

Reply to the  
**BUDGET**  
2014 - 2015



## **Bermuda Progressive Labour Party - 2014/15 Budget Reply**

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## **Introduction**

Mr. Speaker and Honourable Members of the House of Assembly, it is a distinct honour and indeed a privilege to reply to the Budget Statement on behalf of the Opposition Progressive Labour Party.

I do so at a time when our country is facing profound internal challenges and numerous external threats. The combination of both poses great risk to our very existence as a stable and prosperous democracy. The threats faced are not threats to the PLP; they are not threats to the OBA; they are threats to everyone who calls this island home. If we do not work together to meet these threats and challenges, our people will suffer.

Mr. Speaker, today I will speak about the past, the present and the future. I will reply to the Budget Statement and I will discuss the challenges that we as a country face, and the urgent need for a bold vision of economic diversification and transformation for our island home – a vision that, for the 2<sup>nd</sup> consecutive year, the OBA have failed to articulate. I will share our party's ideas for the growth, diversification, education, and empowerment of Bermuda and its people. I will echo the calls for more focus on revenue by forming a RAGE Commission. Finally, I will again call for a thorough examination of our country's broken immigration system and call for all stakeholders to play a part in getting Bermuda working again.

## **Economic Review**

Mr. Speaker, as much as I would like to agree with the Minister of Finance that Bermuda is “turning the corner,” it would seem that the Minister is making premature declarations of economic recovery. The data shows that our economy continues to be in a very precarious position and is getting weaker, not stronger.

## **Employment**

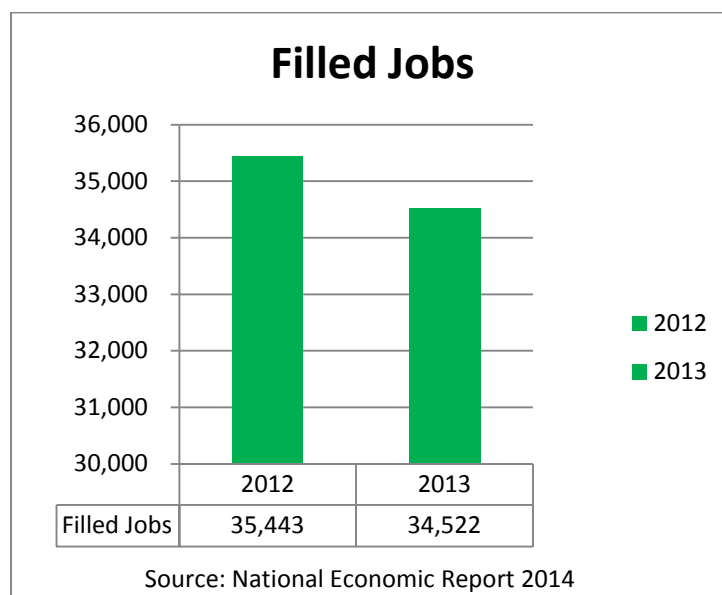
Mr. Speaker, recently, the Labour Force Survey 2013 indicated that the unemployment rate had dropped to 7%. This should be welcome news for anyone seeking a job, but there is still a problem. The drop in the unemployment rate was less a function of more people working and more a function of people giving up looking for work! In fact, 621 people left the workforce during this time as compared to 115 people who found a job. What that means is out of the 736 people who were no longer measured as unemployed 621 of them or 84% did not find work; they just stopped looking for it! This is not a positive trend.

Mr. Speaker, there are more measures of employment in the economy, and the one that is most widely cited is the Annual Employment Survey. The Annual Employment Survey is the best measure of jobs in the economy because it is conducted annually and all businesses with paid employees are required to participate in the survey under the Statistics Act.

The results from the 2013 Annual Employment Survey were first revealed in the National Economic Report, tabled in this Honourable House last week. The figures reported that the economy shed a

further 921 jobs in 2013! This statistic directly contradicts the OBA's narrative that Bermuda is "turning the corner"; it would be more apt to say that we are "stuck in reverse".

Mr. Speaker, there is clearly more work to do and I would encourage the OBA to highlight all of the economic indicators – not just cherry pick the ones that support their argument - to provide a complete picture of what is happening in our economy. The Bermuda economy is still shedding jobs, and that should concern all of us.

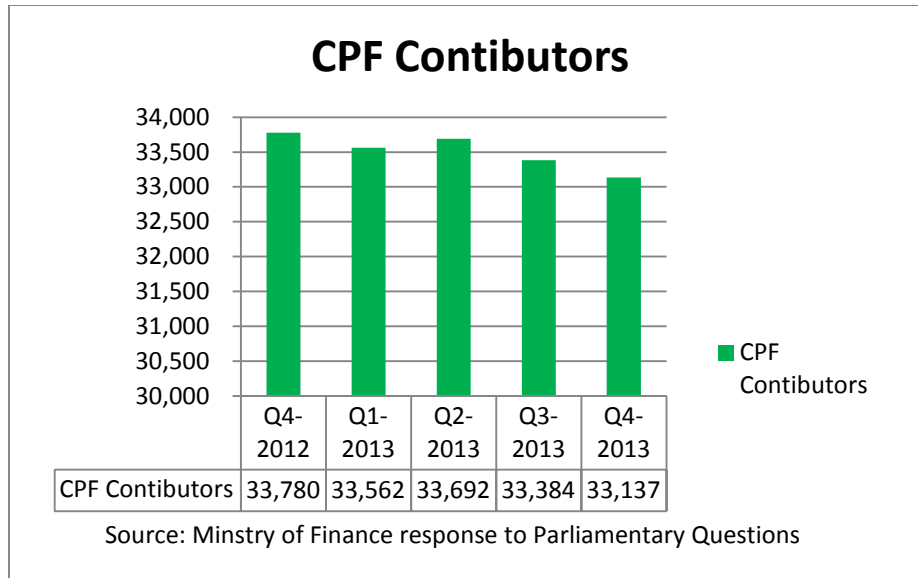


### Company Registrations & Payroll Tax

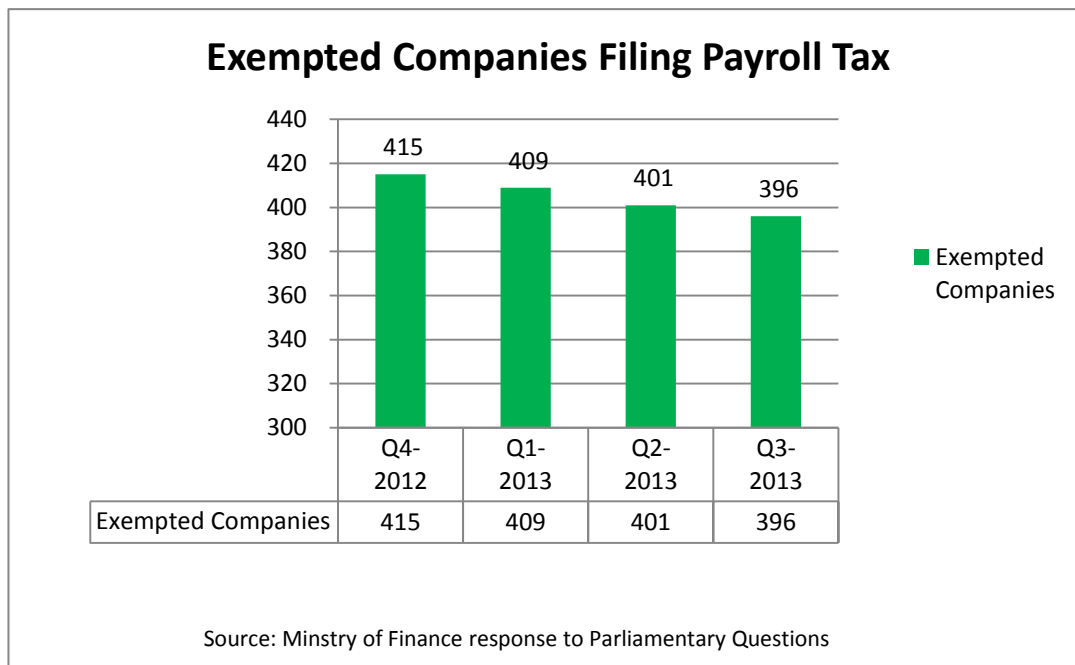
Mr. Speaker, last Friday the Minister also detailed statistics about the encouraging signs of growth in company incorporations. We welcome any increase in this number, but once again the Honourable Minister's statistics may not tell the entire story. It is important for Bermudians to know that many incorporations do not create a single job. An example would be a local company that is created by a law firm as a holding company because a billionaire from Russia or China would like to register his aircraft on the Bermuda Register; these companies, though they show up in statistics, do not create jobs. Last week, I received answers to Parliamentary Questions on 2 statistics that present a more accurate measure of current trends in the economy. These were:

- The number of persons paying into the Contributory Pension Fund; and
- The number of companies filing a payroll tax return

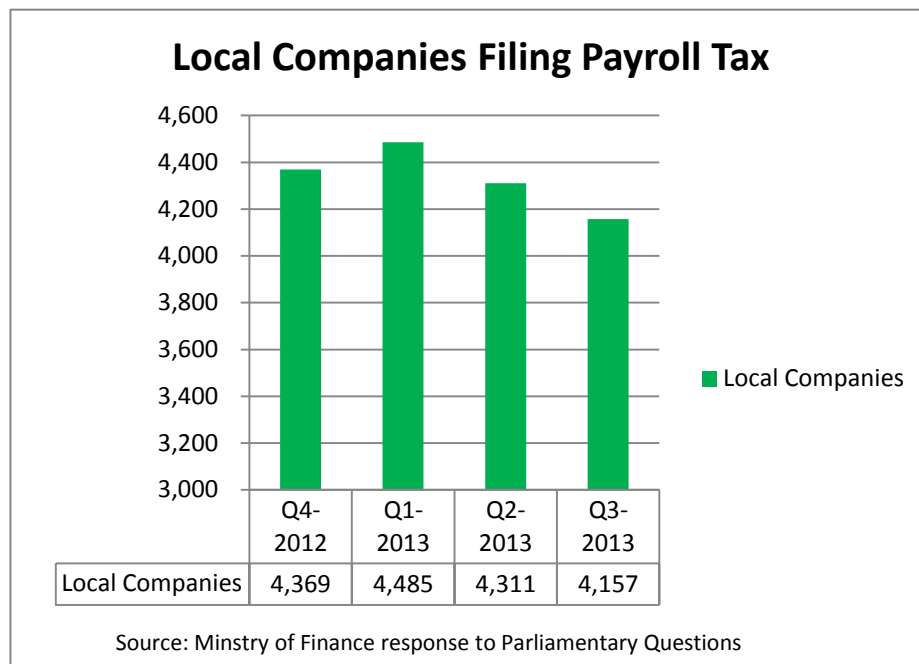
Mr. Speaker, as can be seen in the following chart, at the end of 2013, there were 643 less persons contributing to the Contributory Pension Fund (Social Insurance) than in the 4<sup>th</sup> quarter of last year. This speaks to continued contraction in the job market.



Mr. Speaker, the next set of figures deals with companies that file Payroll Tax returns. This statistic is a good measure of “physical presence” companies with at least one employee. The data here is also discouraging, as the figures for last 4 quarters available show a 5% reduction for exempted companies.



Similarly, the number of local companies filing a payroll tax return also declined by 5% over the last 4 quarters.



The Minister of Finance also referred to other statistics to make his argument that the economy is turning the corner, but those claims are equally dubious. He pointed to a 7% increase in container volumes; however the data shows that container volume has only increased by 0.7%.

Mr. Speaker, the data I have just highlighted points to the continued frailty of our economy. The Minister is wrong to declare the economy is “turning the corner” if anything we are stuck in neutral. This means that we must ensure that our policies support the economy so that we can move to a positive growth trajectory; sadly, the OBA’s budget does not do that and instead of pushing us forward to recovery the cuts will shift our economy into reverse.

## **The OBA Budget**

Mr. Speaker, I will now review the OBA Budget. The spending cuts the Minister has outlined represent an austere approach to deficit reduction and will harm our economy. Before I turn to the details of the budget, I must address some of the surprising statements arising from the Minister’s budget statement.

## **An Attack on Business?**

Mr. Speaker, I am certain that the spirits that haunt these halls were amused and astonished in turn to hear a Minister of Finance from that side of the political divide slam the Banks, BELCO and the 60/40 rule in one fell swoop. Three cornerstones of the “House that Jack Built”, a trinity of UBP/OBA



economics in a few short sentences were reduced to rubble and made enemies of the people and progress.

Mr. Speaker, that was the most historic portion of the Minister's statement and was a revelation that the OBA is at war with itself and with its core values. The unfortunate thing for Bermuda and her people is that as groundbreaking as the Minister's statements are, they ring hollow because they lack any commitment to breaking the cycle which the Minister and his Government have suddenly discovered as unjust.

Mr. Speaker, 60/40 didn't become an economic burden in 2013. The Banks didn't start squeezing this economy in 2013. And BELCO didn't get expensive starting in 2013 either. So the Minister's inclusion of these pillars of an economy that he and his current party and its forefather, the UBP, have traditionally defended on some sort of warm-up hit list is ironic and again, rings exceedingly hollow. Where was the Minister's outrage towards the banks and BELCO when he sat on this side of the House? Where was his leadership and voice at that time?

Mr. Speaker, permit me to parenthetically observe that had a PLP Minister uttered anything like what the Minister of Finance said singly or all together, the banner headlines and boardroom narrative would have been the old tried and tested "they don't understand business" or better still, "they are unfriendly and unwelcoming to business".

One need only cast our minds back to December 2012, when a member of this Party who sat in another place called out the business community and was relentlessly attacked in the print media and treated to headlines like, "Businesses hit back at Ingham" or "Bermuda does not need anti-business rhetoric" or "Perpetuating the Exodus". See Mr. Speaker, it is OK for the OBA to say it, but dare not let it come from the PLP.

Mr. Speaker, the Progressive Labour Party does understand business and we have been friendly to business, sometimes to an extent that has not benefited or pleased the core of our support. The tax exemptions so sought after by developers are PLP creations; the payroll tax relief for hotels, restaurants, and retail are PLP creations; the land policies that stimulated the real estate market are PLP creations. Our business credentials are clear. The difference with us, Mr. Speaker, is that we believe that tough talk must be accompanied by action.

The people of Bermuda demand that this Government do more than wag their finger at Banks who are continuously frustrating their customers. Where a man cannot cash his cheque drawn on one bank at another bank but must deposit it, wait for it to clear and be late in meeting his commitments, he needs more than words or ongoing discussions with the banking sector. Where young couples earning sizeable salaries between them cannot secure the financing to start a new business or invest in their first home, they need equity and justice, not just a telling off in the Budget Statement.

Mr. Speaker, BELCO is doing what a business is meant to do - improving its bottom line to the benefit of its shareholders. What is missing is the creation of a regulatory environment that imposes a social conscience on this monopoly. That is the Government's responsibility on behalf of the people. So I

welcome the Minister's pledge to engage the Regulatory Authority – a PLP creation – to assist in this aim. I also wish him luck as he battles the opposition within his own party who may have a vested interest to preserve that monopoly power.

To hear the Minister of Finance tell it, he is poised to right an historic wrong in ending the 60/40 Rule. He conjured up the oligarchy and their protectionist policies as the rationale for dealing a fatal blow to this outdated economic practice. Mr. Speaker, I can only say to the Minister: “welcome to the 21st century!” But I must observe how things change. Just 14 years ago, the then PLP Minister of Finance was forced to deny any change to the 60/40 Rule when the mouthpiece of the “old oligarchy,” The Mid-Ocean News, suggested that the PLP Government had assaulted this treasured rule in an exercise of black economic empowerment. My, my, my, how the tables have turned – Mr. Speaker, last week we clearly were witnesses to history in this Honourable House.

## Investor Confidence

Mr. Speaker, the Minister of Finance loves to speak about confidence. One of the things that investors require is confidence that the Government means what it says and does what it says. In order to maintain confidence, the Government cannot send mixed signals.

On the issue of Casino gaming - without the benefit of legislation or a ministerial statement - we are treated to casual statements of intent which change from week to week. The country is not clear exactly what the gaming regime will look like, but Mr. Speaker, it is not only the voters who are confused. If we needed anymore evidence that the OBA Cabinet may have internal challenges, we need to look no further than the Minister's Budget Statement last week.

In that statement the Honourable Minister said, *“Casinos will be licensed and strictly regulated by a Gaming Authority which will be appointed by and answerable to the Premier.”* This statement came just a week after the Honourable Attorney General stated that the Honourable Premier will have no involvement with the issuing of casino licences. Mr. Speaker, how can investors have confidence when the Minister of Finance says one thing in an official budget statement - issued on behalf of the Government, published in the news media and available around the world – which is in direct conflict to what the Attorney General said the prior week? Mr. Speaker, it is important for investor confidence that the Government speak with one voice on this issue.

## Overspending

Mr. Speaker, now let me move to the specifics of the OBA's budget. Page 1 of the Budget statement says that the OBA started their term by, *“imposing strong measures to control government spending”*.

At a time when our economy is challenged, I expected a tone of conciliation from the Minister of Finance. After a year which saw the OBA spend 50% more on travel than the PLP, we would have expected the Minister of Finance to come to this Honourable House and state that the Government, under his watch, regrettably overspent on the current account by \$45 million despite his *“strong measures”*. I expected that this fact would be in his text – but it was conspicuously absent.



When the budget was released last year, there were many who applauded the Minister for his honesty. Mr. Speaker, I must admit that I expected the Minister of Finance to under-spend, given the concessions given by government workers and a full year of “tough” discipline. It seems that I was mistaken, because the record level of current account spending approved by Parliament last year was augmented by \$45 million of additional spending and thus \$45 million of additional debt!

### **Austerity at the Wrong Time**

Mr. Speaker, the other headline of the budget is the pledge by the Minister to cut \$70 million of current account spending without layoffs or asking for additional wage concessions. Mr. Speaker, this is just not possible! I also question the economic wisdom of inflicting further cuts on the economy when the data shows that our economy remains in a fragile state.

The SAGE Commission introduced the theory of the multiplier effect to the general populace, and postulated that for every dollar cut from government spending, the economy loses \$1.28. This means that the Minister’s spending cuts of \$70.7 million will remove over \$90 million from our GDP during this fiscal year. This means that the Minister will shave 1.7% off of GDP growth by his budget actions alone!

Mr. Speaker, one could be mistaken to think that the Minister of Finance wants to prolong the recession. These aggressive cuts are bad economic policy as our economy has still not recovered. The Minister bragged that he was going to be more aggressive than the SAGE Commission recommended, but surely the Minister must realise that to create additional headwinds with the economy in its fragile state will not help us achieve escape velocity and return to economic growth.

Mr. Speaker it seems that no area was spared from cuts. For the second consecutive year Bermudians will see scholarship funding slashed, education & training cut, the Bermuda College hit with reductions, Police and Customs will feel the pinch, and the Tourism Authority will have less resources to execute the National Tourism Plan. It seems that the Government has no priorities except aggressive spending reductions, no matter the consequences on our people and damage that it will do to our economy.

It should come as no surprise that we in the Loyal Opposition have an alternate view.

## **The PLP's Alternate Budget**

Mr. Speaker, it is my job as the Shadow Minister of Finance to provide a credible budget alternative. The people of this county should understand what a PLP Budget would look like, what the PLP would do differently, and the PLP's approach to the economic challenges we face. In this, Mr. Speaker, I will say not only have we learned from experience, but we've also expanded our vision to ensure that we meet the needs of the people while keeping our fiscal house in order. Our alternative budget contains what the OBA's budget is missing: balance.

In direct contrast to the OBA's reckless \$70 million spending reduction this year, which poses the very real risk of prolonging the recession, the PLP would implement a plan of savings that would be phased in over a number of years. At the same time, we would support important investments this fiscal year to boost the economy and break free from this long recession. Additionally, we would invest in Bermudians by committing additional funds for training to enable the unemployed to upgrade their skills and re-enter the workforce.

Finally, the PLP will implement a Revenue and Government Earnings (RAGE) Commission to examine ways to enhance government revenue streams. It is curious the OBA has not followed this advice, which was called for by the Opposition Leader and since echoed in many segments of the community. The OBA's singular focus on spending cuts is dangerous and we again call for the creation of a RAGE Commission.

## **PLP Priorities**

Mr. Speaker, this budget is the wrong budget for the wrong time. While we are on the cusp of a long awaited recovery, we should be investing, not cutting back. The PLP would spend \$976 million on the current account which represents a \$40 million year over year reduction in spending from this year's levels. The PLP would adhere to most of the spending reductions as laid out, but would spend an additional \$30 million in excess of the OBA planned budgets in the following areas.

### **Education - \$5 million**

The OBA Budget reduces funding for Education by \$5 million. It is our view that education is vital for our future, and thus we will restore this funding to ensure our children get the attention they deserve.

### **Energy - \$5 million**

It is important for our future that we stimulate the Green Energy economy. These funds will be used by the Department of Energy to greatly expand the Solar Rebate Initiative – providing rebates to residential and to eligible commercial properties for the installation of solar panels and solar water heaters. The additional work generated by this funding increase will inject stimulus into the economy.

### **Tourism Authority - \$5 million**

It is surprising the OBA has reduced funding available to the Tourism Authority. The PLP would restore this funding to boost overseas marketing providing additional guests for our hotels, passengers for our taxis, and diners for our restaurants. This funding will also support on-island tourism product development which is a vital component of the National Tourism Plan.

### **Training, Scholarships & Workforce Development - \$4.3 million**

These funds will be used by the Department of Workforce Development to assist Bermudians who wish to upgrade their skills to remain competitive in the workforce. These funds will also top up the scholarship funds which were gutted by the OBA to the tune of \$1.6 million.

### **E-Government - \$2 million**

As government looks to streamline its operations, these funds would bring more government services online and to develop online “one-stop shops” and mobile access to government services. This will reduce red tape and increase satisfaction with the government among citizens and the business community.

### **Bermuda College - \$2 million**

The OBA Budget cut \$1.2 million from Bermuda College. The PLP believes that investment in Bermudians through education is the key to our future success and would restore this funding to ensure the College can meet its mandate and provide additional funding to support more training programmes.

### **Bermuda Police Service - \$2 million**

The OBA Budget cut \$3 million from the Police budget. The PLP would restore these funds to ensure that the Police have adequate resources to continue to clamp down on crime.

### **Community Development Grants - \$1.5 million**

The PLP would commit \$1.5 million to assist Community Clubs and Parish Councils with additional development that enhances our local communities.

### **Child & Family Services - \$1.2 million**

The OBA Budget cut \$1.2 million of vital funding used to assist some of the most vulnerable members of our society. The adage goes you pay now or you pay more later; the PLP chooses to pay now.

### **Youth, Sport & Recreation - \$1 million**

The OBA budget cuts in this area increase the risk of anti-social behaviour among our young people. We must maintain the investments in our young people to ensure that gains in this area are not put at risk due to reduced funding.

### **Customs - \$1 million**

The PLP will restore some of the funding lost to OBA cuts to ensure that HM Customs has adequate resources to protect our borders.

Mr. Speaker, the above measures demonstrate the difference between the OBA and PLP approach to governance. Though we understand the need to trim the deficit with spending reductions and revenue enhancements, we also recognise the need to invest in our children, our communities, and our future. The spending listed above will not only assist our citizens, but will also stimulate additional economic activity.

Mr. Speaker, in addition to changes in the current account, the PLP would augment economic activity by investing an additional \$13 million in capital account spending. These investments represent jobs in the short term but also represent investments in the future which can save money over time. The PLP would boost capital spending in the following 3 areas:

#### **Infrastructure Improvements - \$6 million**

Recent rain storms have reminded us that our infrastructure is ageing. The fact that our walls, roads and parks cannot withstand heavy rain is a serious issue. Additionally, stagnant water can pose health risks. The PLP would allocate \$6 million for remedial works in affected areas island wide to improve drainage and to ensure that our walls are secure to protect and safeguard the lives of our citizens.

#### **Green Government - \$4 million**

The PLP would earmark \$4 million to retrofit government buildings to be energy efficient. This would include energy audits, replacement of fixtures, and installation of solar or wind energy generation on Government properties. The PLP would also earmark funds for this purpose in future years.

#### **School Facilities - \$3 million**

The state of disrepair in some of our schools is one of the major complaints heard from parents and teachers. This money is earmarked to allow more outstanding issues to be rectified, in addition to scheduled summer upgrades. This additional spending will also provide employment opportunities for our young people during the summer months.

Mr. Speaker, these are the areas that the PLP would provide additional investment. Such moves are affordable and will have a lasting effect.

In addition to these enhanced investments, the PLP would also look to increase revenue to the government, thus constraining the deficit.

## End to Tax Expenditures

Mr. Speaker, Tax expenditures are government spending that is hidden in the tax system. The government currently has 3 major tax expenditures in the form of payroll tax concessions to the hotel, restaurant, and retail sectors. The chart below shows the amount of money which has been “spent” on these tax expenditures for the last 8 quarters. The retail sector is the main beneficiary to the tune of \$38.8 million, followed by restaurants at \$16.1 million and hotels – who were the only industry originally extended this concession - at \$5.5 million.

<b>Payroll Tax Concessions - Last 8 Tax Quarters</b>			
Quarter	Hotel	Restaurant	Retail
Q4-2011	\$ 634,196	\$ 1,971,502	\$ 5,001,316
Q1-2012	\$ 594,876	\$ 1,607,530	\$ 4,713,050
Q2-2012	\$ 719,883	\$ 2,337,215	\$ 4,881,102
Q3-2012	\$ 727,462	\$ 2,576,949	\$ 4,921,659
Q4-2012	\$ 684,964	\$ 1,878,347	\$ 4,996,332
Q1-2013	\$ 614,365	\$ 1,589,293	\$ 4,661,802
Q2-2013	\$ 731,811	\$ 2,188,533	\$ 4,791,595
Q3-2013	\$ 761,562	\$ 2,461,737	\$ 4,802,391
<b>Total</b>	<b>\$ 5,469,118</b>	<b>\$ 16,611,106</b>	<b>\$ 38,769,246</b>
<b>% of Total</b>	<b>9%</b>	<b>27%</b>	<b>64%</b>

Though the PLP introduced these tax concessions, their duration and cost demonstrate the problem with tax expenditures. They are prone to become more costly over time and, once extended, are difficult to retract. Once they are introduced, additional sectors lobby for the subsidies which is evident as we have seen this support creep from an initial cost of \$2.2 million a year for the hotel sector to today’s spending of over \$30 million a year on hotel, restaurant and retail subsidies.

Though these concessions are a quick and simple policy tool for short term support, when they remain in place for extended periods of time, they can cause distortions in the economy and reduce an economy’s efficiency and productivity. Businesses must be able survive while fulfilling their tax obligations. If we have companies that are surviving based upon these temporary tax concessions alone, this can indicate that the business owners have not made the necessary adjustments to make the business competitive. Additionally, as this was a blanket concession, some companies received the subsidy despite not being in need of support, with some recipients using the savings for dividends, thus robbing the treasury of vital income.

We propose to phase out these tax expenditures over a 2 year period. This change, if adopted by the government, would yield an additional \$15 million in the first year and \$30 million in the second year. Though we are cognizant that this proposed move would cause an issue for some, we feel that it is time to begin to unwind these long standing concessions as they were never meant to be permanent. As a

matter of sound economic policy, the government should not provide direct, long term support to industries, and though it will be painful for some, these subsidies need to be wound down.

It should be noted that the PLP's budget contains \$43 million in more spending this year than the OBA's Budget. These additional investments in the economy and the multiplier effect should soften the blow for retailers losing the payroll tax concessions. Additionally, the PLP would allocate an extra \$5 million to the Tourism Authority which will result in more marketing spend to bring more visitors to our shores, boosting revenue to all three affected industries to mitigate the short term effect of an end to these concessions.

## **PLP's Glide Path**

Mr. Speaker, the Progressive Labour Party glide path contains a balanced approach to get us to a balanced budget. It also requires that we focus with laser-like precision on the implementation of new revenue streams which will be indentified by our RAGE Commission.

The outlines of the PLP's proposed glide path are as follows:

- 2014/15: \$40 million reduction in current account spending from 2013/14 revised levels. An increase of \$13 million in capital spending from OBA levels. Reduce all payroll tax concessions by 50%
- 2015/16: \$20 million reduction in current spending from the previous year. Capital spending to fall from \$75 million to \$70 million. Reduce all payroll tax concessions by the final 50% thus ending these concessions. Begin implementation of RAGE Commission recommendations
- 2016/17 – 2019/20: Overall spending (Inclusive of Debt Service) will be frozen at 2015/16 levels (\$1.14 billion) The spending freeze will require savings within the civil service to make room for pay raises and any new programmes.
- 2016/17: The Budget will return to current account surplus
- 2019/20: The Budget will return to full balance in 2019/20, enabling a gradual reduction in debt and gradual increases in capital and current account spending.

## **Borrowing to Meet Our Needs**

Mr. Speaker, the PLP's glide path does not foresee the need to raise the debt ceiling as our projected net debt does not exceed the \$2.5 billion ceiling. Spending discipline combined with an enhanced focus on revenue will allow us to achieve a balanced budget and start reducing our national debt.

Mr. Speaker, that is the PLP's Alternative Budget, one that makes important investments in Bermuda and Bermudians, increases government revenue, jumpstarts our alternative energy industry, balances our public finances, and puts us in a position to start paying down our debt; all without the draconian and recession extending cuts proposed by the One Bermuda Alliance.



## Government Reform

Mr. Speaker, I will now turn my attention to the important issue of government reform. Neither party will be able to meet their spending targets without increasing efficiency and reducing the overall cost of government.

## **Privatisation**

Mr. Speaker, most of the attention to this topic is focused on the dirty P word: “Privatisation”. Before I continue I’d like to quote the Minister of Finance from a 2012 press conference where the then Shadow Minister, when talking about the OBA economic plan said,

*“Privatisation is not part of our plan. We plan to revive this economy, to regrow Bermuda without looking at privatisation,”* –Hon E.T. Richards – March 2, 2012

Mr. Speaker, what a difference 2 years makes. The Minister has moved from being completely opposed to privatisation before the election to now being its champion. In his budget speech last week, the Minister of Finance made clear his intention to transform the government via privatisation.

The well advanced plan for the Public Bodies Reform Act, outlined in the statement last week, should be a clear indication to every government worker that the assurance of no jobs cuts will not last. Despite his vehement protestations to the contrary, the Minister’s own rationale proves that he understands that jobs will be lost with privatisation. One only has to look at the recent example of the Tourism Authority if they need evidence of job losses to come.

When the minister speaks about things being “more efficient” the Minister means costing less. The largest costs in the instances he highlighted are people. In order to reduce costs, the private entity must reduce wages or reduce staff. Everyone realises this, Mr. Speaker, and that is why persons are adamantly opposed to this agenda. At a time when jobs are scarce, the Minister is looking to make them even more scarce. It cannot be good for morale, it cannot be good for workers, it cannot be good for consumer confidence, it cannot be good for labour relations, and it certainly cannot be good for our economy.

Mr. Speaker, the Progressive Labour Party accepts that government must be more efficient; we agree that we must reduce the costs of government; and, we will support measures that accomplish that aim. We have proposed \$100 million of combined cost savings over 2 years and thus we are clear on the imperative – where we disagree is the method. Privatisation is not a panacea – it will not solve the government’s budget problems. In fact, privatisation creates the real risk that the government’s assets will be sold on the cheap, transferring more wealth to the “haves”, while the workers and taxpayers lose out.

Mr. Speaker, as I said during the debate on the SAGE report, mutualisation is where the workers hold majority control of any entity. If there is any arrangement where employees are minority shareholders it is not mutualisation, it is privatisation. The unions are right to take a firm stand against privatisation and the PLP will stand side to side with the unions to ensure that any changes in the structure and

organisation of government and delivery of services do not adversely impact workers, roll back rights, or increase costs to everyday Bermudians.

If we are to change the way we deliver services to the people of this country, it must be done in a transparent way that empowers Bermudian workers and does not set them back. There are some ways to transfer the delivery of government services that accomplish these aims, and will allow a generation of Bermudians who were not born into wealth to build something for their families. The PLP has always supported an empowerment agenda, and will support any actions that empower workers to be their own boss, to grow and expand businesses, to provide for their families, and to create wealth.

What we will not support is the short term selling out of Bermuda on the cheap with long term negative consequences for workers and Bermudians – and that is a real risk of the OBA's privatisation agenda.

### **Improving the Efficiency of the Civil Service**

Mr. Speaker, we must all work together to improve the efficiency of the civil service. An efficient civil service which does not need to generate profit can be just as effective in delivering public services as a privatised entity. Though I will not fall into the trap of painting government workers with the broad brush of laziness, there are too many workers who do not give a full days work for a full days pay. Those persons do an injustice to themselves and to our country, and we must ensure that any move towards efficiency must streamline the grievance process so that managers have the tools to deal with those who would rob our citizens of our tax dollars.

Additionally, we should further professionalise the civil service and introduce fixed term contracts and performance based pay for senior managers. Individuals should be rewarded for increasing department revenues, reducing department expenses, and increasing the performance and efficiency of a government department or ministry.

In addition to performance based pay, we must also ensure that we are investing in the training of our civil servants at all levels. The increased investment in training, provided for in our budget, will not only improve the output of civil servants, but will increase their readiness for and attractiveness to private sector employers. The successful transition of workers from the public sector to the private sector is essential for the long term streamlining of the civil service, to which both parties are committed.

## **Economic Reform & Diversification**

Mr. Speaker, it is important that we pay serious attention to reforming and diversifying our economy. Bermuda is being battered by the winds of globalisation and our economic model is being attacked. We cannot be complacent; we must be proactive to modernise our economic system so that it can support our people in the future. Economic reform is an imperative if we are to remain competitive in the global economy.

### **Reforming Our Tax System**

Mr. Speaker, substantive tax reform is an issue that requires our attention. Our tax system by and large is rooted in a system of revenue from the late 1800s. We must modernise our system of revenue collection and consider the reform of our tax structure. We enumerate 2 specific proposals below, but the PLP would task the RAGE Commission with proposing additional changes that would enhance fairness in our current tax system.

#### **Reduce or Replace the Payroll Tax**

Mr. Speaker, it is the view of the PLP that we must transition from deriving a large chunk of our revenue from employment taxes to gaining a larger share of our revenue from consumption taxes on goods and services. Mr. Speaker, the economic case is simple: payroll taxes depress employment. We are taxing the very thing we need in Bermuda - jobs - while increasing the incentive to outsource jobs and positions.

Though many have recommended a Value Added Tax (VAT), it is likely that the administrative burden resulting from the implementation of a VAT system would not be good for our economy. Additionally, given the nature of our economy and our heavy reliance on imports there is very little “value added” in the local domestic economy that would warrant a VAT. However, there are other models of consumption taxes that may be feasible in Bermuda that will remove the burden of employers to pay taxes on every additional person they hire.

#### **Make Social Insurance More Progressive**

Mr. Speaker, there are other opportunities to make our tax system more just and more progressive. The PLP proposes a comprehensive examination of the social insurance programme, including the impact of changing employer and employee contributions from a fixed rate to a percentage of earnings and the appropriate level for the cap on social insurance contributions.

The objective of this change would be to increase the take-home pay of low earners. Any changes resulting from this examination should be revenue neutral or revenue accretive to the Contributory Pension Fund.

## Diversification of Our Economy

Mr. Speaker, it is imperative that we diversify our economy. Our economy is currently unbalanced with a heavy reliance on international business for our foreign exchange earnings. Government must look for avenues of diversification to not only provide additional jobs, but also to provide additional revenue to the government. Given the OBA's silence on this issue, I will highlight three areas for immediate economic diversification that can be implemented within a year.

### Online Gaming

Mr. Speaker, it is imperative that we implement additional aspects of gaming besides casinos. Last year, online gaming provided over \$80 million in tax revenues and directly supported 2,600 jobs in our sister overseas territory of Gibraltar. Online gaming is a \$35 billion global industry, and Bermuda already has the infrastructure to be player.

Just as other countries are trying to gain a foothold in some of our industries it is time for Bermuda to do the same. For the sake of the jobs it can create and the tax income that can be generated, we urge Government to move forward with creating an online-gaming industry in Bermuda.

### Blue Economy

Mr. Speaker, the PLP is on record as supporting the development of a "blue economy", inclusive of sea-bed mining, aquaculture, and off-shore fishing. This will lead to the creation of new job opportunities, the diversification of our economy, and the creation of new revenue streams. Our party has spoken about the blue economy on many occasions, and we are disappointed that the OBA seems content to take baby steps on this issue. I wish to remind the OBA of the Bermuda First report which states,

*"Bermuda should create a more transparent and sophisticated licensing regime for resources in its exclusive economic zone. This would increase investment in developing these resources for sustainable commercial use, which would in turn generate a lasting stream of revenue for Bermuda's government."*

Though we are pleased to hear that the Government is examining aquaculture, it is also time to be more aggressive to make use of all of the natural resources in our Exclusive Economic Zone (EEZ).

### Regulate and Tax Cannabis

Mr. Speaker, any discussion of options for additional revenue should include the regulation of cannabis. The state of Colorado is expected to earn \$134 million in direct taxation from its newly regulated cannabis industry. They are spending that money on school construction, law enforcement, public health, and substance abuse prevention. Though we are much smaller than Colorado, there is no doubt that any additional tax revenue from a local regulated cannabis industry would be welcome.

I am not promoting the consumption or abuse of cannabis; however I think we can all agree that a responsible cannabis consumer is no worse than a responsible citizen who enjoys a glass of wine or a cocktail at home. What I am promoting is a sensible and pragmatic approach, which has been successfully implemented in other jurisdictions, that can assist us in generating additional revenue.

When our island is faced with cuts to education, health care and social programmes, I think the better choice is to regulate and tax cannabis to ensure that the budget and the economy can benefit. A regulated industry would remove this activity from the shadows; reduce associated law enforcement expenses; contain adequate safeguards for children and restrictions on public use; generate revenue for the country; and would have the additional benefit of having more persons contribute to social insurance, healthcare, payroll tax and pensions.

## **Economic Reform**

Mr. Speaker, it is our view that we should use this period of crisis to examine areas of economic reform. Any reform that can benefit Bermuda and its economy should be considered. I will discuss the 60/40 rule, monetary reform, banking reform, and debt collection reform.

### **Relaxation of the 60/40 Rule for More Sectors**

Mr. Speaker, the PLP recognised that the 60/40 rule was an impediment to the attraction of foreign capital in Bermuda. During our tenure, we relaxed the 60/40 rule for the following industries: telecommunications, energy, insurance, hotel operations, banking, and international transportation services. These are industries that require a substantial amount of capital and thus have the ability to be foreign owned.

The Minister's speech last week seemed as though he was ready to abandon the 60/40 rule in its entirety, which is most troubling. I am not troubled because I am a "political demagogue," nor am I attempting to "stir up fear" for "political gain"; it is because Bermuda has a small economy that is not one size fits all – so the scrapping of the 60/40 rule for all industries could have serious negative impacts.

Mr. Speaker, I would much prefer to promote policies that encourage Bermudian ownership and entrepreneurship in our local economy so that profits earned in Bermuda stay in Bermuda. If the Minister wants to relax this rule for other sectors, then he should make an argument as to why foreign ownership is required; but to just say that we will not recover without abandoning the 60/40 regime is misleading at best. The OBA seems ready to sell out Bermuda for short term results. We must consider the long term and the legacy we are passing on to future generations.

### **Monetary Reform**

Mr. Speaker, the Great Recession has taught us that as a country, we need more tools in our arsenal to deal with external shocks. We must examine whether we need to modernise our local financial system to ensure that our institutions have the power to respond to any future financial crisis. Any discussion in this area should also include a mature and frank discussion on monetary reform.

Last week the Minister of Finance spoke specifically to problems in our banking sector that could be alleviated if Bermuda had a lender of last resort or a central bank. The issues of regulating interest rates and ensuring that an economy doesn't overheat are functions that are typically exercised by some form of central bank, free from the political influences of the elected government. There may come a time again where we may need such an entity and the Government should give strong consideration to this option.

In looking at monetary policy reform, we must consider all the options and come up with the best solution for our people – but we should not delay especially given the pronouncement by the Minister of Finance that lack of credit is exacerbating the challenges in our economy.

### **Banking Reform**

Mr. Speaker, I was pleased to hear the Minister of Finance speak to the issues within our local banking system. There is certainly work that needs to be done in that area and I look forward to hearing more specifics on actions that the OBA will take to rectify the problems highlighted. Bermuda's banks are under-lent and this lack of lending is restricting economic activity. The Minister has my full support in this endeavour as it is vital for our economic recovery that banks fulfil the vital role required in our economy. I also welcome the Minister's realisation that sometimes additional regulation can be a good thing. The recent examples of action by the Regulatory Authority to increase competition in the telecommunications sector can lend clues to how better regulation of banks could help consumers. The BMA believes in "light touch"; however, light touch may not be what our local banks need. I urge the Minister to follow through on this issue so that Bermudians can see tangible results.

#### ***Establish a Cap on Fees at Banks***

Mr. Speaker, certain fees at banks punish and compound distress for those in financial difficulty. One key issue is credit card over-the-limit fees. This is something that is seemingly impossible, as credit cards have "limits"; however Bermuda banks allow customers to exceed their limit and then charge a fee every time they do, with fees sometimes far exceeding the transactions that triggered the fees. This punitive practice has been addressed in many jurisdictions with regulations restricting a bank to one over-the-limit charge per billing cycle. We call on the Minister of Finance to direct the BMA to put an immediate end to this practice in our local banks.

#### ***Foreclosure Reform***

Mr. Speaker, owning a home in Bermuda is a lifelong dream for many. However, far too many Bermudians face the prospect of losing their homes in our current economy. We encourage the Minister to work with BMA and the Bermuda Bankers Association to come up with an industry-wide policy for distressed mortgages that all banks will adhere to. The more people who are forced out of their homes, the weaker our economy becomes. We hope that the OBA and the banks can agree on a solution to keep more hard working Bermudians in their homes

Though we wish for all Bermudians to stay in their homes, there are some situations where a home will be subject to foreclosure. When faced with this tragic situation, some Bermudians are also finding themselves in additional debt even after their equity has been wiped out and they have lost their homes. This is because banks in Bermuda are permitted to go after borrowers to recover any amount that was not recouped by the sale of the property. Many countries limit the liability of the homeowner to any asset that was used as collateral to guarantee the loan. The PLP hopes that the Minister of Finance will raise this point in discussions with the banks and the BMA and will give it due consideration.



### **Debt Collection Reform**

Mr. Speaker, many Bermudians, as a result of losing their jobs, now fear being sent to prison for debt. Our current system damages the family unit, makes criminals of the unemployed, and creates more harm than good. Stories about persons avoiding medical care for fear of being jailed for debts have no place in a society like ours.

We again call for the OBA to make legislative changes to allow new and more positive ways for debts to be resolved and cease the practice of imprisoning people for their civil debts. At the same time, the government should continue the work started by the PLP and improve the regulation of debt collection agencies. These agencies in many ways compound problems resulting from the poor economy by using the courts to heap additional debt upon distressed debtors.

In addition to these steps, the PLP will introduce an opposition bill to reduce the statutory rate of interest from its current rate of 7% to 3%. This rate of interest which is applied to judgement debts is too high and has not been adjusted to reflect the recent low interest rate environment.

### **Fairness for Bermudians**

Mr. Speaker while the PLP believes that we need major reforms to make our economy work for everyone, we must also pay attention to pressing issues that our people are facing today.

### **Reform Occupational Pensions**

Mr. Speaker, last year I spoke about the structural imbalances in our economy that make employing guest labour more cost effective than employing Bermudians. A major culprit is the National Pension Scheme (Occupational Pensions) Act 1998, which only requires employers to cover the pensions of their Bermudian employees. This provision naturally puts Bermudian labour at a disadvantage by making them more expensive.

We are of the belief that this is an obstacle to Bermudian employment in our economy and we urge the OBA to move to address this imbalance. Any move to change this practice will cause pain for employers who rely heavily on foreign labour; however, in the long run, it will benefit Bermudians and those are the people who we represent in this Honourable House.

### **Security for Retirees**

Mr. Speaker, while those employed are saving for retirement, we have a large number of Bermudians who have already retired and are collecting old age pension benefits. Therefore it was surprising to me that the Minister has again neglected to propose an increase in pension benefits to our retirees.

Mr. Speaker, this is the first time since the PLP came to power in 1998 that pensioners have had to go more than 2 years without an increase in their benefits, and it seems as though the OBA are content to have them wait even longer. Pensions were last increased for seniors in August 2011 or 30 months ago!

This is unacceptable and it is time for the OBA to remember the seniors in the country and enact an increase that our seniors deserve.

## **Investing for the Future**

Mr. Speaker, it is important that we as country invest in our future development. We do not have to rely solely on foreign capital; we as a country can invest in ourselves.

## **Create a Bermuda Fund**

Mr. Speaker, if we are to create long term economic growth, we cannot just wait for our local banks to decide that they want to lend again. We need to use the tools at our disposal to invest and generate economic activity in Bermuda. There is a high level of investment expertise in Bermuda and the government should take advantage of this expertise by creating a “Bermuda Fund”. This fund, which can be seeded with 3% of the pension funds that are under the control of the government, would allow Bermuda to tap into the investment expertise on island while providing an additional outlet for our large pension funds to invest more of their monies in Bermuda based equity investments.

The Bermuda Fund should not be exclusive to pension funds and other institutional investors; it should be listed on the Bermuda Stock Exchange to allow individuals to invest and contribute to the development of Bermuda.

This fund should be run for the specific purpose of generating positive returns while investing in the development of Bermuda based business. The fund could invest in industries identified to diversify the economy such as the offshore fisheries and aquaculture. The Bermuda Fund can also attract job creators to our shores while we invest in emerging global industries such as mobile application development; Why can't the next billion dollar mobile app be made right here in Bermuda?

Instead of looking to open up more sectors of our economy by exempting them from the 60/40 rule, there is Bermudian capital that we can put to work. We can control our own destiny, and we can build our economy for the future but we must be bold and do things differently to provide hope to our people and give the Bermudians who have left our shores a reason to come home.

## **Increase Savings & Increase Financial Literacy**

Mr. Speaker, Government cannot be the only entity to invest in our country's future. As a people we must save and invest more to create wealth. It is vital that we develop a culture of saving – and develop a mindset where every Bermudian strives to spend the dividends of our wealth and not our wages.

Increased financial literacy is part and parcel to this drive so that all Bermudians can understand the benefits of saving and investing. The Government can help by launching a financial literacy campaign including public service announcements and forums on saving and investing. If we are able to increase the rates of saving and investment in Bermuda, it will enhance our long term economic growth.

## **Invest in our Civil Infrastructure**

Mr. Speaker, we again call on the OBA to implement the National Infrastructure Strategy Plan. This plan, started by the PLP, identifies important improvements and repairs to our infrastructure that will not only enhance our overall quality of life, but create business opportunities for construction companies and jobs for Bermudian construction workers.

Mr. Speaker, we recently saw the devastation caused by the collapse of a retaining wall on Palmetto Road. We have also witnessed the major issues that are caused by inadequate drainage in many areas which lead to constant flooding and impassable roads. We've had many studies, but now is the time to act. As called for in the PLP budget, we must devote resources to repairing our civil infrastructure, mitigating flood risk, securing our retaining walls and converting the Pembroke Marsh into a park.

## **Invest in our Energy Infrastructure**

Mr. Speaker, we heard the Minister of Finance talk tough when it comes to BELCO, but it will take more than strong words to convince Bermuda that his government is serious about our energy challenges. We support the government as it works with BELCO and the Regulatory Authority to get an equitable interconnection agreement in place.

In addition to this agreement, we urge the government to work with BELCO to advance the Liquefied Natural Gas project. This project, if advanced, will result in a significant investment in our energy infrastructure and will create dozens of jobs in the process. Due to the size of this project, it requires BELCO and Government to work together to make this a reality. Given that jobs are the priority, it is important that Government look to provide whatever support they can in this endeavour.

Mr. Speaker, It is also vital that we invest in alternative energy in this country. The PLP recognises the value of investing in alternative energy and that is why our budget contains monies to outfit Government buildings with alternative energy generation. It also contains additional funds to extend the existing rebates for private homes to eligible commercial properties and drive growth in this budding industry.

This is a place where additional government spending can make a real difference in building this industry, stimulating employment, and installing infrastructure that will save the government money in the long run.

## **Immigration Reform**

Mr. Speaker, when I delivered our Party's response to the budget last year I spoke at length about our broken immigration system. Again I will devote time to this topic as the OBA's recent actions on this topic are counterproductive and are only making the situation worse, while ignoring the serious issues present in our current system.

Mr. Speaker, I will repeat it for all those who didn't hear me last year by saying that, "we must all admit that our immigration system is outdated and broken. Our immigration system operates from a law that was written in 1956! It is from a different time when there was no internet, no globalisation, no Class 4 insurers, no constitution, no political parties, and the country was still segregated. We must modernise our immigration system because the realities of our situation dictate that we are going to need external help and assistance to provide a secure and stable future for Bermuda."

Mr. Speaker, that is what I said last year, so to a certain extent the Honourable Minister of Finance and I are on the same page as he tied immigration liberalisation to our economic fortunes by saying,

*"Today immigration policy is a central component of economic policy and must be seen as that by Bermudians. To allow the Bermuda economy to grow, immigration policy must be liberalized to allow easier entry of persons with financial and or intellectual capital to fuel the recovery of our economy."*

Yes, Mr. Speaker, immigration policy is a central component of economic policy –and in order to grow our economy and get Bermudians back to work we have to get it right. Here is my challenge with the Minister's statement: I must ask what "easier entry" does the Minister envision? We already provide fast-track work permits and exemptions for start-ups; under the Incentives for Job Makers regime those with financial capital can relocate to Bermuda and stay as long as they like as long as they are employing Bermudians. What additional liberalisation does the Minister seek?

This confusion is not limited to the Minister of Finance, as the Minister for Home Affairs, the Honourable Michael Fahy, has been pushing the concept of commercial immigration. One must ask, if we already allow those who bring capital to our shores and employ Bermudians to stay here indefinitely and become permanent residents, do we not already have commercial immigration? And, if the government does not consider that commercial immigration and says we need more, then what exactly is the "more"?

This, Mr. Speaker, is the behaviour which I have described as counterproductive. You have the PLP who declared in 2013 that our immigration system is broken, and called on the government to setup a Joint Select Committee to examine options to reform the entire system. At the same time you have a government, using words like "commercial immigration" and "liberalise" without pinpointing the problem they are trying to solve and identifying what changes they intend to make. This lack of transparent behaviour sows distrust as to the real aim of the OBA's pronouncements and reduces the chance for us to work together to achieve the changes that are so desperately needed.

Last week the Minister of Finance said, *"Population growth is an important component of economic growth. The simple truth is, to grow the Bermuda economy we have to increase the resident population."* – Mr. Speaker the Minister is correct, but the issue is not IF we need to increase the residential population; the real issue at hand is HOW and with WHOM do we increase the residential population.

The PLP accepts that to increase the number of Bermudians working in International Business we need to attract even more intellectual capital to our shores. But the PLP also understands that another way to increase the number of Bermudians working in the non International Business local economy would be

to promote a policy of Bermudianisation – meaning that there are people currently here who need to go.

You see, Mr. Speaker, in the United States - a nation of immigrants - an employer cannot just import an unskilled worker to fill an unskilled position, but in Bermuda that is a regular occurrence. In this country, you can enter a supermarket and not see a single Bermudian worker except for the cashier. The Minister in his statement seems to engender the belief that those who do not see the need to allow people to enter this country more freely are somehow oblivious to the fact that outside labour is needed. Quite the contrary, Mr. Speaker, I think that all Bermudians realise that outside assistance and intellectual capital is needed, but the OBA's approach to this issue misses the point that our overall immigration system is broken, it is not fit for purpose, it is not equipped to deal with the complexity of the local economy. You cannot fix the immigration system for International Business without fixing the system for the local economy: it all needs to be fixed!

The reason why there is hostility in some quarters is not because of an inherent dislike of expatriates; it is because our current immigration system assumes a one size fits all approach that caters strictly to the needs and whim of the employer applying for a work permit with no consideration given to the supply of labour available in the local economy. It is that approach that has allowed skilled and unskilled labour to displace Bermudians from the workforce with lower wages, reduced benefits and longer hours. Bermudians are not hostile to guest workers in International Business; they are hostile to guest workers who are fully employed in the local, non-International Business economy while willing, able, skilled and college educated Bermudians sit unemployed.

The OBA's desire to tinker around the edges of a broken system with work permits is not enough; our economy requires transformation. We must transform our system of labour regulation and immigration to ensure this country can grow and succeed in the future by liberalising some areas while tightening the screws in others. Our immigration system must be modernised so that it is more efficient than that of our competitors. Bermuda is engaged in a global war for talent and therefore we must make sure that our system attracts the best, job-creating talent while at the same time ensuring that guest workers are not brought in to fill positions that can and should be filled by Bermudians.

Mr. Speaker, if the government is really serious about addressing this issue, we again call on the OBA to support our call for Parliament to establish a Joint Select Committee on Immigration Reform. This is an issue where both parties can work together to build something that works better for our citizens. This is not something that needs to be the subject of political rancour as there is enough common ground between both parties to solve this issue.

Mr. Speaker, I must however make it clear to the OBA, as I did last year, that it has been the long standing position of the Bermuda Progressive Labour Party that we do not support the re-introduction of Bermudian Status grants prior to Bermuda becoming an independent nation. We support immigration reform, as foreign labour and talent is vital to our economy and our future. But we will not allow needed reforms to be used as a pretext to reintroduce Bermudian Status grants - a practice which was rightly abandoned over 20 years ago. Apart from that, Mr. Speaker, nothing is off the table and it is my hope

that the OBA will seize the opportunity to prove to our voters that we can work together to make improvements that are needed for our long term economic success.

## **Breaking the Cycle**

Mr. Speaker, before I close I must speak about the vicious economic cycle in which our country finds itself, as it is clear to me that our economy is broken. It is broken because it is not working for the citizens of this country; it is broken because it is not as attractive as it needs to be for the business in the country; and it is broken because it is not yielding the growth or tax revenue to fund our government so that we can meet our obligations to our citizens. We are stuck in a vicious cycle: businesses feel the pinch so they cut back; they layoff Bermudians and outsource job functions, which causes more persons to be out of work, which leads to more weak spending, which leads to more layoffs. This cycle repeats itself and like compound interest every year it compounds its effect.

Yes, Mr. Speaker, make no mistake: our economy is broken, and the OBA government seems to be falling into the same trap as the former PLP government – wait and hope that international business stabilizes and we can attract more jobs to our shores. This “wait and see” approach ignores the fact that the trend of outsourcing is ultimately irreversible. Mr. Speaker, it is my view that we will be waiting for a very long time, and that our country cannot afford to wait. That is why the PLP has been very aggressive in promoting industries that can diversify our economy.

Our reliance on the international business sector is dangerous – not because international business is bad, but because there are numerous external threats that are looking to undermine our economic model. As can be seen, we cannot rely fully on the UK to have our best interest at heart. Changes that we have no control over could fundamentally undermine our model, our economy, and our prosperity. We must be real, honest and frank about this – as it is a possibility and we must be prepared for it.

Mr. Speaker, when we talk about breaking the cycle – we need to look at who uses Bermuda and for what. Last week the Minister said, “Bermuda is not a Tax Haven!” – Mr. Speaker, I agree with the Minister, we have our own tax system, a system that has worked for us since the 1800s. But here is the challenge Mr. Speaker, Bermuda is one of a handful of countries in the world that do not charge a direct corporate tax. Thus, no matter the volume of our vociferous protestations, as long as we continue to have no corporate tax, and as long as multinationals use the rules at their disposal to use Bermuda to legally reduce their tax bills in other places – while paying NO TAX to Bermuda – we will continue to be labelled a tax haven. We will not change how people look at us, unless we are willing to change how we operate.

So Mr. Speaker, we either wear that badge with pride, or we need to break the cycle. It is stunning that the world’s 4<sup>th</sup> largest company, Google, can conduct billions of dollars of operations via a company here in Bermuda and our citizens do not gain anything of significant tangible value in the process. Apart from a little legal billing, some accounting work, and some company registration fees, we derive no measurable benefit from the \$12 BILLION that Google paid to its Bermuda subsidiary in 2012. Not even as much as a thank you, not some computers for our school children or mobile phones for our police



force – our country has been used, and our people got nothing. This same thing plays out day by day, over and over by other companies using Bermuda to benefit their shareholders while, as a country we receive nothing in return except bad press.

Companies with a physical presence in Bermuda are affected as well; they do not wish to be tarred with the brush of being domiciled in a “tax haven,” but yet that is what they get. There is nothing our insurance industry did to land Bermuda on France’s black list – but we ended up there and the insurance industry lost business. This is happening to our physical presence companies who pay taxes, support local events, give scholarships, and give to charities.

But Mr. Speaker, here too we have an issue, as we are treated to headline after headline of record profits for Bermuda based insurers, while at the same time the people of this country hear the tune of “shared sacrifice” and buckle down for more layoffs, more government cuts, and a falling standard of living.

This Mr. Speaker is the vicious cycle in which we are stuck. An Island with incredible wealth yet unable to pay its bills; too afraid to ask its international business partners for more - out of fear they may find new shores to exploit; unable to approach Google to say, “what about us?” because we are wedded to a tax system from the 1800s. Rather than tap into the incredible wealth surrounding us, we reduce the investments in education, scholarships, training, and healthcare that are needed to build our future and take care of our people.

This is why “shared sacrifice” rings hollow to many, and why many of our constituents have a real issue believing that anything is truly being shared by certain segments of our society. We have constituents who have trouble meeting their mortgage as their tenant’s job was outsourced and their own income was slashed by the government. People rightly ask – “What are THEY sacrificing?” Mr. Speaker, are the Bermudian people partners of the major players in this economy or just spectators to their billions in profits declared unashamedly in the same newspaper that reports on Bermudian redundancies?

Mr. Speaker, we cannot continue with this cycle expecting something different while we continue to be engaged in the global race to the bottom. The Minister of Finance is correct, the status quo is not acceptable. If that is the case, then we cannot have any no-go areas, everything must be on the table. Why are we only looking at punishing our citizens? Why is it that only Bermudians are asked to change the status quo?

Mr. Speaker, we as a country must do things differently. We must have the courage to sit all of our stakeholders around the table and commit to working together to succeed. It cannot be just Bermudians who must change their behaviour and expectations; all parts of our economy need to adjust their behaviour and expectations. If not Mr. Speaker, we will not be able to break this cycle and our country and our future generations will be the ones that pay for our lack of action.

## Conclusion

Mr. Speaker, there is no doubt that we as a country have big challenges to face. As the first speaker in today's "General Economic Debate," it is my hope that we can have a debate worthy of the people of this country in this Honourable House. It is my hope that we can talk about the future and how we are going to empower our citizens. It is my hope that members of the Government will contribute substance and not rhetoric in this important debate.

Mr. Speaker, in this response I have raised many issues and ideas - some are simple, others are sure to generate controversy - but all have been raised with the goal of making Bermuda a better place for all Bermudians – as that is our Job in this Chamber. Our voters deserve a debate on the profound issues that our country is facing and it is my hope that we can have a full and wholesome debate on the issues raised by the Minister in his statement and those that I have raised today. Mr. Speaker as Honourable Members we should debate the issues, we should debate the ideas, we should debate our different visions, but we shouldn't debate about each other or our respective parties.

Mr. Speaker, the refrain so commonly heard from the government benches of "14 years" – won't put our people back to work, it won't provide the training that is necessary for some of our citizens to re-enter the workforce, and it won't ensure our students can afford a tertiary education. The refrain of "14 years" does nothing for the constituent who wants their representatives in this Honourable House to come up with ideas that will make their family's lives better. The refrain of "14 years" will not solve the big challenges that we as a must country face together.

Mr. Speaker, the election was 14 months ago. This is now the OBA's Budget, this is now the OBA's Economy, and this is now the OBA's Economic Plan.

Bermuda is in need of dynamic change and transformation, change that will empower our people and secure our future. It is our job as an opposition to put forward our own ideas for public consumption and for debate in this Honourable House. We have done that today, and it is time for us to work together on the big issues of our time.

Mr. Speaker, the people of this country are watching; and it is my hope that today, in this Honourable House, we can have a debate of bold ideas worthy of their hopes, their dreams and their ambitions.

Thank you, Mr. Speaker.

**BERMUDA  
PROGRESSIVE LABOUR  
PARTY**

**PROPOSED PLP SUMMARY OF  
CONSOLIDATED FUND  
ESTIMATES FOR 2014/15 TO 2016/17**

GOVT ACTUAL 2012/13 \$000		ORIGINAL ESTIMATE 2013/14 \$000	REVISED ESTIMATE 2013/14 \$000	PLP ESTIMATE 2014/15 \$000	PLP ESTIMATE 2015/16 \$000	PLP ESTIMATE 2016/17 \$000
<b>Revenue and Expenditure Estimates</b>						
866,578	1 Revenue (i)	871,199	892,569	915,239	952,899	999,708
967,812	2 Current Account Expenditure(excl.debt & s/fund) (ii)	983,883	1,016,081	976,079	956,081	952,979
(101,234)	3 Current Account Balance(excl.debt & s/fund)	(112,684)	(123,512)	(60,840)	(3,182)	46,729
30,441	4 Interest on Debt (iii)	96,675	109,400	113,500	115,500	119,020
(131,675)		(209,359)	(232,912)	(174,340)	(118,682)	(72,291)
30,750	5 Sinking Fund Contribution	37,625	37,625	47,693	51,374	56,304
(162,425)	6 Surplus Available for Capital Expenditure	(246,984)	(270,537)	(222,033)	(170,056)	(128,595)
63,474	7 Capital Expenditure (See line 21 below)	84,609	62,458	75,000	70,000	65,000
(225,899)	8 Budget Surplus (Deficit)	(331,593)	(332,995)	(297,033)	(240,056)	(193,595)
<b>Sources of Financing</b>						
2,619	9 Consolidated Fund	0	0	297,033	129,507	0
223,280	10 Borrowing	331,593	800,000	0	110,549	193,595
225,899	11 Total Financing	331,593	332,995	297,033	240,056	193,595
<b>Capital Appropriations</b>						
76,190	12 Appropriations in Original Estimates	84,609	84,609	75,000	70,000	65,000
10,036	13 Supplementary Appropriations	0	0	0	0	0
86,226	14 Appropriated During the Year	84,609	84,609	75,000	70,000	65,000
(5,860)	15 Appropriations Frozen	0	(60,713)	0	0	0
(4,083)	16 Appropriations Lapsed	0	0	0	0	0
76,283	17 Net Appropriations	84,609	23,896	75,000	70,000	65,000
25,753	18 Unspent Appropriations from Prior Year	0	38,562	0	0	0
102,036	19 Appropriations to Meet Spending	84,609	62,458	75,000	70,000	65,000
63,474	20 Capital Spending	84,609	62,458	75,000	70,000	65,000
38,562	21 Unspent Appropriations Carried Forward	0	0	0	0	0
<b>Consolidated Fund Balance (March 31)</b>						
1,000	22 Contingency Fund	1,000	1,000	1,000	1,000	1,000
38,562	23 Unspent Capital Appropriations	0	0	0	0	0
(1,869,719)	24 Undesignated Surplus (Deficit)	(2,162,750)	(2,164,152)	(2,461,185)	(2,701,241)	(2,894,836)
(1,830,157)	25 Consolidated Fund Surplus (Deficit)	(2,161,750)	(2,163,152)	(2,460,185)	(2,700,241)	(2,893,836)

**Note:**

- (i) **Revenue growth assumptions as follows: 2015/16 - 5% & 2016/17 - 5% | Payroll Tax Concessions ended over 2 years**  
(ii) **Expenditure reductions as follows: 2015/16 - 2% & 2016/17 - 0%**  
(iii) **In 2012/13 - \$51M of Interest on Debt was funded from the Sinking Fund**