your move back to the UK and I understand it's not good-bye because you might be coming back to check up on us in your new role so we look forward to seeing you in the future but all the very best.

Finally in my capacity as Standing Finance Chair I would like bid farewell and thanks to Derek. This is his 18th and final budget appearance, I understand and it's his last appearance in this House. I have only worked with Derek over the last few months since I came to this portfolio but I would like to thank him for his very wise counsel over the last three years while I've been in politics and involved in Standing Finance. I would like to wish you all the very best for your retirement and I look forward to that Samba at the May Ball next year.

Sir, I support the Motion.

The Honourable Mike Rendell

Mr Speaker, Honourable Members, I didn't speak about finances earlier so I was reserving it until the Motion for Adjournment rather than say a few words about the

finances. Now, this has been a particularly tough budget but next year still tougher decisions are going to have to be made as we have all come to accept and realise and it is important that we talk about this up front and make sure that there are no hidden surprises this time. The introduction of MSL came as a particular surprise to some of the people and we wouldn't have done it that way had we had a choice but there we are.

Escalating oil prices and reduced returns on investments in particular are two areas completely outside our control and both have the ability to seriously undermine our strategy of a balanced budget. It is just not an option to keep our fingers crossed that fisheries income will be sufficient to remove the need for any real focus on expenditure despite what a Member previously commented was made by somebody as a comment in the Penguin News and it is for this reason that the recently introduced Medium Term Financial plan is now an integral part of the budget process and will remain so for at least the next five years as we have agreed. There does, however, need to be a measure of common sense and pragmatism about this process. By that I mean consumer costs cannot be allowed to escalate too rapidly. The consumer has to be able to cope with changes where revenue is concerned.

The whole community needs to be properly informed about why things have to change and feedback will be absolutely invaluable in informing decision making.

Some really serious work is going to be needed to establish equitable means testing in areas where those in the community who can afford it will receive less Government support than those who cannot afford it. This means testing process is going to be a demanding and complicated project but there is little option but to pursue this course of action given the circumstances of our economy.

I would like to say a few words about BFBS TV. It is, of course the case that BFBS TV was not part of the media culture of the Falkland Islands until the early 1990s. Before that there was much more reliance on BBC World Service Radio for world and UK news and on FIBS for local news and information. With the advent of a regular UK Television programme it has become evident that the vast majority of the viewing public here have become quite dependent on the unique programming mix that BFBS TV brings.

The recent debate regarding the introduction of the new BFBS digital TV service has, to an extent, revolved around a view that the popular KTV programming mix should suffice for everyone's needs but provided that KTV's commercial position is not undermined, Government takes the view that it should continue to ensure that British Television is available, however it is delivered. For the time being at least the increased costs of the new digital service will be absorbed and, although this may well have to be revisited next year, it has become very evident that whatever happens public opinion would not support charges being included in the domestic service charge.

In closing I would like to say farewell to CBF. I would like to wish Nick and Sue all the very best as they return home to pastures new. I know that support and fresh thinking that the report into the way which the FIDF should operate in the future will be crucial to the long term capabilities of that unit.

Finally, I will join in thanking the Honourable the Financial Secretary for his long and illustrious service. Corporate knowledge is an area which is not always considered significant. But in matters financial Derek's knowledge and wisdom will be missed. So will his wit.

Mr Speaker I support the motion.

The Honourable Richard Stevens

Mr Speaker, Honourable Members, I am not going to say very much but I would like to speak about some of the issues that we have been struggling with now and probably will be during the next few years.

A number of significant changes have been planned for Camp. Some are good like the upgrade of Cable & Wireless and some that have great potential that have an element of a leap of faith like the ferry.

The FIGAS review is a significant proposal and I hope that as many people as possible can respond and outline their concerns because, with the vast differences of areas and make-up of the rural community, everybody's positions, not everybody's, but there are a lot of different situations. There are many unknowns but for us in the administration and Council and, we really don't know what the effects are going to be when we get a regular link between the East and West. How the ferry will be used in passenger traffic and freight. I think the challenge for all of us is to make it work, not just in the ferry capacity but in supporting the outlying islands and a certain amount of flexibility will be needed certainly until west roads are upgraded to a usable standard summer and winter.

I think the biggest general challenge to us all in the Falkland Islands is the cost of fuel and, my colleague, Councillor Rendell has already mentioned the vast hike in the price of a barrel of crude oil. Fuel is part of many businesses, many rural businesses, whether they are involved with tourists running punters running to and fro or trucking more stock to its local or international destination. So this trend we are going to see it stop or go down but we aren't in control of it in the Islands. It's a world issue.

Here I am thanking the Financial Secretary for his part in my education as being a Councillor back in the '90s when I first got started but I think there are a number of qualities that I'd like to highlight, Derek and one is that you have always been the same whether I have been a Councillor or one of the common herd. But you have always treated me in a friendly and great way. As a Financial Secretary, I think it's that the thrift element that I haven't seen surpassed by anyone else that is really impressive. But finally, I think it's the qualities of Gentoo eggs that you passed on to me last year and I thank you for that.

Lastly to the Commander British Forces, I also wish you, Nick, and your wife, Sue all the best for the future.

Mr Speaker, Honourable Members, I support the Motion.

The Honourable John Birmingham

Mr Speaker, Honourable Members, people have been speaking not for very long so I am going to see if I can outdo the colleague on my right, who hasn't actually spoken yet.

Five months ago I was re-elected and partly I was re-elected on the dissatisfaction of a lot of the electorate with this Council and certain policies of this Council. Since I've been in I've had to re-learn a few things. I had to learn a lot. But more importantly, I have had to accept a lot. One person joining a Council over half way through its term is not able to change many policies. My views are well known on certain issues, the infilling of empty plots in Stanley, the Postage Stamp sized plots are known. My views on the huge capital outlay on the Ferry are known. There are others but the word acceptance comes back. I had a choice when I returned on the 3rd of January. I could spend the rest of this term publicly opposing items but privately saying little as I have seen in the past, (Interesting Penguin News today) or I could use that word again and accept what's been done and get on with being a team player. I chose the second version, which I think is the best way to serve the interests of the community.

This budget has already been mentioned, although not this particular date. This budget, I think is probably the hardest since the "panic of '93." The difference is that this isn't a panic. Unlike then, there are no proposals to cut any of the major services.

What we are experiencing in the Islands is what's happening around the world and has already been spoken about. We are not isolated from world events. The price of oil, as we know, or we should know, is not in the control of the Falkland Islands Government, although somebody on the radio thought that he could do something about it yesterday.

It's not been easy to put up all these charges. There is not one person around this table, I know, who found any of that easy. The easy option would have been to follow the advice of one of the letter writers in the Penguin News today. Nobody likes putting taxes up. Very few people like paying taxes but taxes we must have if we want the services that we want and if we want the level of service that we have.

The new employment tax, which was unanimously accepted as being required, if not necessarily accepted, that we would do it as soon as we can. Some people thought that we should wait for the review. In fact, that's what we will probably do. It will take time to introduce.

If I or mine are ill, I would expect to be treated to the best treatment centre that there can possibly be and, if we do want that kind of service we have to pay for it and that has to come from somewhere. There will be people, I have had phone calls, I am sure everybody's had phone calls about Government and Government money. Well, actually, it's the Falkland Islands residents' money; it's your money as much as it is mine. It will hurt everybody around this table as it will anybody else outside this room.

The waste, ah, the waste, yes there is waste. Everybody has a few favourites, the Abattoir well, everybody points to that straight away or a lot of people do. The fact is

that this Council has decided to and has agreed to an economic assessment of the meat industry. The Ferry well, the Ferry's here and that word, acceptance comes to mind again. The best thing we can do now that the Ferry or when it arrives and is up and running is to use it. My favourite one, is the Wool Company but as that's nearly used up its £300,000.00 of Government money to get it started it probably won't need any more now. I'm sure it will stand alone, even as the smaller ones the Falkland Islands Community School the computer room. Every computer is on, standby, most of the time and is on 365 days a year. That, by the way, is not an education department decision.

There's been talk of the review of FIGAS and I don't want to see a reduction in service, I don't think anybody would. I think what's being spoken about is a change in the service, a change that reflects the way the road network has progressed, the change that reflects that there is now going to be a ferry across the Sound. The fact is that the FIG in the future cannot afford to heavily subsidise all three air, land and sea at the levels at which we have been doing. I hope that people will look at the FIGAS review with an open mind and accept that maybe it won't be perfect at the end but it has to be given a chance to work. I went down to FIGAS, as I said, on Wednesday and by far the majority of people working in that department understand that there has to be change and want to work with that. So I hope that people potential and customers both now and potential customers please give some thought to the future without just being negative at the beginning.

If we in the community want standards of the healthcare as we have it at the moment, and education system that we have at the moment and all of the other services, I know I am going on again about this but I really think it has to be emphasised that we really do have to find ways of not only saving money but raising money within the community. I am absolutely all for looking at ways of outsourcing Government services but they have to be services that are outsourced not just for the sake of it but actually give a return.

The sale of Stanley Services shares that the Government presently own on the face of it, it sounds like a good idea. Why should Government be involved in a private company? But then you will hear the Falkland Islands Government should invest in local organisations and companies. Well, I would suggest the investment in Stanley Services is one of the very few investments by the Falkland Islands Government that has actually paid off and, if those shares are sold, those shares bring in around about £200,000 to £250,000 per year steady money. I would like to know where that money would come from to replace it. At the very beginning we would get a windfall but that would soon be spent on something. So, I personally remain to be convinced that that's the way to go.

But then, again, life does go on, doesn't it? I would like to thank the Commander British Forces for all the help and assistance in his time here. I wish him and his wife, Sue all the very best for the future. Derek has been the Financial Secretary for the past 18 years. He's been here since the last century. Derek was here when, in fact, anybody who has been in his office will see the bench that he still uses. I've seen the candle burning at night. I also, I have a glass here, I drink your health, Derek and I wish you all the very, very best in your retirement. Perhaps I will be picking you up in the Blue Bus one of these days. I know you will be busy because your wife, Sue

has told me that she has a list as long as a roll of Andrex of jobs for you to do around the house.

If I may just leave you with one thought? You may think about this when you are brushing your teeth in the morning is that a hair on the head is worth two on the brush.

Thank you Mr Speaker.

The Honourable Richard Cockwell

Mr Speaker, Honourable Members, I am not quite sure which neighbour the Honourable John Birmingham was talking to but he's right when he said we were getting on for a long time. However, I have already had quite a say this afternoon and so I think I will be very brief and wish Commander British Forces all the best in the future. Thank you very much for everything you have done for us and, if I could reiterate what the Honourable Mike Rendell said, particularly your interest and support of the FIDF, which is extremely important to us? I hope that the relationship will continue.

Derek, what can we say? I can remember when you weren't here. I am one of the few people who can. But it's been a pleasure to work with you for the 10 or 11 years that I have been on Council. I do wish you all the best for the future and I look forward to when you and I, you will be able to sit down next year, the year after we both will sit down and say we shouldn't have done it that way!

Sir, I beg to support the Motion.

The Honourable Janet Robertson

Mr Speaker, Honourable Members, I am not going to go on and say more. I've said quite enough over the last few days. I was just interested by Councillor Birmingham's comments and quite clearly the level of approval for any decisions made are really quite proportionate to the amount of input you have in them so I would say that as a general message to everyone that we would that the more you aid in a process by giving us your views then the more likely they are to be represented.

Other than that, I was going to talk a little bit about the rural development strategy but I won't now. I understand that its going to be a subject for discussion at Farmers' Week and there is going to be quite a bit of discussion about it in the future and I think that's very important. I think that development in Camp is rather dynamically changing its shape and it's probably not quite what we would have expected a few years ago. The combination and the mix of tourism development and agricultural, pure agricultural development in there is changing over time and it's going to have lots of implications on a number of issues and I know that these will be taken account of and it will be interesting to see what the outcome is.

Other than that I just wanted to echo everyone's comments. Thanks to Commander British Forces. It's been a good year and, to Derek, I haven't had the pleasure of working with you since the last century like Councillor Cockwell, but the two or three budgets that we have had with you and they have been amusing as much as

disheartening at times so, thank you for all your work on that and I wish you the best in your retirement but I hope you continue dancing.

Thank you very much. I support the motion.

The Honourable Mike Summers OBE

Mr Speaker, Honourable members, I just have a couple of issues to address. I mentioned earlier on when we were talking about the budget, the review of Government this is a critical piece of work that we are going to be undertaking in the next few months, led by the Chief Executive.

It's interesting to muse sometimes on whether the community creates the shape of the Government or the Government creates the shape of the Community and I have a nasty feeling here that actually it is the later and, of course it shouldn't be that way. It is important therefore that as we get into the discussions about the shape of Government here and what it does and what it delivers that everybody in the community takes part in those discussions in those debates and make sure that what the Government is involved in and what it delivers is what this community expects of its government.

I was looking at something the other day in preparation for the so called "Away Day" that we had here to talk about the nature of the government I hypothesised that the role of a government in any community is to deal with the social issues like health and education, obviously economic issues, like infrastructure and land management and also security defence, Police, fire etc., regulatory mechanisms regrettably, everybody has to have a lawyer and international perspectives. I think it's interesting to think about that from our perspective and how we fit into that because in addition to that, we provide an air service and an airport, we provide a shipping company, we provide a quarry, we provide a housing service. We make contributions to telephone and TV and radio, we provide training facilities, we provide a leisure centre, we are heavily involved in construction, we have an asphalt plant, we provide a veterinary service, we provide IT services. Huge amounts of things that this Government does that you wouldn't normally expect a government to be doing in a community. Now, it might be necessary in this community because of the size. I think those are the sorts of issues that we've got to reflect on and make sure that:

All those services that we're involved in are appropriate and if they are appropriate, that we are delivering them effectively and, it's in that area, I think, that we have the greatest potential to save money on public services.

So, please, all the institutions in the Falklands, do take part, and private citizens, whenever we call meetings, because we will call meetings to talk about the review of Government, please come and join in because it's essential for you to shape the nature of your government and not let the Government shape the nature of the community.

I wanted to pay public tribute in this House to the work of Dr Graham Pascoe and Mr Peter Pepper. They have recently published the most definitive history of the Falkland Islands. I think we will find over the years that it will be tremendously valuable to us not only from an academic perspective but from a political perspective

I think we will be able to use the work of Pascoe and Pepper to provide evidence that what the neighbours over the water have been talking about for years are myths. Myths perpetrated by Peronist governments in the '50s and still peddled by Peronist governments now that are basically no more than lies. They have been deceiving their own people into believing that this country used to belong to them. It never did and it never will. So thank you Graham Pascoe and Peter Pepper and I do hope that our two colleagues who are going to the UN in June to talk to the Committee of 24 will have both read from cover to cover the works of Graham and Peter and will draw on them extensively in their arguments to the C-24. So, thanks to them

I would like to thank also Commander British Forces for his time here and particularly his soldierly input to the defence of the Falklands. It's my perception and I think that of many others that actually he's sharpened up the Defence of the Falklands somewhat and, that can be no bad thing. So, thank you very much indeed for that.

Just before I finally thank Derek, as of course, I must. I just wanted to say one other thing that I perhaps should have said earlier and it is that in all of these discussions about the shape and nature of Government, about the budget, about everything else, don't forget, this is a successful country. This is a successful community and we will carry on being successful. So all these things are relative you've only got to look across the water to see what a totally ineffective government can do to completely screw things up with a lot of resources at their disposal and, you've only got to look in other parts of the world to see how inept some other governments are and compare it to ours and, actually, we don't do that badly. So, let's not be overly depressed about things when they get a little bit tough. We still have good people to help and guide us, like the Financial Secretary, with whom actually some of us were working in the last millennium, never mind the last century.

My colleague has never come across anybody quite so parsimonious as Derek Howatt then clearly he never worked with his old mentor, Harold Rowlands, who had parsimony down to a fine art. I guess, Derek, you learned much of your craft from Harold Rowlands. He was, of course, greatly missed when he retired. You did have to endure, as some others of us did, an interloper between Harold and yourself but I think you performed your functions as Financial Secretary with distinction and I would like to thank you very much for doing that on behalf of the community and, also from my own personal perspective, you have been easy to work with and it's occasionally been great fun. If I have, I guess, one enduring memory of Derek Howatt long after he's gone, it will be his observations in this House every time that he put up the price of funerals that it never added to the cost of living.

Mr Speaker, I support the Motion.

The Honourable Financial Secretary

Mr Speaker, Honourable Members, in rising to support this motion, I appreciate all the thanks given to me and my team and for your good wishes for my retirement.

As far as affording my own farewell party goes, I have an MTFP of my own so I would need to consult the family.

Just a couple of comments on the budget; for obvious reasons, this budget has created more public comment than those of recent years and, it's not unexpected, seeing that the budget this year was a bit harder to balance.

The negative comments about the employment tax are also understandable as it is one of the painful elements. However, it is only more painful by a small margin for it is by a half a percentage point from when former the Medical Services Levy was in force. The Medical Services Levy was abolished, or should I say suspended in 1995, so the past 13 years can be regarded as a bonus.

I started to work officially for the Falkland Islands Government in 1976 and I started off in the Post Office in February and moved to the Treasury in August of that year and have been there ever since. I have delivered 18 budgets to this house. I could also add half a budget because, I think it was in 1984 Harold Rowlands broke his leg, (it was icy), just on the night after his presentation to Legislative Council so I had to take over from him at the meeting of Select Committee. The Chief Accountant at the time, Kathleen Dobbys, had to take over from me and those days we didn't have all the meetings prior to the Select Committee. The Select Committee used to take about three or four days in those days to get through. I remember consulting Harold in his hospital bed and getting my instructions from him. So, it was 18 and a half.

But before that, I would just like to say that I did have another job with Government and that was in the early 1960s and I used to deliver the Hospital Bills for those medical services fees that we were talking about. I can't remember how often I delivered them it was either monthly or quarterly but I earned £1.00 a time.

There is no easy way to create a balanced budget now that tax payers have to resume a greater role following the significant reduction in income from Illex fees. There are difficult choices ahead to make between reducing expenditure by cutting service levels on the one hand or by raising additional income to maintain an improvement on the other hand.

It is intended that the on-going development of the Medium Term Financial Plan will address all the competing issues and put forward realistic options for the choices which will have to be made, having due regard to the aspirations of the Islands Plan following full public consultation and debate.

I can see that you are all expecting something humorous but public finance is a serious business. Like my predecessor, the late Harold Rowlands, I have always had a fascination for figures and, that has not been restricted to those with the currency prefix. Much of what I knew about the job I did get from Harold during my earlier career in the Treasury and if he was alive today I would thank him for that.

Another major influence was Richard Wagner, our former Economic Advisor for almost 10 years. Richard was great value and moved back to his native Canada 10 years ago. He continues to undertake work for both the Pensions Board and the government, mainly on matters relating to pensions.

I have also learned a lot from all my colleagues over the years, which I am grateful for.

I would just like to close also by thanking the Commander British Forces for his significant contribution to the Islands.

I just thank everybody for their good wishes and I support the Motion for Adjournment.

The Honourable Chief Executive

Can I just briefly add my comments of others first of others first of all to Commander British Forces for the way in which he's worked with me in the short time I have been here. I found Nick very personable, very professional, very easy to work with. I also know that as far as he's been able to, often behind the scenes, he's done everything he can to support the work of the Government and a wider social-economic development of the Islands, over and above his primary defensive role and Nick, I am grateful for that and wish you very well.

Derek, I can't add very much to the very good remarks of what you which others have said. I have only worked with you for a short period. It's been a privilege and also very enjoyable and thank you for that.

There are two things that struck me about you and sometimes they get inter-mingled. Number One, your totally ruthless and unremitting focus on reducing expenditure and raising revenue and the other one is your very dry and very witty sense of humour and often the two get confused in my mind. So it's almost true that from one day to another I am never quite sure whether Derek's latest proposal for raising revenue or cutting expenditure is totally serious or humorous and that certainly keeps me on my toes.

Derek, we are going to miss you a lot. I think the way you presented your budget speech frankly says it all. It was very clear, it was very thorough, it was very deliberate and it was easy to follow and that style, which sums you up, we will miss a lot right across the Civil Service that wish you very well in your retirement.

Thank you.

Commander British Forces

Mr Speaker, Honourable Members, thank you very much indeed for your kind words. I have enjoyed my time here, not only my Military job but also the insight I think it's given to me, to the Government of the Islands both in EXCO and also in this House as well.

I have been struck, particularly I think, by the commitment of the Members of this Council and also all those in Government and the genuine desire, I think, by the people involved in the Government of the country to try and do the right thing for the Islands as a whole.

And this is often in the midst of a pretty lively public debate, whether that's in meetings that you have down in the Council Chambers publicly or in the Chamber next door or what gets discussed in the Penguin News a far more vibrant political environment, I think, than a lot of governments have to put up with in other places. So any people beyond these shores should not doubt the democratic credentials of these Islands.

You have got some significant challenges ahead in the future. You have difficult relationships with some of your regional neighbours, who are perhaps more focused on geography than on the wishes and the rights of people. You have the future in development and structure of Falkland Islands society to think about and also the challenges as we heard about today of balancing the budget in order to achieve that as well.

In the future the management of the potential of hydrocarbons, which will have great opportunities, should it all come to fruition, but will also produce, I think, quite a lot of change, perhaps more change than people quite appreciate. And that will take quite difficult management.

For all of those I wish you the very best of luck and also the very best of good judgment for the future to manage it as well.

In my next job I will retain a direct interest in the Falkland Islands business and I think I go to that job well prepared from my 18 months here. My successor, Air Commodore Gordon Moulds, knows the Islands well and is an experienced and highly capable commander. He is looking forward to coming back here and I think he will serve you and the defence of the Islands extremely well.

It remains for me to thank you personally and also on behalf of my family as well for our 18 months here in the Islands. We have thoroughly enjoyed our time here and in particular, the warmth of people's friendship and hospitality and I have to say, in particular, in our visits out to Camp as well.

Mr Speaker, Honourable Members, thank you very much indeed.

Mr Speaker

Honourable Members the Motion is carried, the House stands adjourned accordingly.