

**A BILL
ENTITLED
“APPROPRIATION ACT 2012”
SECOND READING BRIEF
Presented by
Senator E David Burt, JP
Junior Minister for Finance
Wednesday, 21st March, 2012**

Madam President, I ask leave of the Senate pursuant to Rule 25 so that the Senate may now proceed with the second reading of the Public Bill entitled the Appropriation Act 2012.

Madam President, I move that the Bill entitled “The Appropriation Act 2012” be now read for a second time, together with consideration of the Estimates of Revenue and Expenditure for the Fiscal Year 2012/2013.

Thank you Madam President.

Madam President, with this motion, we kick off the General Economic Debate in this honourable Chamber. I am privileged to lead this debate and it is my hope that the ideas and topics covered by Senators during this debate will be useful for the good governance of our island home. It is my sincere hope that the debate in this Chamber today, and over the next sittings of this Chamber, will be honest, forthright, and lead to a better future for our island and her people.

Let me begin by saying that it is an honour, as a young, or not so young, Bermudian to represent the future of my island home in this Chamber on this very important day.

I am humbled by the support I receive daily from citizens and encouraged by the ideas that are shared with me. I start this speech with the knowledge that no matter what the naysayers want to predict, Bermuda's best days are ahead of her. We have a beautiful island and wonderful people. Our spirit may be tested during tough times, but we will not be deterred by the challenges that face us.

Madam President, 26 days ago, in another place, the Premier and Minister of Finance read our Government's 2012 Budget statement entitled "Let Us Build One Another Together". In this statement and with this budget the Government is doing the RIGHT THING for Bermuda and her people. I say Bermuda and her people, because as I have said many times before, budgets are not just about numbers on a page, they are about the people we represent: our students and our seniors, our able bodied and our sick; our workers and those who are looking for work.

Since the Premier delivered the Budget statement, it received the predictable criticism from the opposition. Madam President, the government is used to the criticism from the opposition, as that is their job. However, the content and tone of this year's Budget Reply was unfortunate because it deprived the people of Bermuda of any alternative philosophy. No competing vision for Bermuda has been set out and this has persisted throughout the debate in another place. The sad thing is that the curious attacks and clouded insults contained in the opposition's reply still left the people of this country wondering what the opposition stands for. Madam President, after I review the Budget I will take time to review the opposition's response as the public has a right to know fact and not fiction.

Madam President, the headlines of the 2012-2013 Budget are widely known, but I will take a little time to review them in more detail this morning.

Total expenditure for fiscal 2012/13 is projected at \$1.08 billion. This figure represents \$934 million in current spending, a decrease of \$37 million or 4 percent over the previous

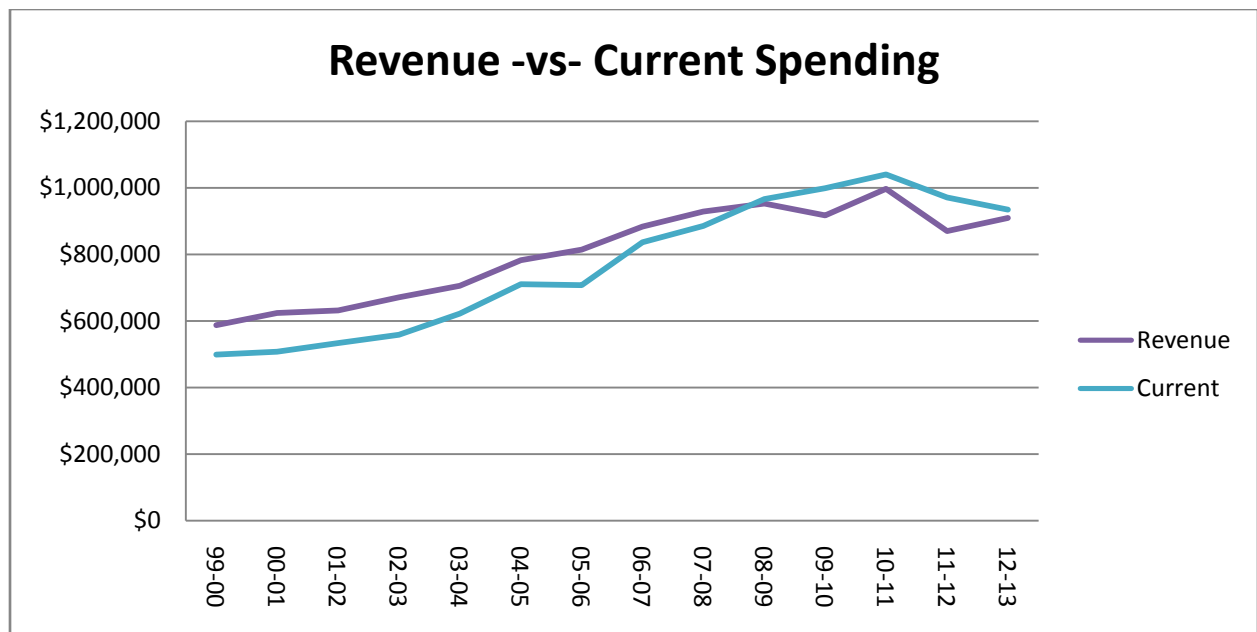
fiscal year. Capital spending is estimated at \$76 million which represents an increase of \$11 million or 17 percent over the previous fiscal year. Total expenditure of \$1.08 billion is \$56 million less than FY 2011/12, a decrease of 5%.

Interest payments on long term debt are estimated at \$85 million. \$35 million of that amount is to be paid from the Consolidated Fund and \$50 million of the amount is proposed to be paid from the Sinking Fund.

The 2012/13 Budget funds the major programmes of the Government as highlighted in the 2011 Speech from the Throne, and maintains the commitment of this Government to avoid further disruption to our economy by causing reckless redundancies in the civil service and cuts to services for the vulnerable in our society.

Madam President, this budget was the first produced under the new Open Budget process. The objective of the Open Budgeting process is to increase the public's understanding of the budget and the impact that budget decisions have.

In December 2011, the Government published its first Pre-Budget Report. This report outlined a number of policy options and sought to highlight the trade-offs of differing fiscal policies. The Pre-Budget report also committed the Government to a freeze in current expenditure at 2012/2013 levels, and announced the formation of an Efficiency Team. The Efficiency Team will be comprised of staff from the Cabinet Office, Ministry of Finance and the private sector, under the direction of the Premier and Minister of Finance. The team's task will be to work with Ministries and the Ministry of Finance to identify efficiency gains within Government where money can be spent more wisely. The Government has already made headway in reducing current expenditure over the past 2 years, as can be seen on the next chart. This team will assist ministries in identifying additional savings to fulfil the Government's pledge.



Following the release of the Pre-Budget Report, the Premier and Ministers of the Government hosted a series of town hall meetings to hear direct from citizens their views on the policy proposals floated in the Pre-Budget Report, and also to hear the priorities of the people we represent. These town halls were well attended and increased the understanding of the budget process for those who were able to attend.

OUR CURRENT ECONOMY

Madam President, now that I've covered the highlights of this Government's budget, I'd like to speak a little about the last few years and the financial crisis that inflicted such pain globally. I'd also like to discuss the Government's response and set the record straight.

Madam President, Bermuda has been battered by the worst recession in 80 years, a global slowdown that has been termed the "Great Recession". Over the last few years, the world has seen incredible upheaval in the financial markets and the systems that make the world work. Worldwide, we saw banks fail, venerable large companies fall by the wayside, countries large and small fall under mountains of debt and struggle with unemployment. Locally, we saw unemployment jump to its highest level in 19 years, watched our financial

institutions struggle, saw hotel properties close, and witnessed long established businesses close.

The financial expansion which by and large was uninterrupted since 1993 came to a crashing end in 2008. Financial innovation, where financial wizards essentially created money out of thin air, created huge asset bubbles globally which came to a sudden collapse. The best way to describe it was that it was a large pyramid scheme, and when the scheme unravelled many investors were left holding worthless assets. The only issue was that investors had borrowed against these assets and were unable to pay their debts. Many of the holders of these assets were banks and financial institutions. Governments worldwide were challenged with their response. Many nationalised banks, guaranteed deposits, printed money to purchase worthless assets all in the name of preventing the Great Recession from turning into a second Great Depression. Many of our tourism developments have fallen victim to this history, as their financial models were based upon inflated prices which crashed with the markets.

Madam President, what troubles me is that there are some who would have you believe that Bermuda finds itself in a crisis of our own making, that we somehow caused the global financial crisis or that we didn't respond quickly enough. It should come as no surprise that I have an alternate view and I would like to take some time to share it. However, before I do, let me start with some facts which no one can dispute:

- It is a fact that the financial crisis that came to a head in 2008 was the most serious financial disaster to hit the world since the Great Depression.
- It is a fact that Bermuda is indeed a part of the world, and was severely affected by this crisis. This could be seen given the effect of the recession on our main sectors of international business and tourism and also on Government revenues.
- It is also a fact that in the Government's Budget Statement of 2008 the Finance Minister warned of economic clouds on the horizon by stating, *"The global economic outlook for 2008 has been clouded by the continuing fall-out from the subprime lending crisis. There is continued turbulence in capital markets. As a*

result, the G-7 outlook now is more uncertain than it was before the release of third quarter GDP data for many countries in the group. In the case of the United States, the outlook for the national economy is pessimistic as there is a convergence of views that the U.S. economy is likely to experience a recession in 2008.” This statement stands in direct contrast to the falsehood that is often repeated the opposition that this Government ignored the warning signs of the financial crisis.

Madam President, these are the facts that no one can dispute as they are a part of public record. It is my view that the actions of the Government over the past 4 years were correct and softened the impact of the recession. Madam President, I must repeat that for all to hear. The actions of this PLP Government over the past few years softened the impact of the Great Recession on the people of Bermuda and had we not have taken the decisive actions, our economy would have suffered even more pain.

In the 2009/10 and 2010/2011 budgets, this Government continued the investment in its people as noted by its capital expenditure plan. Had the Government pulled back spending in 2009 as members of the opposition continue to suggest, the 5% reduction in nominal GDP that Bermuda witnessed in 2009 would have been even worse. This, Madam President, is a fact that cannot be disputed and I must repeat this as it is a very important point. The investment in capital projects during the last few years, which was mocked as “drunken” spending, softened the impact of the financial crisis on Bermuda. In other words, the effects of the recession could have been worse and would have been worse if we followed the advice of opposition politicians intent on scoring political points but offering no alternative and no solutions. Madam President, the Government did NOT listen to their advice as it was the wrong advice and would have done more damage to the economy.

As much as some have criticised the spending and investment over the past 4 years, they cannot argue the established laws of economics. The economic activity provided by government borrowing and the resulting spending and investment lessened the impact of the recession. Had the Government not borrowed money, our economy would have been in worse shape.

DEBT

Madam President, I want to spend a few minutes speaking on a topic that we hear a lot about nowadays, and I'm sure we'll hear a lot about from the Senators opposite: the Debt owed by the Government of Bermuda. The Premier and Minister of Finance is often quoted as saying, "Debt is neither inherently bad or good-it is how you use it that matters."

It is no secret that over that past 4 years, Bermuda has seen a significant increase in its debt. This was a direct result of the decision to maintain demand in the economy via borrowing. As I stated earlier this is understandable as it is identical to the approach of governments worldwide as they coped with the Great Recession. It was the right thing to do.

Countries around the world have seen their budgets impacted greatly as they continue to deal with the repercussions of the Great Recession, which was a once in a lifetime financial event. Madam President, this is an important point. The crisis which hit the world in 2008 was a once in a lifetime event from which every country is still recovering. Once in a lifetime means that no other government in this country has had to deal with a situation as critical and as challenging as this situation was for our people. Bermuda was challenged, and is still being challenged; however, the choices the Government made were the correct ones and will ensure that our recovery is more stable.

Madam President, as I said earlier, budgets are not just about numbers - they are about people. Facts and figures can be used to paint a picture, but it is important to look at what was done with the money that was invested in the future of this country.

The opposition loves to harp on their old record pre-1998 when they were the Government, but they conveniently forget the fact that they neglected to invest in the infrastructure of this country. If Bermuda followed their mentality, we would never build anything until we saved up the money to build it. Madam President, they even articulated this as a formal policy in their budget response where they said they would reduce the cost of government by "*extending the schedule for capital projects according to their cash-based affordability.*" The opposition has stated that going forward all of our capital projects

should be paid for in cash. To put that into context for a family, that home that you've always wanted, if you followed the thinking of the opposition, you should save the \$700,000 to pay for it in cash before you start building as opposed to borrowing the money from the bank and paying a monthly mortgage. That degree you require in order to earn a better pay-check, wait until you have saved the cash to pay for university instead of getting a student loan to pay back with your increased salary. Madam President, unfortunately the world doesn't work that way!

Let's put that short-sighted opposition pledge into practice. The cruise industry, which provides our economy \$56 million annually in foreign exchange earnings, needed a new pier to keep up with the global trends towards megaships. If you follow the opposition's thinking, you would agree that we should have saved the budgeted \$59 million before we started building the pier. Meanwhile, in the time it took to save the money, Bermuda would not have had the benefit of these cruise visitors, who spend money in our stores and pay \$16 million a year in taxes to the Government. Does this make sense? Of course it doesn't. So, what did this Government do? BORROW THE MONEY so that we could construct a new pier to hold 2 of these megaships at once. The borrowed money will pay back the investment in the port in 4 years given the annual revenue generated in taxes. However, the cruise pier will be here for many more than just 4 years, providing recurring revenue and continuous benefits to our island.

Madam President, I repeat, "Debt is neither inherently bad or good - it is how you use it that matters."

Taking the example above, imagine Bermuda over the last few summers without the ability to hold 2 megaships in the west. Imagine the effect that it would have had on the restaurants, taxis, and our entrepreneurs. Imagine if that short sighted thinking was the type of vision that governed our country in a time of crisis. Thankfully the PLP Government was not so short sighted and did not give into the austerity mindset of the opposition.

The only persons complaining about this investment in our country are the constant Government critics, who will find something to criticise no matter the case. They complain

about the overabundance of tourists on cruise ships, and complain about the money that was borrowed to build the pier. Yet, Madam President, they offer no alternative other than “we will aggressively look for ships to fit into Hamilton & St. George”. Madam President, this Government chose to act boldly and seize the initiative. This investment in our future, like many others, will continue to benefit the people of Bermuda for years to come.

Madam President, governing is not an easy task. Governments need to make choices, and this Government chose to invest in its people. It is a simple difference of approach between this party and the opposition when it comes to economic governance. The opposition has a long history of neglect of our people and our infrastructure. The Progressive Labour Party believes in investing in our people. The opposition believe that our building of essential and needed infrastructure overheated our economy; they believe that we should have waited for the economy to slow down before we invested in our people. If you listen to the revisionist historians of the opposition, they would have you believe that the Police should have waited for an economic downturn before we constructed a new police station and court building (with plans from that date from 1995). They would have you believe that the families who have been housed at Perimeter Lane, Butterfield Lane and Harborview Village should have waited for a recession before this Government did something to provide them with an affordable place to live.

Madam President, the hypocrisy is laughable. I’m sure the members of the public have memories of members of the opposition sitting in this Chamber today castigating the Government for not building enough homes. Now they complain we’ve built too many. Madam President, as I’ve said before there are still many people in Bermuda who do not own their first home, and the PLP will not make apologies for working hard to ensure that more of our citizens get to enjoy home ownership. We are criticised for not building enough housing, then we are criticised for spending money on housing, then we are criticised for building too much. Madam President, it seems as though this Government can do no right in the opposition’s eyes. However, there are many people who since 1998 have been able to purchase their first home, or have access to decent and affordable rental accommodations and the PLP is doing right in their eyes. Madam President, how

do we know we are successful? Because between 2000 & 2010 there was an increase of 13% in owner occupied properties. That means that more people own the home where they live. That means that our policies are working and are delivering for the people of Bermuda. The PLP's mission isn't to please the opposition it is to deliver for the people of this country.

Long-term economic growth results from the investment in the physical infrastructure and the intellectual capital of a country. Over the Progressive Labour Party's term in government, Bermuda has seen significant investment in infrastructure that has benefitted our people. Whether it is the \$230 million spent to ensure that our education infrastructure is first class, complete with technology to prepare our students for the future; or the \$50 million spent on busses and ferries to transport our residents and visitors alike. We made sure that our seniors could enjoy their retirement and have invested over \$25 million in facilities like the Sylvia Richardson Residential facility. We took care of our people by spending \$105 million dollars on affordable housing for our hardworking families. We built a new justice building for our police and courts, an urgent care centre in the east, and a new cruise ship pier in the west.

This PLP Government has invested in our people and invested in Bermuda. These are investments in our people's future, and just like a mortgage, will be paid over time.

Since 1998, this PLP Government nurtured our economy and created an environment where our economy grew. Madam President, If we were not good stewards of the public purse prior to when the Great Recession hit in 2008 we would have not had the ability to respond in the way that we did. If we didn't grow our economy, create jobs, grow GDP, and keep our debt low during our first 10 years of Governance, we would not have been able to support our people and our country during this time of crisis. In the last couple of years we've had to borrow to sustain demand, for which we make no apologies. As I explained earlier, it was the right thing to do to soften the impact of the recession on Bermuda and had we not have done that we would have been in worse shape than we are now. As we emerge from this Great Recession, Bermuda will have a first class infrastructure that can attract new business and investors to our shores.

Madam President, one must be weary when we hear talk about running the government like a business. In good times, governments must provide for the people, and in bad times governments must also provide for the people. Government is not a business as our sick and vulnerable cannot just be cast aside to make the bottom line balance. We cannot turn away our seniors from our hospital or short staff our schools. We cannot leave our borders unprotected and our children vulnerable. We cannot leave trash on the streets and let the hedges overgrow because there is a recession. It is a GREAT falsehood that governments are supposed to operate as a business. Madam President, debt is a tool that is used by governments, by families and by business. It is a necessary tool in times of crisis. It is a tool that we chose to use, and we value our people over our bottom line.

Madam President, the question is where do we go from here? Does the Government have a plan to stabilise our finances and budget deficits? Does the Government have a plan to balance the budget? The answer is yes.

It is important to note that despite recent increases in debt levels, the level of public debt as a percentage of GDP is still moderate when compared to other countries and remains one of the lowest debt policy ratios amongst developed modern economies.

Some would say that we shouldn't compare Bermuda to other countries; my response is that you can't have it both ways. You can't on one day want to compare Bermuda with our competitors and say we should be like Cayman, and then in another instance say that those comparisons are not valid. Whether it is compared to large or small nations, our debt to GDP ratio is one of the lowest in the world. Madam President, our debt is manageable and affordable.

Madam President, the Government is moving ahead with a credible plan for long-run fiscal consolidation in order to balance the budget and to keep the country on a long-term sustainable fiscal path. In this Budget the Government is projected to spend \$179 MILLION less than it did 2 years ago. The Government has tightened its belt and will continue to do so. As I mentioned earlier, an efficiency review will commence this fiscal

year to identify even more savings in excess of the \$179 million that have already been identified. We have committed to freezing spending at current year levels for 3 years.

Additionally, it should also be noted that the Bermuda Government is one of the few countries in the world which maintain a Sinking Fund. This illustrates the Government's commitment to a sustainable debt management policy. The Government Borrowing Sinking Fund is an important part of the Government's debt management policy as its primary purpose is to reduce or cancel public debt. For every year except one, since its inception, the Government has set aside money in the Sinking Fund that will be used to pay off our debts when they come due. For the year that we set aside money we repaid it the following year. This Government has continued to contribute to the sinking fund as we act responsibly when it comes to managing debt.

This year the Government will put \$30 million into the Sinking Fund. The Sinking Fund balance will increase during the next few years and is projected to reach about \$180 million in 2014. At this time, it is anticipated that the Fund will be used to pay off \$120 million of Senior Notes that mature in 2014. Further, it is anticipated that the \$90 million of Senior Notes maturing in 2016 will be paid off at that time as well. Therefore it is the Government's plan to cancel \$210 million in debt by the end of 2016.

The Government anticipates that additional borrowing will be required to meet this year's funding commitments. This year, the Government is again confident that it can meet its borrowing requirement in the local market. By financing government borrowing locally, the Government stimulates economic activity on island, and also reduces the need to repay its debts in foreign currency.

Madam President, there is one other item when it comes to spending, that that is the item of "Tax Expenditures". Tax expenditures assess the costs, in terms of forgone revenue, of various tax provisions that provide tax breaks for certain taxpayers and activities. Over the last few years, the Government has put into place a number of tax expenditures.

These were put into place to assist critical business sectors during these challenging times. In 2009, the Government put in place a Memorandum of Understanding for the

hotel sector for payroll tax relief. In 2010, payroll tax relief was extended to the restaurant sector. In 2011 and continuing in this budget, payroll tax relief has been extended to the retail sector.

Madam President, the cost of these concessions has been \$48 million dollars since they were put into place and cost an additional \$22 million this year. That is \$70 million dollars of support during this recession to these critical industries.

Madam President, this is money that is NOT collected by the government, but is in direct support to employers. This lost revenue must be accounted for and there are 3 options: Raise taxes on other sectors; cut spending which means redundancies; or borrow money.

The government chose the 3rd option as it is the best option in this time to assist those critical industries which employ 8,500 people and to help the economy. These tax expenditures are not permanent; however crisis situations call for bold action. This action affects the bottom line of the government, however making it through this crisis is more important.

I would ask the same question which I've asked before. Does the opposition support or oppose these tax concessions. If they support them how would they have paid for them? Would they have raised taxes, caused redundancies, or borrowed money? The people of this country deserve to know if the opposition are just criticising the money borrowed for political purposes, or if they would have done the same thing.

FICTION VS FACT

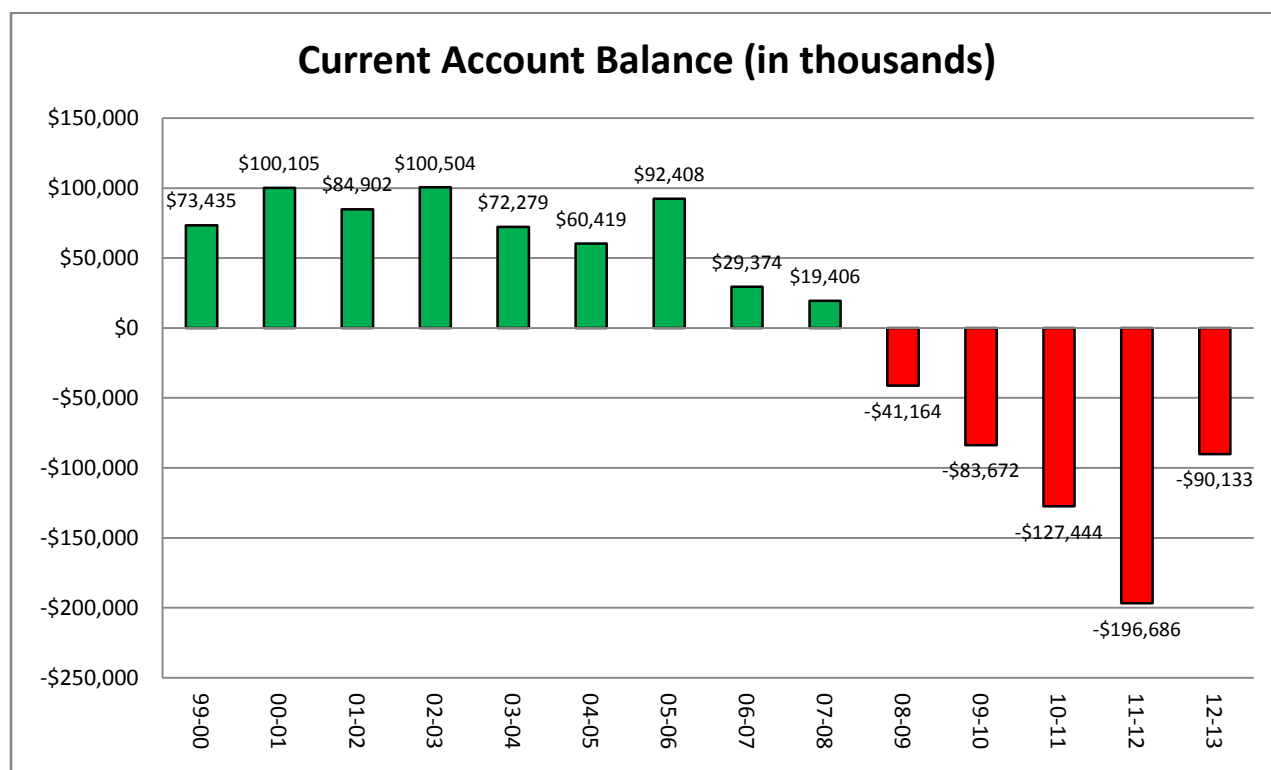
Madam President, I will now turn my attention to providing senators and the listening public some information that I've spent some time putting together.

Madam President, as I stated before, I am proud of this Government's record in investing in our people, and I am convinced that our response to the Great Recession--continued investment and short term deficits--was the RIGHT CHOICE.

But Madam President, there are some that are trying to rewrite history and paint a different picture to the people of this country. So I intend to put some time into dispelling myths that have been spread and clearly demonstrating to the people of Bermuda the difference between fiction and fact.

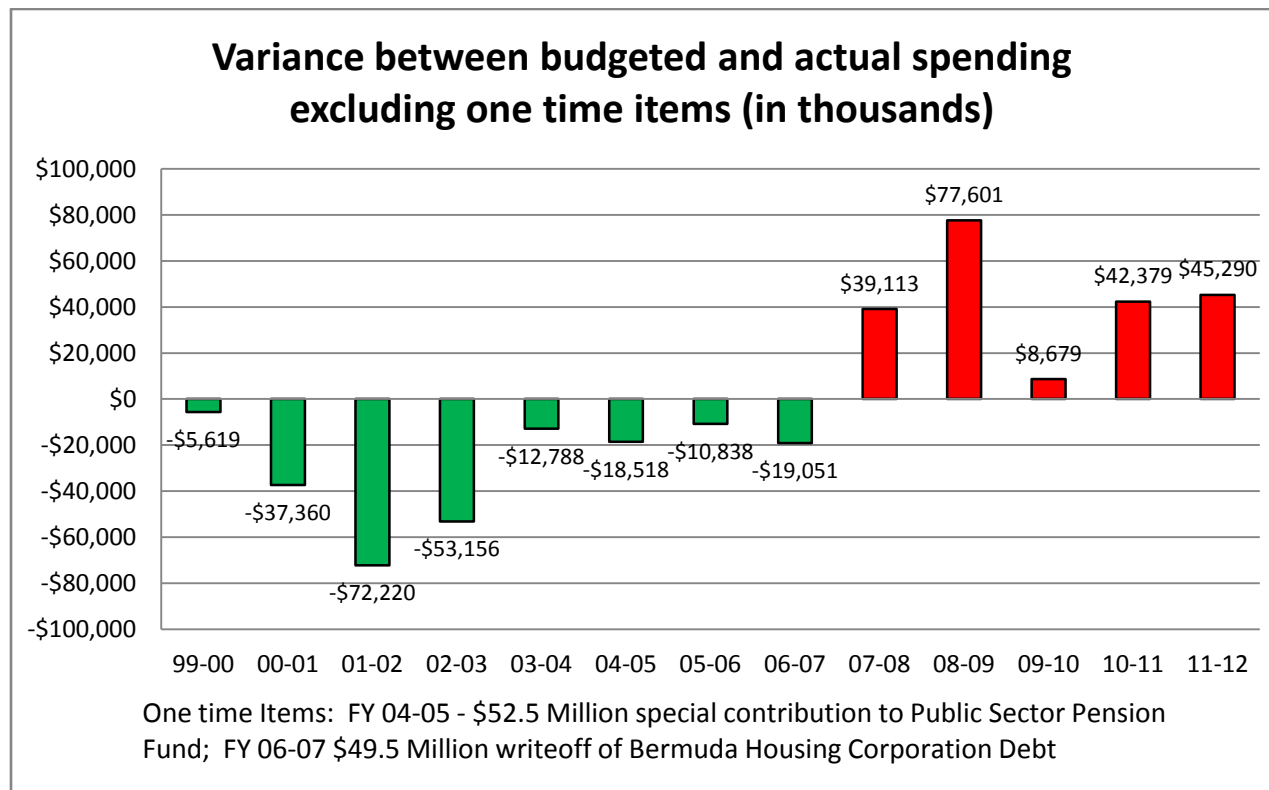
FICTION: The PLP did not practise fiscal restraint prior to the Great Recession

FACT: The PLP ran current account surpluses in EVERY year until the Great Recession



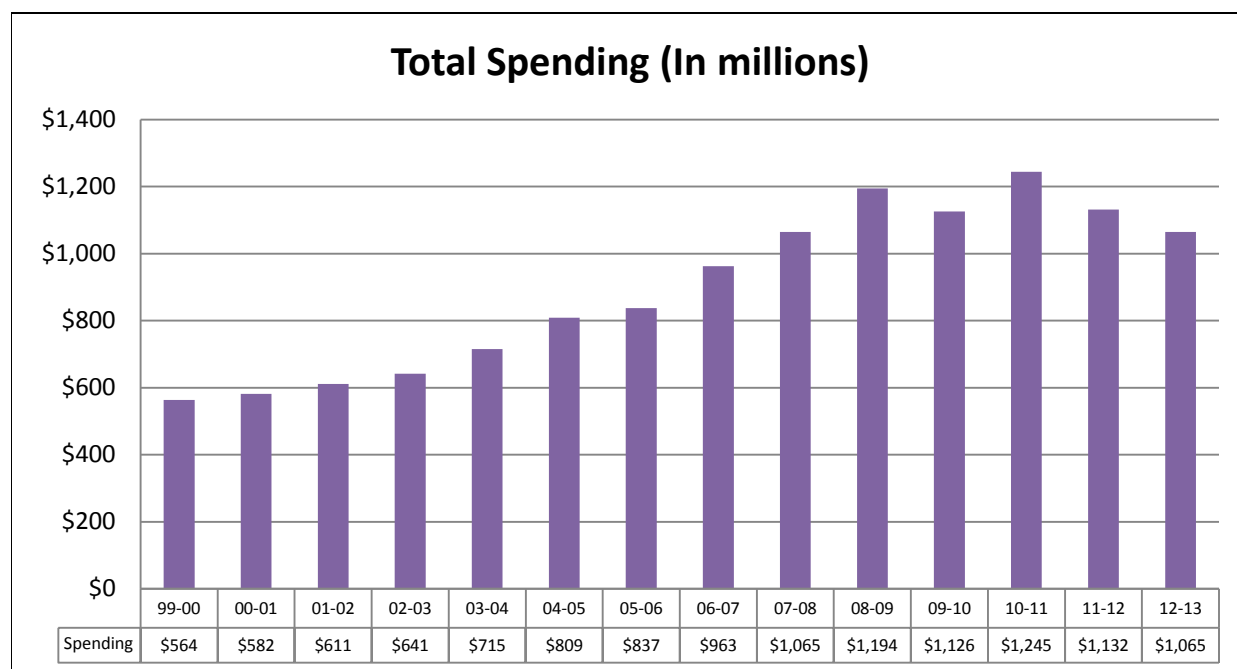
Madam President, as this chart shows, the claims from the opposition of a lack of fiscal discipline prior to the recession are just that: claims. Since the PLP came into office in 1998 until the onset of the financial crisis, the PLP maintained a current account surplus, which means that borrowing was only used to fund capital expenditure. What is also important to note is that these figures take into account two extraordinary expenditures which occurred in 2005 and 2007. In 2005, the Government made a \$52.2 million special payment to the Public Service Superannuation Fund and in 2007, the Government wrote off \$49.5 million of debt owed to it by the Bermuda Housing Corporation. Even when those 2 extraordinary figures are included the Government STILL maintained current account surpluses. This chart shows that the opposition fiction on this issue is not matched by the facts.

FICTION: “Bermuda has always exercised prudent management of the public purse until 2004 when Paula Cox took over as finance minister. Year after year, Ms. Cox blew the doors off her budget plans. Bermuda’s budget problems began before the 2008 world recession.” – OBA Campaign Document



FACT: As this graph shows above, excluding the extraordinary one-time items for housing and the Public Service Superannuation Fund, the PLP Government consistently spent LESS money than what was budgeted. Furthermore, Premier Cox spent LESS than was budgeted from 2004 when she took over as minister of Finance until fiscal year ending in 2008. This fact is in direct contrast to the fiction from an OBA campaign document stating otherwise.

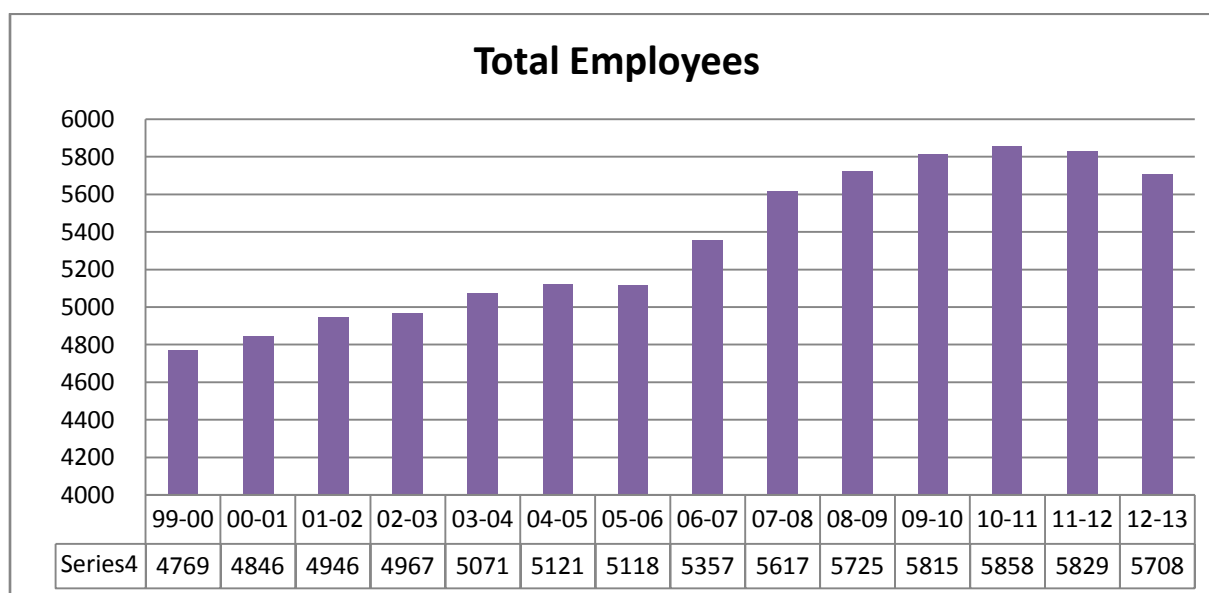
FICTION: “The budget fails to commit to cutting costs of running the Government” – OBA
Response to 2012/13 Budget



FACT: Madam President, the opposition’s budget reply conveniently ignores facts. Government expenditure peaked in 2010/11 at \$1.24 billion. This year, the Government projects to spend \$1.06 billion, a reduction of \$179 million from the peak spending. While to opposition continues to criticise the Government for not cutting the cost of the Government, the PLP Government is doing just that.

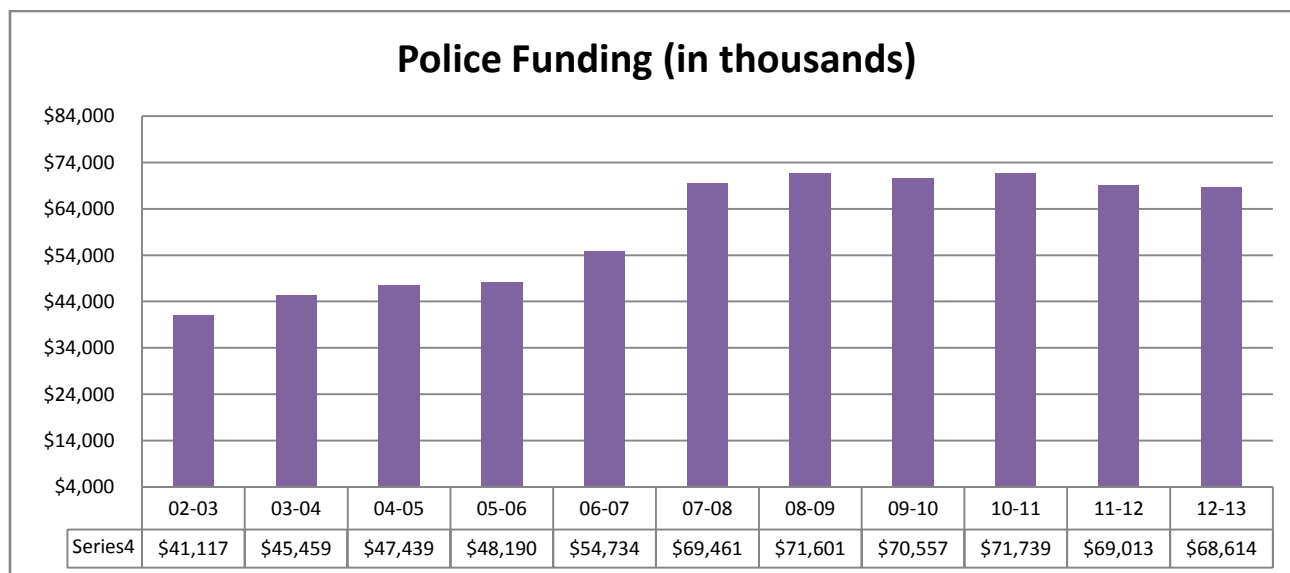
FICTION: “The Minister has not even committed to freezing the size of the civil service as we would” – OBA Response to 2012/13 Budget

FACT: Madam President, once again, the opposition’s budget reply conveniently ignores facts. To quote from the Government’s 2011 Pre-Budget Report, “*In order to remain as close as possible to Government’s 2011-12 budget targets, Government has instituted several measures in order to realise further cost savings. In particular the Government has instituted a hiring freeze on non-essential posts*”.



Madam President, it is a fact that Government employment peaked in 2010/11 at 5,858 employees. Since that time, there has been a reduction in headcount of 150 persons. However, Madam President, the pledge made by the Minister in the Pre-Budget Report doesn’t satisfy the opposition. At one point in time the Shadow Minister of Finance mocked the PLP Government’s commitment as he felt “non-essential” was not good enough. I guess maybe opposition Senators gathered here today would explain how they would fill statutory posts if the government was prevented from filling them. Posts such as the Chief Justice or Director of Public Prosecutions would they remain vacant. There are such things as essential posts, and the Opposition should stick to the facts when discussing this issue.

FICTION: When referencing public safety, “The Budget cutbacks in recent years, when the violence exploded in shooting and death, was as mystifying as it was unacceptable.” – OBA Response to 2012/13 Budget



FACT: Madam President, we’re noticing a trend here. Madam President, to borrow some words of the Shadow Minister, what I find ‘mystifying as it is unacceptable’ is the opposition’s complete and total ignorance of the facts. Budget funding for the police has held largely steady for the past 6 years. I’m struggling to find the “budget cutbacks” referenced by the Shadow Minister. What is more Madam President, since 2002/03 the Government has provided the Police with an additional \$31 million to what is listed above for capital acquisitions to ensure they have the latest technology required to do their work.

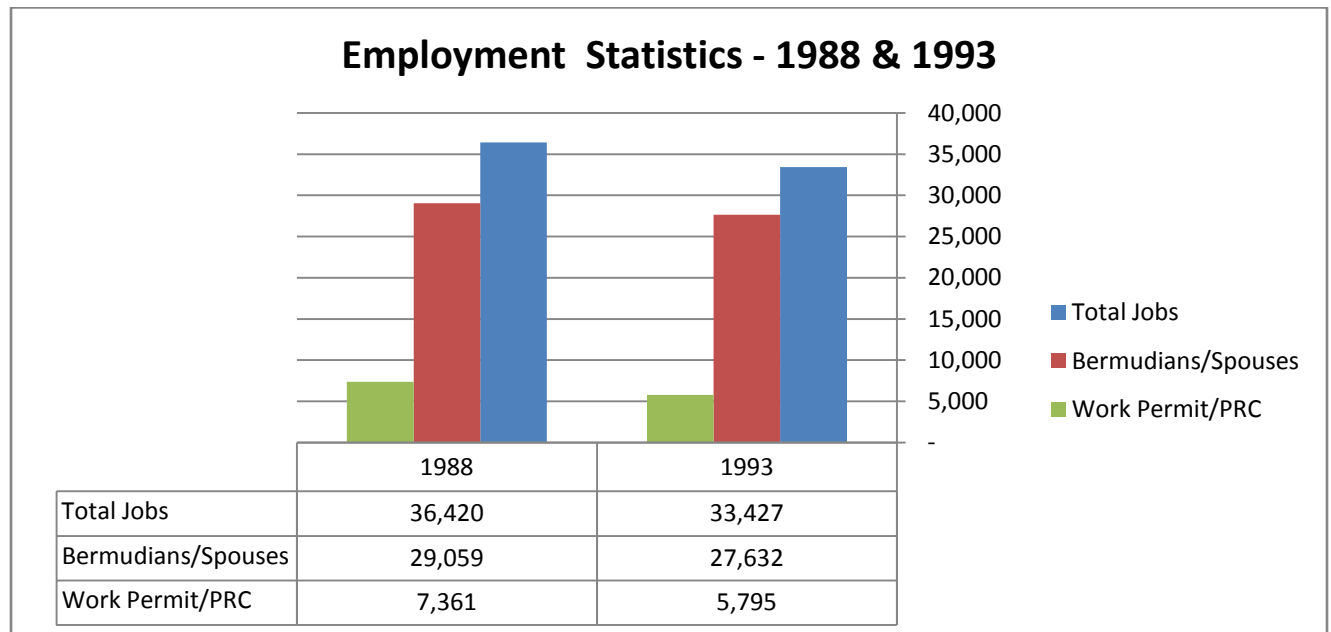
FICTION: “Bermuda is experiencing the most devastating decline in income, wealth and opportunity in its modern history.....Term limits are job killers, Bermudian job killers” – - OBA Response to 2012/13 Budget

FACT: Madam President, as sure as the sun will rise tomorrow, you can be sure that the OBA will attempt to state that the reason that we are in our current economic state is because of the Government’s term limit policy. If you listen to them Madam President, you would think that term limits caused Lehman Brothers to go bankrupt and started the European debt crisis. Madam President, the OBA have a political objective, and that is to attempt to convince the people that the global financial crisis, and the pain that Bermuda is feeling as a result, is because of term limits and therefore the PLP is solely to blame. They ignore the fact that the Bermuda economy continued to create jobs and expand for 7 years after the policy came into effect.

I have a different answer Madam President. The decline in employment is NOT related to term limits; it is because of the recession. To demonstrate these facts I will refer to the following two charts, which show employment in Bermuda and highlight the following years: 1988, 1993, 1998, 2008, 2011.

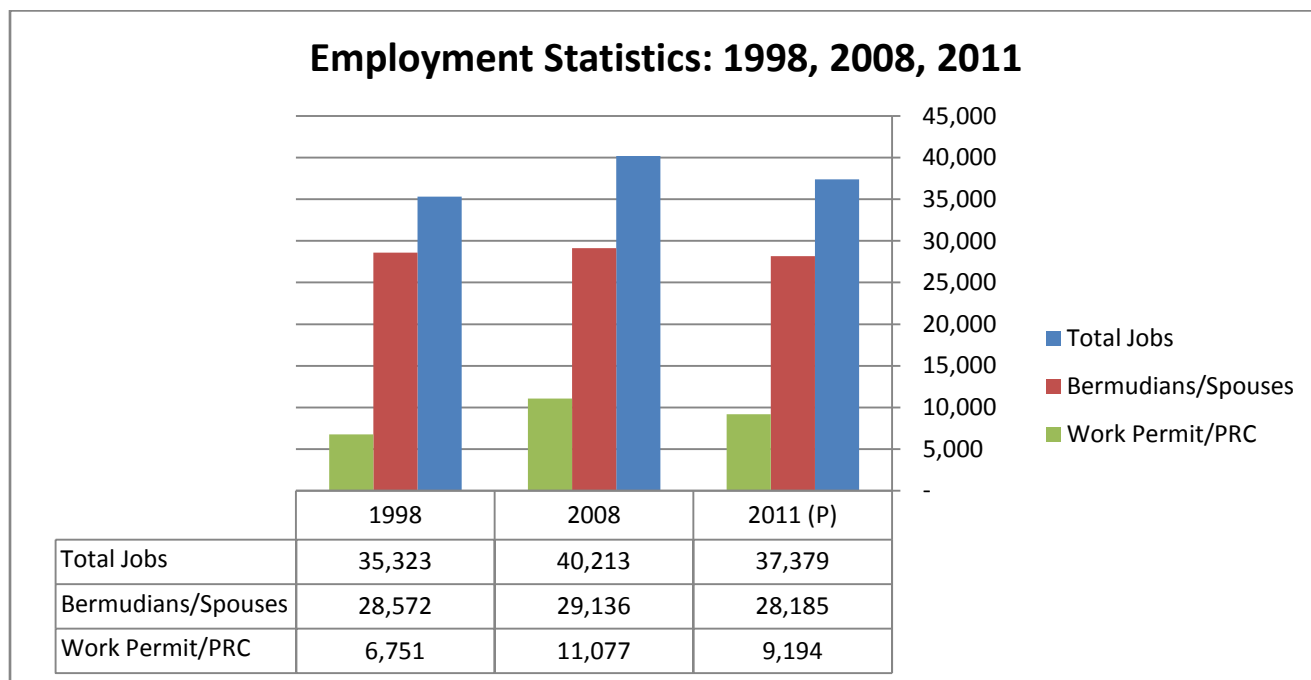
- 1988 was the peak in employment before the last recession that Bermuda experienced;
- 1993 was the low point of employment before it recovered in 1994;
- 1998 was the year the Progressive Labour Party was elected to government;
- 2008 was the peak in employment prior to our current recession; and
- 2011 is where we are now.

The first chart examines the employment changes between 1988 and 1993.



Madam President, as you can see, the total number of jobs in our economy in the period of 1988 -1993 declined by 2,993. Of that number, 1,427 jobs were lost by Bermudians and their spouses and 1566 jobs were lost by non-Bermudians. The reduction in employment during this time period represented an 8.2% decline of jobs in the Bermuda Economy.

Madam President, the next chart shows employment in 1998, 2008, and 2011.



During this current recession the number of jobs lost so far stands at 2,834. Out of that figure, 951 were lost by Bermudians and their spouses, and 1,883 were lost by non-Bermudians. The reduction in employment during this time period represented a 7% decline of jobs in the Bermuda Economy.

Madam President, you may ask why I am going back to what some people may regard as ancient history. First time voters in our next election were not born in 1993 let alone 1988. Madam President, you can learn a lot from history.

The Shadow Minister of Finance said that, “Bermuda is experiencing the most devastating decline in income, wealth and opportunity in its modern history.” Clearly, his modern history begins after 1993 as he has completely forgotten the last time Bermuda was in recession. Madam President, I was 10 years old in 1988, but I’m sure the Shadow Minister of Finance was of age to remember that recession.

Madam President, what is all the more interesting is that from 1988 to 1993 8.2% of the jobs in our economy were lost. There are certainly parallels to this recession, but there is one that is missing. The OBA bogeyman of Term Limits! I stand to be corrected, but the term limit policy was not introduced until 2001, so what explains the drop in employment?

Madam President, is it possible that the drop in employment was because of global economic conditions at the time? If that is the case then, why is it not the case now? Why is it that the OBA insists on claiming that term limits are to blame for our economic conditions? Could it be that they have a political motive, that they feel they can repeat the statement enough so that the people may believe it, even if the opposition knows it to be untrue?

Following logic, Madam President, it would seem clear that term limits didn't cause this recession, just like term limits didn't cause the last recession in Bermuda. One would hope when given this evidence, the OBA will find another bogeyman to blame, however I'm sure the OBA will keep beating this piñata.

However let us move on to the second part of the Shadow Minister of Finance's fiction, that "Term limits are job killers, Bermudian job killers." Madam President, we've already eliminated the first argument that term limits are job killers, so let's tackle the claim that they are Bermudian job killers.

During the 1988-1993 recession, Bermudians and their spouses accounted for 48% of the job losses; however, during our current recession Bermudians have only accounted for 34% of the job losses. Madam President, this is a very curious statistic because according to the OBA term limits are "Bermudian job killers" and you would expect that more Bermudians would have lost their jobs as a result of term limits. However it would seem that in this current recession Bermudians are more insulated from job losses under term limits than not. It is interesting what the facts reveal when you take the time to do your research.

Madam President, before I move on, I would like to lay down a marker. I would hate for the some to attempt to twist my words on term limits to be anti-business. I believe that this Government has gotten it mostly right when it comes to immigration policy. I however will admit that in some areas we can do better. We must process work permits more quickly and this Government will continue to reduce the red tape so that business can thrive and flourish. There is always room for improvement and this Government has proved that it listens and acts in the best interest of Bermuda and Bermudians. However let's be clear, the OBA bogeyman of term limits is not the issue.

One final note when looking at these employment figures, and I think this is important to note: despite the Great Recession, there are still 2,058 (5.8%) more jobs in Bermuda than when the PLP took office in 1998. Despite the Global Recession, Bermuda's GDP has grown by 84% since 1998. Though times are tough, we will battle through, but I hardly think those stats justify the OBA's claims that "Bermuda is experiencing the most devastating decline in income, wealth and opportunity in its modern history".

Madam President, it is important that when we speak, we speak with facts. The people of our country deserve no less.

WHAT WILL THE OBA CUT?

Madam President, the most shocking item in the oppositions reply to the budget is that they did not offer an alternative vision. The text was full of condescending comments, but it was devoid of any figures or details of what the OBA would cut. It's curious that a party that claims to be a government in waiting cannot even put forward a competing budget. Now I've heard the Shadow Minister of Finance say that he doesn't have an army of civil servants. That is a cop-out Madam President. If members of the public can do it, so can Bob Richards and the OBA. If you really have an alternative view, then level with the people to say what you plan to do with the budget. Let them know what you will cut!

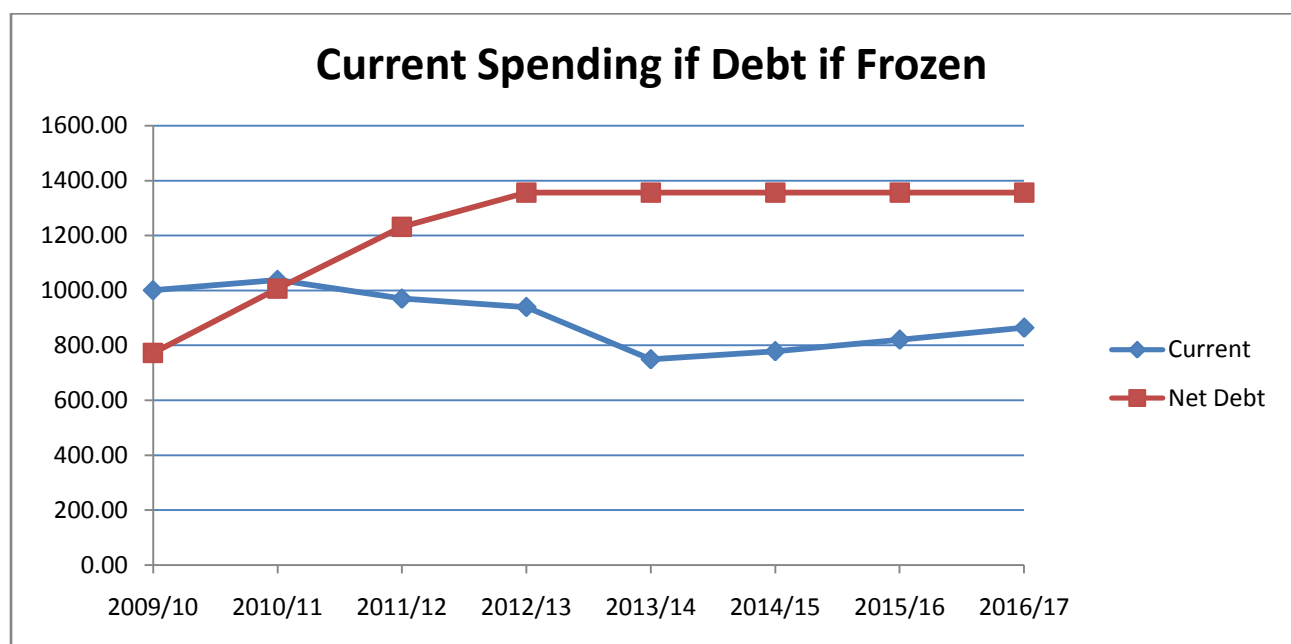
Madam President, the opposition went to great lengths to say that the numbers in the budget were not accurate and they took the time to say what they thought our numbers should be, however they didn't take the time to say what their numbers would be.

Madam President, I took a lot of time to research the figures that were used in this presentation, but I'd like to present a few more. I call this the budget the OBA didn't want to present. In their reply the OBA state one of their priorities is to "reduce the debt" and they state that they will take "strict and decisive action as it related to government spending" to "wrestle this debt to the ground".

Madam President, those are laudable goals, but they have not told the people how they plan on doing it. I have however, taken the liberty to map out some of their options.

The OBA has made clear their complete aversion to debt, so I've run a financial model that illustrates what would happen if, as the OBA would do if given the controls, Bermuda did not accumulate any more debt. This would mean that Net Debt would remain at \$1.35 billion where it is expected to be at the end of this fiscal year.

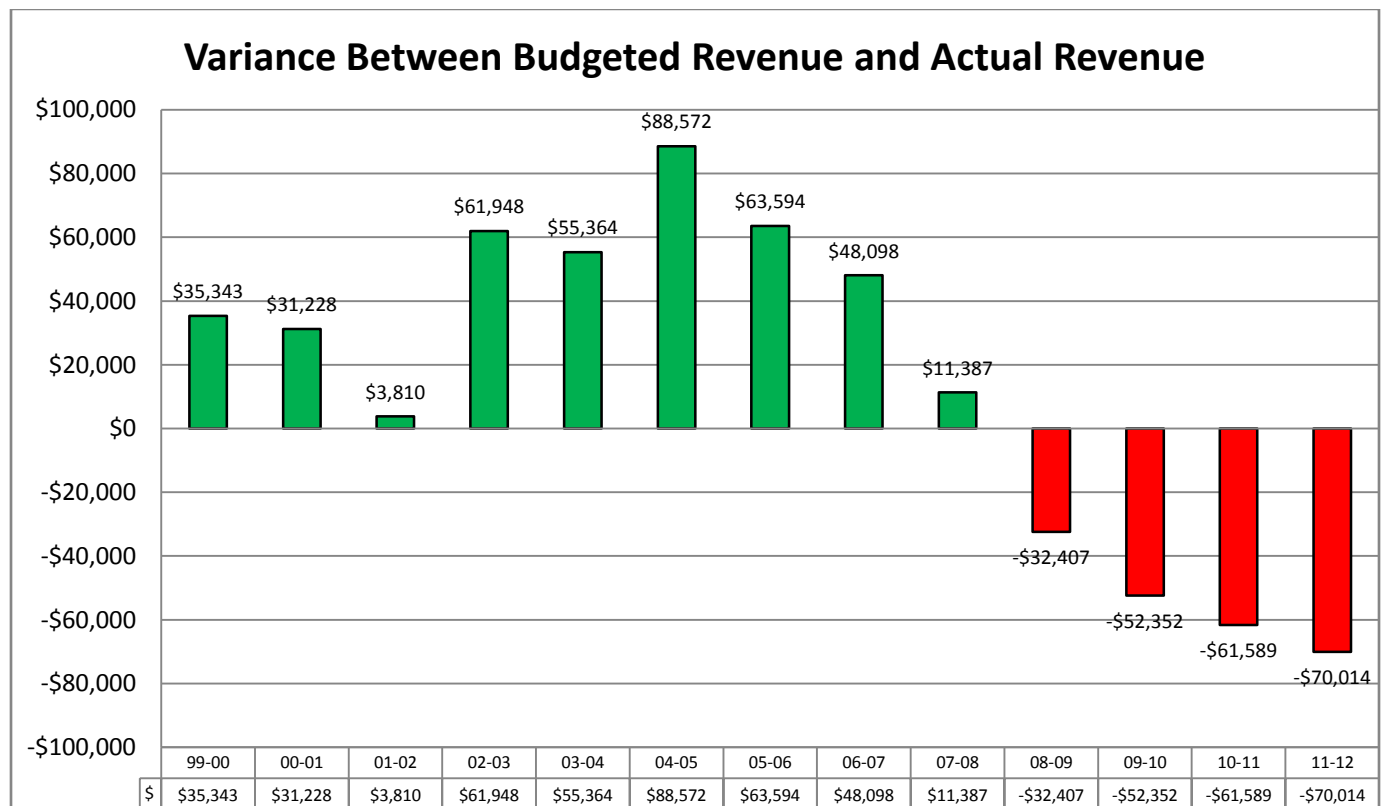
The figures below demonstrate that if the OBA were to adopt a policy of no more debt, they would need to reduce current spending from the \$940 million budgeted this year, to \$750 million the following year. Such a reduction would require trimming the government workforce by 1,200 or 21%. That means that one in every 5 government employee would be out of work: 1 in 5 teachers, police officers, firemen, bus and ferry drivers, health inspectors, home care nurses, planning officers, sanitation workers, and senior's aides. Because of the revenue shortfalls brought on by the recession, that is what is required to make the budget balance. I will assume that the OBA will find this politically untenable, especially in an election year. However, one must beg the question, Madam President, if they don't present a plan when they give their official reply, how will anyone know what they really plan on doing?



Projected expenditure is net debt is frozen at 2012/13 levels.

Fiscal Year	Current Expend	Revenues	Change in Net Debt	Capital Expend	Debt Service	Net Debt
2010/11	1038.26	977.40	191.50	120.52	56.30	1006.75
2011/12	970.25	871.61	225.25	60.00	70.00	1232.00
2012/13	939.77	899.65	124.44	75.00	23.87	1356.44
2013/14	749.32	877.64	0.00	60.00	82.34	1356.44
2014/15	778.87	907.07	0.00	60.00	83.88	1356.44
2015/16	820.84	946.19	0.00	60.00	77.05	1356.44
2016/17	864.43	990.29	0.00	60.00	79.07	1356.44

Madam President, it is conceivable that the OBA would state that they would have never accumulated this much debt, so would not need to make such drastic cuts if they were at the helm. That argument, Madam President, also has holes.



The reason I say that, Madam President, is because our budget problems are mainly due to a soft revenue position. The Chart on the previous page shows the difference between what the Government budgeted they would collect in revenue and what they actually collected. As you can see, when the Great Recession reached our shores, government revenue took a big hit. Now, in this case given the OBA's stated aversion to deficit spending, and given their criticism of the PLP for running short term deficits one would assume they would have taken a different path.

To compensate for the revenue shortfall above, the OBA would have had to reduce the headcount of government by 604 jobs or 11%. This would have meant letting government employees go in the midst of a recession, which would have only made matters worse and caused more damage to our local economy. This Government understood the fact that this would be a not be wise decision, and we made the choice to borrow the funds to cover the shortfall. Do we have additional debt to show for it, YES, was it the right decision, absolutely! I wonder Madam President, if one of the senators across the table would let the people of Bermuda know what they would have done. Would they have done the same as PLP Government, and borrow to sustain employment in the midst of the worst economic crisis in our lifetimes, or would they have cut jobs to balance the budget. The people of Bermuda deserve an answer.

Madam President, the challenge here is that you cannot have it both ways. Either the OBA would have cut staff to make the budget balance and compounded the problems in the local economy or they would have done as the PLP Government did, borrow to ensure that the Government could provide support to the economy when it needed it most.

The Bermudian public deserve to know more and I will again urge the Senators representing the OBA to share with the Bermudian people what their plan is. Which option would they have chosen.

The Shadow Minister of Finance described the Government's budget as "full of soothing, ambiguous language, but severely lacking in its ability to chart a course to economic recovery." He then went on to criticise the budget saying it "does not address the needs of Bermuda, from job creation, to debt reduction, to control of government spending".

Somehow Madam President, I don't think the Shadow Minister took his own advice, as his response contained nothing concrete, and was completely devoid of numbers or an alternative budget or plan. He talks about "debt reduction" and "strict and decisive action as it relates to government spending" but doesn't give anyone clue about what that entails.

Madam President, it is not enough for the opposition to say "we'll balance the books", and not say how. There is no credibility in saying the civil service is bloated and that your only policy is the same as the current Government's policy of reduction of size via attrition. You cannot say Bermuda is losing confidence without presenting a vision that you want people to be confident in.

Madam President, The oppositions reply fails to do the simple thing of explaining to the Bermudian public how they intend to pay for their promises. The Bermudian people can see from the budget statement what this Government has presented and can see exactly what their money will be spent on. The OBA have left it up to the imagination as they refuse to level with the people about their plan. However Madam President, as the information above shows, their statements don't seem to add up.

CONCLUSION

Madam President, We are all blessed to be Bermudian.

When I returned home in 2003, I was fortunate to get a job doing what I loved. Through hard work I was able to start an IT company and employ fellow Bermudians. My work ethic was inherited from my parents, both self-employed entrepreneurs who taught me the value of hard work. My story is not unique, as there are many like me who have lived the Bermuda Dream. The fact is, however, the world is a different place than it was 9 years ago, and many of our fellow Bermudians are struggling.

The struggle is everywhere and it does not discriminate: black or white, young or old, male or female, OBA or PLP; the challenges that we face are real and affect our entire community. Just yesterday I received a BBM that one of my friends had been made redundant by a large local company. My heart sank. He however was not deterred or discouraged and his attitude and his spirit reminded me that the strength of this country is not the words or numbers that are on a page in a budget book, but it is the people that call Bermuda home.

In times of struggle it is the Bermudian can-do spirit that will prevail. The spirit you see on display when neighbours band together to help one another, communities unite on public holidays, and families gather to celebrate the many successes of our young people. The spirit is found in every one of us Bermudians. It is the spirit of hope and the spirit of success the spirit that we know we are blessed to live in this great country.

Madam President, we have been challenged; however as you can see that we are ready to respond. Whether the hundreds that have shown up to job fairs, the scores enrolled in retraining programs learning new skills, Bermudians are ready to play their part in returning our economy to growth. You see it in the businesses that are starting up out of the ashes of the recession, the entrepreneurs getting ready for the summer in the new EEZs, and the companies that are taking advantage of the current market to upgrade their business to capitalise on the recovery.

For all that we complain about, our tiny island of 65,000 punches well above its weight on the world stage. We are unrivalled in our expertise and diversity as an insurance domicile. We far outpace our competitors when it comes to the sophistication of our financial regulation. We are home to global names and world-renowned natural attractions. And we have a natural beauty both of our island and our people that are the envy of many. We have much to celebrate and much to be proud of.

Madam President, though we are enduring a period of struggle, I am truly optimistic about this country's future. We will emerge from this period a stronger and more dynamic island ready to meet the challenges of the future. The Government's 2012/2013 Budget does the right thing for Bermuda and Bermudians in continuing to invest in our people and choosing growth over austerity. The people of this country have a choice Madam President. It is my view that the best Government for our people is a caring government that has demonstrated by its actions that it puts the welfare of its people above the numbers on a piece of paper because in times of crisis, the fabric of our society is more important than the bottom line. I believe the people of the country will make a choice, and they will chose to believe in Bermuda and the Bermudian people. They will chose inspiration and hope over fear, and in return Madam President, this PLP Government will continue to do all that it can to make things better for our island home, now and more importantly for the future.

Madam President, it is truly and an honour to represent the Bermuda Progressive Labour Party Government in this Honourable Senate today, and I hereby move that the bill entitled the Appropriation Bill 2012, be now read a second time.