

REPLY TO THE BUDGET

Delivered by The Hon. Jarion C. Richardson JP MP

Opposition Leader & Shadow Minister of Labour

February 23rd 2024



One Bermuda Alliance

*Social fairness with responsible spending
Strong communities
A prosperous future*

A budget to build and renew

Good morning **Mr. Speaker,**

Today it is my pleasure to present to you the One Bermuda Alliance response to the Government's Budget. We will address the Government's plans, but our focus is to share with the people of Bermuda our alternative vision of how we will handle our country's finances and to share what the OBA vision means for our people, many of whom are struggling daily.

We want to let Bermudians know that we see their reality and we are acknowledging how they feel.

It will not take long to cover the current Government's plans. Most people in Bermuda agree that the PLP Government has been ineffective. Its pronouncements and proclamations have been unreliable. The public has lost confidence in this Government.

And the public are right. Despite the Government patting itself on the back with this budget, outside of International Business (IB), the economic situation for most people in Bermuda has stalled or gone backwards. Under this Government, the **island** has deteriorated. Just look around. Miles of potholes. Exorbitant grocery bills. Vacant buildings. Increased homelessness. No local job growth. The list goes on and on. Sadly, all this has become Bermuda's new normal.

And this has to change.

The OBA offers a 'back to basics' approach, doing things the way they ought to be done. Our plans are designed to lay a new foundation for a strong, fair, and prosperous community.

Our vision is for an island that can start to build and renew. Build and renew businesses, housing, and the economy. Yet **most importantly**, we must build and renew our faith in the future, our confidence and trust in each other, and our vision of a shared and successful future.

A future not just for ourselves, but for our children, and their children, and the children that come after them.

While the path forward is not complicated, it may not be particularly easy to navigate. Grave mismanagement by a succession of PLP Governments has put Bermuda in a very difficult position. Our people – by which we mean **ALL** Bermudians – are struggling. Solutions are badly needed.

The One Bermuda Alliance is ready to work together with Bermuda to get the job done. Instead of simply plucking the fruit from today's dwindling orchard, we will plant the fruit trees to feed our future generations.

Corporate Income Tax

Mr. Speaker,

It is clear to us that the current Government has no idea how to turn Bermuda's finances around. This budget is the most recent proof of that, with its failure to address any of the fundamental issues underlying Bermuda's problems. Instead, the Minister of Finance has decided to kick the can down the road, and play a waiting game with Bermuda's finances. He is gambling with Bermuda's future, in the hopes that the forthcoming Corporate Income Tax, or CIT, will be the magic solution for Bermuda's economic problems. He is hoping that money will rain from the sky to rescue us from the precarious position, in which successive PLP Governments have placed us.

As we have said before, while there may be an upside for Bermuda from the CIT, it is very hard to quantify. There are many, many risks along the way. Long story short – we don't even have enough information to plan properly for how the CIT may impact our island. We don't know the income it may bring. We don't know how much it will cost to run. And importantly, we don't know how it will impact International Business in Bermuda. Will companies leave? Will companies be attracted to the island? Will Bermuda be able to keep these potential IB taxpayers happy enough to stay here?

And will the current Government properly handle any CIT revenue?

Given the CIT has been well debated recently, we won't get into much more detail now, other than to say this: the OBA's approach at this time is to plan for Bermuda's financial future without the benefit of the CIT. When – or if – the CIT comes into effect, and we learn more about the actual financial impact, then, and only then, can we reliably incorporate the CIT into our financial planning.

Put another way: we hope the CIT will work out, but we also need to be ready if it does not.

In the meantime, we are pleased to meaningfully engage with the Tax Reform Commission. We will play our role to get the best outcome for Bermuda.

Mr. Speaker,

This is the General Economic Debate, so let's turn now to some facts and figures.

Global Economic State

It's important for us to look first at the state of the global economy.

Bermuda exists in an inter-connected global economy, in which we often have little to no influence. It's important to understand the context and circumstance in which we exist, and how we are affected in Bermuda.

We used to say that when the United States sneezes, Bermuda catches a cold. But in today's massively connected world of global commerce, even small events on the other side of the world can disrupt global shipping, and increase the cost of everything imported to Bermuda.

Global events impact each and every one of us, especially those with the least to spare. Inflation, fuel prices, and shipping costs eat into Bermudian paycheques and savings. Global economic uncertainty slows or stops local job creation. Interest rate increases raise mortgage payments.

This also means there may be setbacks in the finances of Bermuda and our people that will be completely out of our control. And don't forget the upcoming elections in the United States, in the United Kingdom, and elsewhere – where political changes could impact our international business environment.

That is not to say we must be passive.

When a hurricane bears down on us, we act, before it lands.

We stock supplies, we check the roof and house, we plug gaps, we protect the water tanks, and we secure items. When the storm is blowing its hardest, we open and close windows, we tie down things that became loose and we keep the kids calm. Once the storm has gone, we clear roads, check on neighbours and start repairs. We are realistic, pragmatic and above all, we act.

Mr. Speaker,

To speak plainly, this means that a government must plan judiciously when looking to the future. A government must arrange its finances to have the flexibility to react to events, so that we can properly take care of our people and our community as a whole.

We refer firstly, and most urgently, to our people who need the most help. Those who are most vulnerable to economic disruption. Taking care of those who need it the most is always the right thing to do. And we will do it.

The number of Bermudians most in need has swelled. There are many on Bermuda's socioeconomic ladder with dwindling options. Too many of our fellow Bermudians are sprinting just to stay in the same place. We will support and encourage Bermudians to change this unfortunate reality. Bermudians need hope again.

But not just hope. Bermudians need a government that knows how to empower its people to create businesses and earn a living. A government that knows how to create economic value, so Bermudians will actually want to stay in Bermuda, and those who have left will consider coming back, so we can build a better future and renew our Island – together.

We need a government to ensure Bermudians can be successful in Bermuda. To ensure Bermuda remains an attractive place for international business and investments. To attract capital from overseas which will contribute to our economy. A government that understands what needs to be done. And a government that will get the job done.

The One Bermuda Alliance has posed this question many times: *“Are you better off now than you were six years ago?”*

Bermudians have answered with a resounding **NO**.

And my next question to Bermuda is this one: *“What do you plan to actually do about it?”*

Because we will **only** succeed by facing this challenge together.

Mr. Speaker,

Now to specific facts.

According to the International Monetary Fund’s (IMF) World Economic Outlook, published in October 2023, global growth is expected to slow in 2024. This is a continuing deceleration from 3.5% growth in 2022, 3.0% in 2023, to the projected growth of 2.9% in 2024. To place these numbers in context, note that historical average growth from 2000 to 2019 was 3.8%. So, in the year ahead, the world will likely experience below average growth.

That’s a global statistic. In what the IMF calls *“advanced economies”*, growth will be even lower: 2.6% in 2022; down to 1.5% in 2023; and flattening at 1.4% in 2024. This is partly an outcome of policies designed to slow inflation in many jurisdictions. While inflation is also slowing, the IMF does not expect to reach *“target”* levels until 2025. This means that although inflation may eventually get *“back to normal”*, the prices won’t go down – they just will not rise as fast. In fact, some predictions say inflation might tick up slightly in some areas, driven for example by tightened labour markets.

This means that for Bermudians whose incomes have not risen to match their costs, their tight budgets will remain tight until we can get growth going again in Bermuda.

Given the prediction of flattening global growth by the IMF, Bermuda will have to work extra hard to stimulate growth locally. It's doable. But delivery will require creative thinking and nimble action. A contrast, I would say, to our current Government's track record.

The outlook for interest rates is also perhaps, mixed. Many commentators believe rates will fall from their recent highs. But they are not likely to fall as low as they were from 2009 to 2019.

And they will likely stay at this floor for a while. Others think that is a bit optimistic, as that trajectory would require a series of multiple rate cuts by the US Federal Reserve, which is not that likely. This is especially so, where the potential for inflation to tick up in areas may cause the Federal Reserve to pause any rate decreases.

What does this mean for Bermuda and Bermudians?

Higher mortgage rates. Increased costs for commercial lending could dampen real economic growth on the island. This could include both development projects and the cost of housing.

Finally, there is over \$600 million in Bermuda Government debt due to be refinanced in January 2027. This \$600 million also has the lowest interest rate across all of our debt. Simply put, this is our cheapest debt. When this debt is refinanced – as it must be – the increased interest costs will then squeeze any budget surplus the Government might find.

Mr. Speaker,

Earlier I referred to small events that cause global issues. For example, recent terrorist attacks on shipping in the Red Sea have caused global shipping to divert to longer and more expensive routes. This has increased insurance and fuel costs for shippers. And this ends up increasing the bills for shipping to Bermuda. That then increases the price of all goods on-island. Global shipping costs will also likely be impacted by drought in Panama, which has reduced the numbers of ships that can pass through the Panama Canal.

These events may happen beyond our shores, but they have a very real impact on our everyday lives.

Additionally, we see the potential for other climate and geopolitical shocks. These could well disrupt commodities, global trades, and energy supply and prices – all of which will impact the Bermudian consumer. We have seen global conflict, and embers of violence scattered throughout the Middle East, in Ukraine, Sudan, and elsewhere.

We also referred to upcoming elections in the US and UK. Yet global electoral change doesn't end there. The Economist describes 2024 as the *"biggest election year in history"*. Around half of the world's population – some 4 billion people – will be going to the polls. These elections can and likely will produce policy changes. These are changes that may also impact Bermuda – think changes in taxation that impact multinational businesses based here or impacts on global trade that will increase the cost of goods coming to our Island.

Given all of the above, it's clear that we must have fiscal flexibility to adjust to evolving global situations. Instead, we are backed into a corner by our massive debt and interest payment burdens. We are currently not well prepared for the next storm. And pretending that storm will never land is not a strategy for success.

Local Economy

Mr. Speaker,

Turning now to our local economy, the situation is much less mixed. Unfortunately, that is because the signs are consistently negative, despite frequent Government statements proclaiming *"all is well"*.

This is especially true given Bermuda's relatively slow recovery since Covid, when compared to the positive rebound seen in the rest of the world.

Inflation

As a reminder to us all, it's important that we focus on our economic statistics *after inflation has been factored out*. After all, paying more for less is not an indicator of a thriving economy.

Inflation can also skew statistics in another way. For example, Government revenues will rise on top of inflated values for goods and services. And where people are lucky enough to get pay rises for inflation, revenues will rise from payroll taxes on those rises. But that's not real growth. It is not growth from any new or expanded revenue sources: there aren't actually more goods being consumed, or services produced, in real terms. Even with some pay rises, for most people in Bermuda inflation is pushing the cost of living up faster than those rises.

While the Government continues to ask for a pat on the back from slowing inflation, prices are still rising and the value of every dollar in Bermudians' pockets is shrinking.

Let's look at some real life local economic indicators.

Shipping

According to reports from Stevedoring Services, container volumes were *down* -6% for the twelve months ending 31 March 2023 versus the same period in 2019. And break-bulk cargo, which are the items not in containers, was *down* -22% over the same period. For the six months from March to September 2023, container volumes were *down* -14.5% versus the same period in 2019.

The fact is this: In today's Bermuda, fewer goods are coming in. This gives you a true sense of what is happening in our economy. What is *really* happening to Bermudians.

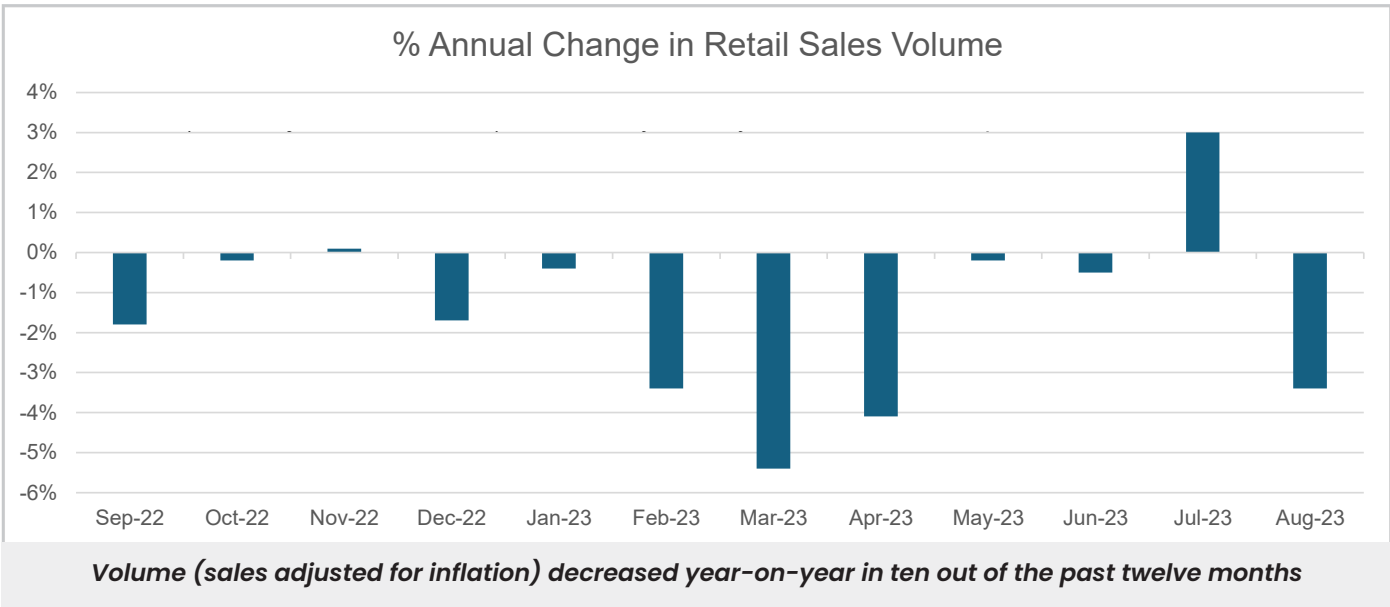
However you want to look at it, these drops in cargo into our Island are very real indicators that our island is consuming less. And with consumption down, this means less is happening in our economy. So not only are Bermudians forced to spend more money, that increased spending gets us fewer things in return. So Bermudians have less, and are able to do less. This is a vicious cycle, which can only be broken with **real** economic growth.

Retail Sales

Let's look next at retail sales. Using the Government's own Retail Sales reports, we see similar sobering reductions versus the pre-Covid period. It's important to note here that we take care to use what's called the 'volume' statistic, which is designed to separate the true sales volumes from the impacts of inflation.

The overall retail sales volume from September 2022 to August 2023 was down -3.1% versus the same 12-month period from September 2021. Looking back to the period before Covid, September 2022 to August 2023 sales volume was down -4.5% versus the same period from September 2018. So not only have retail sales decreased year on year, they are worse than before Covid.

The trend is relatively consistent from month to month. Ten out of the twelve months to August 2023 had lower sales than the same month in the prior year.



And, Bermudians' overseas purchases were also lower year to year in 7 out of the 12 months to August 2023, on a value basis – that is, without adjusting for inflation. It is easy to see how adjusting for recent inflation makes those numbers even more sobering. Bermudians have less disposable income.

Looking across the sectors, again for the 12 months up to August 2023, we see that:

- **Food sales** decreased year on year in each of the past 12 months, and were down -8% in aggregate versus the 12 months up to August 2022. This means there are either fewer people, or people are eating less, or both. This matches what we hear from Bermudians who are having to stretch their shrinking dollars ever further.
- **Liquor sales** were down year on year in 7 of the past 12 months, and -3.4% in aggregate versus the same 12 months to August 2022. This is, literally, sobering.
- **Motor vehicles and service stations** both ticked up, each growing year on year in 8 out of the 12 months to August 2023. We suggest this is driven by the modest IB growth.
- **Building materials** were pretty much flat.
- And, **All Other Store Types** were down year on year in 7 out of the past 12 months, and down -3.7% in aggregate versus the same 12 months to August 2022.

Mr. Speaker,

Given all of the above, I am frankly at a loss to understand how the Finance Minister stated in his Budget Statement that *“the retail sector also experienced an increase”*, and that *“we are trending in the right direction”*. After all, we are using the same Government data. The difference is, we aren’t trying to tell Bermudians their lives are getting better in spite of what they experience every day.

To further clarify our points, we refer to Global Research’s December 2023 poll. This data tells us that the Economy and Unemployment is the top issue for 42% of voters surveyed. This is almost three times more than those who selected the number two and three issues, being Education and Housing.

As unfortunate as this is, none of it is a surprise to us in the One Bermuda Alliance. We have been hearing and seeing this consistently on the doorsteps. And frankly, anyone can see it for themselves, daily, just by walking through Hamilton. The Premier and his Ministers need only get out of their taxpayer-funded GP vehicles and walk around in Hamilton, or St. George's, or Somerset.

Employment

Employment figures provide another lens into local economic activity.

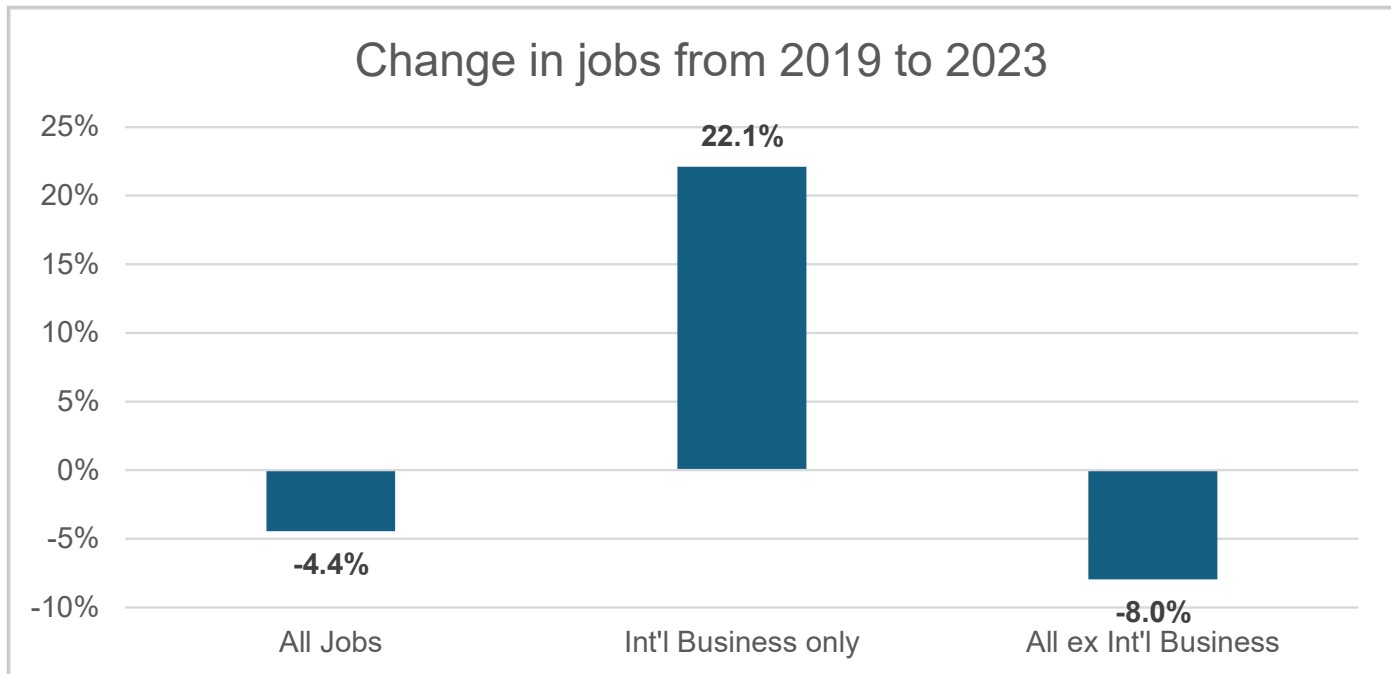
The most recent data available to us is from the November 2022 Labour Force Survey, and 2023 projections from the National Economic Report. The delay in the Labour Force Survey statistics does raise some concerns, but since the Government has been happy to tout selected results from that survey, we will highlight some important trends from it as well.

The message this Government wants you to hear is that the unemployment rate was down, and that median incomes were up. And this is all technically true, **in aggregate**, from 2019 to 2022. But if we look only a little bit behind the headlines, the news is deeply troubling.

The median income of all workers increased 5.1% from 2019 to 2022. But this was driven by non-Bermudians who got around a 19% increase. Bermudians got only 2.8%, or less than 1% per year on average, increase. And this is **significantly below** our actual cost of living increases. We mentioned earlier how Bermudian household budgets are being squeezed – this is yet more evidence of the weight Bermudians are bearing on our shoulders. And this is under a supposedly Labour Government.

We also know from the National Economic Report that income increases are driven by International Business. We are happy for that life raft, but regrettably it's more than offset by our deep concern about earnings for Bermudians working in the local economy.

Looking further at job numbers, there are fewer total jobs projected for 2023 than 2019. Overall, total jobs versus 2019 are down -4.4%, **non-IB jobs** are down -8%, or a shortage of over 2,418 jobs. IB itself is up 22%, masking the otherwise shocking reality of the situation for local businesses. It is unhelpful for the government – any government – to trumpet the IB statistics as a so-called success, when the rest of the economy has been a complete failure under the Government’s watch.



There is also a large increase in the number of retirees, over 1,500. This is further evidence of our ongoing demographic crisis, which we'll return to later.

There are some who may look back to a time when Bermuda's economy was overheated, and then suggest we should be careful when adding new jobs. This is important to note. But it's also clear that right now, we must grow jobs and the economy. As that happens, we can monitor growth. We can then use tools like immigration policy to control growth, as and when it becomes a problem.

Gross Domestic Product

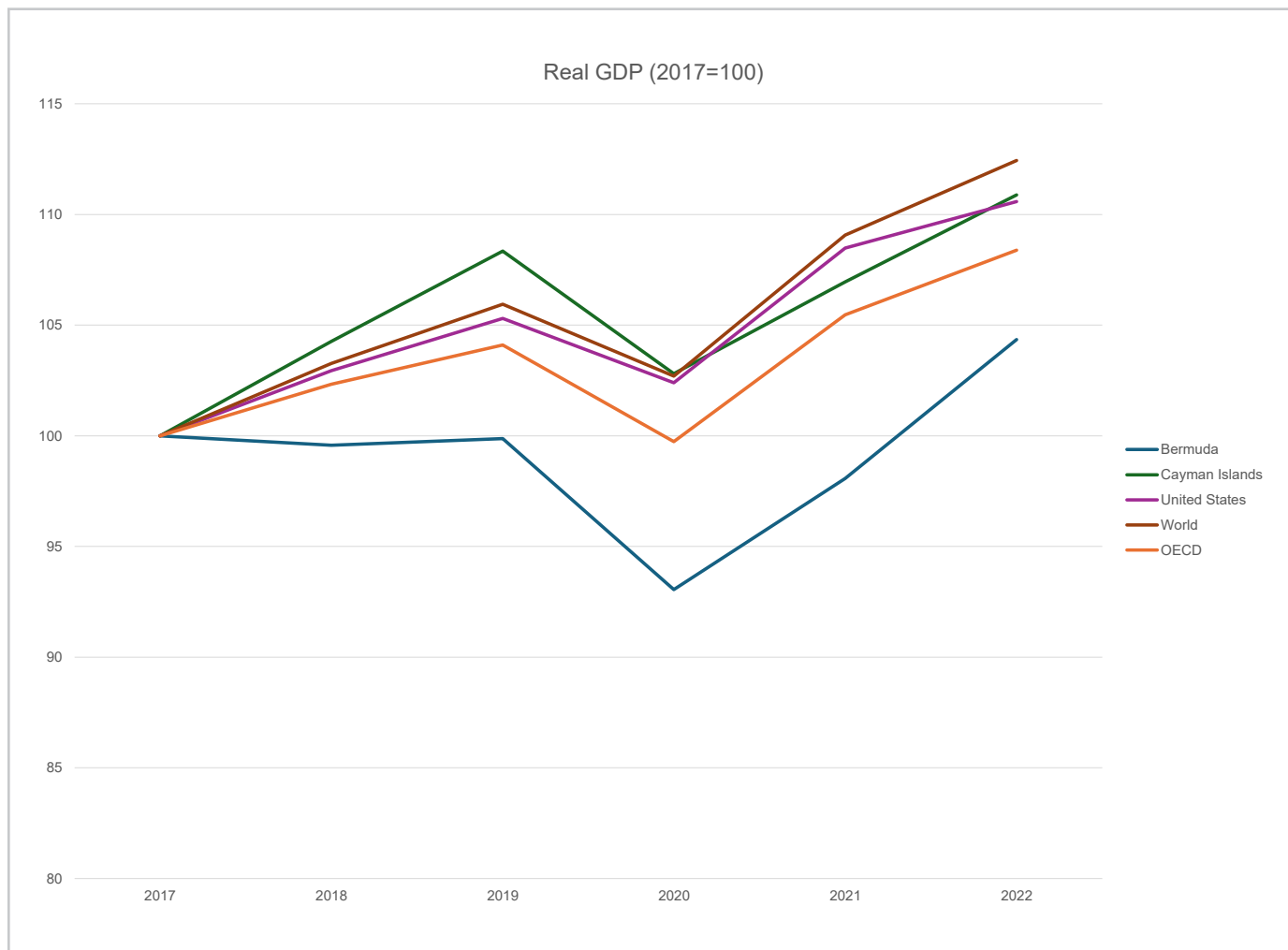
To round out our assessment of the local economy, let's look at Bermuda's Gross Domestic Product, or GDP.

Using the latest World Bank and National Economic Report data of real GDP, and comparing 2022 to the start of the latest PLP Government in 2017, we see that, Cayman and the US each grew just under 11%, inclusive of Covid, or about 2% per year. The Organisation for Economic Co-operation & Development (OECD) countries as a whole grew 8.4%, or 1.6% per year.

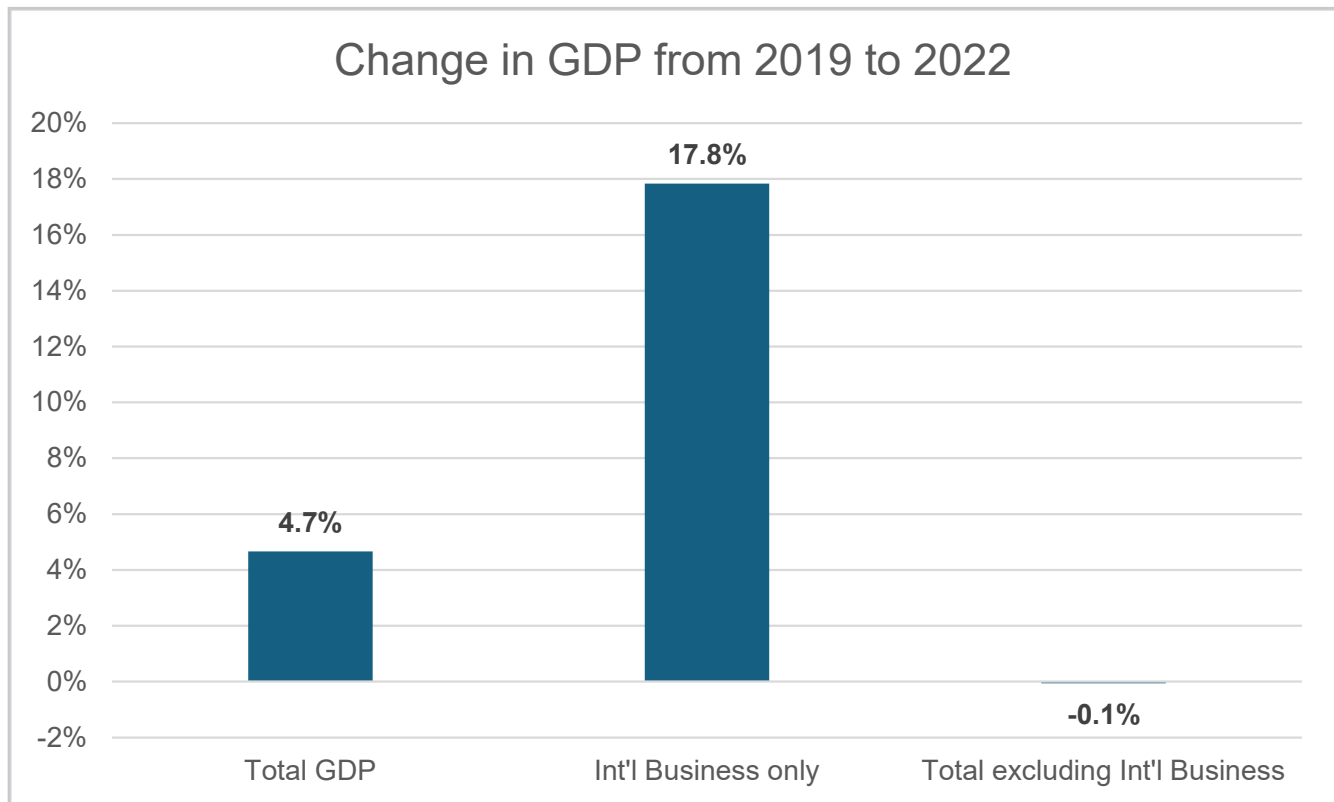
And the World as a whole grew 12.4%, or 2.4% per year.

Yet Bermuda grew only 4.3%, or only 0.9% per year.

Those are facts.



It's even worse when we break it out by sector. Bermuda's 4.3% growth over that time was driven **solely** by IB activities, which grew just over 18% over that time. **All other sectors** of our economy, that is, local business, grew only by a tiny 0.5%.



Under this PLP Government, our economy has fallen into a gigantic pothole – not unlike most vehicles on our roads today. We are spinning our wheels, struggling to drive out.

It's important to acknowledge that we can't give too much credit or too much blame to a government for the economy, especially given global stressors such as Covid. Yet when we look around, and we see the rest of the world moving forward, especially the progress of other islands like Cayman, the inescapable conclusion is that **we** are doing something wrong.

No wonder Bermudians are emigrating.

International Business

Mr. Speaker,

As we've seen, International Business remains the bright spot in Bermuda's economy. And we'll look at some of the details. The OBA's key message is that the next government must ensure we don't get in the way of IB's continued success. International Business in Bermuda must continue to flourish, so that Bermuda and Bermudians can flourish with it. IB must continue to employ as many Bermudians as possible, and to pump money into our economy.

But let's also be careful **never** to confuse the welcomed success of this one sector – and the many Bermudians who are able to thrive in it – with the success of our island as a whole.

Insurance results have been good. They have been driven by a year with relatively few large natural catastrophes. We have seen increasing insurance rates and growing sectors like cyber insurance and Insurance Linked Securities (ILS, or cat bond) issuances. Newer and growing sectors like life reinsurance and cyber can also drive modest job growth on the island as well. Companies will need bigger teams in these areas, and more capabilities around data and analytics. If we are lucky, Bermuda can continue capture some of this growth on-island. With more Bermudian jobs.

But looking ahead, we must be aware that sometimes the IB story will not be all positive. Insurance rates can soften, additional capital will increase competition. And climate change will increase losses and uncertainty for insurers.

Finally, factors such the new Corporate Income Tax could dampen the success of IB in Bermuda. It would be better for the Government to approach this important issue without deploying political spin. We know some companies will leave. We know some will stay. We don't yet know what this means for us, whether in dollar terms, jobs, or local economic demand.

What we do know is that 'soft' factors such as **immigration processing and policy** will have significant impacts on IB decisions on hiring and growth. We certainly don't know what the current Government is willing or able to do there. The OBA believes that Bermuda must remain competitive to remain attractive.

We, and our international competitors, will be watching this space very closely.

Tourism

Mr. Speaker,

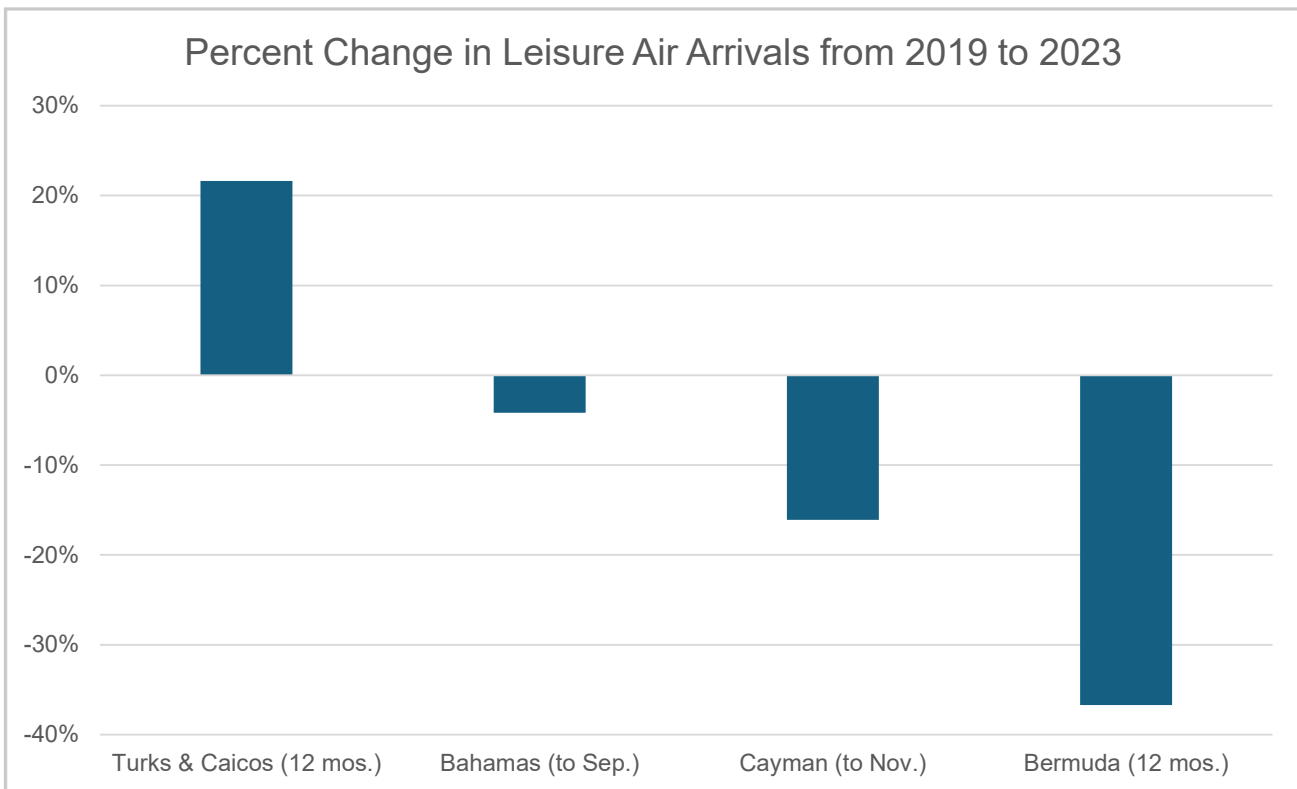
We have been glad to see some green shoots of recovery continuing in Tourism since Covid. Yet we must face the reality that this is not nearly enough. We are well below our pre-Covid tourist levels. And we are being **seriously outperformed** by all of our competitor jurisdictions.

Based on the Bermuda Tourism Authority's 2023 figures:

- Total air capacity (seats) and arriving passengers are -25% below 2019 levels.
- Leisure visitors (tourists) arriving by air are even further behind, at -37% since 2019. While we are glad to see that air travel by locals has bounced back, we really need those overseas visitors to come here and spend their money and support jobs and businesses.
- Cruise visitors are only -2% below 2019, so have driven most of the year on year increases in total visitors. We are happy to see that, but know that we must get the air visitors who spend more and do more in Bermuda.
- Hotel bed-nights for the first three quarters are -36% since 2019, closely aligned with the drop in the number of air visitors. We know this is driven partly by the closure of the Fairmont Southampton, and Elbow Beach Hotel. It will be good to see the Fairmont Southampton open for guests.

Looking to our competitors, The Bahamas has had one of its best years ever, partly driven by large increases in cruise visitors. For visitor air arrivals, The Bahamas September 2023 year to date was only -4% compared to 2019. And Cayman's November 2023 year to date was only -16% versus Cayman's strong 2019 performances.

Put another way, they are eating our lunch.



Meanwhile, the opening date for the Fairmont Southampton continues to move further into the future, with still no news on when work might start on the main hotel. Against this backdrop, the current Government has penalised local AirBNB operators, given away the farm to the Southampton operator, and failed to provide basic amenities at well-known venues such as Elbow Beach.

Bermudians could rightfully ask: *How will this Government get tourism working across the island?*

It's also difficult to see how the Government can improve our tourism when its slashing the BTA's funding by millions. This is an example which demonstrates for all of this budget's new promises, cuts are happening elsewhere.

Population Challenges

Mr. Speaker,

While we are asking if the Government can deliver, let's turn to our population challenges.

The Government's own report on our aging population was released in October 2022. This report included the Government's stated position that: *"The Government will work to develop a strategy to increase the working population in Bermuda by at least 8,418 individuals over the next five years"*. That's 1,684 people per year. Since 2022. So if there had been delivery on this PLP promise there would have been some 2,400 more people in Bermuda by now. Where are they?

That same report reminds us that in the November 2020 and 2021 Throne Speeches the current Government pledged to increase the population of Bermuda to aid economic recovery. But again, over the past three and a half years, the Government has taken no material steps towards these critical goals – goals that impact Bermudians' incomes and cost-of-living each and every day.

Meanwhile, according to the Narrative Research survey in December, a quarter of Bermuda's residents are contemplating leaving the island due to finances. And fewer than one third intend to stay in Bermuda for the rest of their lives.

The One Bermuda Alliance goals include making Bermuda a destination of choice. Yes, for IB. Yes, for investors and job creators. But most importantly, *for our own people*.

Tragically, however, it's clear that under the PLP Government more and more Bermudians are voting with their feet...and leaving.

We want Bermudians to stay here. We want Bermudians to return here. We need to create the conditions so that Bermudians want to raise families here. For the cultural and social energy, for the sense of community; to have a home for our hearts.

We also need more Bermudians because our economy needs more

people to flourish. For the healthcare system to work. For the pensions to work. For our schools to work. For the Government services to work. For the local economy to work. For Bermudians to have more job opportunities. For all these things, we need a certain number of people. At least 8,000 to 10,000 more than we have today.

Bermudians have a choice: either our population dwindles so that each of us must pay more in taxes, or we increase the number of people on our Island so we can spread the tax burden across more people. More people will help reduce the cost of living. More people will help reduce the cost of healthcare. More people will spread the tax burden. More people will spend more money in our Bermudian shops, in our Bermudian restaurants, and in Bermudian taxis.

To quote again from the Government Minister's own conclusion: *"Bermuda is facing a demographic crisis that requires strong, decisive leadership and urgent action to be taken."*

Your One Bermuda Alliance Government will take that urgent action, working together with Bermuda's stakeholders, for the benefit of everyone in Bermuda.

We need genuine immigration reform to revive Bermuda's economy, to create Bermudian jobs, to ensure Bermudian success.

What will the OBA do differently from the PLP Government? Well, firstly, stop shooting ourselves in the foot. Delayed and complicated immigration processing makes it appear this Government is begrudgingly attending to this crucial matter. Ostracising people different from us and insulting them is doing no one any favours.

And given immigration is key to sustaining Bermuda, and one of the few genuine socio-economic levers that we can control, then we must utilise it thoughtfully, objectively, and transparently.

We're going to have to dust off the research previously made public by successive commentators, update what we can and then get stakeholders reengaged in what can be done – instead of using the issue to create fear and distrust in our small community.

Government's Fiscal Position

Mr. Speaker,

Now I would like to discuss the Government's current fiscal position, and its fiscal performance. But first, let's get something out of the way. This Government likes to characterise criticism of its financial management as racism. They fail to address any of the substantive points of criticism, and claim everything is a question of black and white. That would be true, if you mean the black and white of the Government's accounts. The black and white of the massive interest checks that get written every month. The black and white of the peoples' money wasted on ineffectual vanity projects, like vertical farming, fish processing plants, or the failed arbitration center. Or I should say, the red ink spilled.

So when the Government members rise to speak later, I challenge them to stick to the objective facts of the situation. I challenge them to address the problems facing the hard-working people of Bermuda today as they struggle to make ends meet – each and every month.

Comparison with our peers¹

It's one thing for the Opposition to point out where the PLP Government has fallen short when mismanaging Bermuda's economy.

It's another thing to look at Bermuda versus her peers and see it reflected in the numbers. We are proud to say "*Bermuda is another world*", but unfortunately we really are. When compared to our peers, on most metrics we stand out. In the wrong direction.

We already discussed this Government's bottom-tier relative performance in GDP, and Tourism, reflected in a worse economic outcome for struggling Bermudians.

Bermuda's current national debt, not including our pension shortfalls, is about \$51,700 for every man, woman, and child.

¹ All dollar numbers in USD/BMD using 1.20 USD per Cayman Dollar.

That compares to \$32,700 for The Bahamas. \$6,331 for Cayman. \$3,300 for BVI. And essentially nil for Turks and Caicos. Put another way, we have almost 60% more debt per person than the next highest, being The Bahamas.

That national debt of \$51,700 is over 82% of the median gross income for Bermudians, almost as much as many Bermudians' annual pay.

Bermuda's debt service costs, meaning, the interest payments we must pay to lenders on our borrowed money, are 10.4% of revenue. This is exceeded only by The Bahamas at 18.5%. For Cayman and BVI those numbers are 1.7% and 1.8%. For Turks and Caicos, essentially nil – at one basis point, or 0.01% of Government revenue. These are not happy comparisons.

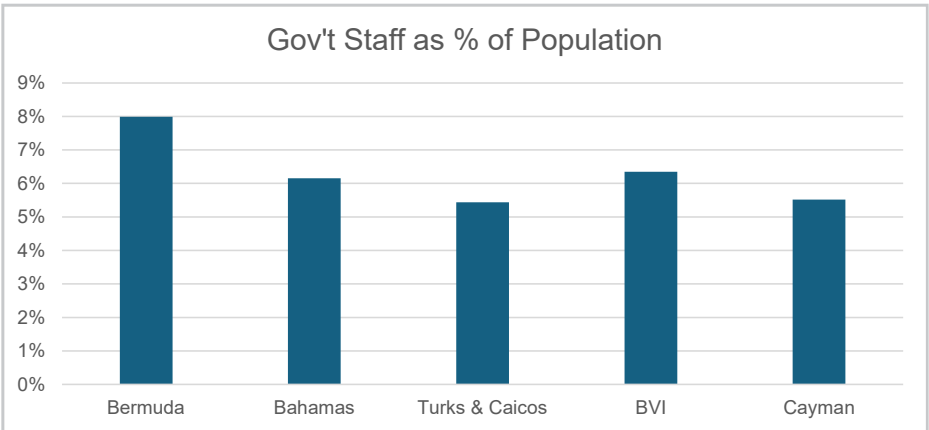
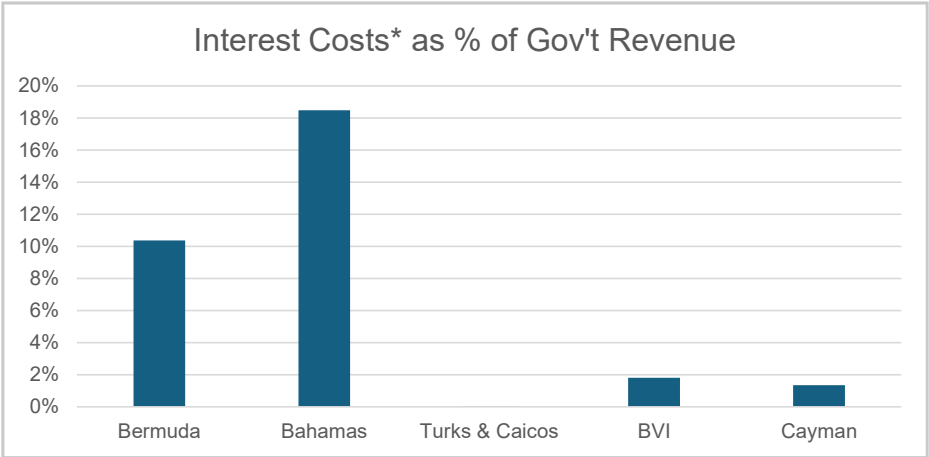
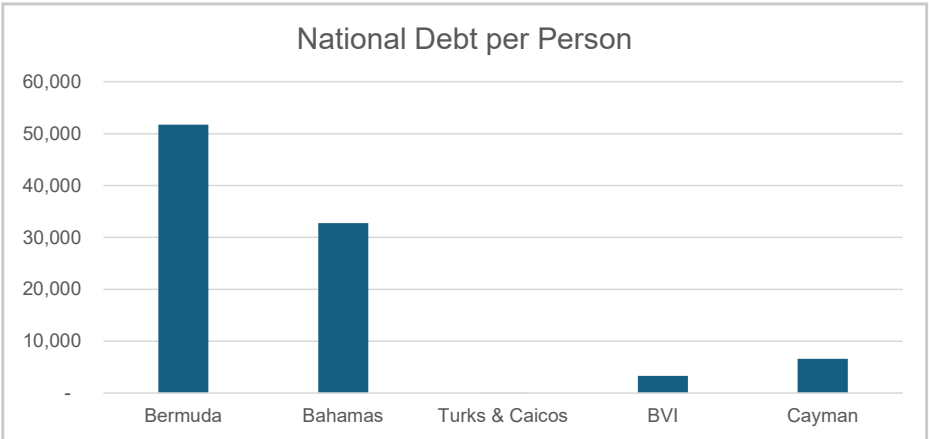
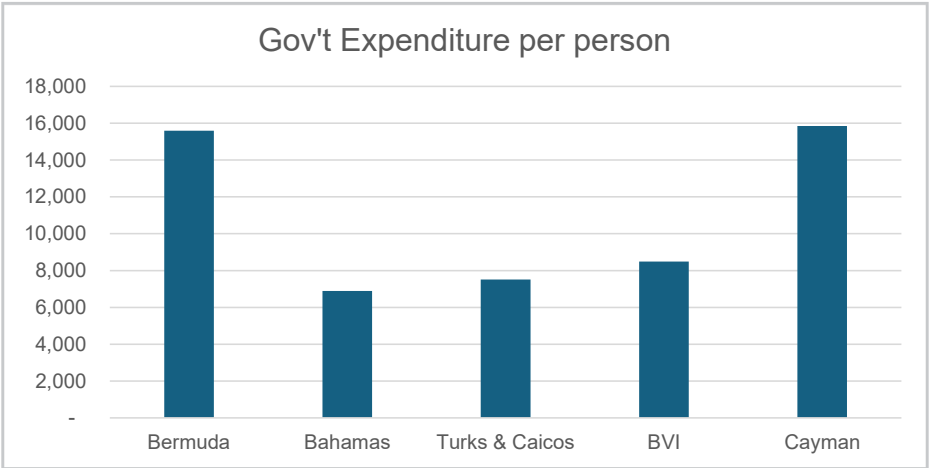
On the cost and size of Government, Bermuda is budgeting for 5,085 employees, or 8% of our population. This is an increase from last year's budgeted number of 5,055 employees. It's a bit confusing why the Minister of Finance continues to budget for an ever increasing headcount, while at the same time bragging about Government's inability to fill all those positions. It also raises the question: what are those funds not paid to staff, as the positions are not filled, being used for?

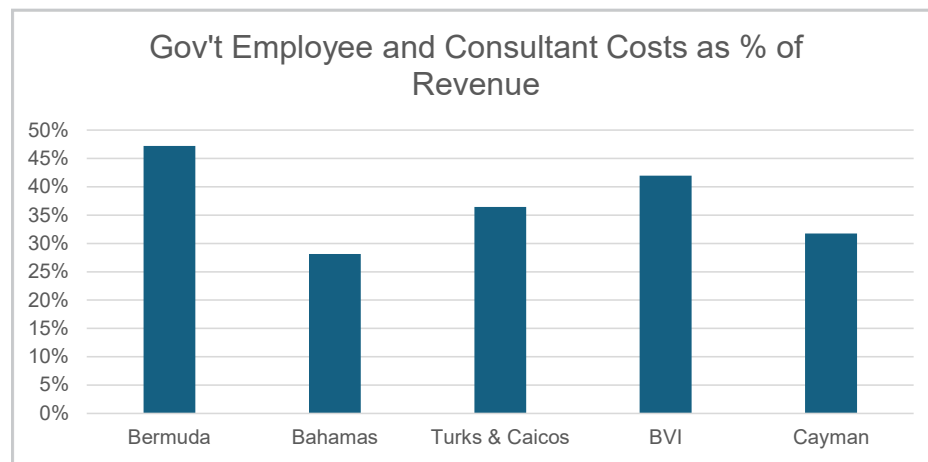
In The Bahamas, Government employees are 6.2% of the population. 6.4% for BVI. 5.5% for Cayman. And 5.4% for Turks and Caicos. So we have 25% more Government staff per population than the next highest country.

Bermuda Government personnel consumes 47% of Government revenue, including consultants. This is versus 42% for the BVI. 40% for Cayman. 36% for Turks and Caicos. And 28.1% for The Bahamas. Bermuda is 13% more costly than the next highest country.

On total Government current expenditure, we spend \$15,586 person. This compares to \$15,209 in Cayman. \$8,486 in BVI. \$7,515 in Turks and Caicos. And \$6,898 in The Bahamas. With the exception of Cayman, we come out around double the other islands.

We might expect to be proud that we spend the most to support our people. However, most Bermudians would probably say we don't feel well-served by healthcare, by the roads, by education, by social services, and by many of our other basic government services.





Pensions

Looking to the future, we have a pension crisis, both for civil servants, and for social insurance. In the past some might have said that this is a “developing” crisis. But now it is fully developed.

The most recent public information about the Contributory Pension fund, or social insurance, is in a 2021 report, reflecting the 2020 Actuarial review, and it makes for grim reading. The short version is that at the current projections, the social insurance fund will have to sell an increasing amount of investments to cover its payments. And without material reforms, the fund’s investments will run out in the mid 2040s – about 20 years from now. And once that happens, social insurance benefits will be radically cut, perhaps by as much as half.

This imbalance is driven by the aging of Bermuda’s population, which requires more payments out of the fund, and our shrinking workforce, which reduces payments into the fund.

All Bermudians should be very concerned about this, because once social insurance runs out of money, that’s it. Bermudians in their prime working years, who are in their mid-40s should not count on social insurance right now.

Bermuda’s current fiscal position is unsustainable. As our population dwindles, it will become even worse. Meanwhile, where is the Government’s sense of urgency in its actions to address this?

This is why the Fiscal Responsibility Panel referred to Bermuda’s financial position as a “*Burning Platform*”. Yes, a burning platform. We are still waiting for the PLP Government to bring out the fire hoses. Let’s hope they work.

Government's Fiscal Performance

Mr. Speaker,

Let's get some important things out of the way.

Firstly, last year's so-called debt repayment of \$50 million. We were glad to see that paid off. But let's remember that Government got that \$50m by borrowing it earlier; in summer 2022, and stashing it into the Sinking Fund. So, in reality, it was like a revolving door. No debt was reduced. We have been borrowing from Peter to pay Paul. And regarding the Sinking Fund, the Government has been depleting that fund. This is a fund created and funded by prior Governments, to cover its deficit spending.

We will, however, acknowledge that the decision to borrow that extra \$50m under relatively low interest rates available at the time was a decision worth taking credit for. Perhaps this foresight has not been highlighted because it was achieved by the immediate past Finance Minister?

Secondly, the Minister of Finance's boasting of a so-called balanced budget for the upcoming financial year. The proof will be in what the Government actually does, especially when faced with political pressure. And, since this budget used \$40m of borrowed money, it's not actually balanced. As Bermudians with a loan or mortgage know, it doesn't matter when the money was borrowed – last year, the year before, or this year – it's still spending borrowed money – and running up interest fees.

This on top of pulling \$10m out of the Sinking Fund last year to pay off the Gaming Commission guarantee. All told, by the Government's own numbers, this budget will **increase** net debt by \$38m versus revised projections for last year.

We have serious and deep financial issues to face. The current Government, while touting its 30-6 majority, somehow seems completely incapable of taking action on these issues. Our working population and demographic crisis. Immigration. Pensions. We don't even have proposals from the Government on most of these issues.

Based on this Government's track record, the few promises that we do have aren't even worth the paper this Budget Book is printed on.

Mr. Speaker,

Since 2017, the PLP Government has implemented an 18% increase in costs for employees and consultants, including a massive 46% in consultant costs! The government recently stated that it has decreased the number of staff – but it has budgeted for a year on year increase for four years in a row. If you're confused, join the club. This is yet another instance of being unable to rely on statements from the Government, most especially when it comes to their plans and intentions.

On the income side, the Government has touted its changes to Payroll Tax, which have reduced the tax payments for low earners. The One Bermuda Alliance supports all initiatives which support Bermudians.

These tax changes are only a small part of the solution – we need to rapidly grow our economy and create more and better opportunities for the Bermudian worker.

The payroll tax changes have been a double-edged sword, as they are a material negative factor in the growth of IB and IB jobs in Bermuda. We know this from data, and from numerous one-on-one conversations and comments. For IB to put a job in Bermuda right now is a very difficult decision. Since all of the improvements in our economy have been driven by IB, we must be fully cognisant of these tax impacts.

On the topic of protecting the Bermudian worker, as we mentioned earlier, their future Social Insurance benefits are at risk of disappearing. But Government has failed to lead, to grow the economy, to reform pensions to protect the future of Bermudians. Instead, it is fiddling around the edges, moving money from one pot to the other. We must grow the pot!

Continuing on the taxation theme, like many others we look forward to the Tax Reform Commission findings. As mentioned earlier, the OBA has been engaging fully in that process through our selected representative. We still maintain this work should have started much, much earlier, notwithstanding the Corporate Income Tax.

We also continue to maintain that any excess CIT revenues must be carved out to reduce our stifling debt and rebuild our crumbling infrastructure. We can – and will – argue about the relative priority of various initiatives, but the most important thing is that Government is committed to use any excess to address our most pressing problems. Preferably, in law.

Finally, on taxation, we are pleased to see that Government has followed our advice to set a more material target for collecting back taxes. We congratulate the Office of the Tax Commissioner on this initiative, and look forward to further developments that will improve tax collection.

We are less impressed, however with the Government's failure to modernise or materially improve the efficiency or delivery of services to the Bermudian people. While there are a few bright spots of innovation in departments, and a customer-focused approach, Government processes and friction continue to slow innovation, discourage investment, and frustrate Bermudians trying to access Government services. Why hasn't the current Government supported our civil service with the tools and information it needs to succeed?

To demonstrate the Government's failure to equip its staff and systems to succeed look no further than the cybersecurity breach in September 2023. Despite a government report on cybersecurity four years prior which revealed a raft of shortcomings and urgent actions required to protect the country's IT infrastructure, the country was caught unprepared. Civil servant salary payments were delayed, departments had to resort to manual processing, while some had their systems offline for extended periods. To date there has been no report on the full investigation on how this happened, who was behind this attack and any future exposure, despite the Opposition's call for a Commission of Inquiry on the subject.

Regarding payroll tax changes, the proposed adjustments to new hire relief make sense, in that it should be limited, and focused on creating new jobs and businesses. It will be important to make sure that we don't inadvertently create a churn of 'fake' new companies. We must be careful to ensure that new business formation that benefits from this tax break is truly organic, and not just shifting employees from existing businesses.

Spending

Government proposes to increase spending in its digital and IT infrastructure, which we can all support. The challenge is this: will we see outcomes to match the spending? For example, there have been numerous technology projects, including IT security projects and immigration systems. They have failed to bear fruit. Meanwhile the Government fails to communicate with the people of Bermuda about how the hack might have impacted them!

We have advocated for increased spending to improve our crumbling infrastructure. However, our view is that this should have been properly maintained in the first instance. This spending is more rightfully considered maintenance, not capital projects. If over twenty years of PLP Governments had not eroded Bermuda's finances, our infrastructure would never have reached the pitiful state it is in today.

We also clearly support any and all initiatives to increase Bermuda's affordable housing. While the small investments made by Government to date have been incrementally positive, we advocate for a full rethinking of the policies that affect the development of homes. Government should encourage and allow creative and innovative ways of design and construction that can reduce costs. This includes enabling significant development throughout Hamilton, a perfect place to build upwards.

We know that many other factors complicate the housing picture. People are leaving the island, which should free up housing. At the same time, landlords are transferring their units to Airbnb decreasing rental inventory and digital nomads increase pressure on housing stock. The OBA, when in government, will implement comprehensive research of the housing needs of the island before implementing any new policy.

The \$100m money pit at Bermudiana Beach is a continuing reminder that governments should not be building hotels. The role of government is to support private sector developers, not fund them.

As the OBA predicted, the Government had to pay the \$10 million guarantee for the Casino Gaming Commission. Since there is no gaming, and seemingly no possibility of gaming in the future, Government should either shut down the Commission, or make the changes required for gaming to happen.

We are disappointed that there does not seem to be a plan for strengthening and resourcing the Auditor General. The Government and all of its associated entities must have a set of fully audited and approved accounts. The last report from the Auditor General was in 2020, for the 2019 financial year. According to that report, 39 organisations are least one year behind in reporting. There were 139 sets of financial statements in arrears as of March 2018.

In the 2019–2020 financial year, 48 of the audits were qualified – that is, had issues that the Auditor General was required to point out and which prevented them from providing a good opinion.

By comparison, in the Cayman 2022 audit, 40 out of 46 bodies had completed audits, and all of them had unqualified opinions. With this budget we are looking to the future. But, how can we be confident that we know where the money has gone, that it was well-spent, and that it was properly handled for the sake of the Bermudian people. The short answer is that we cannot. To quote the Auditor General: *“[The Government] is not providing the House of Assembly or the public the information that would help them understand Government’s financial statements and its financial condition.”*

The 2014 Public Treasury Act requires the Government to prepare true consolidated statements, but it has not yet been brought into effect. It’s true that this is not possible to meet if the statements are unavailable. But it’s also true that this Government has failed to take action, make plans and provide resources to solve the problem.

Of particular concern are the Public Sector Superannuation Fund (civil servant pensions) and the Contributory Pension Fund (Social Insurance), where audits have not been available since 2012. And even at that time the Social Insurance fund audit had a disclaimer. Civil servants, and the Bermudian people in general should be very concerned that we do not have a clear view of their retirement funds.

On top of that, we know that this Government has reportedly misused and mishandled the people’s money. Examples include the \$800,000 for Savvy, continuing through the pandemic with the millions for ResQwest funding.

Let's take a moment to look at the Auditor General's report that Government approved a contract with resPartner (that is, ResQwest) without following *its own* project and procurement rules. We know that Government approved a second agreement with resPartner for the Travel Authorization forms, where resPartner directly received the funds from travelers, rather than having them sent straight to Government, in *direct violation* of the Bermuda Constitution.

We also know that the Premier directly signed an agreement with a firm for a mobile portal, with no tendering, no requests for proposals, and no Cabinet approvals.

To quote the Auditor General, there were "*multiple violations of the law and the Code of Practice for Project Management and Procurement*".

Given that this Government has *repeatedly* broken the law, and failed to follow its own processes to ensure value for the Bermudians' money, it is essential that we have audited financials to see where the money has gone, and what the Bermudian people received for it.

Delivering Bermuda's economic recovery – together and for everyone

Mr. Speaker,

The One Bermuda Alliance has a vision for the future where there is prosperity for all our people, with strong, safe, and healthy communities. Where the Government will be responsible with the peoples' money, to ensure a just and fair society.

The One Bermuda Alliance will guide Bermuda towards that future recovery, through delivery – through actions and clear outcomes. And we will achieve this by listening to our people. Engaging with our people. Working together to deliver the solutions we need. Our island is too small not to take advantage of every single person's skill, knowledge, and experience. We need a government with focus – that gets back to basics. Tackles what is important. Getting the fundamentals right. And, ultimately, delivering what is needed. Our decisions will be based on what is best for the future of Bermuda, and all Bermudians.

The One Bermuda Alliance is a team of individuals who are committed to a better Bermuda. And our commitment means that members of the next OBA Government will challenge each other and collaborate, holding one another accountable for our actions. And – most importantly – holding ourselves accountable to the Bermudian people that we serve.

Bermuda's next Government must have accountability at its core.

Mr. Speaker,

Since this is the Budget debate, let's set out what Bermuda's financial future will look like with OBA stewardship.

Bermuda's stifling Debt

Debt reduction will be a major priority. We should have minimum debt. There will still be debate on what the right debt level needs to be, but it can no longer be suggested that current levels are acceptable – they are not.

We have leveraged the future of Bermuda's children. That must end. Now.

Short of betting on the CIT, how would we reduce the debt? We would have to make some **tough decisions**, together with the Bermudian public. Most Bermudians families know what this means. They know that when income shrinks or jobs are lost, and obligations like debt and other expenses grow, changes have to be made.

Bermudians are also familiar with having to hustle. An OBA Government would hustle for Bermudians to grow the economy and increase the income side of the budget.

The Financial Future as we see it

With a much smaller debt, we would have over \$100 million more to spend on taking care of our people. More to support our infrastructure. More to put towards reduced taxes.

We would create and fund the right long-term work so infrastructure like Bermuda's roads, the incinerator, the ports, and other vital national assets are properly maintained. They should never fall into the disrepair as they have done under two decades of the PLP.

We would achieve this future by developing, and committing to, a path to a strong financial future. Each year the people of Bermuda will see we are delivering. Each year will build confidence. And we will be happy to be held accountable against our plans each and every year – we won't hide behind misleading statistics or by skipping the budget process every other year.

Importantly, to increase accountability, we would also ensure that all national financial statements are brought up to date, properly maintained, and audited. Every Bermudian has a right to know how their money is being spent, and that it is being spent to good effect.

Our work would start off by growing our economy, increasing Bermudian jobs, and creating opportunity. The only way to truly do this is by expanding our working population. As we discussed earlier, the Government's own reports tell us that real immigration reform is a fundamental component of decreasing the cost of living.

It is also needed to rebalance healthcare costs. Real immigration reform is needed to improve the health of the pension funds. There is a way to solve this, and we will keep the interests of Bermudians and Bermudian workers first and foremost, as together we navigate that way forward.

Pensions

The looming pension crisis must be resolved. We know that most stakeholders will understand that it's important we protect our children and future generations. That means creating a sustainable pension system that will continue to work for many, many years.

The reports and solutions already exist. We would take immediate action. But note that immediate action does not have to mean a shock or unpleasant surprise. Changes can be implemented on a stepped or gradual basis, so that all pension-holders understand how changes will affect them before they happen, and we can make our plans accordingly.

Tourism

We would boost tourism, by aggressively searching for and courting investors who we can trust to deliver, and who will trust us to be good partners. Good investors with access to capital, who don't need to be propped up by the Bermuda Government. Good investors who are willing to stay in Bermuda for a while to see their investment through, rather than just flip a property based on overly generous Government giveaways. And we will work with these investors to ensure our mutual success, and, most importantly, the success of Bermudians and Bermudian businesses who benefit by working with them.

The Bermuda Tourism Authority needs to be freed from political influence. A successful BTA must be free to operate independently and professionally, with accountability for outcomes. That means measuring BTA results, and holding its leaders accountable to meet its goals, but politicians must not micromanage how experts deliver. Let the experts do their thing. If the experts deliver, as happened in the past, then we all win. If the experts fail, then replace the experts.

The need for accountability at the BTA also means taking a cold hard look at how we invest and promote events. We won't spend the peoples' money without a firm case for tourism returns for Bermudians. This includes a positive impact on Bermudian businesses and workers. No political pet projects. No betrayals.

Cost of Living

To address the cost of living, we would cut red tape to allow for innovative and effective building approaches and designs. We need to make it easier, cheaper, and faster to construct comfortable and high-quality homes. As mentioned earlier, we would especially focus on this in the City of Hamilton and other brown-field sites. We don't need to sacrifice what precious little remains of our natural green environment to achieve our needs.

We would create a plan to reduce the cost of energy across the island, not just give away lightbulbs. This could include creating flexible policies and removing red tape to enable cost-effective deployment of technologies, like solar to reduce the cost of energy to all Bermudians, including renters.

But, we wouldn't spend the peoples' money subsidising green energy developers. These projects must make sense on their own financial terms.

We value green energy, we know it is a growing part of our economy, and it is important that more of it is deployed across the world. And right now in Bermuda we must focus on what improves the bottom line for our people. Fortunately, reducing fossil fuel usage would also reduce the amount of foreign currency that we send overseas, which would strengthen Bermuda's financial position.

We would support and encourage local agriculture by working with, and listening to, our farmers. If we can locally produce more of the food that is consumed here, that will strengthen our resilience and keep more of our money circulating locally, rather than sending it overseas and spending it on shipping costs. Many of our farmers are innovators, and we support their ideas and initiatives, as they understand the situation on and in the ground. There is little point pumping the peoples' cash into overseas consultants when we have the specialist knowledge in Bermuda.

Local produce will also help keep us healthy. The PLP's sugar tax was promoted by some to encourage healthy eating, but at this point this tax is a long-failed initiative. This tax simply burdens the grocery bill of every Bermudian. We will dump the sugar tax to reduce grocery costs. Immediately.

Healthcare

Looking to healthcare, we would first reverse the PLP's block grant for the hospital, allowing KEMH to return to a fee for service model. This allows the hospital to generate more business (for example, more operating room hours to provide discretionary procedures), and create additional revenue to help cover its costs. It also encourages accountability, to reduce overuse.

We know that too many seniors and others who need daily care are stuck in the hospital, one of the most inefficient and uncomfortable ways to take care of them. Our seniors need their dignity back. We would create and deliver on solutions to move these Bermudians out of the hospital and into more suitable and comfortable facilities.

We would grab the horns of our national healthcare dilemma. We know our people are not as healthy as they should be, and that healthcare costs too much. We would work with the healthcare professions, insurers, and business to streamline and reduce those costs, while expanding healthcare so that *all Bermudians* continue to have the access they deserve.

Technical projects like single digital ID healthcare can be part of that solution. But we know success in our nation's healthcare will be about more than just where the money goes and the computer systems used to track it. Better healthcare in Bermuda will be about how we value and treat one another.

Government must be more efficient and serve the Peoples' needs

We all know that some Government services can be inefficient and ineffective. We also know that we often pay too much for certain services. This is especially true when comparing Bermuda to similar jurisdictions. While some departments have shown creativity and innovation, PLP Government leaders have for too long kicked the can down the road, and failed to support our civil service workers with the tools, training, and support needed to enhance service provision to the public.

We need a more efficient government to serve the peoples' needs. Those who seek to play political games translates this to mean we want to lay off government workers. This is simply not the case. Instead we need a more efficient government, with enhanced service provision. Importantly, the Government must be able to pay the workers that it does have.

The OBA understands that you cannot simply reduce the size of our civil service without there being job creation in the private section. We also understand that a more efficient civil service can be achieved through tools and training. We recognise that a hiring freeze may be required in certain segments of the public sector. And consideration will be given to the early retirement packages made available to those who wish to pursue them.

We would also work together with Government workers to identify ways to streamline, connect, and centralize how Government serves the people. These workers are the first point of contact for the public and best understand what people need, we would use their experience and knowledge to create systems and processes that work well for both the public, and the government workers.

During our town hall meetings, we proposed an online payment portal for all Government payments. We would simplify establishing a business by providing a one-stop shop to start a local business and make all required filings, from payroll taxes, social insurance, and company returns. We are glad to see that the PLP Government will work towards some of the ideas we have publicly proposed.

Streamlining and digitising immigration processes would also have a positive impact on both local and international businesses, removing a significant stumbling block and assisting with the creation of meaningful Bermudian jobs. Immigration delays impose a significant cost on businesses when they need to hire specialised staff, no matter the industry.

Whether the proposed AI approach will do the trick remains to be seen, and we will carefully monitor the Government's progress here, hoping it will be better than previous attempts.

Other Initiatives

"Bermuda Inc." currently has a portfolio of solid initiatives – some small, some not so small – that we would continue and grow where possible. Examples include the development of our space launching slot resource, and the Google (and other) sub-sea cables.

What has made these areas successful is that they have involved real professionals and experts. Experts who have a clear understanding of the value Bermuda brings, such as launch slots, a strategic global location, and a nimble legislative response. These initiatives have taken their time to develop, including doing all the right research and consultation. Real work needs to be done, not just photo ops with politicians to give the impression of government activity. Above all, new projects need to make sound financial sense for Bermuda.

We believe Fintech can fall into this category. Once we step away from the hype, and political leaders stay out of the way, we welcome innovators who can focus on, the core of legitimate applications and businesses in Fintech – where it makes sense for Bermuda, and is consistent with our reputation and brand.

Other important examples include the Trust and fund sectors, and the maritime and aviation registries. Bermuda's ability to craft high-quality legislation and regulatory environments for these sectors, and react nimbly are an asset for us.

Where these initiatives have succeeded is with home-grown specialists – keeping the politicians out of it.

We all need thriving Local Business

Finally, we must understand – and keep first in our minds – that it is imperative for us to develop and encourage a vibrant local economy, driven by local businesses owned by and employing Bermudians.

International business has been a huge success for our Island, yet it cannot be a giant glass tower standing alone. We must urgently restore our communities and our local businesses, energise our enterprises and entrepreneurs – through prudent tax relief as needed.

There must be a seat at the table for everyone.

Bermuda's history is characterised by ingenuity, entrepreneurship, agility, and an incredible ability to seize opportunity. All of these successes are fed by the survival instinct that comes from being on a tiny rock in the middle of the ocean.

Ultimately, growing our local economy and increasing demand is the best way to support our Bermudian businesses. But greater support is needed – and we will strip red tape from Government processes, where they can be streamlined or even removed. The OBA fundamentally believes that Government's job is to create the best conditions for Bermudian business success, and then get out of the way.

Mr. Speaker,

We've covered a lot of detail in these remarks. Even so, the focus today on the Budget means there are many important topics we were not able to cover, such as education. But we have sought to hit the highlights, to give Bermudians a firm idea of how the One Bermuda Alliance would handle your money. And our finance team would start every day by reminding ourselves that government is entrusted with your money.

To sum up our core approach, the OBA will renew Bermuda, for the benefit of all Bermudians, and for future generations. And we will do that together with the Bermudian public, by getting back to basics. By focusing on the important things and doing them well. By delivering results and encouraging you, the public, to hold us accountable.

Our island has reached a turning point. We know that Bermudians – now more than ever – are ready to come together to stop the decline. The One Bermuda Alliance makes this commitment to those who join with us: we will produce real results to improve lives every day, from the cost of living, to the ability to find good jobs.

Responsible spending.

Social fairness.

Strong communities.

A prosperous future.

It's what every Bermudian needs.

Mr. Speaker,

It's time.



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