

REPLY TO THE **BUDGET**

2015/2016

Alternative Energy

Domestic Food Production

Bermuda Fund

Economic Diversification Unit

Vibrant Tourism Industry

Domestic Capital Markets

VISION

2025

Reformed Public Service

Transforming Education

America's Cup

Infrastructure Development

Increasing Home Ownership

Technology Incubator

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Shadow Minister of Finance
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Introduction

Mr. Speaker, never before in our country's history have we faced the situation that we do today: Bermudians are losing hope. When you canvass the hills of Bermuda or visit the community clubs, it is not unusual to hear Bermudians say, "Bermuda is finished"; "I'm looking to move"; "I don't see a future here in my country". We are faced with a crisis of confidence of our people, who fear for their job security, who fear for their children, who fear for the future.

The job of budgets is to represent the priorities of the government and demonstrate how the resources of a country will be used to advance its people. Therefore, the budget is an opportunity for the government of the day to communicate to the people how they will address the current challenges and restore hope. Bermudians looking for solutions and hope will find the budget as presented quite limited as it contains few prospects for future growth and jobs.

Mr. Speaker, we will applaud the OBA on successes that lead to a better life for our people, but we will not be deterred from offering constructive criticism when we see them off track. That is the leadership that we have provided and will continue to provide in this chamber when it comes to matters of finance and the economy. For when Bermuda succeeds, Mr. Speaker, it is not a victory for the PLP or the OBA; it is a victory for our people.

Mr. Speaker, I am fascinated by the recent calls for togetherness, for unity of purpose and the appeals to our joint citizenship that makes us Bermudians. I say fascinated, Mr. Speaker, because these calls are laced with the suggestion that to challenge an OBA plan or policy is somehow disloyal or to not love this country.

The Bermuda Constitution sets out every citizen's right to various freedoms, including the right to freedom of expression. We will not always agree on how to address Bermuda's problems, but we must embrace those differing views and respect our rights to express them in order to achieve true unity and success. We cannot move Bermuda forward unless we stop attacking those who disagree with us as uninformed, disloyal, or not having Bermuda's best interest at heart.

As the Minister set out his affinity for his country as the force guiding his work; as the Shadow Minister of Finance, I take the same license and say that we on this side of the House, Bermudians all, equally have the best interest of this country and her people at heart.

Mr. Speaker, there are no easy decisions going forward. As the government in waiting, we know that we cannot be all things to all people and we are prepared to make the tough choices that are necessary to build a better future for Bermuda. The situation at hand requires ideas and a vision for the future. Short-term fixes and short-term stimulus are not enough. What we require is a fundamental transformation of our economy; and on that measure, again, the One Bermuda Alliance Budget has come up short.

While there is a concerted effort to reduce the deficit, the OBA seems to be content with tackling the symptoms and not fixing the problem – a broken and unbalanced economy that continues to shrink.

Instead of concrete investments needed to grow our economy, instead of a cohesive, visionary plan that will guide us into the future as a stronger Bermuda, we have been presented with proposals which fail to take us beyond the next election cycle.

Today, Mr. Speaker, I will talk about the past, the present and the future. I will remind members and the people of Bermuda where we have come from and provide an outline of steps that we can take right now to restore hope to our people. Most importantly, I will present a vision for the future that does not end in 2017 but instead ends with the transformation of the Bermuda economy by the year 2025.

Reply to the Budget

Mr. Speaker, my job on this day is to respond to the budget presented to the people of Bermuda last week. It should come as no surprise that we in the Progressive Labour Party have a different approach to the budget, as we differ from the One Bermuda Alliance in many areas of policy.

In the Progressive Labour Party, we believe that government is a tool to effect public good, an instrument of empowerment and a safety net for those most in need in our society. We are committed to helping those who need help and to lifting up those who are trying to better themselves.

Sadly, Mr. Speaker, the members opposite do not appear to share our concern. The Chair of the One Bermuda Alliance gave voice to her party's ethos in an opinion column of September 2014 in which she said:

"There are many voices in this community which say we should be spending money to shield Bermudians from the consequences of today's realities. Forget about foreigners, they say. Forget about international business. Do more for our people. Give jobs to Bermudians. Increase pensions. Give students more money for college. Give seniors better healthcare. Invest, they say, in Bermudians. We have difficulty at the moment paying the bills. We have no savings. What money would we use to make these investments? Of course, the voices we are hearing belong to the people who got us into this mess in the first place. They want to take back the reins of power. But where do you think they would find the money for this bonanza of presents for 'our people'?"

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Senator Lynne Woolridge

OBA Chairwoman, September 24, 2014

Mr. Speaker, this shocking passage sets out the core difference between us. We on this side do not view jobs for our people, investing in Bermudians, providing money to support college students, healthcare and increased pensions for our seniors as a "bonanza of presents". The people of Bermuda have every right to expect such services from their government, and it is our duty to provide them! The sacred trust through which we were all elected requires that we do right by all manner of people without fear or favour, affection or ill will.

Mr. Speaker, budgets represent the priorities of a country, budgets represent the vision of a nation, and budgets are the tools used to align our country's investment to match the plan which is articulated by the government. Though the One Bermuda Alliance means well, their plans fall short of what Bermuda needs.

Cuts for Cuts' Sake

Mr. Speaker, while the Minister insists on looking forward, it is important that we take a look back to examine the year that was and the different outcomes that could have been achieved with a different strategy.

Before we look at last year's numbers, we must briefly reflect on the debate between investment and austerity, which was a hot topic prior to the 2012 election. Deep cuts in government spending will weaken an economy – that is a law of economics and is beyond dispute!

We have learned from local and international experience that instituting cuts across the board does not work. The Minister is fond of saying that he is “cleaning up the PLP's mess”, but the Minister would be wise to learn from the PLP's mistakes. In 2011, the PLP embarked on a plan of aggressive spending reductions. Following that experience, experts warned the Ministry of Finance against across the board cuts by saying:

“Budget cuts have often reduced productive investment spending rather than cutting into inefficiencies in service delivery, which undermines future fiscal capacity to service debt.” - Pre-Budget Report 2013

Mr. Speaker, what that is saying is that cuts for cuts' sake do not work. Cuts do not tackle inefficiency, which is the core of the problem, and they often reduce productive investment. This means that cuts without focusing on efficiencies can make our budget problems worse.

The 2013 Pre-Budget Report then goes on to say:

“However, transferring spending from ineffective to effective uses can improve the trade-off in later budgets by boosting future growth and future revenue collections thus increasing future fiscal space. This has led the International Monetary Fund to broaden its focus from fiscal adjustment based on cutting aggregate spending and, unavoidably, jobs, to a broader focus on re-prioritising spending so as to enhance future fiscal space and future options for cutting debt.”

In a nutshell, Mr. Speaker, it's not the cuts that matter, but how you spend your resources. If you spend on investments that generate a return, you grow your economy and increase your revenue which allows more 'fiscal space' to reduce debt in the future.

Mr. Speaker, the definition of the word “invest” is as follows: *to put money to use, by purchase or expenditure, in something offering potential profitable returns, as interest, income, or appreciation in value.*

What we as a country need to determine is the best way to invest our scarce resources. Sound investments yield a return and, given our limited resources, it makes the most sense to re-prioritise our spending on investments that can deliver the greatest return so that we can grow our economy.

2014/15 Review

Mr. Speaker, last year I spoke at length on an alternative PLP Budget, one that while reducing spending would have made critical investments in our future. Last year we pledged that if we were government we would have reduced current spending by \$40 million compared the OBA's stated pledge to reduce current spending by \$70 million. The extra \$30 million in spending was earmarked for:

- Education - \$5 million
- Energy - \$5 million
- Tourism Authority - \$5 million
- Training, Scholarships & Workforce Development - \$4.3 million
- Community, Children & Sports - \$3.7 million
- National Security - \$3 million
- E-Government - \$2 million
- Bermuda College - \$2 million

It was our view that while we needed to tighten our belts we did not want to cut back spending too quickly and choke off any nascent recovery in the economy. Additionally, the money above would be used for productive investments in: educating our young and increased training for our teachers; promoting the green economy by expanding rebates for renewable energy installations; bringing more tourists to our shores by increasing our marketing; retraining Bermudians for the jobs of today and the future; developing our community centres and investing in our youth; providing better access to the Bermuda College; and using technology to streamline government and increase efficiency in the civil service.

Mr. Speaker, though these items represented current spending, they would have also represented sound investments in our future. An additional \$5 million invested in tourism would have certainly helped our hoteliers, restaurants, retail and taxi industries. The expansion of the energy rebate program would have injected new life into the growing renewable energy industry, and the investments in education, retraining and the Bermuda College would have equipped our unemployed to be in a position to take on skilled positions and reduce the demand for financial assistance.

Our \$40 million reduction in spending was coupled with a rollback of tax concessions for the hotel, restaurant and retail industries. Phased in over 2 years, this measure would have added \$15 million to the treasury and reduced the current account deficit by 25%.

We also proposed to spend an additional \$13 million in capital spending on infrastructure. These capital investments were earmarked for: the repairs of our civil infrastructure which is vulnerable to heavy rains; the installation of renewable energy on and in government buildings; and the upgrading of the facilities in our public schools to take advantage of new technology.

When all of those items were taken into account, our proposed budget last year forecast an overall deficit of \$297 million.

Mr. Speaker, last year, during this very same speech, I said the following about the Minister's Budget:

"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, so said, so done. We have all felt the effects of last year's budget; we've seen joblessness rise, visitor arrivals fall, businesses close and our infrastructure continue to crumble. But, Mr. Speaker, the best indicator of the Minister of Finance's poor decision making is in the results. With his aggressive cuts, the Minister expected the deficit to be \$267 million. The Minister is now forecasting a deficit of \$300 million – which is greater than the deficit proposed by the PLP's alternate budget proposed last year. This should serve to remind us, Mr. Speaker, that not even this Minister of Finance can change the laws of economics: his cuts weakened the economy, his cuts helped revenues collapse, his cuts pushed visitor numbers to decline and his cuts led to a wider deficit than expected.

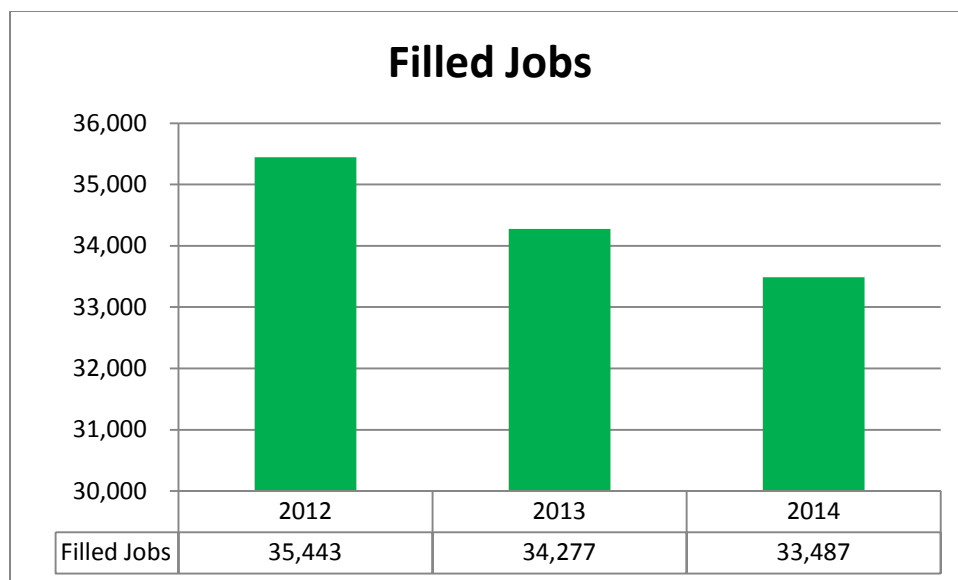
Our Local Economy

Mr. Speaker, our local economy continues to struggle and 2014 will likely represent the sixth consecutive year of economic contraction. Though the Minister sees light at the end of the tunnel, the fact remains that we've seen job losses and business closures continue unabated. With redundancies expected from the consolidation in the insurance industry and bank lending at a 7 year low, it is clear that our economy is not yet out of the woods.

Employment

Mr. Speaker, the Labour Force Survey 2014 indicated that the unemployment rate increased to 9% and there are currently 3,486 unemployed persons in Bermuda, which is a record high!

The results from the 2014 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 790 jobs in 2014! The Bermuda economy continues to shed jobs, and that should concern all of us.



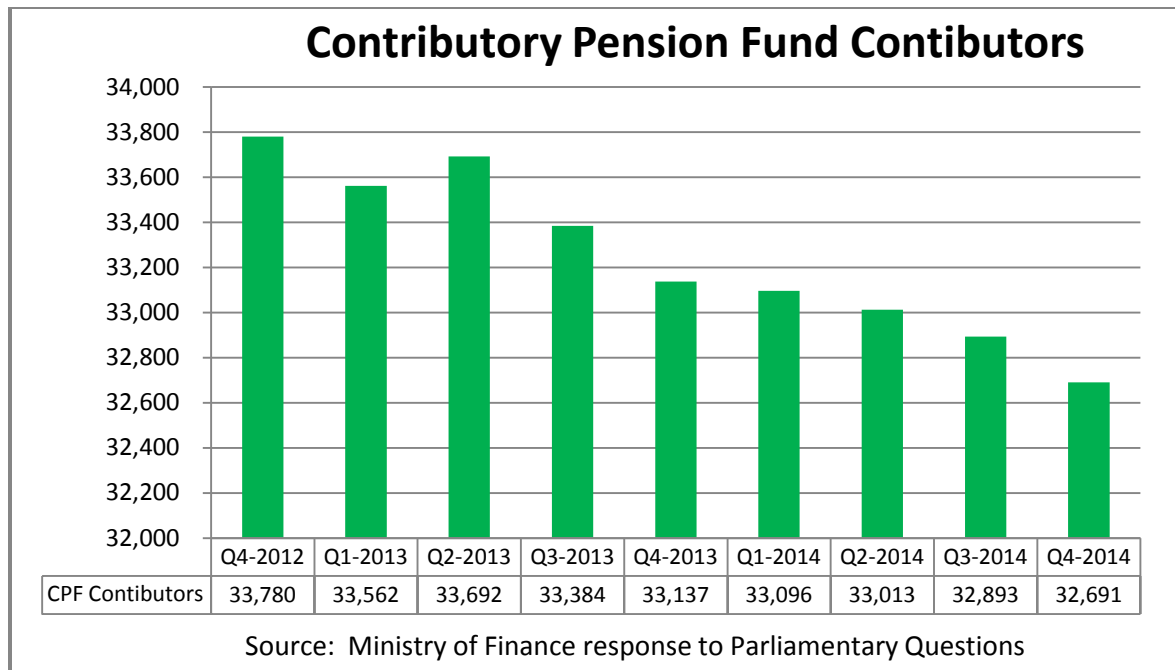
Company Registrations & Payroll Tax

Mr. Speaker, last Friday the Minister cited improvements in the economy by referencing “New international and local company formations.”

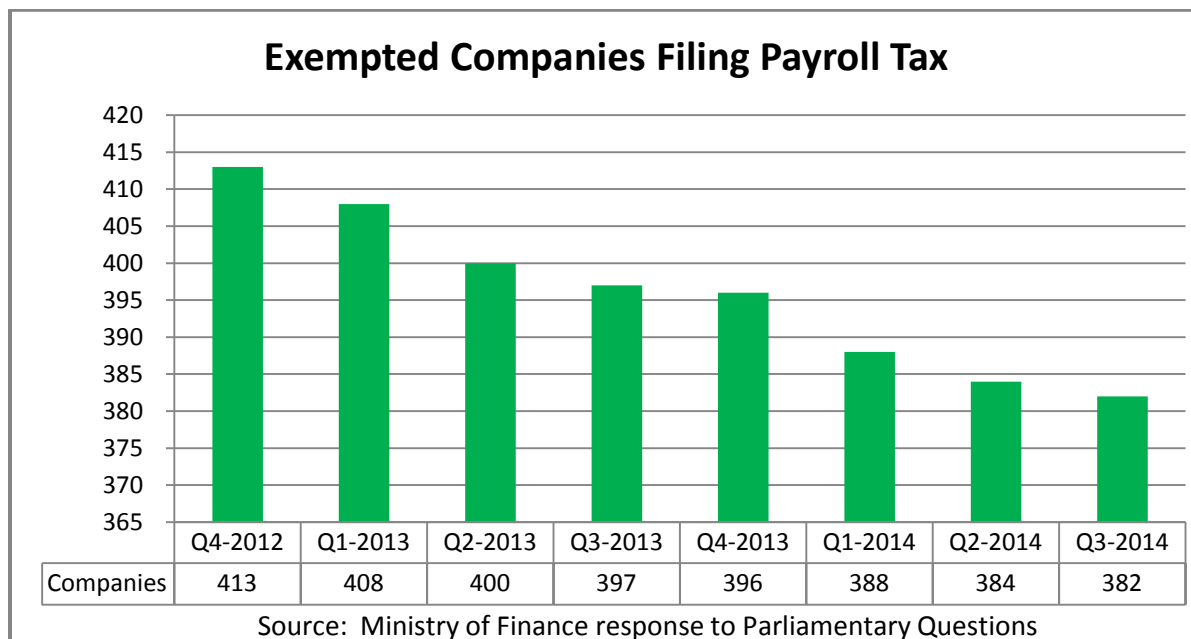
We welcome any increase in this number, but the Honourable Minister’s statistics may not tell the entire story. It is important for Bermudians to know that most incorporations do not create a single job. Last week, we received answers to Parliamentary Questions on two statistics that present a more accurate 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 2014 there were 1,089 fewer persons contributing to the Contributory Pension Fund (Social Insurance) than in the 4th quarter of 2012. This confirms continued contraction in the job market.



Mr. Speaker, the next set of figures deals with exempted 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 show an 8% reduction in exempted companies since December 2012.



The PLP Alternative Budget

Mr. Speaker, last year the Progressive Labour Party detailed a glide path that contained a balanced approach to get us to a balanced budget. As specified in our Budget Reply last year, our budget this year would have extended the spending reductions of the 2014-15 budget by implementing an additional \$25 million in spending reductions and the complete removal of payroll tax concessions. The investments proposed by the PLP in the 2014-15 budget would have provided additional revenue, allowing the PLP to achieve a return to current account balance in the 2015-16 budget year.

The outlines of the PLP's glide path as outlined last year 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.
- 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 any pay raises and any new programmes.
- 2019/20: The budget will return to full balance in 2019/20, enabling a gradual reduction of debt and gradual increases in capital and current account spending.

Increasing Efficiency in the Civil Service

Mr. Speaker, the suggestion by some in the community that all that ails Bermuda could be cured by simply firing civil servants is not only foolhardy, but it is crude and nasty. It is also equally saddening that there are those in the private sector who mistakenly suggest that no pain has been felt by the civil service. With the exception of the police, no public sector worker has had an increase in salaries and wages since 2010, and for the last two years the furlough has left some public officers finding a month's mortgage payment from savings or otherwise.

There has been pain and that pain has been felt. As the Minister himself said, while several sectors have had payroll tax relief for years, public officers have paid their payroll tax without interruption while losing buying power through price increases, increased deductions and then furlough. Mr. Speaker, we are all in this together, and it does this country a disservice when there are those who wish to make civil servants the enemy and pit them against those in the private sector.

On behalf of the Progressive Labour Party, I would like to thank the thousands of workers in the public service for their hard work, their dedication and for the sacrifices they have made and will continue to make!

Mr. Speaker, we must all work together to improve the efficiency of the civil service. The hiring freeze that is now in place will assist by requiring increases in productivity. Our public servants are hard working citizens, most of which go above and beyond the call of duty. There may be, however, some workers who do not give a full day's work for a full day's pay. Those persons do an injustice to themselves and to our country, and we must ensure that we streamline the grievance process so that managers have the tools to deal with non-performing employees.

Additionally, we should further professionalise the civil service and introduce fixed term contracts and performance based pay for senior managers. Senior managers 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 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.

Budget Control & Debt

Mr. Speaker, the Minister outlines a number of budgeting rules that he feels the government should be held to. We on this side agree to the parameters that he has set out. They are strict, but over the long term we should look to achieve those targets. Our creditors must have confidence that we will stick to our targets and enforce fiscal discipline when required. However, Mr. Speaker, under a Progressive Labour Party Government we would go one step further.

Implement Pay-Go Rules

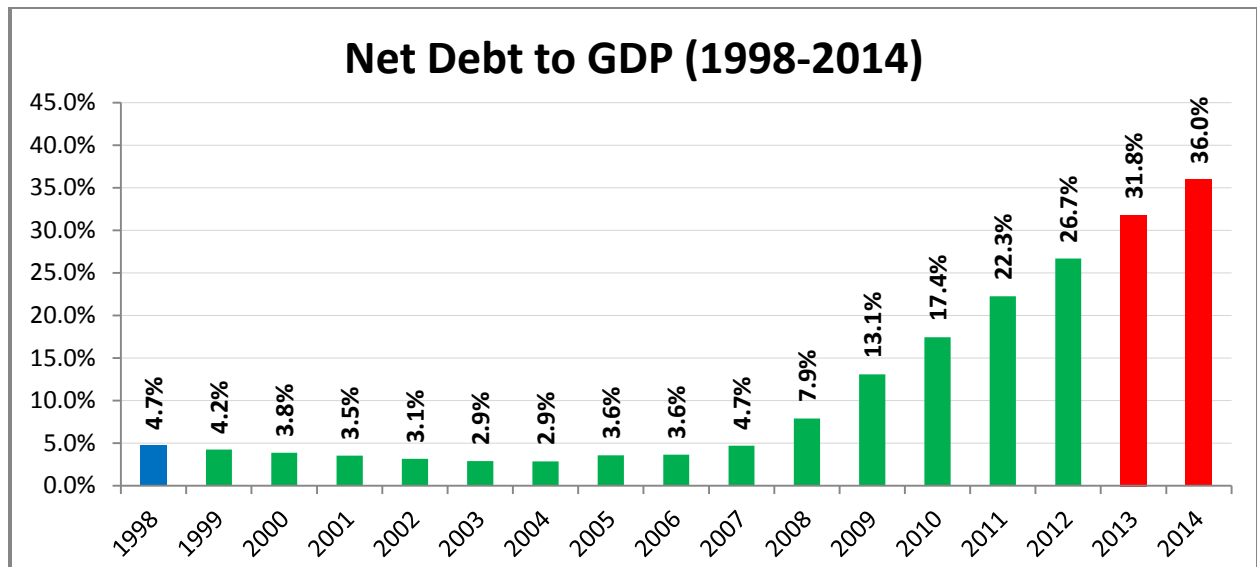
Mr. Speaker, on July 18, 2014, the Public Accounts Committee tabled a report in this Honourable House that contained the following recommendations regarding the supplementary appropriation process:

- 1) PAC recommends that the House considers updating budget rules to make supplementary funding a more disciplined process.
- 2) Consider implementing "pay-go" rules to ensure that any additional, nonemergency spending that occurs during the budget year is offset by additional revenue or corresponding cuts. Approval should be sought from the Legislature prior to additional funds being spent.

Mr. Speaker, if we are to have budget control we need to ensure that if spending increases in a given budget year, then cuts are made somewhere else in the budget. Pay-go rules add an additional level of budget discipline and we look forward to debating that Public Accounts Committee report when the Minister gives his formal response.

Bermuda's Debt Challenge

Mr. Speaker, the Minister of Finance states that our national debt is the greatest risk to our financial independence and on that we agree. During the first 10 years that the PLP was in office, the Debt to GDP Ratio never exceeded 5%. In fact, for the first 9 years of our time in office the debt as a percentage of GDP was lower than when the PLP took over from the UBP.



Mr. Speaker, Bermuda's debt skyrocketed with the onset of the global financial crisis when revenues collapsed. I don't need to remind you of the trauma that was wrought on our economy, but suffice it to say, our economy has not yet recovered.

The fact is when our economy does recover we still have this debt burden. We agree with the Minister of Finance that we must balance the budget as quickly as possible before we find ourselves in a debt trap. Nothing, Mr. Speaker, is more important financially than avoiding the scenario to which the Minister speaks, of external forces dictating terms to us. Also, it is important that Bermudians understand that the United Kingdom does not have a good history of looking out for the best interests of our international business sector.

Financing our Debt

Mr. Speaker, as I move onto the next section of our presentation I must take some time to talk about how we finance our debt. In 2013, the Minister boldly declared that we would borrow \$800 million to "prefund" our deficits. The logic was simple according to the Minister: the Government would borrow a lot of money in 2013 to hedge against the risk of interest rates rising and having to go back to the markets in 2014 when interest rates were higher. At the time, we described the Minister's action as a risky bet that for the country's sake we hoped would pay off. Mr. Speaker, unfortunately interest rates did not rise as predicted and 10 year interest rates today are lower than they were in July of 2013. The Minister made this transaction in the hopes of saving the Government money, but as of now, and given that our notes have a fixed rate of interest, it seems that it may cost the taxpayer more money than if we would have gone back to the market on an annual basis.

Economic Stimulus via Tourism and Transport

Mr. Speaker, the Minister laid out his version of a stimulus package in which he detailed a number of projects that would inject money into the economy. The Minister boldly proclaims that the stimulus amounts to 20% of our GDP; however, we submit that this is not the case. It would be that much if all of the projects took place in one year and came to fruition, but that is not what will happen. Assuming all of the projects happen over the 3 ½ year time horizon, we can expect 4.8% annually.

Mr. Speaker, I did say assuming all of the projects took place for a reason, as there are projects listed in the Minister's budget that do not yet have plans, let alone planning approval. In my view, given past history, it is reckless to put our eggs in the basket of hotel development. We will not be able to sustain new hotels unless we can raise the number of air visitors.

The Minister's pronouncement also begs the question, what is the plan after this "stimulus"? Do we just have a 3 year time horizon until the next election? What then? It is this haphazard approach to planning that demonstrates the need for a long-term strategy which the OBA has yet to articulate.

Hotel Development

Mr. Speaker, it is the Progressive Labour Party's hope that these hotel projects do come to fruition. However, we must invest enough in our tourism product and marketing to ensure that there is adequate demand to support the financing and construction of new hotels.

It is in that spirit that we raise a flag of caution as we understand the government has extended a \$160 million guarantee to the Ritz Reserve development at Morgan's Point. Mr. Speaker, when you go to the bank to get a loan, the banker doesn't ask you for a guarantor if he feels you have the ability to repay the money. It is only when there is a question of your creditworthiness that a guarantor is requested. Therefore, it should be very concerning that the government is guaranteeing this private project. Mr. Speaker, if the team at Morgan's Point are having a challenge in raising the funds necessary, it is likely for a good reason. The fact that the OBA is putting the taxpayers on the hook for \$160 million for a private hotel development is troubling, as the government should not be in the business of building hotels.

Mr. Speaker, we wish no ill will to the developers at Morgan's Point; however, if a government guarantee is extended in this case, it opens the door for other developers to ask for the same treatment and exposes the government to a \$160 million liability should the project be unsuccessful.

Tourism

Mr. Speaker, 2014 was a bad year for tourism as we saw air arrivals sink to the lowest level since 1966. This, however, should come as no surprise as last year saw government spending on tourism promotion dip to the lowest level in 34 years.

Mr. Speaker, for the last 2 years I have stood on my feet on this occasion and implored the government to get serious about diversification. Last week, the Minister revealed his novel plan for diversification, and that was to grow the tourism industry!

Mr. Speaker, that is not a plan for diversification; that is a necessity. Bermuda needs more than two industries, so the fact that the OBA's diversification plan is limited to growing the tourism sector despite our significant cost disadvantage should be a signal to all that the OBA does not understand the vital

need to diversify our economy. Mr. Speaker, we will touch on diversification later, but suffice it to say that the PLP does not believe that tourism will be enough to diversify our economy.

However, Mr. Speaker, let us assume that the Minister's vision is correct. If we go along with his assertion that all our economy needs is tourism to rebound, then it would stand to reason that he would put the government's money where their mouth is and invest in tourism. It should, therefore, surprise everyone that after the lowest amount of air arrivals in 48 years, and after declaring that "the government regards this as a national imperative and will do whatever it takes to ensure success", the Minister has cut the tourism budget again!

Let's take a look at the historical numbers. In 1990, Bermuda invested \$27 million in tourism, that is more than we spend today. When adjusting for inflation, it would take \$49 million dollars today to have the same impact that \$27 million had 25 years ago. In 1990, tourism investment represented 9% of our annual budget; today our investment in tourism is less than 3% of our budget. This level of investment is not consistent with a national imperative of such vital importance to the economic success of our country.

Mr. Speaker, the justification offered for the cut to the tourism budget is equally insufficient. The fact that the Minister of Finance cut all ministry budgets because none of his Cabinet colleagues offered up funds from their respective ministries speaks to a dereliction of duty. The Minister of Finance is the CFO of the government; he needs to enforce fiscal discipline on his colleagues and make the tough decisions required to deliver a budget that reflects the needs and priorities of the Bermudian people.

Mr. Speaker, we heard the Minister talk about "unprecedented investor interest in hospitality." While we appreciate investor interest, investors will not build a hotel if they cannot get a return on their investment. Our hotel occupancy rates are not going up, they are going down. Until we are able to nudge the numbers from 60% where we are now to 65% or 70% on a consistent basis, we will not see that "unprecedented interest" turn into reality. That is why investment in tourism matters. It is not enough to declare that new hotels will be built; we have to ensure that conditions on the ground allow these hotels to be built.

Bermuda Tourism Authority

Mr. Speaker, the Bermuda Tourism Authority was created with much fanfare. The promise was that through its independence, the BTA would have the freedom to affect the turnaround tourism so desperately needs. It is a mammoth task in a highly competitive environment. We acknowledge that and support all efforts aimed at growing this sector of our economy.

However, the creation of the BTA does not spell the end of accountability. It was disturbing to hear the CEO of the BTA admonish the country with these words: "Dissension is the enemy of success". Mr. Speaker, that is not the way democracy works. There will be constructive criticism from this side of the aisle, especially when we are discussing how taxpayer funds are spent.

That much being said, Mr. Speaker, we have had the chance to meet and interact with the leadership and staff of the Bermuda Tourism Authority. They are an excellent team who approach their mission with professionalism and they are doing good work. Though we questioned the need for its creation, the team at the BTA have our full support. We are confident that the BTA will succeed in their mission to execute the National Tourism Plan and increase visitor arrivals, but only if they are given the required level of investment.

Mr. Speaker, many will ask where this extra investment in tourism will come from as the government is strapped for cash. We know where the government can better prioritise spending to give a boost to tourism.

Redevelopment of the Airport

Mr. Speaker, the PLP strongly opposes the manner in which this government has approached the redevelopment of the airport and we are confident that a majority of Bermudians do as well. This project is not the right project for the country right now as we need to be making investments in assets and activities that generate a return.

Mr. Speaker, let me start with the irony of the fact that the government which is currently facing a \$90 million lawsuit filed against them by a developer who saw his contract voided by the government due to the “lack of a proper RFP process”, is now pressing full steam ahead on a \$255 million project without any RFP process. It is more amazing that after 5 months of trying to convince the country otherwise, the Minister of Finance now admits that the airport will be privatised to a private concessionaire by the name of Aecon.

Mr. Speaker, the Hansard will recall that members of the Opposition were chastised for “making it up” when we brought up Aecon in this House in November 2014. The Minister of Finance stood up in this Parliament and told us that no company had been chosen, even after he had played his hand in the local media in November and indicated that Aecon will build our new airport.

Mr. Speaker, we are sure that Aecon has the expertise to build the airport, but we find it hugely coincidental that the chairman of a prominent local construction firm sits on the Board of Aecon, the company set to receive a contract with revenues in excess of \$1 billion without having to compete.

Mr. Speaker, whatever happened to good governance? Whatever happened to ensuring Bermuda gets the best deal by going out to tender? The fact the Minister has tried to say that this is the only organisation that can tick the boxes is an absolute fallacy! There are numerous companies around the world that enter into transactions like this all the time; some who have approached us indicating that they would participate if the airport deal was going out to tender. What is the catch? Why is the Minister so stuck on Aecon? Why has the OBA turned their back on good governance?

It is also interesting that the government continues to refer to the only other airport development done by CCC & Aecon as a model, without mentioning that the Government of Ecuador put their project out to tender. We find it interesting that the OBA seem intent to convince the people of this country that the airport won't burden the taxpayer when in fact it will cost us a lot. The fact is that nobody is going to build us an airport for free; the Bermudian taxpayer will foot the bill.

The constant refrain that this will not add to our debt is an empty argument, Mr. Speaker. Money will have to be borrowed for the airport, and revenues that normally accrue to the government of Bermuda will be used to repay those loans. Whether the money is borrowed by Aecon or the Government of Bermuda, it is our tax and fee revenue that will be used to pay that loan.

Mr. Speaker, fancy accounting can hide debt and make it not appear on your balance sheet, but there is one thing that the Minister of Finance cannot deny, and that is that this airport deal will increase the

deficit! We hear the constant refrain from the OBA that this transaction will not affect our balance sheet. Mr. Speaker, if you increase your deficit it is going to show up on your balance sheet eventually as you are going to have to borrow the money to fill the gap. That is the fallacy of the airport as it is being sold to the people of Bermuda; it is not wise.

This year, when the increase in the airport departure tax is included, the airport is expected to turn a profit of \$11.5 million. Mr. Speaker, this is currently a profitable operation, but these profits are set to be turned over to Aecon. We know that \$11.5 million a year isn't enough to build a \$255 million terminal, so that means that Aecon will get more revenue or will cut costs. Costs are people, Mr. Speaker; the 43 Bermudians at the airport from the General Manager down to the baggage handler may all be cut by Aecon. We know that the airport is increasing fees and moving ahead with a renewable energy project that will secure additional revenue that will leave Bermuda and go to Aecon under the proposed redevelopment deal.

Mr. Speaker, our airport is not a hub, it is not a transit point, and it is not a facility that has passengers using its facilities for hours. We could build the prettiest airport lined with gold and it will not help our tourism product. Travellers do not visit countries for the airport, Mr. Speaker; they visit for the product, that is the land, activities, and people.

Our answer, Mr. Speaker, is not right now, not when we are strained in so many places. Eleven million dollars in profit is a lot to lose. Bermuda will eventually need a new airport; the physical plant of our current one is failing, but so is the causeway. The original intent was to finance both a new airport and a new causeway – but now the causeway is not a part of the plan.

Mr. Speaker, we can and we should take a step back to conduct a public RFP process, making sure that Bermuda gets not only the best deal possible but also gets a new bridge. Instead of diverting \$11 million of surplus to a Canadian company, we can put that money into tourism. We can invest that \$11 million in developing our product, marketing our product, putting heads in beds, providing jobs for our people and making investments in our on-island experiences.

It is our position that those steps, combined with minor works at the airport, will extend the useful life of the facility for 10 years while we focus on re-building our tourism product in the short term.

Mr. Speaker, it goes back to prioritising our spending to productive investments for the future. The airport project as structured by the OBA will not generate a return for the people of Bermuda. It will not make our economic situation better in the long run. The short-term boost in construction stimulus will quickly give way to long-term payments to a Canadian company.

Spending our limited resources on building a new airport will not increase air arrivals; investing those resources in tourism, however, will assist in turning around our tourism product.

We urge the people of this country to speak to the Minister of Finance, and ask him to put this project on hold and urge him to spend our resources on investments that will improve our economy in the long run.

The America's Cup

Mr. Speaker, I'm about to tell you something you may not know; Bermuda is hosting the 35th America's Cup! The America's Cup is an excellent opportunity for Bermuda and the government should be proud

of their accomplishment on behalf of the people of this country. This is an important event and the America's Cup Event Authority should know that we in the Progressive Labour Party will do all we can to assist the government in ensuring that this America's Cup is the best one ever. This event is also a great opportunity to showcase our island to people in the world that have the capacity to invest in Bermuda.

We do await more clarity from the Minister of Economic Development as to how the government arrived at a figure of \$250 million in economic impact, however we have no doubt that the \$77 million that has been pledged to the America's Cup will generate a return on investment. It is important that the economic impact from hosting this event is felt across the community, and the PLP will hold the government to account by ensuring fair tendering in contracts and value for money with taxpayer funds.

Examining our Financial System

Mr. Speaker, in his statement, the Minister covered a number of topics regarding our financial system. I will speak to those items and also put forward some additional ideas for the Minister to consider.

Monetary & Banking 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. Last year, 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. It is with that in mind that the PLP welcomes the Minister's declaration last week that the "government is studying various options to restructure the banking sector." It is our hope that the government will give serious consideration to giving the Bermuda Monetary Authority or another organisation additional tools to assist in managing the local money supply to promote economic stability.

Mr. Speaker, it is a fact that Bermuda's banks are under-lent, and as the Minister stated last week, local bank lending is now at a seven year low! Banks play a vital part in our local economy and this lack of lending is restricting economic activity and hampering our ability to emerge from the recession. The Minister has our full support in his drive to reform the banking system, as it is vital for our economic recovery that banks fulfil the important role required in our economy. We look forward to hearing more details of his plans and stand ready to participate in any discussions on this topic.

Credit Unions

Mr. Speaker, we must provide additional competition for our local banking sector. Credit unions around the world are seeing a resurgence as savers and borrowers seek value. If the banks are refusing to lend, then we should make it easier for other organisations such as our local credit unions to fill the gap. The expansion of credit helps our economy and the government should work with any organisation that shares their aim in this regard.

Reforming our Tax System

Mr. Speaker, the Minister's announcement last week that the government "has requested technical assistance from the Caribbean Regional Technical Assistance Centre (CARTAC), an IMF regional body, to study the feasibility of broadening Bermuda's tax base" is a welcome move.

Last year we spoke about the importance of a thorough examination of our tax structure and we are pleased that the Minister is listening carefully and taking our advice.

Reducing Payroll Tax

Last year, the PLP made it clear 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. The reason given was the simple economic case that payroll taxes depress employment and in the act of taxing employment we are taxing the very thing we need in Bermuda – jobs. Payroll taxes dissuade businesses from hiring new employees and increase the incentive to outsource jobs.

Mr. Speaker, the Minister's declaration last week that "Payroll taxes, our primary source of revenue, for example, is not a tax on consumption at all. It is a tax on labour — not a type of taxation that would tend to increase the number of jobs" is welcome as it aligns with the proposals we put forward last year. The question, Mr. Speaker, is if you reduce payroll tax, what do you replace it with?

Consumption Taxes

Mr. Speaker, our current system taxes goods in our economy but does not directly tax services. As the Minister of Finance has stated, the vast majority of our consumption is in services.

In looking at tax reform, some in Bermuda have recommended that we adopt a Value Added Tax (VAT). The PLP is of the view that the likely 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 and we look forward to the public consultation that the Minister is promising. One thing, however, must be said, Mr. Speaker; any consumption tax must not increase the tax burden on those who can least afford it.

Make Social Insurance Progressive

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

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

Currently, a low wage earner (\$18 / hour) pays 4.75% of their salary to Social Insurance whereas a high wage earner (\$75 / hour) only pays 1.14% of their salary into the fund. If all workers paid into the fund at the same rate as a worker earning the median income (2.7%), the change results in low wage earners receiving \$720 more take-home pay a year, while contributions from high wage earners would increase.

We can and should make this system fairer in line with social insurance programmes around the world in which contributions are based upon how much you earn.

Payroll Tax Concessions

Mr. Speaker, we welcome the Minister's call to begin to eliminate the payroll tax concessions enjoyed by the hotel, restaurant, and retail sectors. In what is a theme of our reply, it seems the Minister took to heart what we said last year, even after he disagreed with us, and is now following the lead of the PLP.

Mr. Speaker, it bears repeating that when these concessions were first introduced they only cost the government \$2.2 million a year – however this figure has now swelled to \$30 million a year.

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 their business competitive. Productivity is required for economic growth, and the move to end these concessions is the right one.

Mr. Speaker, though we support this move, we are disturbed that the Minister set the rate in such a manner that employers can claw back all of the payroll tax from their employees. We do not think that is fair or just, and we urge the Minister to ensure that the end to these concessions is shared appropriately between employer and employee.

Occupational Pensions

Mr. Speaker, I have previously spoken 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.

Immigration

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."

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 immigration right.

Previously, 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 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. There are currently guest workers here filling jobs that can be filled by Bermudians.

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.

Mr. Speaker, we think that all Bermudians realise that outside assistance and intellectual capital is needed, but the current approach to this important 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 both the internal economy and 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 OBA's tinkering 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 the motion tabled to be tabled on Monday that Parliament 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. Let this be an issue on which we work together to show Bermudians that we can come together for the national good to permanently fix a broken system.

Mr. Speaker, you may ask, why a joint select committee? Well, it is important for one reason: stability. International investors need to know that they have a stable platform on which to base their investment decisions. Right now, immigration policy can change from government to government; it can also change from minister to minister. Though this adds flexibility, it also adds uncertainty. We will not attract the long-term investment that we need if potential investors feel that the rules may change after an election. That is why it is important for both parties to agree on a common approach that we can present to the international investment community.

Consumer Protection

Mr. Speaker, during economic trials there are those businesses that use the desperate situation that some of our citizens find themselves in to their advantage. It is our view that government has a place in protecting the consumer and we put forward the following proposals.

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 support the PLP bill that will 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.

Enact a Fair Credit Reporting Act

Mr. Speaker, in addition to better regulation of debt collection agencies, we call on the government to introduce legislation that will enable a unified system of consumer credit reporting. This will allow companies to more efficiently assess creditworthiness of an applicant. Such a move can increase efficiency in the marketplace, rewarding those consumers with good credit histories, and can serve to boost our economic growth. Our system of credit reporting is dated and this is a space in which the government can lead.

Regulate Payday Lenders

Mr. Speaker, as a result of our economic challenges a new type of company has found a home in Bermuda - and that is the payday lender. These companies prey on the desperate and those who may not understand the full extent of what they are getting themselves into. Payday lenders in Bermuda are lending money and charging interest at the rate of 260%. Yes, Mr. Speaker, you heard me correctly - 260%. This cannot be right, and we have a duty and obligation to put an end to this predatory practice.

In some parts of the United States, payday lending is a violation of racketeering laws while in others it is a violation of criminal usury laws. Many other states limit annual interest rates to 30%. The United Kingdom has also recently enacted laws to reign in payday lenders. We urge the OBA to take action on this issue and put in place regulation to curtail those who would lend to those who may be in a tough situation at the extraordinary rate of 260%.

Establish a Cap on Fees at Banks

Mr. Speaker, certain fees at local 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.

Modify Foreclosure Rules

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 hardworking 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.

Road Safety

Mr. Speaker, road safety is arguably an economic issue. Each serious injury that is sustained on our roads can cost the tax payer upwards of \$1 million, and that does not include the increase in health and vehicle insurance premiums. When one factors in the tens of thousands of dollars that it cost for the first responders, ambulance, EMTs and Bermuda Police Service personnel that have to be called out to the scene of a serious accident, it becomes abundantly clear that careless and reckless conduct on our roads has not only a human cost, but an economic cost. Cutting the grant to the Road Safety Council by 78% at a time when we need to be forceful to tackle this issue sends the wrong message.

Good Samaritan Act

Mr. Speaker, in light of the current economic crisis many people are finding it increasingly difficult to feed themselves and their families. On the other hand, many restaurants and other food service establishments find it frustrating to have to dispose of food which is still safe for consumption because they are unable to give away unused food items for fear of risk of civil liability.

The PLP will safeguard this concern by introducing the Good Samaritan (Food Donation) Bill that will provide legal protection to people who give reasonable assistance via food donations to those in need.

Decriminalisation of Cannabis

Mr. Speaker, the OBA's lack of movement on the issue of decriminalisation of cannabis for yet another year remains a campaign promise unfulfilled and an example of the government showing unwillingness to deal with an issue of public concern head on. Despite there being cross party support for decriminalisation, government actions are hollow.

Mr. Speaker, this too is an issue of fairness as black people in our society are far more likely than whites to be arrested, charged and convicted for cannabis possession. The criminalisation of our citizens for minor, non-violent possession is an open sore on our society, damaging already destroyed lives of hundreds of Bermudians, young and old. Many have been obstructed from years of real opportunity to improve their lives and that of their families. The PLP's bill for decriminalisation was decried by the government, but to date we have seen nothing from them as an alternative.

From a budget position, decriminalisation has a fiscal advantage of allowing resources and manpower within law enforcement which is used to investigate, pursue, apprehend and prosecute individuals for minor cannabis possession to be re-deployed to deal with other areas such as violent crime, domestic violence, commercial crime and community outreach. Decriminalisation makes good social policy and fiscal sense. This will open the door for government to explore the possibility of revenue opportunities in the long-term with cannabis being regulated and appropriately taxed. There is an opportunity to align our social policy with fiscal policy; we should not delay in taking the appropriate steps to do so.

Mr. Speaker, that concludes the Progressive Labour Party's response to the Honourable Minister of Finance's Budget Statement. We have identified areas where we agree, highlighted our differences and described our alternative approach to budgeting, which focuses on productive investments to grow our economy.

However, Mr. Speaker, in giving this reply I am also the first speaker in today's general economic debate and in the time remaining I will share the Progressive Labour Party's economic vision for the future.

Vision 2025

“Where there is no vision, the people perish”

Proverbs 29:18

That, Mr. Speaker, is an often used scripture, but at this time in our history it is very applicable to Bermuda. For years, we seem to have been content with Quo Fata Ferunt, seemingly meandering without a unified national vision for us as a country and a people to work towards. Should the PLP be returned as the next government, the people can be confident that we have a vision for the future. Today, I will lay out the foundation of that economic vision for the future.

Our party calls it Vision 2025 and it forms the basis of a 10 year national plan for the transformation of our economy to one that works better for our people. It is a vision of a strong and diversified economy supported by an efficient and transparent government that makes sound investments in our future while promoting the goal of a more fair and equitable society.

A Strong & Diversified Economy

Mr. Speaker, at the heart of Vision 2025 is a strong and diversified economy. Last week we heard that,

“Small island economies around the world are, by their very nature, undiversified. Broad diversification requires scale and scale is something that is, by definition, scarce in a small island.”

Minister E. T. Richards – February 20, 2015

Mr. Speaker, yes we are a small island economy, but the author of that statement is viewing the world in terms of 1990 and not 2025; for although we may be constrained by size, we live in a globalised economy where the pace of technological change and the internet are the great equalisers.

Any vision for the future must pay serious attention to diversifying our economy because Bermuda faces many external threats. In order to have a secure future we cannot have all of our eggs in one basket; we cannot be complacent, we must be proactive to modernise and diversify our economy so that it can support our people in the future.

Building on What We Have – Financial Services

The Bermuda Business Development Agency, or BDA, is tasked with expanding international business here in Bermuda. This is a vital role and the BDA is currently engaged in diversifying that line of business. The Progressive Labour Party laid the groundwork for the BDA during our last year in office and will continue to support its efforts. However, it is important that we recognise that the BDA’s primary focus is financial services and that is where most of its energy, investments, and expertise lie. The BDA is not the best vehicle to diversify our economy in areas outside of financial services.

Economic Diversification Strategy

Mr. Speaker, the economic diversification debate has focused on what industries Bermuda should pursue. We have seen this debate play out over the last few years where ideas, instead of being considered, have become political footballs.

For example, the PLP has put forward many suggestions. Some of them are:

- Developing the blue economy to take advantage of the natural resources such as food and minerals in our exclusive economic zone.
- Establishing an online gaming industry to bring high tech jobs and additional revenue to Bermuda.
- Regulating and taxing of cannabis to reduce our law enforcement costs, generate additional revenue, reduce the black market, and stimulate tourism demand.

Instead of these ideas and others receiving dispassionate and independent analysis, they serve as fodder for political op-eds and become the subject of blog attacks without ever being considered and analysed on their merits.

Mr. Speaker, someone who has more knowledge about blue economy than all of us in this chamber recently said the following:

"If we are to be in a position to realise the socio-economic potential of Bermuda's mineral resources when the deep sea mining industry matures to viability, we need to start now."

Nick Huchtings, Bernews.com – February 15, 2015

Mr. Speaker, that advice should be food for thought. If we are serious about diversification we must realise that it needs to be removed from the political arena which has thus far proved toxic to ideas and progress.

Economic Diversification Unit

Mr. Speaker, as part of Vision 2025, the PLP would form an Economic Diversification Unit. This permanent organisation will consist of a small number of persons with a proven history of developing economies. The mission of this organisation would be to identify new opportunities for economic diversification and subject them to structured analysis and research. Once areas are identified and agreed, the unit will seek partners and investment to develop the new local industry.

The Economic Diversification Unit's goal will be simple: to develop one new primary industry that directly provides at least 5% of our GDP and three new secondary industries that each directly provide at least 2% of our GDP by the year 2025.

Mr. Speaker, this focused approach to diversification will yield results and will allow us to finally achieve our aims of diversifying the Bermuda economy.

Establish New Trading Partners

Mr. Speaker, part and parcel of diversifying our economy is also diversifying our trading partners and our trade links. That means expanding from our traditional markets of North America and Europe. The

PLP did a tremendous job of laying the foundation for this expansion. This foundation consists of the vast network of Tax Information Exchange Agreements, relationships that have been nurtured in the Gulf Cooperation Council region, and forays into India and China. It is vital that we continue to enhance these relationships.

Similarly, we must develop closer relations with our Caribbean neighbours and strengthen our links with China and emerging economies in Africa and Latin America. There are a number of Bermudian entrepreneurs who have expanded their businesses into the Caribbean. Increased trade will be beneficial as these markets can be new consumers of Bermuda's services and they can be places for more of our local businesses to expand to other countries, thus enhancing the wealth of local entrepreneurs and investors.

Finally a vision for the future must also look to establish new trade links. Whether it be capitalising on new Caribbean links to the Pacific or new sea links to Africa, diversified trade links can lead to a wider variety of goods for our local merchants which can result in the reduction of the cost of goods in our stores.

Vibrant Tourism Industry

Vision 2025 requires us to commit to developing a vibrant tourism industry for our country, and it requires the necessary investment to support that effort.

Tourism is a global industry and we must compete globally. That means that we must invest in our product, invest in our marketing, invest in our people, and understand the basis of tourism. Tourism is about experiences, tourism is about escape, tourism is about letting go, and most of all tourism is about fun. In order to compete in tourism we need to remember that if people don't get it in Bermuda they will go somewhere else to get it – that is the very essence of global competition.

Mr. Speaker, if we as a people put the passion and investment into rebuilding our tourism industry we can succeed. Our future success must be based on the realisation that our beaches alone are not enough to attract visitors to our shores; we must offer a compelling product and that requires investment from both the public and private sector.

Creation of Crown Corporations

Mr. Speaker, as we move to diversify our economy over the next decade we must also increase efficiency and productivity in the civil service. The calls for privatisation of government services is based on the premise that the private sector can provide the same service at a lower cost; in theory, that is correct. However, what happens in practice is that unions are busted, employees are made redundant, benefits are reduced and end user costs are often increased. Another by-product of privatisation is that public assets are transferred to the private sector often at below market rates which inevitably results in the 'haves' having more.

Mr. Speaker, there is another alternative and that is to follow the model of a Crown Corporation. The structure is simple; instead of selling government assets to the private sector, assets and employees are transferred to a Crown Corporation that is wholly owned by the government. This Corporation is given the flexibility to manage its own affairs under the oversight of a Board of Directors. The Crown

Corporation will operate at arms length from government and its executives will have the responsibility to increase productivity, efficiencies and profitability. When the organisation is successful and earns a profit, those profits are transferred to the people of Bermuda. A Crown Corporation can be used for the redevelopment of our airport and other government departments where the structure can assist in increasing productivity.

Investments in our Future

Mr. Speaker, in order to achieve our vision of a strong and vibrant Bermuda by 2025 we must make investments to grow and develop our island. The following sections highlight some of the investment required to execute that vision.

Create a Bermuda Fund

Mr. Speaker, if we are to create long term economic growth, 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 a small portion of the pension funds that are under the control of the government, would allow Bermuda to tap into the investment expertise on the 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 businesses. The fund could invest in industries identified to diversify the economy such as the offshore fisheries and aquaculture. The Bermuda Fund can also be used to 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 application be developed in Bermuda?

Establish a Technology Incubator

Mr. Speaker, to grow our economy over the next decade we will develop a technology incubator at Southside. This will allow start-ups in the technology field, that require little more than a computer and an internet connection, to enjoy introductory tax incentives while developing their new products and services in Bermuda.

As part of this initiative, we will work with international payment processors such as PayPal, Braintree, and Strype to enable the transfer of funds to bank accounts based in Bermuda. This move will assist in attracting international developers and will also be a welcome boost for local entrepreneurs.

It is important to get more people living and working in Bermuda and a successful technology incubator can lead to other well established global technology companies setting up a physical presence here. Bermuda First recommended that Bermuda become a global centre for intellectual property and having a technology incubator can assist in making that goal a reality.

Transform Our Education System

Vision 2025 requires a world-class education system. Education is an investment in our future; it is an investment in our people and it is an investment worth making. The Progressive Labour Party has already committed to education reform by pledging to phase out middle schools; however, it is equally important that we not only improve the standard of teaching but also prepare our students for a future in a world driven by technology. We must invest in ensuring that we have excellent technology in our schools, but we must also enhance our curriculum with an increased focus on science, technology, engineering and math.

The Bermuda College must continue to be enhanced to be relevant. The government should work in cooperation with the college to promote local application development. Instead of paying high priced IT consultants, the government can work through the Bermuda College to develop, maintain and enhance online applications that make government more efficient. This practical work will provide real world experience to our students, and will provide benefit to the college as the applications developed can be licensed to other governments worldwide.

Mr. Speaker, this is the type of forward thinking that we must embrace if we are to prepare our people for a world of technology.

Invest in our Civil Infrastructure

Mr. Speaker, a vision for the future must take into account the requirement to invest in our civil infrastructure. As we succeed in growing our economy over the next decade we must also prepare our infrastructure for more people living and working in Bermuda. This means that we have to make proactive investments to widen our roads at traffic chokepoints to prevent the congestion that we saw before the financial crisis.

We must also implement the National Infrastructure Strategy Plan which 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.

Invest in the Green Economy

Mr. Speaker, the Green Economy can be one of the main drivers of our economic growth in the next decade. This is a place where additional government investment can make a real difference in building this industry, stimulating employment and installing infrastructure that will save the government money in the long run.

Vision 2025 would see a PLP government take the lead by investing in the Green Economy, by outfitting government buildings with renewable energy generation technologies enabling the government to become a net producer of energy. In today's dollars that would result in \$20 million less in annual spending. Vision 2025 would also see the government convert its fleet of light vehicles to hybrid and electric vehicles.

We would require smart meters from energy utilities to ensure citizens are aware of their real time energy consumption and would promote investments in a smart energy grid. The PLP would also extend the existing rebates for private homes to eligible commercial properties and drive growth in this budding industry.

Though investment in the Green Economy is vital, for a secure energy future we will always require a provider of last resort. Vision 2025 will see BELCO complete its transition to Liquefied Natural Gas, a project that will yield significant investment in our energy infrastructure and will create dozens of jobs in the process.

In 2025, when Bermuda is producing a significant amount of energy from renewable sources, the impact of external events will be less pronounced on our economy. Additionally, instead of spending millions of dollars on importing fuel, that money will stay in our local economy.

Reforming Health Care

Mr. Speaker, the cost of health care is a major expense for the government and also reduces our competitiveness globally. As a country we must work to reduce these costs which will lead to savings that will promote economic growth. Over the next decade, Bermuda must become a healthier society which will lead to reduced health care costs. To realise this goal by 2025, the PLP proposes the following:

- Increase emphasis on health education in the pre-schools, primary schools, and high schools.
- Increase community health education and require nutrition information to be published in local restaurants.
- Increase competition in the local insurance market. Competition drives down costs so the consumer is the beneficiary.
- Mandate insurance companies to include coverage for established complementary and alternative medical services such as, but not exclusive to, traditional Chinese medicine, homeopathy, mind body stress management, kinesiology and naturopathy.
- Promote medical tourism to promote additional utilisation of our new health care facilities providing cutting edge treatments that are approved in the UK but not yet available in the United States.
- Build and maintain cost efficient urgent care centres in the east and west ends of the island.

Promote Domestic Saving and Investment

Mr. Speaker, to transform our economy by 2025 the 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 just our wages.

To promote saving and investment, we must also develop domestic capital markets. The development of these markets will create island investment vehicles for Bermudians to invest in Bermuda. We must provide the banks with competition and allow local entrepreneurs alternative access to capital thus boosting local small businesses. With the discussion about the further relaxation of 60/40 rules, we believe it is prudent to increase the availability and efficiency of domestic capital markets to promote increased domestic investment and put Bermudian capital to work.

Mr. Speaker, in order to promote the benefits of saving and investing, we must make a concerted effort to increase financial literacy. 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 over the next decade, it will enhance our long term economic growth.

Rebuilding Our Communities

Mr. Speaker, it is important that the government do what it can to support community organisations that provide important services. Vision 2025 will enable local community organisations and parish councils to pay nominal rents for the use of vacant and derelict government properties. Such leasing would be revenue accretive as these leases would result in construction activity and employment which would yield revenue in customs duties and payroll taxes.

Increasing Home Ownership

Mr. Speaker, most Bermudians share the dream of home ownership, but the reality is that for many it is a dream that is hard to attain without an inheritance. Many young Bermudians cannot fathom purchasing a property and the decision between living at home or paying someone else's mortgage is an unwelcome choice for many. Our vision for the next decade provides a stepping stone onto Bermuda's property ladder. We will incentivise the construction of studio and one bedroom apartments that will be affordable enough for young Bermudians to purchase. This will enable the students who we so desperately want to return home to become property owners at a young age while they build equity in their homes.

Investing in Domestic Food Production

Mr. Speaker, as a country we must focus on sustainability and that means we should look to increase our domestic food production. As part of Vision 2025, the Progressive Labour Party will lease the many acres of arable government land that is currently not being used to boost domestic food production. Additionally, we would promote and develop community gardens that can assist in meeting the needs of the less fortunate in our community.

A Fairer and More Equitable Bermuda

Mr. Speaker, our vision for the next decade must be cognisant of the need to build a society that is fairer and more equitable. Why is this important? It is important because in order to promote long-term growth we must reduce income inequality. The most recent research on this topic, completed by the OECD in December 2014, states that, "Income inequality has a sizeable and statistically significant negative impact on growth." Additionally, that same research shows that income inequality also lowers the educational achievement of the poor which in turn limits social mobility. As a country we must be sure that we promote policies that reduce income inequality and the PLP will, as part of Vision 2025, ensure that we take steps to reduce income inequality which will assist in boosting economic growth.

A Plan for the Future

Mr. Speaker, the old adage says *"Those who fail to plan, plan to fail"*. Mr. Speaker, following my presentation today it is my hope the Bermudian people can be confident that this Progressive Labour

Party government in waiting has an economic vision for the future and a plan for the economic development and diversification of Bermuda for the next 10 years.

Conclusion

Mr. Speaker, I have laid out the challenges that we as a country face, I have offered praise and constructive criticism to the OBA, and I have set out a long-term vision for economic diversification.

Mr. Speaker, these are big ideas, however far too often our political discourse is not worthy of the people we serve. Mr. Speaker, let's just take a look at what some members of the PLP have been treated with over the past two weeks.

On February 19th, after doing my job as Shadow Minister of Finance in a proper functioning democracy, holding the government to account and fulfilling my duty to examine government funds, I was greeted with the following:

"three misleads that call into question the priorities and loyalties of the Shadow Finance Minister."

Sylvan Richards, JP, MP – February 19, 2015

Mr. Speaker, I am the father of a two month old Bermudian girl. My priority is making sure she can grow up in a Bermuda that she is proud to call her home. As for my loyalty, I would hope it is where ALL of our loyalties should lie: doing our best to improve the lives of our people. How then, Mr. Speaker, does questioning my motives accomplish that aim?

Mr. Speaker, recently when MP Michael Weeks penned a letter to the editor on an issue that is important to him, in this case fixing the Bermuda Day Holiday to a weekend because it is his belief it will help tourism and benefit our students, he was attacked with the following:

"this may be political mischief and simply the Opposition's attempt to be seen to be doing something, while trying to distract from the work the OBA is engaged in to revive our economy and move Bermuda forward."

Nandi Outerbridge, JP, MP – February 24, 2015

Mr. Speaker, MP Weeks in his letter didn't even mention the OBA. He was simply promoting his view to the people of this country on why he felt the holiday should be moved. Since when did it become a bad thing for elected representatives in a democracy to communicate with members of the public? Since when did that act of representation become "political mischief" and distraction? The question is, Mr. Speaker, how did that response advance the public debate? How did that response give any indication to our constituents that our leaders can try to work together to solve the issues of the day, when a simple issue of moving a holiday receives that type of rebuke?

The fallacy of the constant political back and forth is that this is the PLP's mess and the OBA is cleaning it up. No, Mr. Speaker, it is Bermuda's mess, and we both played a part getting us here and we both have a part to play in fixing the problems that affect us all!

Mr. Speaker, allow me to cast your mind back to May 2010 when in this House there was a debate on the Green Paper on Gaming. In 2010 we had already lost over 2,000 jobs and our air arrivals had already dropped 24% since the beginning of the recession, and in 2010, Members of this House were presented

with a report that said at a minimum gaming would create 1,787 new jobs and it could create as many as 2,975 new jobs. Mr. Speaker, there were some in the PLP that held a moral position on gaming and there were others in support; the issue enjoyed the support of the fledgling BDA and Chamber of Commerce, but the United Bermuda Party was unanimous in their opposition. Four years later, a Cabinet composed of a majority of the same UBP members who were in unanimous opposition then introduced a bill to introduce casino gaming.

The people of Bermuda can judge for themselves where we as a country could be if we had put the interest of our people above our intra-party and partisan political agendas and moved forward on gaming together in 2010. Do you think we would have lost almost 7,000 jobs? Do you think our national debt would be as high? Do you think we would have been forced to make such drastic cuts to our education, scholarships, healthcare and seniors?

Why do I raise this issue Mr. Speaker? I raise it because it shows the real negative impact that a refusal to work together and put our people first can have. It shows how our partisan squabbles can cause damage to our country and its people.

Mr. Speaker, there are hungry children in our country, there are seniors who can barely afford groceries, there are once proud Bermudian people reduced to homelessness. They want us to put their best interests first!

Mr. Speaker, in closing, I will echo what I said last year; 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. It is my hope that we can talk about our vision for the future and how we are going to empower our citizens. It is my hope that all members will contribute substance and not poll tested political rhetoric to this important debate.

Mr. Speaker, in this response we 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. Bermudians deserve a debate on the serious challenges that our country is facing and it is my hope that we can have a substantive debate on the issues raised by the Minister is his statement and those that we 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 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 to go to university.

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 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 to make sure that our future is brighter than our past.

Mr. Speaker, the people of this country are listening; and it is my hope that today, in this Honourable House, we can ensure they hear a debate about an economic vision for the future that inspires the hopes, dreams and ambitions of the Bermudians we represent.

Thank you, Mr. Speaker.