



26 May 2010

Speech by HE the Governor to the Legislative Assembly

Over the last two years, the format of the Governor's address has been changed so that it reflects the views and policies of elected representatives rather than the Governor's own. In November last, we saw the election of a completely new Assembly. So it is appropriate that this year this speech should set out the policy priorities of the new Assembly Members and outline their legislative programme.

But first I should set the context and challenges that Members face.

Leaving aside the deteriorating relations with Argentina, which I shall cover later on, the Falkland Islands continue to feel the negative effects of the **global economic downturn**. Our budgetary position remains fragile, not least through reduced fisheries income, reduced investment returns for Government and reduced tourist numbers. Although our Fishing industry has had some successes, particularly in the Loligo fishery, Ilex has had another disappointingly low season. This has depressed the economy and Government revenues.

Against that, however, we have had a significant boost from the start of the current **oil exploration** round (and to a lesser extent from the de-mining activity over the summer). The private sector has not stood still. There have been large on-shore investments to support the oil industry and probably more next year. And there have been noticeable investments in the retail and service sectors. But it would be wrong for the Government to base its economic forecasting or its future budgetary plans on the assumption that oil activity will be on-going. Even if hydrocarbons in commercial quantities were found, full exploitation would take several years to be achieved. The Government is therefore right to insist on financial prudence and to exercise budgetary restraint.

There are also longer term **structural challenges** for the economy. Both Fishing and Tourism have been major success stories over many years. Farming continues to develop particularly with the opportunity to provide meat for export. But these three industries will require further development if they are to remain competitive and provide the future wealth to sustain our quality of life – and we would do well even then to look for further economic diversification.

The **Economic Development Strategy**, or EDS, is nearing completion and will set out plans for taking forward our existing industries and developing new activity. It provides the potential to provide increased investment and economic

growth including in Camp. Although the financial implications are not finalised, it is likely that further funds will be needed to support economic development, not least for the development of any new port facility (in which, if approved, Members would seek significant private sector investment, particularly from the fishing industry which a new port would support).

The new Government also faces considerable pressures on **public finances**. Services such as health and education are costly to provide on a small scale and costs continue to rise, for example because of new developments in health care and because of the community's high expectations of the standards of service that they wish to have. The Government also has to meet community needs such as housing, support for Camp and better communications.

The challenges for public finances are considerable. The new Assembly has reviewed how they can best be met through a revised **Medium Term Financial Plan** for the next few years which strikes a balance between meeting investment and public service needs on the one hand and affordability on the other.

For next year, the existing target of a maximum operating budget deficit of £1m has been retained and the Assembly will continue to work towards a balanced budget in succeeding years. But Members no longer consider the original plan of building up budgetary surpluses in later years to be desirable or sensible. Reserves remain healthy. So, given the wider economic and financial circumstances, Members believe that there is little point in building them up further. Government budgets have already been adjusted downwards for lower Fishing revenues and assume relatively low revenues from Ilex. In this situation, the Assembly will therefore aim to achieve balanced operating budgets in future years and will prioritise the twin requirements of economic investment and meeting community needs as far as this allows.

The Government's **top priorities** are, therefore, to balance the budget and to ensure future economic growth. Members have, however, identified a number of **other policy priorities** on which they, with the support of the public service, will focus over the next 12 months.

The first of these is **Housing**. It is evident that there is insufficient affordable housing to meet the needs of all sections of our community and in particular young people and families. There are not enough 'stepping stones' to enable our young people to move away from the parental home and over time to step up through the options of rented property, starter home ownership to larger family homes. People wanting to return to or move to the Islands and Falkland Islanders resident overseas find it difficult to acquire property. Mortgages can be hard to obtain. These factors hinder our economic growth as well as social development.

The Government will therefore produce a housing plan which details the types of accommodation required both short and long term. It will also look at financial options for making housing affordable. These could for example include shared ownership and Government mortgages.

It is clear, however, that only a major housing development can meet future needs. The Mink Park development will provide an initial 19 sites and plans are being drawn up a major development on the Western side of Stanley probably to the north of Sapper Hill, subject to planning agreement, but with smaller scale sites being developed in the interim to meet ongoing need.

The Assembly's **next policy priority** is to ensure that Falkland Islanders are fully able through good standards of education, effective training and, through succession planning, to make full use of employment opportunities. Members wish to see greater localisation of posts, including within the public service. To this end, plans are being drawn up within the Education and Training departments. The plans include a review of the modern apprenticeship scheme to assess if it best meets the needs of the Falkland Islands. The provision of both further and higher education opportunities, including for mature students and opportunities at Masters degree level, are being considered. The need for appropriate career guidance, linkage to the Economic Development Strategy and associated workforce planning and funding options are all part of this. The public service is also looking at changes to its recruitment, promotion and training procedures so that local staff who perform well are given better career opportunities and will in the future be better able to occupy a higher proportion of top Government posts. Further details will be announced later this year.

Assembly Members have also overseen the completion of the **Rural Development Strategy**, which will be discussed with Camp residents over the next couple of weeks. The single most important part of developing Camp is to turn the Falkland Islands Meat Company, Fimco, into a viable business and diversify and increase the base income of farms from 80% wool and 20% meat to closer to 50/50.

Assembly Members believe that this will provide a real opportunity for farmers to diversify and provide a long term income stream which is less volatile than wool. Accordingly the Government is completing plans which will improve the throughput and efficiencies of Fimco to allow 86,000 animals to be processed each year.

In making this commitment, FIG will provide farmers with the confidence to change farm practices and invest as necessary to enable the transformation of the rural economy to provide a long-term sustainable economic future for farming in the Falkland Islands. This will, however, require farmers to get behind the changes needed on their farms to supply high volumes of quality lamb each year.

In addition to Fimco, the RDS focuses on the development of settlements as the key to re-invigorating Camp. It proposes a package of investment, fiscal and training measures which will focus on selected settlements in Camp [Fitzroy, Goose Green and Fox Bay] to facilitate business growth with corresponding improvements to infrastructure and community facilities. Detailed plans to achieve this are now being drawn up by the Development Corporation which will shortly appoint a RDS Co-ordinator who will lead efforts across the whole of the public service to achieve the plans.

Tourism is also seen as having more potential in Camp and the Chief Executive has now been asked to lead the production of a complete Tourism Strategy to ensure this potential is achieved.

Assembly Members recognise the difficulty of maintaining and improving the **roads** network in an affordable way. We have almost 1,000 kilometres of roads and need to focus maintenance funds on the most heavily used sections. To this end Stanley – New Haven – Port Howard – Fox Bay is recognised as the principal spine road of the Islands and most of the maintenance budget will be targeted here. However, it is intended that the communities themselves will be able to have more direct input and Government will shortly be consulting residents on priorities through the lay members of the Transport Advisory Committee.

Government also needs to ensure that the various elements of our **internal transport** - roads, air-service and shipping – all fit together in a cost-effective way. A review has already been undertaken of FIGAS to improve its flexibility and customer relations and that will be published soon. A wider, strategic review of all elements of our transport system is now to be conducted and this should be available for public consultation by February 2011.

Telecommunications have been a major concern for most people over the past few years with reliability and the cost of internet access as the main issues. The Assembly has given this a high priority and has commissioned consultancy work from Dr Doyle and Actual Experience that is scheduled to be completed in August 2010. This work will enable the Assembly to consider whether the exclusive licence granted to Cable And Wireless continues to be in the best interests of the Falkland Islands people, and what steps should be taken to better regulate the obligation to supply, and both the quality and price of the services provided. It will also modernise the legislation so that it meets current and future needs. The legislation will come forward in 2 stages – an interim Bill later this year that will deal with a number of issues that need to be urgently resolved, and the final Bill that will be introduced into the Assembly in early 2011.

Assembly Members are concerned that our **Employment Law**, which has not been reviewed for a considerable time, leaves many employees poorly protected. In particular, the lack of regulation of wage levels and working hours, and also of holiday and sick pay for part time employees, can no longer be defended. Accordingly Members have commissioned a fundamental review of these areas.

Continuing to provide good standards of **health** care is one of the Government's biggest challenges. As new technology and treatments become available, public expectations continue to rise. This, together with on-going improvements to clinical standards, makes it ever harder to provide an affordable health service. But the community wants a good health service. So the Assembly is introducing a Medical Services Levy, at 1% for employees and 1.5% for employers, to help to ensure that we can continue to provide acceptable health care. But this, on its own, will not solve the problem. Managing health care and its finances will remain an on-going challenge through the life of this Assembly.

Assembly Members believe that **immigration** policy needs further thought. The Falkland Islands' Immigration Ordinance was introduced in 1999 and there has been no complete review of the Ordinance since then. The new 'points system' for Permanent Residence Permits introduced in 2009 needs to be adjusted to ensure that it is fair on all applicants. Members also want other areas such as Falkland Islands Status applications to be looked at properly, bearing in mind the new Constitution. These issues need to be considered within an overall policy framework which clarifies the Government's aims on immigration and ensures a fast, consistent and fair approach which meets the future needs of our economy and community whilst at the same time effectively protecting our borders. A wide-ranging review of immigration has been commenced and this will produce proposals for improvement during the course of the next year.

The final domestic policy priority is **public engagement and transparency** of Government. The new Assembly Members have been very conscious that many in the community have felt detached from Government. There are many ways to address this, including use of the Internet, changes to the format of public meetings, changes to Assembly meetings or quite simply a change in the style and accessibility of Members of the Assembly. Over the next year, Members hope that the community will see several changes for the better and proposals which reflect this policy commitment.

Much of the work of the Assembly as a body over the next year will be in considering **legislation** based on the policy programme outlined in this speech, as well as other some other priority improvements to our laws to ensure sound governance. Legislation for the next year will include (and they are listed in no particular order):

1. in addition to the usual Finance Bill to implement the budget decisions, a **Medical Services Tax Bill**, which will be required later in the year to give effect to the re-introduction of that tax;
2. a **Statistics Bill**, to ensure the provision of information in support the preparation of national accounts; a vital tool in the policy prioritisation of economic growth;
3. legislation arising from the conclusion of the Economic Development strategy and Rural Development strategy, such as amendments required to the Falkland Islands Development Corporation Ordinance;
4. a **Livestock and Meat Products Bill**, and supporting subsidiary legislation, to ensure that the framework for the EU certified abattoir is updated in compliance with EU requirements;
5. an amending **Telecommunications Bill**, which will be the first stage in a complete overhaul of the law arising from the ongoing review of telecommunications policy;
6. legislation arising from the work to review **employment** policy;
7. a Bill to prohibit **smoking in public places** and work places;
8. a **Falkland Islands Status (Amendment) Bill**, arising from changes to Falkland Islands status under the new Constitution;
9. a **Complaints Commissioner Bill**, which follows on from the Public Accounts Committee Ordinance in terms of giving effect to new Constitutional provisions; and

10. a **Mental Health Bill**, to give effect to modern practice in mental health and to ensure that the protections available for mental health patients reflect the requirements of the Constitution.

Mr Speaker, I turn now to international and constitutional matters.

Relations with Argentina have become yet more difficult since the start this year of the new round of hydrocarbons exploration in Falklands waters. The Government of Argentina has reacted by pressing its sovereignty claim more actively in international fora and has, by virtue of Presidential Decree 256, sought to disrupt our legitimate shipping business with South America.

I am pleased to say that the new British Government has reasserted its strong stance on British sovereignty over the Falkland Islands and its firm support for the Falkland Islands Government's efforts to develop a hydrocarbons industry here. It has protested strongly against Presidential Decree 256 by calling in the Argentine Charge d'Affaires in London and handing over a Note Verbal.

It remains the hope of both the British and Falkland Islands Governments to have a stable, co-operative relationship with the people and Government of Argentina. There are many areas of possible co-operation and trade that could be of mutual benefit. But it is the Government of Argentina that in 2003 imposed a ban on charter flights to the Falklands and has since restricted air travel here; that in 2007 withdrew from the 1995 Agreement that allowed co-operation on hydrocarbons exploration in a special co-operation area to the south-west of the Falklands; that is no longer prepared to co-operate on fisheries conservation in the south-west Atlantic, effectively preventing the establishment of a multilateral fisheries conservation organisation in an area that is increasingly being over-fished; that has sought to penalise companies wanting to do business in both the Falklands and in Argentina; and that now seeks to control the sea lanes to the Falklands.

The UK Government firmly rejects Presidential Decree 256. We consider that it and its implementing regulations are not compliant with the UN Convention on the Law of the Sea. UNCLOS provides for ships of all nations to enjoy the right of innocent passage through territorial seas and freedom of navigation beyond. As a matter of international law, the exercise of such rights may not be made subject to the prior authorisation of a coastal state. UNCLOS also provides that international straits, like the Magellan Straits, are open to free and unopposed navigation by all vessels. And the same applies to the River Plate. We expect the Argentine Government to honour its international commitments. Otherwise, it would look very much like an attempt at economic blockade, which President Kirchner herself publicly ruled out in her speech to the Rio Group in Cancun in February.

The Government of Argentina seeks to present all this as a bilateral problem with the UK – hardly, since that ignores the free and democratically elected Government of the Falkland Islands. They argue that the principle of self-determination, enshrined in the UN Charter, should not apply because the Falkland Islanders are not an indigenous people – a surprising comment from the

Government of a country that is so largely based on immigration from Europe and elsewhere, when some Falkland Island families can trace their local roots back eight or nine generations. If the Argentine people can enjoy self-determination, so should the Falkland Islanders. The Argentine Government argues that, since the Falkland Islanders are British, they are just like British Citizens living in the UK. This ignores the fact that Falkland islanders are a community quite distinct from the UK. The Falkland Islands are not part of the UK and Islanders have their own identity and separate government. The Argentine Government also attempts to portray Argentina as a weaker nation having to deal with a stronger, more powerful Britain when advancing its sovereignty claim. Yet, seen from here, it is a mirror image – of the Falkland islands with its tiny population of 3,000 souls facing a much larger Argentina, which fails to recognise the democratically expressed wishes of the people of these Islands to remain British, under their own self-government, free of Argentine sovereignty and control.

Whilst it may be naïve to expect Argentina to give up its sovereignty claim – after all, they put it into their Constitution in 1995 and chose last year to enact legislation that purports to include the Falklands in one of their provinces – I would hope that it is not naïve to hope that we can work towards a situation where both Argentina and the Falkland Islands can maintain a sensible relationship of mutual harmony and respect without the spectre that Argentine sovereignty and control might at some stage be imposed on an unwilling population.

Mr Speaker, this Assembly is the first to be elected under the new Constitution and the new arrangements are, I believe, working well. I am pleased that the Public Accounts Committee is up and running. This is an important advance in public accountability and transparency in government. I also look forward to the early passage of the Complaints Commissioner legislation, since this will provide another independent avenue for grievances to be heard.

Mr Speaker, I should like to pay tribute to the immediate and generous response of this small community to the disastrous earthquakes that hit Chile earlier this year. There was an outpouring of sympathy and support when the full extent of the devastation became apparent. People here have raised considerable funds in support of our Chilean neighbours – and I know that Chilean nationals living in the Islands are most grateful.

Mr Speaker, this is the last time that I shall address this House on such an occasion, since Helen and I shall be leaving the Islands at the end of our posting in mid-September on retirement. It has been a privilege and an honour to have lived and worked here and to have had an opportunity, all too brief for our liking, to have served the Falkland Islands. Thank you.