



2018/19 SESSION
of the
BERMUDA SENATE
OFFICIAL HANSARD REPORT

18 March 2019

Sitting number 8 of the 2018/19 Session
(pages 177–232)

Sen. The Hon. Joan E. Dillas-Wright, MBE, JP
President

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BERMUDA SENATE**OFFICIAL HANSARD REPORT****18 MARCH 2019****10:02 AM***Sitting Number 8 of the 2018/19 Session*

[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]

The President: Good morning, Senators. Good morning. The Senate is now in session. Shall we pray?

PRAYERS

[Prayers read by Sen. the Hon. Joan E. Dillas-Wright, President]

The President: Please be seated.

CONFIRMATION OF MINUTES*[Deferred]*

The President: Item 2, Minutes of 14th of March 2019. Senator Jardine, you have the floor.

Sen. James S. Jardine: Madam President, I move that consideration of the Minutes of the meeting of Thursday, the 14th of March 2019, be deferred.

The President: Is there any objection to that motion?
No objection. The Minutes are deferred.
Thank you, Senator Jardine.

MESSAGES

The Clerk: No messages, Madam President.

The President: Thank you.

REPORTS OF COMMITTEES

The President: There are none.

ANNOUNCEMENTS**APOLOGY**

The President: I was just going to indicate that the Attorney General, Senator Kathy Lynn-Simmons, is not in Senate today.

Item 6, Notices of Motions. We have two. Senator Caesar, you have the floor.

NOTICES OF MOTIONS**BERMUDA IMMIGRATION AND PROTECTION
(LAND-HOLDING CHARGES)
AMENDMENT REGULATIONS 2019**

Sen. Crystal Caesar: Thank you, Madam President.
Madam President, I hereby present for the consideration of the Senate, draft Regulations entitled, The [Bermuda Immigration and Protection \(Land-Holding Charges\) Amendment Regulations 2019](#), proposed to be made by the Minister responsible for Immigration under the provision of section 102C(1)(a) of the Bermuda Immigration and Protection Act 1956.

And I give notice that at the next day of meeting I will move that the said draft Regulations be approved.

The President: Thank you, Senator Caesar.
And there is a second one, the Government Fees Amendment Regulations 2019.
Senator Campbell, you have the floor.

**GOVERNMENT FEES AMENDMENT
REGULATIONS 2019**

Sen. Vance Campbell: Good morning, Madam President.

The President: Good morning.

Sen. Vance Campbell: I hereby present for the consideration of the Senate the draft Regulations entitled the [Government Fees Amendment Regulations 2019](#), proposed to be made by the Minister of Finance under the provisions of section 2 of the Government Fees Act 1965. And I give notice that at the next day of meeting I will move that the said draft Regulations be approved.

PETITIONS

The President: There are none.

STATEMENTS

The President: There are none.

INTRODUCTION OF BILLS

The President: There are none.

ANNOUNCEMENT BY THE PRESIDENT

SENATE VISITOR

The President: And before I move on to the first reading, I would just like to acknowledge the presence in the Gallery of Lt. Col. the Honourable Minister Burch. Welcome.

FIRST READING OF PUBLIC BILLS

MISCELLANEOUS TAXES AMENDMENT ACT 2019

BERMUDA TOURISM AUTHORITY AMENDMENT ACT 2019

PAYROLL TAX AMENDMENT ACT 2019

STAMP DUTIES AMENDMENT ACT 2019

EXEMPTED PARTNERSHIPS AMENDMENT ACT 2019

The President: The following public Bills have been received from the Honourable House of Assembly and are now read for the first time. Their titles are, respectively: Miscellaneous Taxes Amendment Act 2019; Bermuda Tourism Authority Amendment Act 2019; Payroll Tax Amendment Act 2019; Stamp Duties Amendment Act 2019; and the Exempted Partnerships Amendment Act 2019.

FIRST READING OF PRIVATE BILLS

The President: There are none.

QUESTION PERIOD

The President: There are none.

ORDERS OF THE DAY

The President: There is a motion by Senator Campbell.

Senator Campbell, you have the floor.

SUSPENSION OF STANDING ORDERS 70 and 71(2)

Sen. Vance Campbell: Madam President, I move that Standing Orders 70 and 71(2) be suspended so that Senate may now proceed with a motion for a General Economic Debate.

The President: Is there any objection to that motion?
No objection.

[Motion carried: Standing Orders 70 and 71(2) suspended.]

The President: Carry on, Senator Campbell.

MOTION

GENERAL ECONOMIC DEBATE BASED ON GOVERNMENT'S 2019/20 BUDGET STATEMENT AND OPPOSITION REPLY THERETO

Sen. Vance Campbell: Madam President, I move that the Senate do now undertake a General Economic Debate based on the [Government's 2019/20 Budget Statement](#) and the [Opposition Reply](#) thereto.

The President: Is there any objection to that motion?
No objection.

Carry on, Senator Campbell.

Just before you do, I would just like to let Senators know that we will not be undertaking the Municipalities [Reform Act] today. That will be on Wednesday.

Carry on, Senator Campbell.

BUDGET STATEMENT IN SUPPORT OF THE ESTIMATES OF REVENUE AND EXPENDITURE 2019–2020

Sen. Vance Campbell: Thank you, Madam President.

Madam President, the Government's approach to the 2019/20 national budget includes a combination of modest revenue enhancements derived exclusively from the existing tax code, coupled with the freezing of government expenditure at the fiscal 2018/19 spending levels and a small increase in capital expenditures. This fiscally prudent and balanced approach, Madam President, will move us towards a small budget surplus and, consequently, a reduction in net debt.

Madam President, this budget has been achieved following the widest possible consultation. Those groups and people most affected have had the opportunity to express their views on our proposals. From end to end, the people of Bermuda have voiced their concerns, their fears and, most helpfully, their ideas and suggestions.

Madam President, this budget will demonstrate that the Government has listened to those concerns. This budget will also demonstrate the Government's determination to invest in our people. Bermuda cannot simply be cutting-edge in legislation and economic ecosystems. We must present job creators with a population that can meet their business needs.

Madam President, like the economies of many small countries, Bermuda's economy is highly vulnerable to external events, underlining even more the

need for financial and fiscal prudence. With our open economy, a fixed exchange rate regime, high levels of government debt and other potential liabilities, from guarantees and underfunded pension and health care schemes, changes in global financial market sentiments could also have a major impact.

The preparation of the 2019/20 Budget takes into consideration these global and domestic economic conditions. As the Government has limited economic tools available to influence economic activity, we have a responsibility to act prudently and to support sustain-able economic growth.

Madam President, in uncertain times, fiscal rules must accommodate volatility in the funds available for future budgets. Sluggish international growth may continue to limit Bermuda's ability to increase GDP, generate or sustain employment opportunities and increase government revenues to support the provision of services. There is a financing gap between the stimulatory policies that we would like to see in place to protect jobs and the policies that we can finance from revenues. Governments must either borrow funds to bridge this financing gap or [they] must cut spending to accommodate actual revenues. Spending reductions ultimately result in public sector downsizing, which creates weakness in the private sector, as well.

Madam President, over the last decade, Bermuda has experienced recurring budget deficits and a growing national debt, coupled with periods of negative economic growth. Significant attention has been focused on Bermuda's approximately \$2.5 billion of debt, with calls to reduce expenditure and deficits, and, consequently, the debt. The Government is mindful of the effects of the debt burden on the country's fiscal posture and is taking the necessary steps to prudently manage our debt through strategic refinancing and repurchases designed to lower interest costs, extend maturities and reduce debt, while providing the Government with the space to execute its economic growth strategy.

Madam President, due to the uncertainty facing the Bermuda economy, the Government has reconsidered our fiscal strategy for the 2019/20 Budget as laid out in the Pre-Budget Report. We have concluded that it is not prudent to raise an additional \$50.0 million in revenue at this time. Additionally, the Government will suspend the mandatory annual contribution to the Sinking Fund rather than borrow additional monies to make this annual contribution.

Madam President, it is incumbent upon the Government to create the conditions to foster economic growth, which will increase jobs, increase income and raise the standard of living for Bermudians.

Madam President, during last year's Budget Statement, this Government laid out a path for economic growth that relied on a targeted investment by the Government while stimulating the Bermuda economy by reducing barriers for investment.

Last year's increased investments in tourism marketing (via the Bermuda Tourism Authority), increased business marketing (via the Bermuda Business Development Agency), and increased support for entrepreneurs (via the Bermuda Economic Development Corporation) have borne fruit. In 2018, the Bermuda economy witnessed an increase in international company registrations, an increase in local company registrations, an increase in jobs located in Bermuda, an increase in insurance companies setting up in Bermuda, and an increase in tourists visiting Bermuda.

Madam President, despite these positive signs, our economy remains in a fragile state. For instance, the value of retail sales has declined in eight out of the last twelve months. Some of this decrease can be attributed to the expected difference due to the one-off stimulus of 2017's America's Cup. However, we must also recognise that retail sales will continue to be impacted by increased online shopping. Additionally, the increase in interest rates charged by local banks for mortgages and other loans means that many residents have less money to spend in shops, as they are paying more in interest.

Bermuda's interest rates are tied to the US economy. This means that a rate increase put in place to slow the US economy has the effect of slowing the Bermuda economy, which needs stimulus, not slowing. The negative impact of high interest rates must be combated directly.

Madam President, over the last year, the Government has worked to attract new banking institutions to Bermuda. Although we are making progress, Bermudians who are struggling to make ends meet do not have the time to wait for new banks to set up in order to provide competition to existing institutions. Therefore, it is up to this Government to be transformational and to use the public sector to provide the relief.

Madam President, the Government will do two things to reduce the mortgage pressure for hardworking Bermudians. Firstly, the Government will, in conjunction with private sector banks, pilot a mortgage guarantee programme in return for a reduction in interest rates charged to Bermudians for their mortgages. Secondly, the Government will create a government-backed mortgage lender to relieve pressure on public sector employees by providing them with reduced mortgage rates. These two measures, combined with the elimination of taxes on mortgage refinancing, are projected to save \$5,300 a year for the average family carrying a \$500,000 mortgage. That is \$5,300 per year, Madam President, for the average family carrying a \$500,000 mortgage.

Madam President, the economic case is simple: Lower mortgage rates give more Bermudians more disposable income. More disposable income means that families have more money to spend and

invest in the Bermuda economy, which will, in turn, support local businesses.

Madam President, there is a constant refrain in some quarters which speaks about the need to relax our immigration laws even further to boost the population in Bermuda. It is a simplistic argument which wilfully ignores the other economic challenges faced by Bermuda.

Madam President, immigration is not the core issue; economic competitiveness is. Under our current laws, any investor who wishes to come to Bermuda to start a company can stay in Bermuda, apply to become a permanent resident, pass that PRC [permanent resident certificate] status to their spouse and children, and buy property in Bermuda. Madam President, the issue is not whether or not we have the laws to attract investors and job creators to our country. The question that must be answered is why they are choosing to invest in other places.

Madam President, Bermuda's challenge is not solely the need for immigration reform. Bermuda's challenge is the need for fundamental economic reform—reforms that reduce interest rates, reforms that reduce the cost of energy, reforms that reduce the cost of health insurance, and reforms that reduce the cost of doing business in Bermuda. These reforms are necessary to create the better and fairer Bermuda that Bermudians voted for. A more competitive Bermuda economy will create more jobs, which will, in turn, lead to an increase in Bermuda's population as Bermudians return home to fill these new jobs, which is essential for our long-term economic survival.

Madam President, our plan is to build on what we currently do well in financial services and tourism, diversify our economy so that we can attract companies in new industries to our shores, reduce the cost of living and the cost of doing business in Bermuda, and to make our government more efficient, and reduce regulations and red tape to stimulate investment while promoting competition in the Bermuda economy.

Madam President, our economic plan is rooted in the twin pillars that have served the Bermuda economy well—financial services and tourism. Our investments and combined efforts to grow these pillars have been successful, as 2018 saw an increase in incorporations and job growth in both international business and hospitality. While our property and casualty and captive insurance sectors remain stable, we have witnessed significant growth in the long-term insurance sector. Bermuda continues to make strides in attracting more asset managers to our shores, and economic substance presents a unique opportunity to leverage our proximity to the financial centres on the eastern seaboard of the US to attract more asset managers to Bermuda.

In tourism, we will continue to invest more in marketing and product development, while recognising that we must make tourism investment in Bermuda more attractive. That is why the Government is work-

ing with unions and hoteliers to increase efficiency and boost productivity in Bermuda's hospitality industry. In 2019, when regional competition is fierce, friendly people and beautiful beaches are not enough. Reform is necessary to make investing in Bermuda's hotels profitable, which will serve to protect existing jobs, while attracting additional investment leading to new tourism jobs.

Madam President, the Government, in conjunction with the Bermuda Business Development Agency, has a multi-faceted approach to creating new areas of economic activity in Bermuda. Over the last year, tremendous strides have been made in establishing Bermuda as a domicile for technology companies in the emerging areas of FinTech, RegTech, and InsurTech. Five of the ten largest companies in the world are technology companies, Madam President, and for Bermuda to play a role in the future of financial services, we must have a leadership position in FinTech. Our size and high regulatory standards make Bermuda the ideal place for technology companies to develop and test their products in our market before expanding those products to the rest of the world.

However, Madam President, in addition to looking to attract technology companies to Bermuda, our economic diversification strategy has specific focus on aviation and shipping, arbitration, biotech and life sciences, the blue economy, intellectual property, satellites and space, and nearshoring.

Madam President, fundamental economic reform means that we need to reduce the cost of doing business in Bermuda. The costs of energy, health insurance and interest rates directly impact our ability to grow Bermuda's economy.

Madam President, the Government committed in its platform to advance the National Health Plan, which did not advance under the former Government. Over the last 19 months, there has been extensive consultation, and the Government will soon unveil this important economic reform, which will ensure that we are able to provide better coverage for all Bermudians. Madam President, the core of this plan is simple: to reduce the cost of health insurance for citizens, for employers and for seniors. Reduced health insurance rates will mean more money in the pockets of Bermudian families, and that is the goal of this transformational reform.

Madam President, the Regulatory Authority is in the final stages of producing the Integrated Resource Plan, which will be Bermuda's national plan for our Island's future electricity needs. The Government looks forward to the production of this plan, which is an important step towards reducing the cost of electricity.

Madam President, while we reduce the cost of doing business in Bermuda, it is important to invest to make government more efficient so that, as the economy grows, the government is able to provide ser-

vices to more residents in a cost-effective manner. Over the past 15 months, the Government Efficiency Committee, chaired by the Junior Minister of Finance, has worked with government departments to streamline processes, raise additional revenue and identify areas for additional savings.

Madam President, the Government has launched the Public Service Reform initiative to transform Bermuda's public services. The top level of the public service will be reorganised to create a dedicated implementation team, which will focus on the execution of the reform plan that has been developed over the last year.

Madam President, the final pillar of our economic plan is the transformational measures necessary to stimulate investment, which will create jobs by promoting competition in the Bermuda economy, which will lead to reduced costs. Last year, the Government announced changes to allow international law firms to enter the Bermuda market, the modernisation of the 60/40 rule, and the relaxation of height and ownership restrictions for developments in the Northeast Hamilton Empowerment Zone.

Madam President, creating an additional supply of condominiums will only work if there is additional demand for the purchasing of these units. That is the reason why the Government will relax ownership restrictions for these special developments. This is an important change, as we must provide places for money earned in Bermuda to stay in Bermuda and circulate in our economy. The narrow relaxation of these restrictions will put more Bermudians to work in construction projects throughout the city and will create fixed assets that provide ongoing maintenance jobs.

More residents in Northeast Hamilton will provide more customers for local business, which will lead to an increase in economic activity in the empowerment zone. These new developments will also be key to attracting young Bermudians back to Bermuda, as the units will be ideal for singles or couples without children.

To unleash the entrepreneurial spirit of Bermudians, the Government, in conjunction with the Bermuda First Think Tank, will identify and eliminate antiquated regulations that make Bermuda's economy uncompetitive and serve as a barrier for entrepreneurs. Bermuda First has started working with the Ministry of Tourism and Transport to relax complex public service vehicle regulations to provide more flexible options to residents and visitors, while creating additional revenue opportunities for existing taxi and minibuses operators.

Madam President, to provide clarity to Bermudian entrepreneurs who are seeking alternative sources of capital in order to promote competition with existing businesses, the Government will publish guidelines for the granting of exemptions from the

60/40 rule, while concurrently simplifying the application process.

Madam President, I would like now to focus briefly on the forecasted financial results for the current 2018/19 fiscal year, as they form the foundation for the 2019/20 Budget.

Madam President, the Government is forecast to earn \$1.079 billion in revenue in 2018/19. This is \$11.9 million, or roughly 1.1 per cent less than the \$1.09 billion in the original estimates and is due mainly to lower-than-expected customs duty, fees from sale of land to non-Bermudians, and miscellaneous receipts. These amounts were partially offset by higher collections in payroll tax, stamp duty and land tax.

The projected 2018/19 operating expenses of the Government is \$932 million, or \$2.8 million (0.3 per cent) higher than the \$929.1 million originally budgeted in 2018/19. This increase was primarily a result of additional subsidy funding for the Bermuda Hospitals Board in relation to dialysis claims. This item was offset partially by decreases in expenditure related to energy, and materials and supplies.

Madam President, included in total operating expenses is the 2.0 per cent salary increase awarded to some public officers. As this amount was unbudgeted, departments have had to find savings from within their current budget allocations.

Madam President, revised capital expenditures for the year are predicted to come in at \$61.7 million, or 0.6 million, 1.0 per cent below the budget of \$62.2 million. Debt service costs for 2018/19 will be in line with the original budget estimate of \$188 million. Given the factors outlined [previously], the revised estimate for the overall deficit is \$102.6 million, \$12.9 million more than projected. This deficit includes the Sinking Fund contribution of \$64.2 million. Excluding the impact of the Sinking Fund contribution, the deficit would have been \$38.3 million, Madam President.

During the 2018/19 fiscal year, the Government executed an international bond transaction for a total of \$620 million. The purpose of this financing was (1) to repay a \$135 million loan facility with Butterfield Bank; (2) to finance a portion of the 2018/19 [deficit]; and (3) to refinance more expensive government bonds. As a result of the transaction, the government has lowered the weighted average rate of interest it pays on the total amount of bonds outstanding from approximately 4.63 per cent to 4.591 per cent, and has reduced its interest expenses by about \$1 million per year.

So, Madam President, it seems as though that downward shift is small, but it amounts to \$1 million per annum in reduction in our interest expense. So it is significant.

Madam President, for the remainder of this fiscal year, the Ministry of Finance will exercise prudent management of funds to ensure that we do not incur any additional borrowing. Therefore, on the 31st of March 2019, gross public debt will stand at \$2.68

billion, and net debt will stand at \$2.465 billion. That is, net of the funds in the Sinking Fund, Madam President. This amount is \$35 million below the debt ceiling of \$2.5 billion. The Sinking Fund balance is projected to be approximately \$214.6 million at the end of the 2018/19 financial year.

I will now turn my attention to the details of the budget for the upcoming fiscal year. The highlights of the 2019/20 Budget feature a 0.4 per cent decrease in total expenditure of \$4.3 million from last year's original estimates. Revenues are forecast to rise by 2.6 per cent, or \$28.6 million, and the current account balance, before interest on debt and capital expenditure, is budgeted to be a surplus of \$188.6 million.

The current account balance, after interest, is also budgeted to come in at a surplus in the amount of \$72.1 million. This represents an increase in the current account surplus of \$35.4 million when compared with the 2018/19 Budget on a like-for-like basis. Given the aforementioned, I am pleased to report that this year the Government will report a budget surplus of \$7.14 million.

Madam President, this year's budget, with a current account surplus of \$188.6 million, represents an improvement over the fiscal 2018/19 surplus, with sufficient revenue to cover not only the day-to-day running of government, but also the interest on debt and capital expenditures.

Madam President, the Government does not anticipate any long-term borrowing in this fiscal year, and at 31 March 2020 it is estimated that gross public debt will stand at \$2.5 billion and debt net of the Sinking Fund will be \$2.457 billion once we apply the projected surplus to the Sinking Fund.

Madam President, in keeping with our pledge from last year, we expect that this year we will start reducing our debt. We will continue to reduce expenses where we can, but we will also make the strategic investments needed to stimulate economic growth.

Madam President, as our debt metrics stabilise and we project no new long-term borrowing in the 2019/20 fiscal year, the Government has no immediate plans to raise the country's debt ceiling. Our debt ceiling is currently set at \$2.5 billion, and the Ministry of Finance will exercise prudent management of funds in this year to ensure that we remain below the debt ceiling. During fiscal year 2019/20, certain government private placement notes aggregating \$180 million will mature. The Government will draw from the Sinking Fund to repay these notes. This will reduce our interest costs by \$12.1 million per year and lower our weighted average cost of borrowing from 4.591 per cent to 4.437 per cent.

I will repeat that, Madam President. This will reduce our interest costs by \$12.1 million per year and lower our weighted average cost of borrowing from 4.591 per cent to 4.437 per cent.

Madam President, in order to reduce the deficit and provide for much-needed services, the Gov-

ernment considers it appropriate to strategically increase our revenues.

Madam President, the estimates for 2019/20 shows the government's revenues of \$1.118 billion, which is \$28.6 million, or 2.6 per cent higher than the original estimate for the previous year. Even though we propose for deficit reduction in 2019/20 to come from the revenue side, we recognise that the solution requires fiscal discipline by the Government, where it properly prioritises the country's needs and wants.

Madam President, despite being a possible disincentive to job creation, payroll taxes are a highly effective and reliable way to raise revenue. The yield from payroll tax is estimated at \$466.1 million in 2019/20, or 41.7 per cent of total government revenues.

In the 2018/19 Budget Statement, it was also announced that this Government would encourage local and international companies to create jobs in Bermuda. To this end, the Ministry of Finance worked with key business stakeholders to generate incentives for companies to create and locate additional staff in Bermuda by providing payroll tax relief for new positions created in Bermuda. As has been already announced, in the upcoming budget the Government will promote this relief for exempted companies as part of our Economic Substance Incentives Programme. This programme will provide two-year employer payroll tax concessions for additional jobs created in Bermuda.

Madam President, the retail industry employs nearly 3,500 Bermudians, and the Government is very much aware of the pressure on certain segments in this sector. In an effort to maintain and increase employment levels in this sector, the Government will provide targeted payroll tax relief to specific businesses by providing a concessionary employer payroll tax rate of 7.0 per cent for all retailers whose payroll is above \$500,000 and whose primary sales are in fashion, shoes, jewellery and perfume.

Madam President, entertainment plays a very important role in the culture and development of Bermuda. We have seen a decrease in entertainment over the years and note with concern that our entertainers have very little business, if any, during our off season. Therefore, the Government will provide a concession to all businesses that hire local musicians and entertainers by removing the employer payroll tax for the next three years. The Government believes that this concession will encourage more businesses to hire local entertainers and encourage more Bermudians to become involved in this extremely important industry.

And I might add, Madam President, that we have a huge amount of talent in Bermuda and they are equal to the international entertainment that is brought into the Island. And if you are not going out to see that, you are missing out on something special here.

Madam President, the yield from customs duty is estimated at \$235 million, or 21 per cent of total government revenues. In line with the Health Ministry's consultation paper, and as announced by the Minister of Health in the House of Assembly in March 2018, it is proposed to increase the rate of duty on a limited group of items from 50 per cent to 75 per cent. In a further phase of the implementation of the sugar tax, it is also proposed to extend the scope of items to be captured by this tax. These adjustments will yield an additional \$4 [million] to \$5 million of customs duty.

The duty on cigarettes and tobacco and on beer, wines and spirits will be raised in April 2019 to achieve additional customs revenue of about \$1.5 [million] to \$2.5 million.

The Government will also extend the Hotels (Temporary Customs Duty Relief) Act 1991, and the Restaurants (Temporary Customs Duty Relief) Act 2002, by a further five-year period expiring on the 31st of March 2024. These Acts provide a zero rate of customs duty on imported capital goods intended for the renovation and refurbishment of restaurants and hotels, and many properties have benefited from these Acts over the years.

Madam President, in the 2017/18 Budget, the former Government enacted the Financial Services Tax Act 2017. This legislation introduced a financial services tax on insurance premiums (excluding health), money transmissions of a money service business, and bank assets.

Following consultation, the Government will increase the tax on premiums by 1.0 per cent and increase the tax on bank assets from 0.005 per cent to 0.0075 [per cent] of its consolidated gross assets as at the end of a tax period. This will yield an additional \$3.4 million in revenue.

Madam President, following the Pre-Budget consultation, the Government proposes to increase the Foreign Currency Purchase Tax from 1.0 per cent to between 1.25 per cent, generating additional revenue of \$4.1 million.

Madam President, in the 2018/19 Budget Statement, as a temporary measure, land tax rates on commercial properties were increased by 5.0 per cent, raising an additional \$15 million in land tax revenues. This provision will expire on the 30th of June 2019, and the legislation provides for the rates to revert back to 7.0 per cent. It is now proposed to increase land tax on commercial properties from 7.0 per cent to 9.5 per cent, and land taxes on tourist properties from 7.0 per cent to 8.0 per cent.

It is also proposed to amend the land tax rate structure for residential properties by amending the taxes for properties as follows: For the ARV [annual rental value] band, zero to \$11,000, the proposed tax rate will drop from 0.8 per cent to zero. For properties \$11,001 to \$22,000, the tax will drop from 1.8 per cent to zero per cent. The next band, \$22,001 to [\$33,000],

the current rate of 3.5 per cent will remain the same, as will the next band, \$33,001 to \$44,000, the 6.5 per cent tax rate will remain the same.

The Government will look to increase the tax rate in the remaining bands. So the \$44,001 to \$90,000 range will see an increase from 12 per cent to 17 per cent. The ARV from \$90,001 to \$120,000, will increase from 25 per cent to 30 per cent. And above the \$120,000 band, there will be an increase of some 47 per cent to 50 per cent, Madam President.

The senior exemption will remain for all properties with an ARV of \$45,500 or less. The total yield for land tax in 2019/20 is projected to be \$85.4 million.

Madam President, following the pre-budget consultation with the real estate division of the Chamber of Commerce, it is proposed to increase stamp duty on all residential and commercial leases. The Government will also be undertaking a comprehensive review of its stamp duty legislation with a view to updating this legislation and eliminating loopholes. In addition, as announced in the Throne Speech, we will eliminate stamp duty on any mortgage refinancing for amounts up to \$750,000.

Madam President, it is proposed to introduce a new tax structure for cruise ships and cruise ship passengers, which will include a passenger departure tax, a cruise passenger visitor fee and a large ship infrastructure tax, with the current cabin passenger tax being repealed. This tax structure will yield \$40.2 million.

Madam President, the statutory period in the Schedule to the Bermuda Immigration and Protection (Land-Holding Charges) Regulations 2007 expires on the 31st of March 2019. These regulations reduced licence fees for non-Bermudians' purchase of Bermuda property. The Government proposes to extend the end date of this licence fee reduction period by 24 months, therefore, ending the 31st of March 2021. During this period, we will evaluate the effectiveness of this concession on property sales.

Madam President, legislation will be amended to increase company discontinuance fees from \$425 to the current annual government registration fee for the respective company. It is noted that other jurisdictions charge up to three times the current annual registration fees.

Madam President, in the 2018 Pre-Budget Report, we stated: "The Government will ensure that the Office of the Tax Commissioner (OTC) has the resources that it needs to collect taxes that are due." It is one thing to charge; and another thing to collect. "Due to staffing shortages, not all taxes are being collected and adjudicated. The Government has authorised the filling of these long-vacant posts to assist in revenue collection."

As highlighted in the latest Fiscal Responsibility Report, this item has been actioned and has already proven productive in 2018, as previously unpaid stamp duty of almost \$3 million has been collected

and an additional \$4.7 million in uncollected stamp duty has been identified.

Madam President, we have taken further action to resolve this problem by approving the addition of five new temporary staff members for a one-year period. These staff members will be working in the Operations Section of the Office of the Tax Commissioner, with four in the Debt Management Section, and one working closely with the Assistant Tax Commissioner of Operations. These additional resources for tax collection and enforcement should pay for themselves many times over with the additional revenue collected during this period.

Madam President, too much of Tax Commissioner's time and resources are devoted to processing manually filed tax returns. Accordingly, a new filing policy will be implemented on April 1st, 2019, for taxpayers of gross annual payrolls in excess of \$500,000 per year. It will be mandatory for taxpayers over that threshold to file electronically, using the E-Tax system, starting with the quarter April, May, June of 2019, which will be payable by the 15th of July. Employers who do not adhere to the stipulated e-filing requirements will be subject to penalties.

Over the years, the government has been incurring millions of dollars in credit card charges due to taxpayers using their credit cards to pay their taxes. Effective from April 2019, the government will start to recover these fees by way of a recharge fee for this convenience.

Madam President, the Government has set the overall budget expenditure (as we shift into expenditures), including current account and capital account outlays, and debt service, excluding the Sinking Fund contribution, at \$1.11 billion. The forecast for current, interest and capital account spending in the 2019/20 Budget is \$4.3 million lower than the amount approved in the 2018/19 budget. This reduction was achieved despite the Government's pay awards to public officers for this fiscal year.

Madam President, this level of spending will enable the Government to provide targeted investments to grow and diversify Bermuda's economy, to service our debt, to strengthen infrastructure, educate our children, provide health care and security for our citizens, and assistance to the less fortunate among us. Madam President, there is an ever-increasing demand for government services. However, the Government is mindful of the potential impact that increased operating expenditures can have on the overall fiscal performance. Accordingly, in the 2019/20 Budget, the level of current account spending, excluding debt service, has been frozen to 2018/19 Budget levels.

Madam President, moving forward, this Government will adopt a revised strategy whereby further savings might be effected either by way of increased efficiencies or by making structural reforms in the way in which services are delivered and institutions are

structured. To this end, the Government has established an Efficiency Committee to review the functioning of all government departments and recommend improvements in the efficiency of operations. The Efficiency Committee has highlighted how savings and greater effectiveness can be obtained by the government in the areas of financial assistance, purchasing of materials, inventory management, and handling of staff vacancies. The Efficiency Committee has also emphasised the critical importance of developing a detailed overall strategic plan to guide the spending priorities of the government over the medium to long term.

Madam President, debt service costs for 2019/20 budget are projected at \$116.5 million, which represents interest expense on debt only.

Madam President, the Sinking Fund currently has a balance of \$214 million. During the fiscal year 2019/20, \$180 million of the proceeds in the fund will be used to repay two tranches of maturing private placement notes (as I previously mentioned).

Madam President, the Government will suspend making mandatory contributions to the Sinking Fund. This decision has been made in light of the following factors: (1) apart from the private placement notes referenced above, the next maturity of government debt will occur in 2022; and (2) the interest expense associated with borrowing to fund the mandatory Sinking Fund contributions will be greater than the investment return generated on those funds.

Pretty straight forward, is it not, Madam President?

The President: It is.

Sen. Vance Campbell: And this is number (3), the Government is forecasting continued operating surpluses, which it intends to contribute to the Sinking Fund or use to make open market purchases of its existing indebtedness.

Madam President, the Government is committed to making sound capital investments which will enhance the country's infrastructure, create jobs, generate growth and improve our quality of life. The capital expenditure component of the 2019/20 Budget is set at \$64.7 million, \$2.5 million higher than the 2018/19 original estimate. The most significant items of capital expenditure in the 2019/20 Budget relate to upgrades to the Mid-Atlantic Wellness Institute (\$4.5 million), school maintenance (\$3.0 million), and roadworks (\$1.5 million). While most of the planned investment is related to construction projects, there is a capital acquisition provision of \$20.6 million for IT developments across government, and new public buses and other vehicles to support public service delivery.

Madam President, as later in the week we are going to be debating individual heads of government, I will conclude my presentation at this point.

Thank you, very much, Madam President.

The President: Thank you, Senator Campbell.

Just to remind Senators that the first speaker of Government has an hour and then the Reply of the Government Opposition also has an hour to present. And after five hours . . . everyone else has 45 minutes and when we have reached five hours then that time is reduced to half an hour.

So, the Reply will be for an hour.

Senator Kempe, you have the floor.

THE OPPOSITION'S REPLY TO THE BUDGET STATEMENT 2019/20

Sen. Nicholas Kempe: Thank you, Madam President.

As I read through the Budget Statement, I noticed it started off with a lot of warm and fuzzy prose, and I seemed almost aspirational in nature. As I read through the actual actions and commitments laid out in the Budget, it felt like it was a large political exercise in doublespeak. And time and time again, with the initiatives that I read in the Budget, Madam President, what was actually being proposed seemed diametrically opposed to the lofty ideals and the Lincoln quotes and allusions to past political leaders that the Budget opened up with.

I am going to take a little bit of time, Madam President, to go through and highlight some of these challenges that I found throughout the Budget.

On page 2 it opens with, "we must grow our economy. We must balance our budget and we must reduce our national debt. We must evolve our system of taxation" and we must "reduce the cost of living." So these are all recognised needs in our economy, but this budget, unfortunately, does very little of that starting from growing and stimulating the economy. In fact, the only growth of government revenue budget over the next three years seems to be to increase taxation. The GDP levels for 2018/19 have been revised down to 0.5 per cent to 1.0 per cent. The balancing of the budget is by sacrificing our ability to reduce debt in the future. In fact, the \$180 million being reduced in this upcoming fiscal year is only thanks to a funded Sinking Fund.

So, the fact that we must reduce our national debt seems to be that we are happy to reduce what little is due this year with what is in there, but we are not going to put anything towards paying off future obligations.

On page A-1 of the Budget Book there is a projection out to 2021/22. What is going to be the scary reality when we look at next year's budget is that in 2022/23 there is \$651 million there. Now, as we are massively de-funding our ability to tackle that debt, that will just be kicked down the road and our yearly interest payments will not be touched that much, if at all.

We talked about evolving our system of taxation. But a paragraph later it says that the revenue

enhancements will be derived *exclusively* from the existing tax code. That is not much of an evolution, if any at all. In fact, it is a continuance of the status quo, and in most cases it is simply a worsening of the status quo, as we will get to later in the budget.

We speak about reducing the cost of living, but Government is not leading by example in reducing its own expenditure. And taxes that are extracted from the public are a key driver of cost of living in this country.

There is talk of "manifested resistance," which seems pulled from a conspiracy theory motion to adjourn from the Leader that sits in another place. I am not even going to bother to get into that one.

Collecting what is owed is very useful. Sure. But when we look later at the credit card charges it is actually pushing a burden on, especially, small businesses that need to pay a myriad of government fees across government at lower thresholds of fees. I can understand the desire to remove people paying millions of dollars of payroll tax at a pop on a credit card, because that is quite a large amount of money. But for people just re-licensing a truck or going to pay a farming licence or any other thing being hit with these kinds of credit card fees seems counter-productive to fair taxation.

ANNOUNCEMENT BY THE PRESIDENT

SENATE VISITOR

The President: While you hesitate there, I would just like to acknowledge the presence of the Junior Minister of Finance, the Honourable Wayne Furbert. We welcome you.

[General Economic Debate, Opposition's Reply continuing]

Sen. Nicholas Kempe: There is talk of public sector reform and streamlining operations. But, again, in reality, the budget line for the next three years has the exact same spend. So none of these efficiencies, none of these savings, have been passed on to the taxpaying public, Madam President. And when we talk about the fragile economy we are in, now coming on 10 months, if you look at December, which the National Economic Report shows essentially a negative retail sales month as well, we are looking at 10 straight months of declining retail sales.

We are looking at historically low business confidence. We have now, on top of this, been black-listed, which was the one existential threat that this Government needed to avoid. And our economy is looking very fragile right now. And yet, from the first year that Government was in with a spending of \$893 million, to where we are at already with the revised estimates of \$933 million . . . there is a \$39 million increase in spending.

And, of course, that has to be covered by increased taxation. And taxation slows the economy. It is a burden on businesses large and small, although most of the concessions seem to have been for the large ones, so our small business sector is getting squeezed all across the board as they do their business.

We talked about our ageing population, which is the big demographic ticking time bomb that Bermuda has to deal with. And unless we are able to massively grow our working-age population, the maintenance ratios in Bermuda are set to skyrocket in the next 10 years, going from, I think it was something like 17:40 as a maintenance ratio, which means that for every 100 working age individuals there will be 40 people that are not working age . . . and as most of the taxes are extracted from the working age population, that is going to be a huge driver when people decide whether or not they want to set up in Bermuda. If the tax is extracted from a declining workforce with a growing maintenance ratio it is going to become unsustainable, Madam President.

We look at the areas where we actually have some growth in employment in our economy, and it is construction and hotels. Luckily, Madam President, the OBA put in place some mid-term stimuli programmes, such as hotel development and the airport, which is carrying us right now. But the Government must urgently identify and execute on stimulus programmes because, unfortunately, the OBA project will come to an end, and without something else positive on the horizon, it is looking pretty grim, Madam President.

We have seen that employment income has decreased and as businesses feel the squeeze they are unable to keep up. And with new hires they cannot continue to set rates that they would like to see that are more competitive. But we are seeing all the costs that are being passed on to businesses and those effects are pushed all the way through the business model.

Retail sales, as I mentioned, for 2018 are down \$25 million. There seems to be an argument that this is entirely due to increases on mortgage payments. But there is no data produced or provided to support this allegation, just saying this is why. So I would certainly appreciate it if we could get some supporting data on that so that we can have a more coherent argument around this, because it seems to be the only economic programme in this Budget Statement. It entirely circulates around the effect of mortgages on the local economy.

We see that there were some 827 new international companies and partnerships registered in 2018. But the net numbers are not provided, simply the new incorporations. It would certainly be useful if we could see how the companies that came off the register relate to the previous year, and what the net figures are, because if you look at the budgeted fees

for licensing, there appears to be a decline in that. So the one narrative does not seem to support the other.

Again, I have spoken about the effect of business confidence, and even how the 2018 GDP growth estimate has been lowered. And here is the real item that highlights this doublespeak I was speaking to. On page 11, the Minister said, "We have concluded that it is not prudent to raise an additional \$50.0 million in revenue at this time." What he does not say is that from the revised estimates, revenues for 2018/19 and the budgeted for 2019/20, there is \$39 million in increased taxes.

So, when who is not able to follow along with the Estimates of Budget would hear [that], one would think that when the Minister states "We have concluded that it is not prudent to raise an additional \$50.0 million in revenue at this time" that they would not be raising revenue, they would not raising taxes. But they are raising [\$]39 [million].

So, I am hard pressed to see the massive difference between raising \$39 million in taxes versus raising \$50 million in taxes, especially when we are talking about spending the Sinking Fund. So there is no decrease in government spending, we are raising taxes \$39 million on a fragile economy—prior to knowing that were being blacklisted—and we are suspending the Sinking Fund contribution, with some nebulous commitment to dedicate up to 75 per cent of the surplus towards repaying loans or contributing it to the Sinking Fund.

What is going to happen to the other 25 per cent? What is going to happen with any surplus that is achieved this year? They are all very vague, feel-good statements. But when you look at the facts in this budget, Madam President, there is not a lot of beef.

We talk about growing our economy. And here is where we get to some real vague aspirational consultant-type speak when we say that the path for economic growth relied on (and I quote) "targeted investment by the Government while stimulating the Bermuda economy by reducing barriers for investment." But, what are these? What is this "targeted investment"? Where is the reduction for "barriers of investment" coming from? Because from all that I can see, this is a status-quo budget. There are these aspirational goals, but there is no plan. There are no steps set out about how these items are going to be achieved.

They talked about . . . and, again, this is where we get to what, seemingly, is the only real hypothesis for fixing the economy in this Budget Statement. And it speaks about the negative impact of high interest rates that must be combatted directly. And the two components of this plan, Madam President . . . one is that the Government is going to offer guarantees for mortgages that the banks are holding, with the belief, or assumption, that this will drive down the interest rates. Unfortunately, the key ingredient in determining someone's mortgage rate is not how much

collateral the bank holds on it, it is the borrower's ability to repay.

And the worrying thing about this proposal is that it is an open invitation for the banks to move impaired mortgages onto the government's books. And I do not believe that the government presently has in its staff the lending officers to provide the due diligence on all of these new guarantee offers. And I do not see in this budget where those officers will be funded from, where that increase in bodies is coming. We saw in last year's budget that there were some 300-odd employees added to government's payroll. But in this year's budget there are a modest five or six people, which are all going into the tax collections office.

So, I am struggling to understand where government is going to staff up on the expertise to do the vetting on this policy, and how it is actually going to reduce mortgage payments for Bermudians. It looks like it will simply shift a bunch of impaired assets onto government's balance sheet, much to the pleasure of the banks.

The other element of it was direct lending to civil servants only. So we are going to use taxpayer money collected from all of Bermuda, and we are going to give a targeted benefit with those funds exclusively to civil servants. And, again, where is the lending expertise to qualify whom is going to get these loans? How are they going to be vetted? How are their interest rates and the ability to repay going to be assessed?

What is going to happen when the government has an employee who has performance issues, or who loses their job as a civil servant? Will their rates spike? How will government go about seizing or selling the property of the people who cannot meet their obligations? Will there be any political will to have any of the accountability when a loan ceases to perform?

There are a whole lot more questions that are raised by these two seeming flag-ship initiatives from the budget than there are answers actually provided in here. Certainly, without Government being able to explain and justify where the know-how to do the vetting and how these items will be dealt with, I would certainly be extremely hesitant about Government going ahead with those two initiatives.

ANNOUNCEMENT BY THE PRESIDENT

SENATE VISITORS

The President: While you hesitate, I would just like to acknowledge in the Gallery the two MPs, Mr. Christopher Famous, as well, as Mr. Neville Tyrrell. Welcome to you both.

Carry on, Senator Kempe.

[General Economic Debate, Opposition's Reply continuing]

Sen. Nicholas Kempe: There is a whole lot of talk about reforms to the cost of health insurance, to the cost of doing business. And, again, all of the additional taxes and layers in here do not do anything to reduce the cost of business. The complete resistance by the Cabinet to carry through with the health insurance cost containment measures that were put forward by the OBA gives me little hope that we are actually going to see any cost [reforms] in health care.

There has been some vague suggestion about this two-tiered health insurance pooling, which I certainly have reservations about whether that will actually pass any savings on to Bermuda as a whole. It may pool some of the higher risk demographics the government is covering onto the working Bermudian with a private health care plan. But, again, I certainly would like to see more open public discussion about this before there is any advancement on it.

On page 14, there was, "Bermuda continues to make strides in attracting more asset managers to our shores, and economic substance [presents] a unique opportunity to leverage our proximity to the financial centres on the eastern seaboard . . ." Now, that may have been the case. But, of course, that is on the premise that we would have been deemed compliant with economic substance, which, as we know, is not the case. So that even further downgrades any ability to be optimistic on revenue projections for the Government. And this is why it is most unfortunate, Madam President, that last year the spending was spiked so heavily. The cart was clearly put before the horse and money was spent before the economy was grown.

And now we are in a situation where the Finance Minister has to say, *I do not see how I could reduce costs without having to let people go*. Madam President, he would not be in that position to have to say that today if there were the 318 people, or 312 people, which were included in last year's budget that were not there in 2017/18's actuals. We have boxed Bermuda into a corner. And in order to balance the budget . . . and we have had to forgo a \$60-some million Sinking Fund contribution. In order to balance the budget we have had to raise taxes another \$39 million this year in order to simply balance the books.

This philosophy of spending and then taxing to cover it is completely counter-intuitive to the reality in which Bermuda lives, a reality of a fragile economy. The signals have been there, and they were there well before the presentation of this budget. The debt has been something that was created going back to 2002/03. The most egregious period of debt creation was the 2006 to 2010 era when we were spending almost \$140 million a year on capital expenditure. The year 2008/09 was the most egregious case where \$150 million was budgeted in cap-ex [capital expenditures], but the actuals came in at \$200 million.

And I would like to take a little bit of time, for the listening public who seems more fixated on budg-

eted than they are on actuals. Madam President, any time you are doing an assessment of a business or a company, it is most prudent to use the most accurate information available at any given time. I would not assess the performance of my business based on what I budgeted three years ago, but, rather, what my actuals came in at for that same period. That is how effective future decisions are made and how quality assessments on the past are made. So it is most important that we always use the most accurate information available at any given time.

We talk about the important economic reform that will provide better coverage for Bermudians and reduce the cost of health care for all citizens. Again, this is overly simplistic. I would have liked to have seen a lot more beef on the bone as it relates to that one.

The 60/40 rule has been spoken about for a number of years now in Bermuda. There is almost a standing practice where any application made to the Minister is almost certainly approved. As we move we are past the time when Bermudian capital owned most of the means of production in Bermuda. The telecoms, the banks, all these major utilities are now in the hands of foreign capital. And the fact that the 60/40 rule continues to exist in that sense certainly seems antiquated. So I can agree with the Minister and, before that, the Premier who have both spoken broadly about the 60/40, that we must do something to change, to shift the paradigm as it relates to equity funding.

When you look at business start-ups and small business start-ups especially, the challenge is not with loan funding. So, once you are already established and you need to purchase a vehicle, or you need to purchase a washing machine for your laundromat, you can generally get a loan for that. There is an established record, and you have a debt service history that can justify the giving of that loan.

But when businesses are starting up, generally what they need is equity share capital. That is not a form of financing that the banks generally wish to engage in. And they will struggle to give a loan to a company that has no history. So, finding ways to increase the pool of shareholders able to invest in the local economy, be it small or large business, is certainly a key area we would like to see developed. And rather than give some form of vague or ambiguous support to reforming or updating or modernising the 60/40 rule, the Opposition would like to make the changes quite clear and obvious to everyone in Bermuda, and still give the Minister the discretion to approve on a case-by-case basis.

But we believe that the 60 per cent of the 60/40 rule should be amended to include any resident capital. So, right now it is Bermudians, and the 40 per cent can be non-Bermudian. Whereas, we are suggesting that it be more of a resident/non-resident criteria. This goes towards not only expanding the ability

for wealth created in Bermuda to be invested in Bermuda, as opposed to only having access to, essentially, investment funds overseas and stock markets overseas, but it allows all of that money that is earned here by guest workers to be reinvested into the economy, especially in the form of capital for businesses.

I am unsure what the impetus or what the studies are behind the desire for Government to supply additional condominiums. And it seems to be along this same thread about wanting to get resident capital invested in Bermuda. But it is so restrictive in its nature by saying it is going to be condos, and only in Northeast Hamilton. I highly question the effectiveness of this measure.

So, again, I am struggling to see how that is going to happen. And it is not clear from here who is going to be doing the construction of these condos, whether it will simply be re-zoning so that condos can be built, or whether Government is actually planning on spending money to build the condos and then try to sell them after the fact, which would certainly be, again, I think counter to the position that Government is financially with spending on the condos, spending on the loans and all these kinds of . . . again, spending money we do not have.

We look at the fiscal performance and, again, pretty much everything seems to forecast based on last year's estimates, which I question how we are going to have a sensible conversation about the reality of projections when we have better information already. The Budget Book lists the revised estimates for 2018/19. Obviously we cannot have the actuals yet, because we are still in the fiscal year. But we have the revised estimate. So, when we hear that, *Oh, the Government is going to forecast so much revenue*, and that is 1.1 per cent less than the original estimates, that is not terribly helpful when we have 9 months of performance, 10 months of performance data in, and in fact we have revised estimates provided to us in this report.

Same thing, as I mentioned, with the retail sales earlier. We already know that December is going to be negative, because it is included in the National Economic Report. Why is that data not being shared with Bermuda?

The total operating expenses is spoken about as including 2 per cent increase awarded to "some" public officers. It does not say what that salary increase accounted to. So, again, it makes it quite difficult to ascertain. "Some" public officers, could have been 10 of them. And that could have been a \$50,000 increase. Or, it could have been all of them, which would have been a \$7 million or \$8 million increase. So, it is very hard to understand how much of that \$39 million in increased spend has actually gone to a well-deserved raise at this point. Or is it just being spent on other items?

My reckoning is that a 2.5 per cent increase across all of government would have amounted to

some \$9 million or \$10 million. So, when you look at the \$37 million, or so, in increased spending on wages and salaries, that is about a \$27 million increase on everything else, on all these new hires. So, again, when we are looking at where our tax money is going, we could have completely avoided the \$39 million in increased taxation for 2019/20 if we held the line of headcount and still gave the raise, if we held the line on two other items, for example, such as consultants and travel, which added another \$5 million between them.

Now, I know there was some argument in another place when the Opposition suggested that the Government needed to get on a plane and go fix the blacklist fiasco. And then the Government lamented being criticised for spending more on travel. Well, I note that the increased travel allocation of \$1.4 million was put in this book prior to being blacklisted. So I am not sure how that is justified at all. Either we were planning on it, or we were not. But we just put in an extra \$1.4 million travel for 2019/20 than we had in the actuals for 2017/18.

If we go through the infrastructure fund, it is not really mentioned anywhere. And I have not heard of any projects being announced since it was put in place. But I believe that there are management fees owed, whether or not any projects happen, as opposed to as a percentage of completed projects. So, I would be curious to know what the management fees were for this present fiscal year, and what projects. Maybe I missed it, but I do not believe there have been any projects. And I believe the management fees are going to wipe out any savings from the million dollars per year saved on the refinancing. So, I certainly would like to hear more about that.

The Sinking Fund is projected to be approximately \$2.14 million at the end of 2018/19. As we can see from the Budget Book there is \$180 million in notes due in the 2019/20 fiscal year. So that is going to leave the Sinking Fund pretty close to zero, some \$34 million. The \$7 million projected surplus for 2019/20 appears to not have to be put into the Sinking Fund according to the scheme at the bottom of A-1, although later in the Budget Statement, at page 21, it says that the projected surplus will be applied to the Sinking Fund. So I would like to know what it is, because the Statement and the Book of Estimates contradict [each other].

I would also like to know what is going to happen with the moderate surpluses projected over the next few years. I would like to note there is significantly less than \$65 million, which is what would have been the Sinking Fund contribution, had those targets been met.

Again, we get to page 20 and we see the original estimate for 2018/19 and the original estimate for 2019/20. And it shows a \$7 million projected surplus for 2019/20. I again question why the revised estimate is not used, because the revised estimate will show

that revenues are down some \$10 million, and expenditures up some \$4 million. So, the target was missed by \$14 million so far this year, and yet we are having celebratory press conferences celebrating a projected \$7 million surplus. So, the variance between the estimate and the revised estimate of 2018/19 already exceeds the projected surplus for the upcoming year. So, I am quite baffled as to how the Government can bang the drum with such confidence about having this historic projected surplus—only because the Sinking Fund contribution has been avoided—and this projected surplus is half the amount they are missing so far of the target this year.

Again, the realities of the numbers and the language used by the Government seem in complete dissidence to each other.

I look at the Net Debt of Sinking Fund graph on page 21, and I see that this Finance Minister has repeated the same partisan gains that his predecessors did in last year's budget. And the 2013 number there, which is actually 2012/13, which ended on 31 March 2013, was a budget set and delivered upon by the PLP for 9 of those 12 months—very little to be done about it by the in-coming Government in a December election. And yet, to distance themselves from the blame that they have to do with the creation of the debt, they painted that bar red. So I think that is of note of the otherwise . . .

On page 22 we speak about how our interest costs will go down in the upcoming year. And, yes, that is because we are going to be able to repay \$180 million of our outstanding debt.

Now, not enough people are aware, I think, that the way government debt works is different than a mortgage you pay at home. When you are paying your mortgage payment every month, part of that payment is put towards the principal and part towards interest. Now, it is kind of scaled so that at the beginning of your mortgage you are paying more on interest than principal, and as you go further down the line of the mortgage more is dedicated towards principal. But the way the government's debt is structured, is that the interest is paid only each year, and the notes are due on whatever the expiration is, in terms of 10 years or whatever.

Now, obviously, when we get to the end of the 10-year period or so, if it cannot be repaid, it will simply be refinanced. That is not something that we should expect is going to be difficult to do. But we are somewhat at the whim of the rate of interest at the time. So our yearly interest rate could change from one year to the other if global lending rates change.

The real challenge, Madam President, is if we are not seriously tackling the outstanding notes and paying them off with an aggressive timeline, the amount of money we pay each year to the interest on the debt will never significantly change. We are spending 10 per cent, 11 per cent of every dollar the government collects overseas to fund this interest.

Now, that is money, and it is not a small amount of money, it is over \$100 million. And it looks to be that for the foreseeable future, because there is nothing in this budget that looks to actively pay off the outstanding notes. So we will just be kicking the can down the road for someone else to deal with, for future generations of Bermudians to deal with.

The Minister here, and the spokesperson as well, before, seemed like this was something worthy of congratulations, that the interest costs were reduced by \$12 million a year, this year, because we are paying \$180 million. We are *only able* to pay that \$180 million because the Sinking Fund had been funded by prior administrations. This budget completely dismisses that historical savings discipline. And I can understand the negative carrying cost argument that is put in there, but it also ignores it for the next three years. And there is nothing stated for the years beyond that. So if this is going to be the new normal, and we are going to dedicate 0.8 per cent or 0.5 per cent of our outstanding liabilities toward paying off notes, the interest on debt will not go away for generations.

We will have generations of Bermudians having their taxpayer services being used less effectively towards the services that Bermudians want. Those services are crowded out by the interest on the debt, the interest on the debt that was created when Bermuda was not in a fragile place, when Bermuda's economy was growing year, on year, on year. The government was getting high single-digit to low double-digit raises every year for seven or eight years. And instead of putting that money away and saving, instead of reducing the cost of taxes on Bermudians, the spending increased just as heavily. And it was not just the operational spending, which we could have lived with, but the capital expenditure line item grew by a multiplier.

And that was during a time when our economy was hot. Construction projects were happening in the private sector. So Government came in spending a ton more money than it had historically and competed with the private sector for resources, made it so that the Bermudian workforce could not ever cover all of the projects, made it so that the cost of projects went up, because they are the big player in the room, spending \$150 million, \$200 million a year.

What a prudent Government would have done was save those surpluses for a rainy day, the rainy day that inevitably came in the 2008 to 2013 period when the economy was contracted. If Government had not been up to its neck in debt, those surpluses generated during times of great plenty could have been spent, could have been unleashed on the market. Jobs could have been created without having to go into debt, and without having to get public/private partnerships to fund it. There would have been a cash surplus that Government had that could have been used to finance projects, such as the hospital, such as

the airport, such as Heritage Wharf, or Berkeley. These monies could have been spent when the private sector was hungry for work, when people were struggling for jobs. Instead, it was spent on borrowed money in times of plenty, and it fought with private sector.

So, when Government tries to distance itself, as it has distanced itself with silly little colourings of the graph from its responsibility in this mess, we are left with the excuse of the Great Recession. But, Madam President, it was the decisions during the times of great plenty that caused Bermuda's "Great Recession" to be far worse than anything inherited from its overseas neighbours.

Again, we go back to the book. In the Budget Statement, it says on page 22, "In order to reduce the deficit, and provide for much-needed services, the Government considers it appropriate to strategically increase our [revenues]." I struggle, Madam President, to understand what exactly is strategic about simply increasing the existing tax code. I really do. We have had a number of reports about reforming our tax code, about fairer management of our tax code. But none of it has been heeded. The few items that were included in the Pre-Budget Report were all rolled back, seemingly days before the Budget Statement was released.

So, I struggle to understand what the strategy was with increasing our revenue. It seems there is a hole and it needs to be filled. And the easiest possible way to do it was implemented without much consideration for the knock-on effects.

And again, I am going to quote from the Budget Statement. I know the spokesperson for Finance across from me gave us an abbreviated version of the Budget Statement, and I appreciate that. But this was one of the sections that I noticed he did leave out, but he did mention the paragraph immediately prior.

It says, "Honourable Members will note that this increase is less than the \$50.0 million in revenue increases proposed in the Pre-Budget Report." Now, I have already mentioned that it is actually [\$]39 [million] so that sounds better than it actually is.

But it says, "The Government has evaluated the risks facing the island, in particular the potential EU action to list Bermuda as a 'non-cooperative' tax jurisdiction under the EU Code of Conduct Group. Accordingly the Government has decided that now is not the time to extract an additional \$50.0 [million] from the economy in taxes."

So, at least there is a bit of recognition that increased taxes will hurt, will slow the local economy. Now, the hypocrisy of the doublespeak is what is really frustrating to me, when I see that [\$]39 [million] is being put in anyway, when I hear that the rental tax is being rolled back, but land tax is going up, which is based on what, Madam President? The annual rental

value. So, it is no different than a rental tax, except it is somewhat worse.

Like I said, this budget extends the status quo, but worsens it. A rental tax at least had carveouts considered for people living in their own home. The land tax does not. The land tax also . . . and, again, the spokesperson across from me mentioned that certain rates were going down to zero. What he failed to mention was that a flat fee of \$300 was going in instead. So now someone at the lowest band of land tax that was paying 0.8 per cent per year, or \$88, is now going to pay \$300. So it is all good and well to say, *Don't worry, we're reducing the rate on those that can least afford it in our country; but we are not going to tell you that we are hitting you with a flat fee that is 340 per cent higher.*

At band two, the same thing happens. So, we have these examples of, *We are telling you we are doing something good for you, but don't do the math; don't check our work; don't look to what we are actually doing, because it is worse.*

If we look at the financial services tax, we are saying, *Oh, we are going to make the insurers bear it.* I do not know if they are being too cute, or too naïve, Madam President. But obviously, by telling the insurers they need to carry that cost, it simply becomes another cost of business and it will be passed on through increased premiums. What Government wanted was to remove that line from your bill, Madam President, with your premium that said, *financial services tax of X, this is how much you have to pay to the government.* They want it hidden simply in the premium line and try to score some political points by saying, *We are going to force the big, bad insurers to bear that cost.* Please! That will simply be passed on just as the increases in commercial land tax will, just as the increases in the land tax if you are renting an apartment will. All of these taxes drive up the cost of business.

And this is where Government says they are going to tackle the cost of business, but does not do anything to bring down their own expenditure which needs to be funded by more taxes. They are doing the exact opposite, Madam President. Taxes are a key element to the cost of living.

We look at the economic incentives programme, where it was simply a rehashing of existing policies. We are only seeing payroll tax incentives both in retail and in IB for the largest of employers in our economy. There is nothing in there for the small man.

We look at customs duty, and the sugar tax is going from 50 per cent to 75 per cent, and it is being applied to more items. I cannot find anything in the Budget Book, and I hope an Honourable Member from the other side will elucidate on this fact. I see nothing in there, with all the promises of where that money is going to be spent to subsidise relief for healthy goods and labelling and all that stuff. I do not see those ex-

pense lines in the budget, I do not see them in the grants and contributions, but I do see that the tax is going up yet again.

And, like most taxes, and this was highlighted in the House when it was debated as well, the aspirational goal behind the tax and the actual impacts of ill-thought-out policy can have a chasm in between them. Talk, for example, about the sugar tax. If you go to a coffee shop, sugar in Bermuda is not charged by the packet. It is a bundled cost in the coffee. It is similar to the financial services tax; it simply a cost of business that is built into the pricing of the product.

Now, Madam President, I drink my coffee black. My coffee went up because of the sugar tax. And it did absolutely nothing to curb the gentleman sitting next to me from putting five packets of sugar in his coffee. Why? Because the cost of that increased sugar is not borne by the consumers that consume the most.

If you look at local producers of cookies and baked-sale goods and that kind of thing, they have to buy their sugar from the wholesalers or from the supermarket. They generally do not import their own sugar. So, whatever *ad hoc* last minute carveout reliefs were included whilst this Bill was on the floor of the House, when these obvious logistical omissions were highlighted, the cures that were created on the fly have little recognition of the logistics of shipping, the logistics of the customs declaration, the logistics of how these carveouts would actually be passed on to small business.

We have seen businesses close because they cannot compete, when we have processed goods from overseas not getting hit with the tax, but raw sugar going into production in Bermuda was being hit with the tax. Now, the fact that it is going to broaden in scope next year, I assume will hit everything with sugar in it, be it processed or otherwise. But the damage from ill-thought-out policy was already seen in the one year that it was in place, Madam President.

We spoke about the financial service tax already. The foreign currency purchase tax is something that is only going to affect people who earn . . . well, not only, it will hit other people too, but mainly it will hit people who earn in Bermuda dollars, which are generally Bermudians working in the local economy. Their purchasing power is being directly diminished because of this increase. People that earn in US dollars are not affected by it. That is generally guest workers in international business. So this tax right here to raise a paltry \$4.1 million is somehow being tweaked. And I fail to understand the logic behind it.

It is also going to affect the retail sector that we are giving concessions to two pages prior that has to import everything from overseas providers. So, I really do not understand the logic behind this. We are talking about evolving our tax code, but what we are getting, Madam President, is the status quo—but worse.

Residential and commercial taxes. The increase . . . again, as I said with some of the double-speak here, we say we are not going to do the rental tax, but we are going to increase the land tax. It is a rose by another name—except, unfortunately, it is not a rose, Madam President.

The land tax, when we are playing with commercial land tax, again, for short periods of time, it makes it very difficult for pricing to react on such a short-term scale; it makes contracts difficult to react. So, again, this is just going to hit struggling businesses without much recourse to pass on those costs, which would not help with the cost of living anyway in Bermuda. So, again, the Government should be focusing more on controlling its own spending as opposed to simply taxing a fragile economy where people are struggling to get by and businesses are struggling to survive.

Stimuli? What is the Government going to do to bring new business here? What projects are on the horizon? How are we going to increase our working population? This needs to be the focus, and controlling Government spending.

We have spoken about the land tax. I noticed in this year's Budget Book that the actuals, or the revised estimates for revenue from transfers of land, have gone down. But this upcoming year does not seem to reflect that, despite the fact that land tax is being increased at the higher end. So, there seems to be some dissidence there between where they are looking to get money from and what they are projecting as revenue in the upcoming year.

We are increasing some temporary staff in the OTC [Office of Tax Commissioner] to collect tax. I think that is an excellent idea. When we look at forcing everyone over a certain threshold to pay their payroll tax via wire transfer, and not by credit card, I can support that. But I think that that same threshold should be applied to all government fees. So we say up to a certain quantum of government fee, small businesses and individuals can pay with a credit card. If people do not have the cash right now, but they need to meet government deadlines and do not want to be levied a fine, they should be allowed to pay that tax with a credit card.

There are certain items you do not know the price until you show up and actually find out what services you are getting. Those things you should be allowed to pay with credit card without getting a chargeback from Government, and you having to bear that cost.

No other business in Bermuda is allowed to do that. It is illegal, according to all the credit card agreement fees, but yet, Government wants to put those chargebacks on the credit card holders for government fees. It would be much more sensible, Madam President, if there were a threshold agreed, above which a wire or a cheque needed to be done, but be-

low which a credit card without chargeback is an allowed method.

At the end of the day, if people are paying their fees, that reduces the administrative collection burden.

On a similar note with the low end of the land tax; the Minister suggested that the \$300 was needed because it cost him more to collect it than it does the actual amount of the tax. If that is the case, Madam President, instead of increasing the burden on those that can least afford it, why not simply increase our staffing levels by less and waive the tax? There has got to be a happy medium here between the desire to have a constantly growing government and actually having an efficient collection of revenue and delivery of services.

The President: Senator Kempe, you have three minutes left.

Sen. Nicholas Kempe: Wonderful, Madam President. Luckily we have a few of these heads in the upcoming week.

There is a lot of talk about efficiency across this Statement, but yet, we are not seeing the savings being passed on to the taxpayer. The Efficiency Committee's report, according to the news, was submitted to the Minister back in September. Why has this report not been made public, as the SAGE Committee [report] was? Why are these efficiency items not being subject to prioritisation by the public in the same fashion as the taxes seem to have been?

The taxes were raised anyway, not because of public feedback on a constructive basis, but because of public feedback on a basis of how much they dislike certain taxes. So again, the savings and the prioritisation of the Efficiency Committee's report, if it were open to the light of public scrutiny and feedback, we might have some better feedback.

Now, Madam President, I have hit the Ministry Highlights, which I will leave for the heads debate, and I will stop talking. Thank you.

The President: Thank you, Senator Kempe.

Would any other Senator care to speak?
Senator Jardine.

Sen. James S. Jardine: Thank you, Madam President. I will try to scoot through in my 45 minutes.

The President: Yes. You have 45 minutes.

GENERAL ECONOMIC DEBATE BASED ON GOVERNMENT'S 2019/20 BUDGET STATEMENT AND OPPOSITION REPLY THERETO

Sen. James S. Jardine: Madam President, over the last few months, Bermuda has had to plan for and deal with a number of very critical matters, which have in-

cluded such things as the preparation of the CFATF review, which was a very gruelling undertaking, and took up an immense amount of Government's time to prepare for and participate in.

There has also been the very short-notice legislation for economic substance, which, again, the Government has had to deal with at the same time it was dealing with the CFATF review in Bermuda. In addition to that, we have also had to respond to the request, or requirements by the UK Government for creating a beneficial ownership register. And those are just three of the very critical time consuming, people consuming, matters that the Government has had to deal with in addition to all the other things. And I do not think we should forget those three critical issues. And the effect of some of them, for example the Economic Substance Act I'll talk about later on, because they are very key and important issues.

Madam President, much has already been said about the economic situation that Bermuda finds itself in, and, briefly, my own view is that we have a mixed bag of economic statistics. We saw GDP grow by 2.5 per cent in 2017, but for the first three quarters of 2018 there has been zero growth when compared to the same period last year. And the projections, as I understand it, are that they will be flat for 2018. Mind you, the 2017 growth was due, in large part, to the America's Cup, and that was stated in the statistics from the Department of Statistics.

Retail sales, as we know, for the last 10 months of 2018 up to December, are down over the previous period last year. And one can argue that some of that is due to the effects of the America's Cup in 2017, which did not repeat itself in 2018. So I think one does need to be very careful about drawing conclusions when one does not realise what went on in the previous period. Certainly, the major decreases are the most important. Severe decreases have occurred in the apparels industry in 2018, and I know that they are suffering greatly. There is no question about that.

Bermuda's tourism sector continues to show outstanding results. And for 2018 we are seeing visitor arrivals up by almost 11 per cent, when compared to the previous period, which is surprising when you think that we had the America's Cup that gave us a great big boost, but that increase is now being even surpassed in 2018. And I think that shows the value of the America's Cup. It has given us a springboard for increases in tourism moving forward. So that is a positive thing.

According to the preliminary data from the 2018 Employment Survey, the number of filled jobs in Bermuda grew by 144 in 2018, which is a good sign. And this is the third consecutive year we have seen job growth. It is a total of about 454 new jobs over that three-year period. Not a huge increase, but, again, nothing to be sneezed at.

Madam President, if you consider that we have 40,201 filled jobs back in 2008, which was the highest number of filled jobs we have ever had, and you consider where we are now, we have still lost over 6,400 jobs. Half, or 55 per cent, of those losses were Bermudian losses. So we have lost a significant amount of jobs, even considering the increases that we have seen over the last three years. And I did a rough calculation based on the number of job losses, and that works out to something like a loss of payroll tax revenue somewhere between \$54 million and \$65 million a year, which is a substantial number. And if you add to that all the contributions to our health insurance schemes and pension schemes and so on, you can see that that job loss must have a significant effect on our economy.

In summary, Madam President, my own view is that despite some encouraging signs, Bermuda is basically treading water from an economic point of view. We are seeing positive signs in some areas, negative signs in other areas. So, my own view is that we are simply treading water at this particular point in time.

Madam President, I want to first address the issue of the Sinking Fund payments. Looking back over the last number of years, and I have 17 years of budgets tracked, only one time in the past (back in 2010) has the Government ever not paid money into the Sinking Fund. And generally, when I look at the results, I always talk about overall deficit positions. I refer to that, having taken into account payments into the Sinking Fund, because consistently over that 17-year period, except for one year, we have always paid into the Sinking Fund. And additionally, the Fiscal Responsibility Panel in its 2017 report did the same thing. They actually made reference to that fact. They called it the Government's method of establishing an overall deficit.

So, Madam President, had the Government not dispensed with the Sinking Fund payment in 2020, the Budget Statement would have shown a completely different picture with overall deficits trailing past 2022 and 2023. However, I accept the Minister's argument. What is the sense in borrowing money and paying interest on that sum at a higher rate than you are able to earn by putting that money on deposit somewhere? So I accept the Minister's argument for that. And to my mind it makes perfect sense. At the same time, we should not dismiss the discipline of putting money in our Sinking Fund going forward when we have the ability to do so without borrowing money.

So, I just want to put that to bed. I really believe that the Minister's approach to this made absolute sense.

It is also important I think, Madam President, to focus on slippage. And the Fiscal Responsibility Panel talked about this in 2017, and again in 2018. And I just sort of ran the numbers. If you project surpluses from last year's projections, they projected

surpluses for 2020 and 2021, before Sinking Fund repayments (I am trying to compare apples with apples here). There was a surplus projected of \$35.8 million for 2020, and a surplus of \$92.8 million for 2021. If you compare that to the numbers that are in the Budget Book for this year, you can see that there is a slippage of somewhere in the region of about \$92 million from what they were projecting last year to what is being projected this year. And certainly, my own concern is, and certainly shared by the Fiscal Responsibility Panel, that these slippages from what the original projections have been, or were, is not a good thing.

Now, there are sufficient funds in the Sinking Fund to repay the senior notes of \$180 million due next year. However, in fiscal 2023, that is three years from the end of this next year, there are debt repayments totalling \$615 million, with an additional \$600 million due in the following year. That is a total of \$1.5 billion of debt notes repayment to be repaid by March 31st 2024.

By my calculations, and, again, I have run the numbers, based on taking 75 per cent of the projected surpluses that appear in the Budget Book for the next X number of years, there will be a significant shortfall of some \$430 million in 2023, and a further shortfall of \$650 million in 2024, to pay off those particular debts. So, the Government is going to have to go and refinance those debts. And, of course, unless a miracle occurs, and maybe we can all hope that happens, interest rates at that time, we do not know what they will be, possibly higher, possibly the same, possibly lower. But there is no question that in 2023 and 2024 we are going to have to refinance two very large debt payments that come due.

So, Madam President, I say all of this to drive home the absolute necessity for the Government to start producing significant surpluses. The amounts projected for 2021 and 2022, in my view, as they say just won't cut the mustard. If we are going to really start to meet our debt obligations as they come due, we have to start to see meaningful surpluses.

And I am reminded by comments from the Fiscal Responsibility Panel in their 2018 Report, and Madam President, if you will let me just quote from that. They said the following:

The President: You may.

Sen. James S. Jardine: "Experience suggests that financial crises, and the loss of access to external financing, can hit with very little warning, precipitated by domestic economic or political developments or, if a country has pre-existing vulnerabilities . . . Rating agency reports are lagging indicators, moving behind rather than ahead of debt markets, and positive reports and the success of the recent Government bond issue are therefore no guarantee" (and I think this is key) "are therefore no guarantee of continued market

access in the future. Even after the recent financing operation, the Government will need to return to the market at some point, most likely by 2023."

So they see exactly the same thing that I see going forward.

And further, Madam President, if I can read one other paragraph from their report, "the burden of deficit reduction in the immediate future must largely fall on the revenue side."

So they recognise exactly the same thing as the current Government does. They recognise that in the immediate future they must fall on the revenue side. This is appropriate, indeed. And in our 2015 Report we suggested that we suggested it would be appropriate for the Government to aim to increase the revenue to GDP ratio from approximately 16.0 per cent to 18.5 per cent, and then in the long term to 22.0 per cent to 23.0 per cent. Madam President, I have run the calculations. They were running at about 17.5 per cent; so we have a way to go.

So, if we look at the budget this year, one of the things we should bear in mind is what I would call our combined debt and contingent liability position at March 31st 2019. And it is about \$6.4 billion. Now, everybody can argue over the numbers, depending on which actuarial report or suggestion you take into account. But it is about \$6.4 billion. And it consists of the following: \$2.46 billion of net consolidated fund debt; approximately \$650 million of contingent liabilities and other related party guarantees; an additional \$1.5 million of unfunded pension, health and other retirement liabilities; and an unfunded amount for the social insurance pension scheme, which is about \$1.8 billion.

Now, again, there is no requirement for the Government to pay on the social insurance. But, certainly, as monies come due they will probably have to find that money from the consolidated fund. So there is no question, Madam President, that the Minister has a very difficult task. And I guess you can say that for the Finance Ministers over the last 10 years. The difficult task is how to balance the budget, how to reduce the country's overall health liability, while, at the same time, providing the impetus and environment in which jobs can grow. It is a pretty tough order. It is not an easy job, no matter who you are.

Now, Madam President, some have scoffed at what I would call the paltry surplus amount before any Sinking Fund payment that the Minister has arrived at for this year's budget. Some argue that the Minister avoided what would have been a deficit of over \$59 million by next year, simply by cancelling the payment on any amount of the Sinking Fund. But, in fairness, Madam President, we are, for the first time in 17 years, showing a small surplus, before any Sinking Fund payment. Now, it is small. And, certainly, when you look over the experience of the last 17 years, which I have calculated . . . sorry, over the last 12 years, there has been a net unfavourable amount of about \$360 million, when you compare what the origi-

nal budgets were to what the revised budgets are in each of those years in that time. That is a \$306 billion slippage from what was originally established to what ended up being the case, and that is an unfavourable variance.

So one can extrapolate from this that there is going to be at least a 15 per cent unfavourable variance in the budget that has been struck this year; the small surplus. But, Madam President, in one year alone there was an 84 per cent slippage, or worsening picture, of some \$110 million. So, it is a guess as to what the ultimate year is going to be. There is no question about that.

But, Madam President, I would suggest, and I have said this before on a number of occasions, that the Public Accounts Committee needs to be far more diligent in their review of the consolidated fund on a regular basis to ensure that the budgets that are set are being properly reviewed on a regular basis, whether that's monthly or quarterly, and compared to the actual results; and that there is some controlled exercise over budgets when they see expenditures are getting close to, or, indeed, exceeding, those amounts that have been budgeted. And the same can apply if we see revenue is missing target. Then there needs to be some adjustment of the actual expenditures as well. It is not simply a case of waiting until the end of the year comes and saying, *Whoops; we missed it by \$100 million*. There needs to be a far more diligent review of the results as we go along.

Madam President, one of the things that we all look about is, *Well, how can we deal with all of this? What things can we do to see our economy improve?* And in my opinion there are really three things. One is a re-evaluation of the decision not to impose certain of the new taxes suggested by the Tax Reform Commission, such as the general services tax, and the withholding tax from managed services. There is no question that the Minister has taken a prudent approach this year by not seeking to bring in those taxes because of the impact that they will have on our businesses.

The second thing is consideration of further meaningful changes to our existing immigration laws and other measures to encourage job creators to come to Bermuda. And I will talk a bit more about that later on. And reducing, by means of process efficiencies and other strategies, the cost associated with running this government and, indeed, the quangos. You have all heard me go on about the quangos in years gone by, and I continue to beat that drum.

So, Madam President, just looking at the revenue side: While the Government in its budget, and we heard again from Senator Kempe . . . in their Budget Book Government tends to compare the original budget with the budget for this year. That might be interesting from a historic perspective, but I am more concerned about the actual results for last year and the budget for this year. And I compare the two so I

can see what's happening. Yes, budgets from the previous year may be interesting, the originals, but the actuals are far more useful, as far as I am concerned, in comparing where we are going.

Now, Madam President, we have heard today we can say that the Government is looking to raise an extra \$39.2 million in revenue from seven major areas. Now, no one likes to pay more taxes. I know I don't. Particularly as I get older, it gets more difficult to pay those taxes. But, frankly, in the short and medium term, the Minister has fewer options available to him. And even in trying to estimate the taxes to be raised in certain areas, he has the spectre of the Economic Substance Act and regulations hanging over his head. So when it comes to trying to guess what revenue you are going to generate from international business which is already here, we do not know what impact the Economic Substance Act will have on this industry. Some of them may stay and grow, some of them may leave. So it is difficult, again, for the Minister to project some of those revenues because of the uncertainties there.

Madam President, I do not have a lot of time to speak on areas I could speak at length about, so I will skip very quickly through some of them in the area of payroll tax.

I was pleased to see some relief for businesses with payrolls above \$500,000. That is something, again, that does not help the small businessman who is going to have to pay increased cost, and will continue to feel the pain that they have in the past.

Land tax. Now, we have heard much already today from Senator Kempe on this question of land tax, whether it is commercial land tax or residential land tax. And again, one could say it is smoke and mirrors because they are deriving revenue from the same source, and that is the ARV, the value of the land, whether it is commercial or residential. And, certainly, for the commercial properties, they have had a hard run of it. Their rate went from 7.0 per cent to 12.0 per cent last year. In the Pre-Budget Report they were going to drop it back down to 8.0 per cent, and then they were going to charge them a 5.0 per cent rental tax. Now, it has gone back up from 7.0 per cent to 9.5 per cent.

I have had some businesses say they don't even know where they are going. Now, they have a clear picture; they are going back up to 9.5 per cent. It is a significant cost for businesses to absorb. Unfortunately, as I said before, the Minister has few sources, has few places to go for revenue. And it is unfortunate, but the commercial businesses in Bermuda are going to have to bear a significant portion of that pain.

In the case of land tax for residential properties, it has increased by varying amounts based on the property's ARV. For example, for a person with an ARV of \$11,000, they will see their land tax increase by \$212 per year, or some 240 per cent. Certainly, they were paying \$88 in the past; they are now going

to have to pay a basic amount of \$300. Madam President, when you look at \$88 a year for garbage collection, police services and all the other services, which this tax is contributing towards, it just seems to me that paying an extra \$18 per month does not sound like a lot of money. Now, it is to some people. But to pay a basic fee of \$300 a year for all of those services—garbage collection, police services, and so on—does not seem unreasonable.

So, while it is a huge percentage for people to bear, when you think about what you are getting for those services, it does not seem unreasonable. Now, obviously, the people at the top end of the ARV schedule, for example, over \$120,000 a year, will be paying an extra \$3,800 a year in taxes. So, they are going after those in the higher ARV bands. There is no question about that.

Other taxes. There have been many increases in other taxes, such as foreign currency purchase tax, financial services tax, customs duty and so on. All of those taxes are inflationary. There is no question about it. Again, as I have said before, the Minister had few places to go to realise revenue. And, at the moment, he needs extra revenue.

Madam President, I would like to move on to expenditures, if I could.

The President: Certainly, you may.

Sen. James S. Jardine: Madam President, I was disappointed not to see more reduction in current account expenditures for 2020. The lowest year for total current account expenditures since 2008, was in 2018, when they fell to \$893 million. And that is in the Budget Statement. Since then, they have increased back up to \$930 million for 2020, even though this is approximately \$2 million less than the current account expenditure for 2019. So, next year's budget expenditures in the current account expenditures are about \$2 million less than the revised actuals for 2019.

But, Madam President, we should also remember that there has been an attrition of expenditures in recent years as a result of the following: the transfer of tourism to the new BTA in 2015; the transfer of airport operations to Aecon in 2018; the transfer of civil aviation to a new quango in 2017; and the transfer of the Maritime Authority to a new quango in 2017. Now, it is difficult to be precise, Madam President, but I have tracked these changes because in debates in the past we have talked about them. And it appears to me that there is somewhere around \$20 million in expenditures which have simply left the consolidated fund and gone to various quangos. So, now you see it, now you don't see it, because it has moved off of balance sheets, or it is removed off the financial statements of the consolidated fund into financial statements of the quangos. So you need to keep that perspective in mind, because some of those cost re-

ductions over the last four or five years have simply been a transfer of cost to an outside operation.

Salaries, wages and employee benefits. Current account shows \$20 million increase in salaries and wages. That is a 4 per cent increase. While I expected to see some increases as a result of necessary staff increases in the Office of the Tax Commissioner and the Registrar of Companies, this level of increase seems high. For example, we are seeing 111 more people filling positions in the Public Works Department. Why is that? I suspect this significant increase is because there were significant numbers of vacant but funded positions which were never filled in 2019, but which the Government intends to fill in 2020.

Still, I think there needs to be a very careful analysis and control over the filling of all vacant positions going forward. Fill only those positions that are absolutely necessary to be filled, rather than simply filling them because they are actually funded. And I think that is something that needs to be taken into consideration very carefully.

There were also the salary increases on 1 April 2017, of 2.5 per cent, and again 1 April 2018, of a further 2.0 per cent, and all those are contributing to a steady climb in salaries and wages since fiscal 2017. All other expenses, which total \$439 million for 2020, are down by \$21 million over the actual estimated expenses for 2019, principally in the areas of grants and contributions. And that is mainly in the hospital subsidy. There were also some decreases in professional services. However, there were increases in a couple of areas that I want to focus on. One is materials and supplies of \$1.6 million, energy of \$2.8 [million] and transport and travel at \$2.6 [million]. So, while these decreases in other expenses are welcomed, the increases in some of these other areas are particularly concerning.

In particular, I should like to focus on materials and supplies as they are budgeted to reach \$23.4 million in 2020. This is an area that I believe Government need to focus on very carefully and with much detail to make sure that we are buying things in the most efficient manner and that we are not buying too much inventory as well, which is about \$13.5 million on the balance sheet.

There are also the recommendations in the SAGE report on pages 119 to 136 with respect to employees' lump-sum pension retirement, the pension fund, the pension fund for Ministers and ourselves. All of these things were contained in some very detailed recommendations in the SAGE report, many of which have not been acted on, and, if they were acted on, would result in significant reductions in cost, and I am talking cash flow on an annual basis, millions of dollars. Just look on pages 119 to 136 of the SAGE report.

So, Madam President, my own view is that there are still expenses within the current account expenditures which could be reduced.

Madam President, we have heard about the reduction of, or the refinancing of some of our long-term debt. And the Minister is to be commended for doing that. Certainly that was a tactic that was used by the previous Government. And I will talk about the refinancing due later on.

Capital expenditures. There is no question that there is a lot that needs to be done with respect to infrastructure. I am disappointed to see it has climbed back up to almost \$65 million. If you look at last year's Budget Book you will see that they had projected \$60 million for each of the next couple of years, and it has now crept up to \$65 [million]. I would prefer to see us keeping that at around \$60 [million] and, again, use that additional revenue to perhaps be paid into the Sinking Fund to help put money aside for the debts which we are facing going forward.

Now, growing government revenue and generating more jobs, we know that projects, like the St. Regis Hotel, the Hamilton Princess, and the new airport have all generated significant numbers of new jobs. Not just during the construction phase, but after they are finished there will be new jobs for Bermuda. And so, we should recognise the good work done by those projects, and also the America's Cup which helped to generate jobs in Bermuda, and it certainly helped our GDP in 2017.

Additionally, my own view is that the current Government's initiatives in the past year to establish Bermuda as a domicile for technology companies has begun to pay off, with the incorporation of 66 FinTech companies as of the end of February. And now that a New York bank is prepared to service some of these companies we hope to see further developments.

Madam President, I want to pause here for a minute and just say that so often we criticise initiatives for the sake of criticising them. But I think we need to be prepared to give initiatives a chance to take root. And my own view on all of this sort of thing is that we expect to see instant results. Government is working hard on the FinTech initiative. I am aware of some of the bad publicity surrounding certain FinTech operations around the world. We have the BMA, we have the Registrar of Companies, and we have our own financial and legal institutions who all have very stringent AML/ATF regulations and laws which they may follow. So I think we should not be too quick to condemn initiatives just because of some of the bad press that some of these companies have had in other parts of the world. We need to give some of these initiatives a chance to work.

I recognise that Bermuda has a good reputation and we need to be careful about what we do. But we need to allow some of these initiatives to work. So, Madam President, my own point of view I think it is too early to be condemning initiatives which we have not

given a sufficient chance to work. In fact, I called a very good friend of mine in the Cayman Islands who has been there for many years. And he tells me that in the Cayman Islands they are beginning to see a lot of growth in the FinTech industry. And it is something that they have been working on for a while. So, why can't we be successful ourselves? I really do not think we should be condemning things without giving them a chance.

Madam President, one other thing I wanted to say before I continue, and I see I am fast running out of time, was a statement made by the Minister of Finance in last year's Budget Statement. I would just like to quote it again, because I think it is a very important thing we should all focus on.

If you will allow me just to read from that again.

The President: Yes, continue.

Sen. James S. Jardine: He said, "[W]e must remember that the world in 2018 is not the same as in 1978. We cannot build walls around Bermuda to keep money here; similarly, we cannot reject international investment and expect an island with few natural resources to grow and prosper.

"Mr. Speaker, foreign investment is not the enemy; it is required to sustain our economy and our way of life!

"[W]e cannot afford to stand still while other countries modernise to compete in the new global economy. . . . We must grow, and the only path to growth is via increased investment inside of the Bermuda economy."

And that statement has stayed with me over the last couple of years. And when I looked at this year's Budget Statement, I saw at least a couple of parts of that coming true. And the first is the revision to the 60/40 rule.

And, again, we heard from Senator Kempe this morning his comments about the 60/40 rule, which I agree with. And they seem to be spelled out on page 17 of the Budget Book and that is the Government is going to be publishing guidelines for the grant of these exemptions under the 60/40 rule, and I would like to see, again, more exemptions for that and more investment in Bermuda as we go forward.

On the reducing of interest rates, again, Madam President, we see in the Budget [Statement], and if I can just quote from that—

The President: You may.

Sen. James S. Jardine: —and they say, on pages 12 and 13, "The Government wishes to pilot a mortgage guarantee programming" (working with the private sector banks) "in return for a reduction in interest rates charged to Bermudians for their mortgages." Have "Government . . . create a government-backed mort-

gage lender to relieve pressure on public sector employees . . .” and “eliminate stamp duty . . .”

Madam President, we have no detailed information as yet as to how this is all going to work. So my comments on this are somewhat preliminary, because we really don't know. But I would very concerned if the Government were to use the government's consolidated fund assets, or indeed those of a quangos, as security for backing any private community mortgages. With a current debt position of \$2.9 million, and all the other liabilities and unfunded pension plans that we have, it just does not seem to be a good move to me.

I also find it unfair that the public sector would be granted reduced mortgage rates while the private sector, who has suffered much in terms of the loss of jobs, wage decreases, taxes on dividends, increased land taxes, both residential and commercial, should be excluded. I cannot support the singling out of the public sector for special treatment, especially since some of the public sector has had pay increases of 2.5 per cent and 2.0 per cent in the last two years.

I agree that interest rates and other bank charges need to be dealt with. They are far too high and, certainly, there are a lot of young people who are finding it almost impossible to buy, if not impossible to buy any properties for themselves. Perhaps the BMA could play a role in setting interest rates, Madam President.

Immigration reform. Much has been said about immigration reform. And we have been waiting anxiously for the report from the Commission. And I would certainly like to see that report myself as soon as possible. I reiterate the comments from the Fiscal Responsibility Panel in their [2018] report, when they said, Madam President, if I may quote it.

The President: Yes, you may.

Sen. James S. Jardine: “It will be critical to success to adopt an immigration policy and welcoming attitude that encourages qualified and skilled people of working age (including returning Bermudians) to come to the island, whether as employees or to establish new businesses, and to stay.”

And further, on page 29 of their report, “And this fiscal action needs to be complemented with policies to reinvigorate economic growth, including through a decisive change in immigration administrative practices and policies.”

And again, in the Tax Reform Commission's report on page 13, the Commission says this, Madam President, if I may quote.

The President: Absolutely.

Sen. James S. Jardine: “The Commission is unequivocal in its view that a working alignment between tax, growth and immigration policies is required . . .”

Madam President, I am aware of all of the provisions in section 5 of the Economic Development Act 1968, and also the Immigration and Protection Act which provide for the granting of status of certain job creators in Bermuda, as well as PRC status for certain executives and their children. Also, the new business work permit policy, as well as certain payroll tax exemptions. They are all useful incentives to attracting people to Bermuda. But the question is, Is that enough? Is that enough to truly attract people to Bermuda to form new businesses? Why are companies choosing to go to jurisdictions other than Bermuda?

Is it because of our immigration laws and practices? Is it because we are too expensive? What are the reasons why they are not coming here?

We need to identify those clear reasons and then address them and have a clear path forward to try to attract them here. If we cannot increase our working population to a much higher level than it is now, then we will continue to have no choice but to raise taxes from those who are here and are working, or, indeed, as I would like to see, reduce the cost of running our government.

The Economic Substance Act and opportunities. Madam President, I have talked about that. There has been some chatter about the benefits we could see from that. And, Madam President, again, talking to a friend of mine in the Cayman Islands, Cayman is beginning to see . . . they have seen now a number of companies that are bringing people in to build economic substance to meet the requirements of the Economic Substance Act in the Cayman Islands. There is no reason why we can't be doing exactly the same thing.

Making government more efficient. Madam President, on page 16 of the Budget [Statement], the Minister talks about the need to make the government more efficient. Certainly, the SAGE Commission report has made a lot of suggestions in that area. I have also had the pleasure, Madam President, to serve on the Efficiency Committee since its inception by the Premier over a year ago (a year ago this month, in fact). We have had over 30 meetings. We have produced four lengthy reports, and put forward over 64 specific recommendations, some of which, you heard earlier on, have been implemented already. In fact, one of those recommendations so far has generated over \$6 million in additional stamp revenue from property transactions.

I have been impressed by the candour of some of the people with whom we have met from various government departments and, in many cases, their desire to find more efficient ways in which to perform their work. Indeed, they have also offered many useful suggestions.

So, in conclusion, Madam President (I have about three minutes, so I am just about there)—

The President: We can go until 12:30.

Sen. James S. Jardine: I can?

The President: You can, yes.

Sen. James S. Jardine: Well, I have a couple of minutes.

In conclusion, Madam President, this appears to be what I would call a “wait-and-see” or a “treading-water” budget. In other words, let’s make minimal tax increases, except for those that proceed to be able to perhaps pay for those taxes, and see what is happening this year with respect to the creation of more jobs. If little changes over the next year then the Minister is going to have to put forward a much more significant increase in taxes and/or cut some expenditure next year. Small surpluses, in my opinion, will simply not cut the mustard. We need to have more substantial surpluses if we are going to meet the debt repayments that are coming due.

And finally, Madam President, as I have said on several occasions in past budget debates, what I would really like to see, and I know the Auditor General has talked about this; I would like to see combined financial statements which include not only the consolidated fund, but all of the various quangos that are out there. Because those quangos are increasing in number year by year, they have significant assets, and they also have significant liabilities. And it would be extremely useful for us in the legislature and for the public at large to have those combined financial statements so we can see what the true picture is on an Island-wide basis.

Madam President, I say this is a difficult budget for many to accept. There is no question. Certainly those in the residential area are going to be paying more land taxes, those in the commercial area are paying more land taxes; we are going to see costs increasing with all of the other areas where government has increased taxes. But until one of two things happens, we either decrease significantly the cost of running our government and/or we are able to generate more revenue by bringing more people to this Island who will provide the necessary tax base to cover what we need to do in Bermuda, the Minister is going to have no alternative but to increase taxes. We simply cannot return to a situation where we have current account deficits on an annual basis.

So, with those words, Madam President, I will finish. Thank you very much.

The President: Thank you. Senator Jardine.

And, with that, Senators, we will break for lunch and we will return at 2:00 pm. Thank you.

Proceeding suspended at 12:30 pm

Proceedings resumed at 2:00 pm

[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]

GENERAL ECONOMIC DEBATE BASED ON GOVERNMENT’S 2019/20 BUDGET STATEMENT AND OPPOSITION REPLY THERETO

[Continuation thereof]

The President: Senators, it is now two o’clock, and I would like to call the Senate to order.

For the general public, we are now in the General Economic Debate, and I would just like to ask if any Senator would like to speak.

Just to say that Senators will continue to have 45 minutes until five hours of debate has occurred. After that, it will be half an hour. So is there any Senator who would like speak?

Senator Michelle Simmons, you have the floor.

Sen. Michelle Simmons: Thank you, Madam President.

Madam President, every country has its challenges when it comes to ensuring that there is an environment in which citizens are able to live securely and safely and in which economic growth can take place. I think that all of us want to see sustainable economic growth in this country because it enables citizens to enjoy a good life. It leads to higher tax revenues, more able-bodied adults will be employed, and they will be contributing to the economy. In addition, there will be less need to spend government revenue on benefits, such as financial assistance, because more people will be working, basically. Therefore, we can affirm that when we have economic growth Government will need to borrow less money in order to meet its commitments.

Currently, there are several indicators that suggest that as a country we will be facing some really challenging times in this coming year. And this is not to sound any huge alarm, but it is meant to help us all realise that there are challenges ahead for Bermuda. They will impact on our way of life. And, therefore, this should be of interest to everyone. But, as I see it, challenges can also lead to opportunities, sometimes unexpected opportunities. So, Madam President, in the time I have, I would like to look at some of the challenges and also to try to see if there are any opportunities for Bermuda in those challenges.

Now, I would be the first one to tell you that I am not an economist. Therefore, I am going to hope that my remarks will help our listening audience to develop an appreciation for these challenges in the way a non-economist has, because I had to come to grips with all of this information.

First of all, Madam President, we all know about the threats from the EU. Senator Jardine and Senator Kempe spoke at length about it this morning.

I am trying not to repeat too much information, but I think it is worth examining this threat again. This is aimed mostly at our international business sector, which is the main pillar of our economy. And it is literally hanging over our heads. I think Senator Jardine used the same expression this morning. The Economic Substance Act 2018, which came into effect in January, was the Bermuda Government's response to the European Union's (the EU's) demand for action against what they see as tax avoiding entities, those are companies that may—*may*—be avoiding paying taxes (according to them) in other jurisdictions, companies lacking physical presence, and also companies lacking employees or revenue-generating activities on Island.

The Economic Substance Act will impact approximately 11,000 companies on the Bermuda Register, according to the Junior Minister of Finance. So our IB companies will have to make adjustments to their operations in order to continue operating in Bermuda. We are hoping that that will be the outcome. We are praying that that will be the outcome. But we have to remember that these companies have options. They choose where they want to operate, where they want to establish their headquarters. The loss of any of these companies will impact the Bermuda Government's revenue in many ways, and will also have a knock-on effect on corporate service providers, such as our law firms and accounting firms, and so on.

Thankfully, Government has had the wisdom to provide some incentives for these companies, such as the two-year employer payroll tax relief scheme for new positions created in Bermuda. And there is also already in effect the new business work permit policy.

As I said earlier, this is a wait-and-see situation. And, I will add, I wrote these remarks before we learned that we had been blacklisted by the EU. According to a March 12 Reuters news agency article, and this I may quote, Madam President?

The President: You certainly may, Senator Simmons.

Sen. Michelle Simmons: "Blacklisted states face reputational damages and stricter controls on transactions with the EU, although no sanctions have yet been agreed by EU states."

We have been assured by the Premier and by the Minister of Finance that we are now compliant. But the only real proof we will have of that, the only real guarantee we will have is when we are removed from the EU blacklist. And we are hoping that will happen as soon as possible.

Madam President, according to the 2018 National Economic Report of Bermuda, on page 1, and if I may read this as well—

The President: You certainly may, Senator Simmons.

Sen. Michelle Simmons: "[I]nternational business contributed the greatest amount to the Bermuda economy in 2017. This sector provided \$1.6[7] billion in total output or 26.7 per cent of total GDP, which was a less than 1.0 per cent increase when compared with 2016." So that is how significant international business is to our economy.

The report continues, and if I can quote this piece as well, ". . . 2017 marked the sixth consecutive year that the value added by the international business sector increased." So over a six-year period there have been successive increases. This part of our economy must be safeguarded. And I am imploring the Government to do all in its power to ensure that whatever codes of conduct we need to enact, are enacted. And that any other changes to tax regimes in other countries that might impact us are carefully scrutinised. So that is one of our challenges, Madam President.

Another challenge that I want to look at, and I do not know if anyone . . . maybe Senator Kempe mentioned our ageing population this morning. I am not going to declare a personal interest, but . . . I do have one.

[Laughter]

Sen. Michelle Simmons: Generally, there is an assumption which we can all make. If people are living longer, they are healthier. Some people would agree; and some people might not. In Bermuda, according to page 27 of the 2016 Population and Housing Census Report . . . Madam President, may I quote?

The President: Yes, you may, Senator.

Sen. Michelle Simmons: "[S]eniors (65 years and over) had the largest percentage point increase (+3) whereas 15 to 29 year olds had the largest percentage point decline (-2). Nearly half of the population was 45 years or older compared with 44% in 2010." Also, "the three youngest age groups had percentage point declines whereas the two oldest age groups had percentage point increases, indicating an ageing population. These demographic changes are occurring as a result of a reduction in fertility rates and greater longevity due to improvements in life expectancy."

And I am sure some of the nay-sayers are saying, *Life expectancy has improved for people who are sicker? Is that true?* Sometimes it is all about perception. But the figures tell us the true story.

"In 2016" (according to the census) "there were 7 centenarians," seven people who were 100 years and older. How many people did we know 50 years ago who were over the age of 100? I didn't know any. Now I know quite a few. That was up from six in 2010.

If these demographic shifts continue, they will impact on Bermuda's economy and society. Looking

ahead, we will have fewer tax payers to pensioners. So those providing revenue to government will have declined in number, while those receiving pensions will have increased. This is why in some countries they are encouraging higher fertility through post-natal polices and others are encouraging higher immigration. We come back to the issue of immigration.

There are some persons in Bermuda who are strongly advocating for higher immigration. There may be some pluses, but there are also issues associated with increasing immigration, especially since right now the Bermuda economy does not have sufficient jobs to employ more people who may be immigrating into the country. So there are many policies which need to be reviewed in tandem in order for us to consider whether these two strategies—and I am going back to the higher fertility and also higher immigration—should be things that we should consider.

Senator Jardine mentioned this morning that we are all anxiously awaiting sight of the reports from the committee that has been working on immigration reform. And I would hope that very soon that report would come into the public domain, because this is not an issue that we should sit on. I am not suggesting at this point that I am totally in favour of us bringing large numbers of people into Bermuda through immigration. But we do have to consider whether we need to reform our immigration policies to look toward having some increase in immigration.

There are also other measures which we can consider that may impact in a positive way as we see our population ageing. For example, why don't we make it possible for people to retire at different ages, depending on their personal circumstances and preferences, their physical and mental alertness, their health, their ability to continue to work, and so on? I don't know if there has been enough consideration given to changing the age of retirement, and there may be work going on that I am just not aware of. Included in this would also be the possibility of people who may not want to continue working full time continuing to work on a part time basis. All these scenarios would mean that there would be more people in the workforce beyond the age of 65 who would be contributing to government's tax base.

Hand in hand with any change to the retirement age would be the need to reform our pension structures. We should implement policies designed to ensure that ageing is healthy for as many people as possible so that people can remain healthy longer. Therefore, we need to encourage strategies that encourage a healthier diet, more exercise, both physical and mental exercise, better occupational health practices and better preventative medical intervention during youth and middle-age. And I am coming to that in a bit more detail in a minute.

In my humble opinion, the average retirement age should rise with the average life expectancy. And

I do not think that is something that we have considered.

Madam President, a third challenge for the country is that we are still facing horrendous increases in medical costs with no real decline in sight. We have made our system of health care unsustainable. Every country in the world is struggling with this. But care has to be taken to ensure that everyone within this society has equitable access to an agreed basic level of affordable health care. This is a moral imperative that is also recognised by the United Nations.

Here in Bermuda a lot of people believe that we have overuse problems, especially when it comes to diagnostic imaging. But I also believe that we have underuse problems, since there are some people in Bermuda who have no medical insurance and, therefore, cannot seek medical attention for conditions in the early stages.

Now, what do I mean? According to page 42 of the 2016 Population and Housing Census Report, and may I quote, Madam President?

The President: Certainly you may.

Sen. Michelle Simmons: Eight per cent of our population is without health insurance. I will repeat: 8 per cent of our population has no health insurance coverage—an increase of 3 percentage points since 2010.

This represents 5,341 people. That is up from 3,233 persons without health insurance in 2010. I am very concerned that the 45- to 64-year age group had the highest number of uninsured persons. That was 1,541, while following closely behind was (and I don't know if you can guess, Madam President) the 15- to 29-year-age group. They had 1,286 uninsured. So, we have the bottom end, or the lower end, the younger end, and we have those who are becoming seniors.

Furthermore, Madam President, it is worth noting that 36 per cent of those without health insurance are employed. Thirty-six per cent, who have no health insurance are actually working, while the remaining 64 per cent are divided evenly between unemployed and economically inactive. And I assume that those who are economically inactive have jobs, but they may be in the hotel industry where their employment is seasonal, or they are self-employed, but they do not have any business at that time. I am assuming that is what it means.

That is why I suggest, Madam President, that we actually have an underuse problem, because when conditions can be diagnosed and treated at an early stage, it is more likely that people will recover from those ailments. Whereas, if they are only diagnosed when the illness is quite advanced, the chances of a full recovery are slim. Therefore, I am very, very happy to see that Government is planning to advance the National Health Plan and to reform the way in which medical health coverage is provided to Ber-

muda residents. That, in my opinion, is something that needs to be advanced quickly.

Clearly, the cost of medical health care is beyond the grasp of too many residents. And the caring, compassionate Government will find a way of reducing the cost of health insurance for its people.

Madam President, I have two more challenges. The fourth one that I want to mention is that Government needs additional revenue. We all know that. And they need that additional revenue, in my opinion, to be able to reduce the huge deficit that this country is carrying. I believe that Government has made an effort to keep the reins held very tightly on spending. But, unfortunately, there is still the deficit out there that we need to reduce. As we all know, our gross public debt stands at \$2.68 billion as at March 31 2019, and the net debt at \$2.465 billion. That is why it is so important for us to diversify our economy.

Government is taking steps to try to diversify the economy by establishing an effective regulatory structure within which FinTech companies can operate. (Those are the financial technology companies, for people listening in.) FinTech has real potential in Bermuda. I see it in this way. And the Government's creation of a digital asset business regulatory framework in 2018 has already attracted a number of start-ups.

Just like Senator Jardine, I think we should look towards this with encouragement. We should not dismiss it. We should not try to throw hurdles in Government's path, because at some point I think we are all going to realise that this may be the next pillar of our economy that will help to sustain us all. It has been reported already that 66 FinTech companies have incorporated and are already registered in Bermuda, Madam President. Unfortunately, with the collapse of the dollar value of various cryptocurrencies last year, that cooled off some of the global enthusiasm for Initial Coin Offerings, or ICOs.

Unfortunately, our local banks have not responded in a positive way. They, in fact, have refused to have anything to do with FinTech companies. And so I think Government has very wisely gone out and found a way around that block by bringing Signature Bank on board. They are the first bank to launch a New York regulator approved blockchain based platform (I am reading that, Madam President), for managing money transfers between clients. So, basically, this is the bank that is happy to deal with FinTech companies.

We believe that if this sector of our economy can grow there will be more jobs and there will be opportunities for Bermudians, both Bermudians here in Bermuda at present, and also some of our Bermudians who are living overseas because they could not find gainful employment here.

And the last challenge that I want to draw our attention to, Madam President, is declining retail sales. Consumer spending drives our economy. When

people have money in their pockets, when they feel confident about the economy, they spend. They make major purchases. They will spend on things that they enjoy. They spend. But when they do not feel confident, and their financial future is not looking very positive, they hold off making purchases.

There are a number of factors impacting on retail sales. One of them is employment income. As reported on page 2, again, of the [2018] National Economic Report of Bermuda, "Employment income supports personal consumption and is estimated to have decreased by 0.6 per cent for the first three quarters of 2018 compared with the same period in 2017."

And, Madam President, if I can just continue to quote from the report, "For the 12-month period ending September 2018, total employment income was \$3.40 billion, some \$1.3 million less than the 12-month period ending September 2017."

The report continues on page 3. "In the first three quarters of 2018, employment income fell by 0.6 per cent, which appears to have had a negative effect on retail sales as consumers had less disposal income."

As Senator Jardine said earlier, of course we need to factor in the impact of America's Cup in 2017, which would make comparisons of 2018 figures a little skewed because America's Cup would have driven everything upwards. Nevertheless, retail sales, which fell for a seventh consecutive month in September 2018, are suggesting that the average consumer is not feeling very confident about the economy.

Another factor affecting retail sales is our rate of inflation. According to the Consumer Price Index for 2018, the rate of inflation stands at 1.4 per cent. That is for the average annual rate. And that is causing people to pay more. Thankfully, though, it is well below 2.4 per cent, which is the CPI in the US, and 3.3 per cent in the UK. However, the greatest contributor to the rate of inflation in 2018, Madam President, was increases in the cost of health and personal care (We keep going back to health.), especially health insurance premiums.

A third factor affecting retail sales is the rate of employment. Unemployment was still high at the end of 2018, standing at 6 per cent, although it had decreased from where it was in 2017, when it stood at 7 per cent. Government's efforts to reduce health insurance rates by transformational reform, to reduce the cost of energy, to bring down the interest rates on mortgages, to create a living wage will surely have a positive impact on the wellbeing of the average Bermuda consumer. All those things put together will impact on how much money the average consumer will have in his or her pocket to spend.

Madam President, one other item in my opinion has had a huge impact on retail sales. And that is the absence of a regular cruise ship presence in Hamilton. I know that for a variety of reasons, including the size of the new cruise ships. The fact that there have

been environmental studies in Hamilton Harbour, in St. George's, the new Kings Wharf was created in Dockyard, and all of that is wonderful. But still, the absence of regular cruise ship visitors in Hamilton is having a huge impact on retail sales. So I am asking Government if there is anything that can be done to bring cruise ships back into the capital on a regular basis.

Madam President, those are some of our challenges. And in the few minutes I have left, I would just like to take a look at our economy looking ahead to the future.

The President: You still have 12 minutes left.

Sen. Michelle Simmons: Thank you.

We use gross domestic profit, GDP, as a measure of the market value of all goods and services produced by a nation's economy in a given year. GDP per capita gives us some idea of the degree of comfort the average person has. To some degree, it is a measure of the standard of living (and I am using that very loosely), and the degree of prosperity the average person will feel. The 2018 National Economic Report of Bermuda, says on page 1, may I quote, Madam President.

The President: You certainly may.

Sen. Michelle Simmons: "[T]he Bermuda economy grew by 2.9 per cent . . ." making 2017 "the fifth consecutive year that the economy has grown in nominal terms . . . When adjusted for inflation, . . . real GDP increased by 2.5 per cent."

The increase in GDP for 2017 was largely driven by a significant increase of 17.9 per cent in the hotel and restaurant sector, "growth of 3.8 per cent in the real estate and renting activities sector, and a 15.8 per cent [increase] in the . . . community, social and personal services sector."

Madam President, the GDP growth estimate for 2018 is only between 0.5 per cent and 1.0 per cent. That is down from the 2.5 per cent of 2017. So that is suggesting to me that the average income for an average family in Bermuda will also probably decrease. Yet, the Bermuda taxpayer is being asked to pay more in land tax from what will most likely be a smaller family income.

Now, I realise that the Minister of Finance did not have many places to go to find additional revenue. And his choice was probably quite limited to a few taxes that he could increase slightly. But I just want to indicate that for some people, especially those who are towards the lower level in terms of employment income, the increase in land tax for them is quite significant, if they own their own home, or, indeed, if their landlords choose to pass on the increase in land tax to them. Thankfully, however, the Minister of Finance

has not moved forward with any other major tax increases, except for the final step in the sugar tax.

Even though that is something that people are still talking about and are still concerned about, I still support the Government in its efforts to promote healthy living. But I am expecting to hear more about the programmes that will be rolled out to support the healthy living concept. There is a significant amount of revenue that will be collected as a result of the sugar tax, and there must be programmes put in place to support this concept of healthy living.

The main bright spot in the economic outlook so far is our rebounding tourism industry. Many of the figures have already been put out there in the public domain. I am not going to rehash them, but I do want to say that tourism offers grounds for optimism in 2019/20. Because as we look at 2018's statistics, we see that there have been five consecutive years of growth in total visitor numbers. And that is significant. Ultimately, 2018 turned out to be a record-breaking year for the number of visitor arrivals, even beyond what we had during 2017, which was the year of the America's Cup. So, I believe that tourism provides us all with reasonable hope, hope that the growth we have seen will continue.

We also can take a lot of hope from the fact that there has been significant growth in vacation rentals. And that has helped to boost the market and to attract younger visitors. But I also feel that the vacation rental industry is bringing our visitors into closer contact with locals, with Bermudians, with people who know this country, and know it well, and can help to make our visitors' experience even more meaningful. So, I see growth in vacation rentals as a very, very positive thing all around.

While far from its 1980s heyday, we also look at the significant increase in annual air arrivals. In 2017, for example, Madam President, the industry . . . I am sorry, I have missed something there. I am going to skip that.

I am going to just pass on to wind up my remarks, Madam President, and say that in 2009 there were 36,549 people working in Bermuda. In 2018, Madam President, there were 34,612, nearly 6 per cent of the Island's jobs disappeared. I do not have stats on how many Bermudians actually emigrated to other countries in search of a better living environment where they could provide for their families, but I feel very strongly that it would be in the best interests of Bermuda to engage with Bermudians who have left Bermuda seeking opportunities elsewhere, and see what can be done to bring them back home. Of course, with those efforts must also be a sizeable investment in creating jobs in Bermuda so that those people have employment to come back to. Our future would look a lot brighter if we could bring Bermudians home.

Madam President, another point that has been made in the budget that I would just like to reit-

erate, and Senator Jardine mentioned it this morning, and I would like to piggyback on that, is about the 60/40 rule (I think it was Senator Jardine). Last year I mentioned it because I really believe that the only way we can encourage people to invest in Bermuda—and that is not just investments from overseas, but it is investments from within—is to encourage Government to look at revising the 60/40 rule, revising it down so that Bermudian ownership is reduced to less than 60 per cent. And I have noticed in the Budget Statement that the Minister of Finance intends to produce guidelines for granting exemptions to the 60/40 rule. But that sounds like it is more of an exemption, as opposed to something that would be a hard and fast rule. And I am wondering if we should have the hard and fast change in the 60/40 rule so that all those who meet certain criteria can go ahead and invest.

Madam President, there are many things that I am sure we will be discussing when we get to the estimates. But I would like to add, before I conclude, that I am very, very happy to see that efforts have already begun to collect all the taxes that have been uncollected for many years. For too many years! And with the filling of vacant posts and the hiring of temporary staff for the Office of the Tax Commissioner, I believe that we will see millions of dollars come into government's coffers where they should have been all these years.

Finally, Madam President, Bermuda is perched on a pinnacle right now. And the future, especially with the blacklisting by the EU is somewhat uncertain. We cannot sit and wait for opportunities to come to us. We have to act to diversify our economy and seek opportunities to move forward with a higher degree of urgency.

Thank you, Madam President, and fellow Senators for listening.

The President: Thank you, Senator Michelle Simmons.

Would any other Senator care to speak?
Senator Caesar, you have the floor.

Sen. Crystal Caesar: Thank you, Madam President.

Madam President, during the general economic debate for the upcoming year for the budget, I listened to some constituents and I have talked to friends as well with regard to how they feel about this budget. And I must say that what has come to me is that it is fair. They would not want to be in the Finance Minister's position, quite frankly, because it is a difficult job. You have to balance bringing revenue into Bermuda and stimulating economic activity.

Oftentimes we hear different sentiments or phrases thrown out to sort of throw the people of Bermuda off. And that is a political strategy. There are terms used which can be quite negative, like "massively grown debt" or "shifting initiatives." I just wrote down some of the terms that I heard this morning. And

they are quite all-inclusive terms, as opposed to being exactly what they are. So, it tends to give people a dampening feeling of what is actually happening and what the Government is trying to do.

With that said, there are some statements that were made earlier today which I feel need to be . . . or facts that were not factual, quite frankly. And I need to set the record straight. I am specifically speaking about what has happened in the past year in comparing the previous Government and this Government, and things that have been said and/or instituted and done.

There was a claim that there were some 300 new workers in government. And it confused me and quite a few of my colleagues as to where that figure came from.

Sen. Nicholas Kempe: Madam President.

The President: Senator Kempe.

Sen. Nicholas Kempe: I would be happy to clarify some of the Government's estimates of regiment.

The President: You needed to have asked for a point of order, or—

Sen. Nicholas Kempe: Sorry. Point of order.

The President: —clarification.

Sen. Nicholas Kempe: Point of clarification.

The Member is inferring that the figure of—

The President: The decision would be from myself as to whether or not it would be granted.

Sen. Nicholas Kempe: Noted.

The President: Carry on, Senator Caesar.

Sorry about that.

Sen. Crystal Caesar: Thank you, Madam President. No problem.

If I could finish my point I think maybe the Senator would be clear on what it is I am trying to get at.

As I was saying, the OBA Government budgeted for 5,017 government employees in the 2017/18 year. The PLP budgeted for 5,082. And that is a difference of actually 65 employees, and not 318 as claimed, as we have heard.

Additionally, Madam President, the previous Government budgeted for \$475 million in salaries in 2017/18. The PLP Government budgeted for \$478 million, which is actually a difference of \$3 million. And it has been said, however, that there was a difference of \$36 million. I am not quite sure where the math came from, but if you look at the facts, you can see

that \$478 million, minus \$475 million is \$3 million. So that is actually a far cry from \$36 million. Maybe the decimal point was moved in their calculation. I'm not sure.

In addition, Madam President, there were questions about consultancy rates as it pertains to the PLP Government. So let's be clear, the OBA's budgeted for \$17 million in 2017/18 and the PLP budgeted for \$15 million. And that is an actual decrease. So it is not an increase. I think it has been reported that the PLP has an increase of \$3.2 million. So I think when we are saying things we actually need to be factual about what has actually happened, because the public does listen to us and they expect for us to be clear on the things that we are saying and information that we are giving.

When I think about the budget there could be many other things that we could go back and forth about as it pertains to was this number right, or was that number right. But I would actually like to highlight some positives that have happened in the past year so that people do not forget, so that the listening public does not forget. And one of those things is actually what has happened in tourism. My fellow colleagues have also highlighted that it was a record year last year, in spite of having a large international event that happened the previous year, which was the America's Cup.

It was a record year for Bermuda, 2018. Leisure air arrival spending was up 66.9 per cent versus 2015. To me, that is quite significant. That is over 50.0 per cent. Oftentimes we hear anecdotally that people are not spending money in Bermuda. But they clearly did in 2018. I think that bodes well for how visitors are feeling about Bermuda and what the Island has to offer.

In addition, leisure air arrivals were up 45.7 per cent versus 2015, so, again, almost 50.0 per cent. I think that is significant. That is something that I think we need to ensure that we are heralding. We keep hearing that tourism is in a decline, and those sorts of things. But the fact of the matter is that it is not. We need to embrace and hold up the tourism industry. We want people to understand and know that we are excited about this new national tourism plan. I was in attendance when it was released, and there are some great things that the Bermuda Tourism Authority, its staff and locals, are doing as it pertains to the reinvigoration of tourism in Bermuda.

In addition, I would like to also speak to . . . oftentimes we hear about how different elements of the budget will affect businesses. And I think, often, the individual man wants to know, *Well, how does this affect me? How will this affect my pocket at the end of the day? How will I be able to sustain my life?* So there are some things that sort of jumped out at me that I wanted to highlight and say and indicate to the listening public that will definitely affect the average man, not just businesses.

We hear oftentimes about the blacklist, and we hear about FinTech, and we hear about all these things that on a day to day basis the average man is like, *Well, how does that affect me right now . . . here and now? These things are important, yes; but how does this affect me right now?* And I think there are some things that I can highlight from the budget that people can feel like we are listening, that we do have them in mind.

One of those things, Madam President, is taxation. We keep hearing about taxation, we are taxing people and, in particular, businesses. But one [way] that we are going to relieve taxation for the average man is [by] eliminating the stamp duty on mortgages up to \$750,000. So, if someone is interested in buying a house . . . we want people to invest in Bermuda. We want to see more dollars being used in the economy. That is a huge incentive to consider, *Maybe now my family and I can have a piece of the rock; maybe now we can look at purchasing*, because stamp duty can be quite sizeable depending, obviously, on the size of the property. But this will incentivise those who fall into that category to maybe consider taking on a mortgage, putting more into our economy.

In addition to that, there is going to be elimination of taxes on mortgages which will be refinanced. And that is mortgages up to \$500,000. Nonetheless, anyone who is finding themselves within a difficult situation having had maybe a higher mortgage, or a mortgage increase because of interest rates, any refinancing of that mortgage will not be taxed. And I think that cannot be stressed enough, because that is what is going to affect an average individual who is finding that they are having to put a little extra towards the mortgage and maybe not towards groceries or towards an activity for their children to develop.

So these are the decisions that everyday people have to make. And I think something like that, although it has been heralded and talked about much, these are things that we need to think about and consider for an average person.

In addition, and I think the public has probably seen (it has not been talked about much, or I have not heard it talked about much) the pilot programme that the Government will be entering into with private sector banks. And that is a guarantee programme. And it is in return for a reduction in interest rates charged to Bermudians for their mortgages. So again, it is affecting people and home ownership. So again, that is the average person. *How will I be able to own a home?* And the Government has taken that into consideration.

The retail industry in Bermuda employs 3,500 Bermudians. That's a lot; quite a few people. And you have heard retail sales are going down. And we know a lot of that has to do with online shopping, et cetera. But our Government has seen fit to provide a payroll tax relief for employers whose payroll tax is above \$500,000. So basically, those employees and em-

ployers will find some relief. So that is less money coming out of a person's paycheque. Again, *How is that going to affect me? How does that affect my every day . . .* and then maybe you can have that extra loaf of bread—which we all know is ridiculously priced. But nonetheless, maybe you can get that extra something for your children to put in their lunchbox because at the end of the day it is not being taken out for payroll tax.

Senator Simmons did speak about, and she took my thunder on this, but with regard to the modernisation of the 60/40 rule—

POINT OF CLARIFICATION

Sen. Nicholas Kempe: Madam President, point of order.

The Member may be inadvertently misleading the Senate. The Budget Statement refers to *employer* side payroll tax discount; not *employee* side. So I am not sure how employees are going to receive more money in their paycheque.

Sen. Crystal Caesar: Thank you, Senator Kempe.

As I was speaking about the 60/40 rule, there will be modernisation of that particular rule as it pertains to business ownership in Bermuda.

The Government is trying to be transformational with regard to incentivising businesses to be in Bermuda, and trying to lure other forms of economic activity. In using the relaxation and exemption of the 60/40 rule, the Government is trying to encourage additional people to set up businesses, to partner with Bermudians, locals, as it pertains to whatever business ideas they have. They are trying to diversify the economy. And using this particular exemption for certain businesses will actually help anyone who has an idea and maybe they find themselves underemployed, maybe they do not have a job as it pertains right now, but they have a business idea. Basically, the exemption in the 60/40 rule would allow additional Bermudians and others to live and work in Bermuda and will hopefully stimulate the economy.

In another place it has been mentioned that the national health plan will be released by the Minister of Health. And the view of that particular health plan will be the reduction of health insurance costs for Bermudians. We all know that health insurance in Bermuda is astronomical. And we find that it seems to be increasing year after year after year. With the ageing population, with the number of illnesses that we tend to see increasing in Bermuda, obviously our health costs are going to continue to rise. But what this Government is trying to do in helping the average person and how it is going to affect their pocket, is that the national health plan will assist with reduction of health costs. So if health costs are coming down, again, people will have more at the end of the day to spend on other things and stimulate the economy.

Another thing that sort of jumped out at me, which has not really been spoken much about again, is the payroll tax relief for businesses hiring local musicians. Having been somewhat of an artist back in my younger days, it actually is quite . . .

Senator Simmons is laughing at me. I guess because of the age difference. But nonetheless, I am not as young as I look, Senator Simmons, but thank you for that.

This particular area, believe it or not, is something that is going to have a knock-on effect in Bermuda's economy. If we have more local musicians who practice their craft, more businesses hiring them, then obviously there is going to be payroll tax relief, more people . . . we know that tourists want to see more local artists. We are trying to encourage that. So these are things that are going to stimulate . . . and maybe we can get back to the 1980's heyday when we had a number of different local bands and artists and people who are able to display their talents. So, again, this is something that is going to affect the average person.

I no longer do it. But I was a dancer. And at one point, I was . . . When the *Nordic Prince*, I think it was called (I am not sure if anybody remembers that cruise ship on Front Street). There were times when I and my dance school actually went down and were invited to dance on the ship. So again, I think one of the young ladies who did that was able to then go off, get some experience (having been spotted), come back, and she now has a dance school in Bermuda.

So, these are little things that, in spite of what people think, they can actually affect the culture of an island. And so, giving a business some sort of tax relief that hires musicians, gives exposure to these artists and, eventually, who knows? Bermuda will continue to grow in its artistry being recognised overseas.

In addition to trying to stimulate our economy and get people to come back to Bermuda again, one of my fellow Senators said, there has to be something that is going to entice young Bermudians, those who have left and those who are presently in university overseas. What will entice them to come back to Bermuda, to invest and keep money here, and spend and stimulate our economy? One of those things that has been mentioned is the relaxation of height and ownership restrictions for development in the North Hamilton economic empowerment zone, basically, being able to develop condominiums and/or other forms of home ownership in that area will again attract, hopefully, young people to come back.

I know when I came back from university, I found it (how can I say it?) difficult to become an adult (if that makes sense) in Bermuda. And I will tell you why. When I was living and working in the US after university, I was able to have my own studio apartment, my own ability to be independent. I think what a lot of our young people feel is that if they come back to Bermuda they will not be able to have their own

space. I anticipate that with this type of relaxation of height and ownership restriction that people will be able to build condominiums and townhouses that will attract young people who want to live and work and thrive in Hamilton. And they will feel, *You know what? I can do this on my own. I can come into Bermuda and feel like an independent young adult.*

Well, I had to move back in with my mom. Not that that is a bad thing, but having lived and worked overseas, it makes one feel a level of independence, a level of growth. And so, I think that something like this cannot be stressed enough, that it actually does help stimulate our economy. Because young people coming back, living in a high rise in Hamilton City, spending money in Hamilton, contributing to the economy outside of their parents' home . . . you know, basically also becoming a contributing member of society, again, these all have knock-on effects. And so, I am hoping that this will be something that will entice young Bermudians to come back to Bermuda, to live, to work and to thrive.

In addition, within the entrepreneurial spirit, there are some antiquated regulations that we are planning to streamline that young people and/or entrepreneurs will take advantage of so that their economic or entrepreneurial dreams can be realised. And so, again this will help to stimulate the economy. I have met quite a few young people who have quite a few ideas as it pertains to technology. Having businesses, a lot of them are a lot more tech-savvy and would like to be able to use those skills.

So, streamlining and eliminating some of the regulations that many people have to endure in trying to become entrepreneurs, will help again to stimulate the economy, help us to become more of an entrepreneurial-type minded society where we are helping one another. That person has a business, and that person has a business . . . sort of having our own little economies of scale, if that makes any sense.

So, these are things that I think the average person wants to hear: *How is this going to affect me on an average day? How am I going to feed myself? How am I going to feed my family? How are young families going to feel like they are included and thought about during this budget?* And I definitely feel that some of those things that I have highlighted can, and will, show young people, entrepreneurs, smaller businesses that the Government does have you in mind. We are thinking about you. We do consider your contribution to our economic activity and stability important, as well.

So, with that, Madam President, I think that I will conclude. But again, I just want to say that if we are going to put out facts as it pertains to what the present Government is doing and compare it to what other Governments have done, it should be factual. We need to be careful with what it is that we are telling our people as to what has happened. And we need to also give people hope. Continuously giving

people a negative spin on what this budget is trying to do actually does not bode well for the country. People listen to what we say. People care about what we say and how we say it.

And so, I wanted to just highlight some of the things that I think that some of my friends and I have talked about, some of the things that they did not hear that maybe, if someone can relate to them and speak about it, it may be that, at the end of the day, they will see that this Government has listened. This budget does actually speak to what you will be able to benefit from at the end of the day.

So, thank you, Madam President.

The President: Thank you, Senator Caesar.

Would any other Senator care to speak on the general budget?

Senator Robinson, you have the floor.

Sen. Dwayne Robinson: Good afternoon, Madam President.

The President: Good afternoon to you.

Sen. Dwayne Robinson: So, most things have been touched on by my fellow Senators. But I really just want to reiterate a question here. And that is, Where is the beef? That is what my colleagues asked earlier.

I have read the Budget Statement. And to me, it is a budget statement of intentions—intentions to do, intentions to fix. But there has not been any sort of concrete plan or stimulus plan throughout it. It has been a whole lot of, *This is what we intend to do. This is what we want to do.* And what I am looking for is, How? You know, we are looking at things that sound great. And I am all about Bermudians being supported in mortgages and other things. But we need to figure out how the cash-strapped Government is supposed to come up with these sorts of funds to do so. And exactly how is that system supposed to work? So, to me, it comes back to that one initial question: Where is the beef?

So, the 2019/20 Budget Statement has three lines of text under the head of Growing Our Economy—three line of text. It does not seem to me that that is a priority. And it should be. You need more than three lines of text to justify saying Growing Our Economy. You cannot just throw a heading into a Budget Statement and expect it to stick, Madam President.

We need to know what comes next. The PLP speaks on reducing the cost of business. And this is something that resonates with me, Madam President, as a young person who is trying to break into entrepreneurial [work]. The main issue that hits most of our businesses is that we are competing in an economy with a shrinking customer base. So, until we see concise plans to increase this customer base, businesses will still suffer regardless of whatever tax break you

might give them, or however you wish to streamline registering businesses.

The fundamental issue is that if you have businesses being registered, and they are competing for a customer base that is shrinking, they will continue to suffer and continue to struggle to break even or increase their revenues. So, to me, that is what I was looking for, a concise plan as to how we are going to reform and get more able-bodied people on the Island and to bring our people back so that businesses can stop trying to claw over one another and the private sector can stop being so constrained. If we have more bodies and a bigger customer base, [there is] more money for everybody.

So, when I heard that affordable housing was supposed to be the sole incentive to bring young people back or to bring Bermudians back home . . . when you talk to the average Bermudians, and especially those of my age group who are leaving or planning to go, their main thing is that they do not want to be here to pick up the bill. They do not want to continue to be paying for a generation that has passed, Madam President. They see opportunity to go overseas and to make something of themselves, and they take it. And they realise that they can go to other places and receive benefits and incentives that Bermuda cannot provide at the moment, Madam President.

And I thoroughly believe that this is something that we must address if we wish for Bermudians to return home. There needs to be that reassurance that if I start a business here, or if I am purchasing homes here or property or anything like that, as a young person, if that is my aspiration, then I will not be strapped in the next two, three, four years with an increased tax burden because of a Government that is refusing to reduce its own spending and is seeking to take the easy way out and put the tax burden on its people.

There are a lot of positives within the Budget Statement that many of my colleagues have reiterated and supported. But I find myself to be a bit of a pessimist. I like to know how something is going to happen. And I know that a lot of people who question us on the street, and a lot of people who listen to what we say, always have that in the back of their head, that they have heard promises made before, that they have heard things tossed out, and then they do not come to fruition because there was no concrete plan for it. It is easy to say, *Well, this is this and this and that*. But we need to know exactly how that is going to happen, Madam President.

And we have the same foginess with the taxes, notably the sugar tax, where we have earmarked percentages that are not really disclosed, and it is being quoted to be funding a lot of initiatives and funding a few things and the BEDC for vertical farms. But yet, we still have not seen or heard, or at least I have not, what are these specific amounts? What percentages are being divvied up to each initiative and if

these percentages are included in this Budget Statement?

I am not going to spend too much time reiterating what has already been said. But I would like to read a quote from Winston Churchill, if you will let me.

The President: Yes. By all means, you can, Senator Robinson.

Sen. Dwayne Robinson: "I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle."

It just simply does not work.

And as much as we like to put lipstick on a pig and say, *Well, these taxes, what affects the everyday man, what affects businesses*, at the end of the day, the everyday man, the everyday Bermudian, man and woman, is looking for how these increased taxes benefit their lives, Madam President. *How is what I am paying into for the sugar tax, now I am paying more for a chocolate bar or a cereal box, which is going to be coming out soon . . . But yet, I still am paying almost \$16 for grapes?*

It is things like that that allude to the double-speak that my colleague spoke of earlier, when you have something that was brought out as a health initiative that is now being used and quoted as an increased revenue tax. So, if it is there for a health initiative, should the thought process not be to lower, you would hope, payments on these [other, healthy] products? You would hope that people would not be discentivised to buy them or to avert them. But all that is happening really is that they have factored in that people will continue to buy these things. And they have not followed up with any health initiatives, have not followed up with any plans. And this has been my issue and my overarching issue with this entire budget—no follow-up and no substance, Madam President.

So, with that, I am not going to spend too much time. I will close my remarks.

Thank you, Madam President.

The President: Thank you, Senator Robinson.

Would any other Senator care to speak on the Budget?

Senator Hayward, you have the floor.

Sen. Jason Hayward: Good afternoon, Madam President.

The President: Good afternoon to you.

Sen. Jason Hayward: Good afternoon to Senators and listening audience.

Madam President, I spent over a decade in the Department of Statistics producing economic and national account statistics. I sent out the surveys for the retail sales index. I have compiled the numbers. I wrote the report. And then, after we write the report

we then disseminate it to the public, and then we monitor the feedback around, you know, the buzz that your press release is generating. And if it is in the public domain, and it is what people are talking about, you feel proud. Because a lot of times with statistics, you wonder if anybody actually even reads some of the publications that you produce.

But in all of my years, I have never heard so much emphasis placed around the retail sales index. The retail sales index is one of many economic indicators. It should never be used in isolation to highlight the well-being of our economy, the strength of our economy, whether or not there is disposable income within our households. There are many factors. And Senator Simmons spoke about some, but there are hundreds of factors as to why the retail sales index fluctuates.

Many would know, even when car sales and the cost factor is not doing well in retail sales, it is always cyclical in that particular area. And then you look at the model of cars. There are people driving around in \$18,000 Renaults now that were not available two years ago. They were just hitting the market last year. People were always into buying SUV's and things of that nature. And so, I just want us to be mindful that when we try to use the economic indicator in isolation, that it is important for us to look at the big picture.

The emphasis is always on GDP when we look at the performance of our economy. That lets us know whether we are in recession or not. You cannot determine whether your country is in recession based on the retail sales index. And when I look at our GDP numbers, what we actually see is an increase in GDP. Two consecutive quarters of a declining GDP indicates that we are heading into a recession. Our GDP numbers do not indicate that we are in a recession. Yes, it may be relatively static, which would support Senator Jardine's notion that we are treading water. But our head is certainly not under water. And our head has been under water for some time.

But the Minister of Finance prior to the OBA, before the last Minister of Finance under the OBA's Government, his assertions then were that he brought us back from the brink. If he brought us back from the brink, it is certainly an indication that our head was above the water then when he left, and our head is above the water now.

In tourism, we had another record-breaking year, Madam President—record-breaking. We had more tourists on our shores last year than any time in our history. We should be proud of those successes. That should be something that is actually encouraging! You know why? Because tourism translates into jobs. More tourists on our shores translates into jobs, not a huge amount of additional value-added that contributes to our GDP, but certainly it does bode well for employment. And when we look at our employment, employment in 2018 was actually up, another positive sign! Employment in 2018 was up.

Some would want you to believe that the employment in the Island is solely due to government hiring. That is not the reality. Much of the growth, and this is reading from the National Economic Report, Madam President. Much of the growth was fuelled by an increase in jobs in the construction and hotels sector, which added, respectively, 131 and 105 posts. That is where the increase in employment is generated, not in the public service.

I know it would suit some if jobs in the public service were cut because, yes, it would support reducing expenditure levels. It would support our having greater operational surpluses. But when persons are then cut from employment in the public service, where do they go? And it is fine unless that is your aunt, uncle, cousin, brother or sister whom we are referring to. But we cannot have these cyclical arguments in terms of, *Let's cut jobs today*, and then tomorrow complain when our services are understaffed. We are going to have a sensible approach in terms of reeling in government expenditure. This whole reason why an efficiency committee is in place is to explore this very aspect of our operations. Doing a proper analysis is the sensible way forward.

What is not the sensible way forward is threatening public servants, *You will lose jobs*. And then tell those public servants they have to give up a day's pay per month. And then at the end of that agreement, try to continue with taking the money from public servants. What is not the best approach, moving forward, is to have a prolonged hiring freeze where funded vacant posts remain vacant and money allocated to those posts is then used for other operational initiatives while the employees who remain in those posts have to do more on a daily basis because they are understaffed. It is a reality. We demand services from the government. But do we not connect the dots that there are human beings who provide those services, Madam President?

We need to be sensible with our arguments. Yes, it serves for a dollars-and-cents argument in our economic and budgetary debates. But those are people's lives and livelihoods that we are referring to when we say, *Cut the public service*.

Even Bob Richards was wise enough to say, *It makes no sense to cut public sector jobs*. I wish that the current Shadow of Finance would take that same way of thinking.

Sen. Nicholas Kempe: Point of order, Madam President.

The President: Senator Kempe, what is your point of order?

POINT OF ORDER

[Misleading]

Sen. Nicholas Kempe: The Minister, or the spokesperson, perhaps inadvertently, is misleading the Senate. I did not say that jobs should be cut. I said that the 2017/18 levels should have been maintained instead of increased by some 300 odd jobs, as per the Budget Book.

The President: Senator Kempe.

Senator Hayward, you carry on.

Sen. Jason Hayward: Madam President, we should all be pleased that the unemployment rate in this country fell. The unemployment rate held at 7 per cent for over a decade. It is now falling to 6 per cent. That is momentum in the right direction.

We like to harp on overall employment income falling, yes. But there is a beauty in all this. Because Bermudian unemployment decreased from 8 per cent to 6 per cent—8 per cent to 6 per cent. In our recent history, we have not seen our employment numbers trending in this direction. And we should all be proud of that. And as long as we have continued construction activity, as long as we have continued high levels of tourism, employment will always be needed in our hotel and restaurant industries and our construction industries.

Public administration, there are certain areas of government today that are still significantly understaffed. And so, you should expect that hiring within the public service continues. The retail sector, which is struggling based on the retail sales index that we like to use, their employment is also up. Employment in the retail sector is up, and we know whom the retail sector employs—Bermudians. This bodes well for the country. Some who were unemployed last year are currently now employed this year. You ask them if their lives are changing for the better, and they would have a much more optimistic outlook on life than what we have heard this morning.

ANNOUNCEMENT BY THE PRESIDENT

SENATE VISITOR

The President: Senator Hayward, as you hesitate, I would just like the Senate to acknowledge the presence of the Minister of National Security. The Honourable Wayne Caines is in the Gallery.

Welcome to the Senate.

Carry on, Senator Hayward.

[General Economic Debate continuing]

Sen. Jason Hayward: Madam President, as the cost of operations across the Island increases, there is a need for Government to increase its revenue. With a population that is not growing, it means that the current population has to pay more in taxes. Taxes are nothing new. Madam President, the former One Ber-

muda Alliance Government increased taxes by \$185 million during their tenure. They increased taxes in a recessionary period. These are all things we were told this morning that are detrimental to our economy, something that we cannot do. Bob pulled us back from the brink by—

The President: The Honourable Member.

Sen. Jason Hayward: Sorry. The Honourable Minister of Finance, Bob Richards, brought us back from the brink by increasing taxes during a recession. And now we are told that that is an unwise thing to do.

Why? Because the PLP Government is doing it?

Madam President, the PLP asked the Tax Reform Committee to explore additional tax options. But that was not the only body that has been on this Island to explore our tax options. The former Government engaged CARTAC [Caribbean Regional Technical Assistance Centre]. And CARTAC explored our revenue collection, and they actually produced a report, however, the report was never shared openly with the public. But the main objective of that report was to review how the Government could increase tax revenues. You do not ask for an economic study to be done on your tax strategy if you do not want to change that tax strategy or if you do not want to draw more taxes from the economy.

There are a few things happening here. Number one, we recognise that there are inequalities in terms of the way in which, and who, is taxed in this country. The Fiscal Responsibility Panel said that there is an undue burden on the workers of this country, where they believe that the wealthy citizens of this country, who have the ability to pay more . . . there is an opportunity to draw more taxes from those individuals.

We have not even maximised the capacity that we can receive in taxes from our current population, particularly our wealthy population, without saying we should increase or expand immigration so that we have more people to tax. Madam President, what this Government planned with its budget was fiscal discipline. What you saw were modest tax increases. Modest tax increases, Madam President.

We heard the talk about the Sinking Fund and how the Government is not paying into the Sinking Fund. We have people who do not want to accept that this is the first balanced budget in 16 years. But the reality is that it is the fact. The reality, Madam President, is that we were using our credit card to withdraw money, and then taking that money and putting it in a bank account. You are still left with 19 per cent interest on your credit card payment. And when you put that money in your bank account, it only receives roughly around 1 per cent.

It makes absolutely no sense. But it is a deviation from the past, so it is sinister. It is a change. If

we can admit that it does not make sense, then we should be satisfied that we do not have to continue with it. The Minister of Finance has said on numerous occasions that when there are operating surpluses, those surpluses will be placed in the Sinking Fund. So, the Sinking Fund is not being abandoned. But certainly, what we were doing did not make much sense, and we are moving forward with a new approach.

Sen. Nicholas Kempe: Point of order, Madam President.

The President: Senator Kempe, what is your point of order?

POINT OF ORDER

[Misleading]

Sen. Nicholas Kempe: The Member may be inadvertently misleading the Senate. The Budget Book, on page A-1, says that up to 75 per cent of surpluses will be dedicated to the Sinking Fund, not the entirety.

The President: Senator Hayward, carry on.

Sen. Jason Hayward: Which leads to my next puppet, Madam President, and that is, Who cares? Who cares about the Sinking Fund contributions? Who cares about the debt level? Who cares about government revenues and expenditure? How many young Bermudians are walking around discussing these things on a daily basis? How many older Bermudians are walking around discussing these things on a daily basis?

I am not saying that these things are not important. And it is important for us, as the Government. But the average person cares about their income, their disposable income. They care about whether or not they will have employment. They care about their housing, where they are going to live and how much it will cost them. They care about health care, whether it remains accessible and affordable.

They care whether or not they will be able to acquire education and the skills that are needed to assist them with navigating this rough world. They care about their personal security, and if we are making any headway on gang violence in this country. Those are the things that individuals care about, generally, Madam President. Those are the conversations or the dimensions of well-being that their conversations are centred around. And there is where the party is currently anchored.

This is where the party is anchored, Madam President, on building a better Bermuda, Bermuda through funding initiatives and putting policies in place that improve those dimensions of well-being for individuals.

And so, when we look at jobs, you will see that the Government in its budget brief said we are

moving forward with further implementations of the Workforce Development Plan, a plan that will put the necessary system in place that will connect the gaps between individuals and jobs, and jobs and individuals. That will not only provide them with the skill sets that are required, but also the wraparound services that are required. When we talk about housing, Madam President, you would see a deliberate effort to try to make housing more affordable by putting policies and initiatives in place around mortgages, plans to build additional residential dwellings, because as you increase supply, the price within the overall market begins to decrease.

Madam President, people want to know whether or not they will have access to health care, which is affordable and quality. And that is what the National Health Plan aims to do. The changes that are being made in the area of health will be deliberate. They will be deliberate to the extent that it will make some feel uncomfortable. Madam President, you should note that the Bermuda Health Council put out their annual health financing statistics. You have more people in Bermuda, this year over last year, who, as a result of out-of-pocket payments, are receiving donations to fund their health care.

Fewer and fewer Bermudians are insured. More and more Bermudians are working; fewer and fewer Bermudians are insured. Working Bermudians being uninsured is becoming more normal. When we look at where the expenditures went, in what categories it went up, there were increases to doctors and increases to insurance companies for administrative fees. It is concerning. A full \$722 million is spent annually on health care in this country. And health care is still not accessible and affordable to all. And so, the Ministry of Finance and Ministry of Health are currently working on a number of health care options that will, undoubtedly, reduce the overall cost of health care in this society. There already have been plans for revenue restrictions at the hospital that will have a positive knock-on effect for persons looking for affordable and accessible health care.

When we look at education, it is a concern. The dual-enrolment programme in our high schools is a success. And our high school students do not have to pay for that college-level education. The Government put increased funding of roughly around \$300,000 to the financial aid programme at the Bermuda College. Over 500 Bermudians took advantage of that programme! Five hundred Bermudians, Madam President. The money went on education, and people are getting educated.

Madam President, in this budget, you find the college promise where, when students maintain or attain a certain level of GPA, they will have their college tuition paid for by this Government. When one asks, *How is the Government looking out for my well-being?* I can point to these specific initiatives, Madam

President, which are all funded for out of this budget, as to how their well-being is improving.

When we look at personal security, there have been additional resources put in place to combat gang activity in this country. There are programmes in place throughout a number of our primary school systems, the G.R.E.A.T. programme, which is a gang-reduction initiative that takes place in our schools, is having positive effects. Restorative circles, which are taking place in our high schools, which are forcing some of our young men to sit down and have conversations with their counterparts about their differences, forcing them to clear up some of the misunderstandings that they may have, which led to tension between the two parties. And we have seen where the Minister of National Security has left those meetings with individuals saying, *You know what? From this day forward, it is over.*

We see the Gang Reduction Coordinator, who has been out and about in this community, who takes calls at any hour in the morning to ensure that there is a better environment. We cannot take these initiatives lightly. But these initiatives are all funded out of this budget.

So, Madam President, when the average Bermudian asks, *How did this budget improve my life?* I can provide them examples where we are trying to improve their income. I can provide them with examples in terms of how we are trying to ensure that they get jobs, where their employability skills increase, where housing options increase, where health care is looking to become accessible and affordable to all. I can give them practical examples, Madam President. And that should never be removed from our dialogue, the human-centred and the human-focused. And that is where the Progressive Labour Party's policies and funding are actually rooted.

And when we get into the budget heads that will be debated, you will hear more and more about these programmes that I have discussed, in dept.

Thank you, Madam President.

The President: Thank you, Senator Hayward.

Would any other Senator care to speak?

Senator Jones, you have the floor.

Sen. Marcus Jones: Good afternoon, Madam President.

The President: Good afternoon.

Sen. Marcus Jones: Good afternoon, fellow Senators. Good afternoon to our listening audience.

It is my distinct pleasure to throw my hat in the ring and contribute to this debate. Earlier in the morning, we were entertained, informed, educated by the Senators to my right, Senator Kempe and Senator Jardine. They were able to produce numbers that really broke down the economic state of Bermuda. For

those of us who are accountants, for those of us who consider ourselves economists, who get excited about numbers like I do . . . and I came prepared to throw out my numbers, as well. But I really felt it was going to be overkill if I came behind these two gentlemen with more numbers, so I switched out from what I was going to do.

And then the Senator across from me, Senator Hayward, he brought up some numbers that I think need a little bit more explanation, a little bit more perspective just so the public gets an even balance of these numbers. And we all know that numbers . . . you can do lots of numbers. In the accounting business, you can make the numbers look like what you want them to look like. You can fiddle with the balance sheet. You can switch from side to side (within GAAP rules, of course). But you can delay certain expenses. You capitalise some expenses that should have been expenses. You can capitalise it to make it look better on the financial statements.

So, I would like to think that as I am coming into this debate I am going to bring some level of understanding to some of the numbers that were cited by my counterpart, Senator Hayward.

Now, he raised the question of why, all of a sudden, are people so interested in the retail sales figures? Well, for a place like Bermuda, retail sales figures are very important. It is a very strong indicator of the economic health of this country. So, I am not going to belittle or devalue the importance of retail sales that have been decreasing for 10 months in a row. You just cannot close your eyes. You just cannot ignore those numbers. You just cannot put them to the side and say that they are not important, because they are.

Now, it is not our mark against anyone. It is not personal. Numbers are impersonal. They tell you a story. I walk into a room. The thermometer says 75–80 degrees. That thermometer does not have an attitude. It is just telling you what the temperature is. And you need to do something about it.

So, when we looked at those retail sales going down 10 months in a row . . . And we applaud the fact that retail workers and employment are rising. It makes me pause and say, *Wait a minute. The health of retail sales is going down? But I have got an uptick in retail jobs? Something is going to happen in the future, and I need to make preparations for it,* Madam President. So, when we cite retail sales, it is not us trying to be the bad guys. It is us just trying to put a flag up and say, *This is an indicator that the recession is actually getting traction. We, as a people, need to get ahead of the curve.*

So, a lot of times, when we put up the flag to say, *Danger! Danger!*, there are people who feel that we are trying to be killjoys. *You are trying to depress us.* So, the first surplus budget in 17 years? You know what? I applaud that. I do. It is reason for us to be hopeful because that is telling me, that is giving me a

sign that this PLP Government is making an effort to turn the tide around.

This PLP Government has earned a reputation of being a tax-and-spend party. How do we know that? The figures tell us that. So, when I see a budget like this, it gives me hope. It gives me hope that this PLP Government has finally heard the cries of its people, of its business leaders, of its economists: *We have got to stop this train from going into a wreck, and start looking at turning the tide of an expense that is getting out of hand.* So, I think the country should be hopeful.

The Senator mentioned that the former Minister, the Honourable Bob Richards, brought us back from the brink. And it did not sound like he was being warm and fuzzy about what he did. But if you look at history, if you look at the situation that the OBA Government walked into at that time, the country was spiralling out of control. In the years between 2008 and 2012, the national debt had doubled—more than doubled. There was a cry even before 2008 that the economy was heated up. We needed to rein it in. Inflation was sky-high. We needed to rein it in. But during that time, the public sector was challenging the private sector in all of its development and all of its spending. And so, by the time that this Government was in a place of, shall we say, grave danger, there was a change in Government.

And the new OBA Government had to look under the hood. And what they found was not too good. So, please excuse us if on this side of the House our applause for a change in direction financially is muted. It is there. I know I am encouraged.

You know, people stop me on the road and they say to me, *Senator Jones, this country is bankrupt, isn't it?* I say, *No, it's not. No, it's not.* If a country can pay its debt, service its interest payments, has assets, can levy taxes, it is not bankrupt. This country is not bankrupt. And there are folks within our community who would try and use those scare tactics to say, *This PLP Government is going to take us into bankruptcy.* No, they are not.

Now, are we on a sticky wicket, sort of like St. George's on the second day of Cup Match last year? Yes. We are on a sticky wicket.

It is just after lunch. Bermuda is playing in the second inning, second day of Cup Match. We have got five wickets down. We are on a sticky wicket. Our national debt tells us that. Ten months of retail sales going down tells us that. An airport development that is going to grind to a halt in about 18 months tells us that. Hotels that are in construction right now that are giving jobs to our people . . . we know that is going to come to a halt. So, yes. In the cricket vernacular, Bermuda is on a sticky wicket.

But we have got five batsmen still in the pavilion. One of those batsmen is good tourist numbers. One of those batsmen is a good regulatory system. One of those batsmen is the people in this country.

So, when I have got those types of batsmen sitting in my pavilion, Madam President, I am not afraid. I still have hope. But I have hope with caution. And that is what we are doing on this side of the House. We are saying, *PLP Government, you are showing us signs of fiscal discipline. You are showing us signs of financial competence.* Here is a way that you could take it even a step further.

My counterpart, Senator Hayward, was talking about the tourism numbers. And he said in this country, we should be happy about them. And I am happy about those tourism numbers! It is the best numbers that this country has had in how-many-years. It is a reason for us to celebrate! And we have to ask, why? Why are those numbers so good? Well, because we did some wise things. We took the Government's hands off of it and allowed those people in the know in tourism to do what they do best. That was markedly left out of the narrative that an independent body was put in place to push these numbers.

So, I am just trying to bring the whole story to the table, Madam President, so that we can understand the things that we need to do to be a successful country.

Now, it was stated also that employment numbers were up. Absolutely! By the Government's own Budget Statement, the number was 144. That is reason to be hopeful. It is. But then I read that of those 144, 131 of those jobs were in the construction business, well, let us look. Just veer your eyes to the East. That is the airport, that is the hotels down in the East, and that is good. Our people are working! But that will have a time frame to it. So, what we are saying over on this side is, *Guys, we need stimulus. We desperately need stimulus.* Because when this cycle of jobs comes to an end, our people need to be working.

Cut public service. Control your spending. When a government is still functioning at a rate [that it was] when it was at full employment and providing those same services of a population at its peak, when its population is down, that is a problem. In 2007/08, Bermuda was percolating at a very high level, Madam President. We had over 40,000 jobs. I often, in my tours, told my clients that Bermuda enjoys over-employment. Now, that was back in 2006, 2007, 2008. And I could, with a straight face, say that.

Now, my American clients, they never could understand that. I mean, unemployment is natural to them. And so, I would explain to them, *No, we are fully employed.* In fact, we were at a place where we could leave, quit our job on Friday, knowing that we are going to have another job on Monday. Well, you had better not do that today.

So, the Government is plodding along as if we have full employment, by having services and lack of efficiencies. Now, unemployment. Senator Hayward quite rightly stated that unemployment is down amongst Bermudians, from 8 per cent to 6 per cent.

Now, in those unemployment numbers, how much do we factor in the masses of people who have left this country? How does that factor into those unemployment numbers?

My Senator stated that the OBA Government increased taxes during the time of recession. Yes. Correct. Those numbers are correct. But what the OBA Government was able to show is that they could walk and chew gum at the same time, which is, they increased taxes, yes. But also, they introduced creative ideas, innovative ideas to bring a stimulus to the economy. It is difficult—it is difficult to manage an economy like Bermuda today. Very difficult. In the hotel business in Bermuda, during the summer months between June and September, Donald Duck can manage a hotel. But it takes another type of manager in those months between October and February, Madam President. You have got to tighten that belt. You have got to be creative. You have got to find ways.

I remember, as a general manager, I always felt pressured to make sure that I kept my hotels full so my people would not be laid off. And they would say, *Mr. Jones, how are we going to do this winter?* And I would say, *I'm working hard for you.* Because I knew that they still had to pay their rents, they still had to pay the electricity bill. They still had to pay out while being laid off. So, yes, you are absolutely right. The OBA Government did raise taxes during a recession. But they were able to stimulate the economy at the same time and were able to reduce the budget deficits during those years when they were the Government.

Senator Hayward talked about the undue burden on the working population. And I thought about it. And he is right. When we look at our economy and the things that the working population has to pay for, there is a burden that has got to be carried. But let us not forget those who are paying the higher rate of land tax that was raised from 47 per cent to 50 per cent. Do you not think that they carry some of the burden, a lion's share of the burden, as well? How will those who are on the higher rate of pay . . . He said, *Oh, they should be paying more.* Yes, and they are. Their rate for payroll tax is higher, Madam President.

So, I think it is a far more equitable thing to say that everybody is sharing the burden of a country that is \$2.5 billion in debt. It affects all of us. So, we should not divide and conquer the rich from the poor, the black from the white, from the privileged to the underprivileged. We are all in this boat together! We are. And that is what we should focus on. That is what we should rally the troops so that we can all feel like we are a part, as opposed to dividing. *You have this. You have . . .* No, we are all in this together.

The point was made, and quite rightly, again Senator Hayward was absolutely right. The ambitions of this Government are to put operating surplus into the Sinking Fund. Senator Kempe did correct to some degree the sentiments that were made. In the Budget

Book, it was spoken that up to 75 per cent of the budget surplus will be contributed to the Sinking Fund. I think, for me, what will make that go down better is if the Government committed that 100 per cent of the surplus will be paid into the Sinking Fund.

And when I read the 75 per cent, that is not a guarantee. That was optional. That was being advised. That was being suggested. But if you want to convince me that you are focused in on decreasing that debt, you would commit to 100 per cent. In fact, I think we need to sincerely consider zero-based budgeting, where no, we are not borrowing money to put into the Sinking Fund. I will say this, and I will say this grudgingly. I am jealous that I did not think of it myself.

[Laughter]

Sen. Marcus Jones: Brilliant!

Why are we borrowing money to put into a Sinking Fund?

When I read it, I said, *Oh, my gracious! What are we doing?* I wished I would have thought of it. But I did not. There were others who were smarter than me, Madam President. But there is a little caveat on that. That is a one-time thing; brilliant for one year. But does that reveal a practice that is now being abandoned, that in its essence was a good practice? Let us save until a rainy day. Good, our grandparents told us all the time. As much money as you have, make sure that you put some money away when you need it, because there is going to come a day when you are going to need it.

So, one part of me, I guess it is the accountant side of me, says, *Brilliant!* If I am a CFO in a company and I am able to make that earning bottom line look great, and my shareholders are excited because it is tied into those dividends, they are happy. But if I am the CEO, and in this case, if I am the Premier, I am thinking to myself, *That's wonderful for this year. But how about next year? I'm not going to have anything in the kitty for a rainy day.* I am not getting used to the habit, if this becomes a practice from now on, of putting money aside to ensure that we discipline ourselves to put money towards this debt.

ANNOUNCEMENT BY THE PRESIDENT

SENATE VISITORS

The President: While you hesitate, can I just, Senators, acknowledge the presence in the Gallery of the Minister of Labour, Community Affairs and Sports, the Honourable Lovitta Foggo, JP, MP; as well as the Junior Minister Wayne Furbert; and MP Kim Swan.

Welcome to you all.

Carry on, Senator Jones.

[General Economic Debate continuing]

Sen. Marcus Jones: And we as legislators, we have an obligation to show the next generation how to be responsible, how to live within your means. That needs to be the mantra of this Government, that we commit to living within our means, that we commit to saving for a rainy day. We are not just living for today. We have got a future generation coming behind us. And we have got to model in front of them disciplined budgeting. It is painful in times like these.

If it was me, I would insist that every Bermudian child has the ability to go to Bermuda College for free. I think that should be part of the Bermudian dream. But guess what, ladies and gentlemen? We cannot afford it. We cannot afford it. And we do not want to continue in this vein too much longer.

The Senator mentioned about houses [being] more affordable, how the Government is doing everything within its power to make sure that their accommodations can be affordable. And one of the ideas was the mortgage guarantee. Great idea, makes you feel really good. But have we thought this through? How much money is that going to take, to guarantee?

And is it discriminatory? We are setting it up for the civil servants. Well, how about the private sector? Most of the workers within government have not had to face the fear of losing a job. Try working out here in the private sector, when your job is on the line in an economy like this. So, they have job security. Last year, they had a 2.5 per cent increase, and I think they have earned it. I think they deserve it. But when the Government is looking to give a handout to its citizens, let us not be discriminatory in our hand-out. Let us see and find ways where we can spread the wealth to as much of the population as possible.

Senator Hayward mentioned about the Bermuda Health Council. And he cited the concerns that there are so many people in this country who are uninsured, cannot afford to pay for their health benefits, their health premiums. He cited that there was \$722 million spent on health care. But people still cannot afford it. And health care factors very large on one's cost of living. It is a big-ticket item. Now, we all know the story. We know what this country went through with the Bermuda Health Council when they did all they could to make sure that the cost of certain services stayed down, stayed in the control.

And what we found was, once the PLP Government came into power, realised that there was one business within the private sector that felt like they had been disadvantaged by the efforts of the Bermuda Health Council to control costs, the Government felt compelled to assist and help this private entity, who felt like their fees were undermined. That sent a very telling message to the community.

Now, we have just heard recently how there is a company in this country that sells baked goods that require sugar. And it was stated that they went out of business because they could not afford the tax that was charged on their sugar products, Madam Presi-

dent. Maybe the Government should help that company out. Because their tax increase on sugar products put that company in a bad way. So, we send a message as a Government when we enact policies like that to do one thing for one private company, and the others are left out.

So, Madam President, I just wanted to cite a few of those things that were mentioned by the Senator to add a little bit of context to the numbers that were stated. The thing about a budget is that a budget demonstrates the values, the priorities of the person who drafted that budget. It is very easy to see the important things in a family budget, your personal budget or in a government's budget.

Now, let me focus for the few minutes that I have left on a couple of highlighted points of the Government's Budget Statement, which I think is worthy of at least a mention. As I said earlier, there were Senators here who really threw out those numbers. And I am going to be light on numbers.

Cost of living—I think that is very, very important. It is high on our priority list. As a Legislature, as a Government and as an Opposition party, we need to be working together to find a way in which we can figure out this living wage, which was very lightly—was not mentioned much in the Throne Speech. It has not been talked about very much by the Government at this point. But we need to find ways to lighten the load on Mr. and Mrs. Bermuda by finding ways to reduce the costs. I have talked about the mortgage guarantee. I talked about the health care costs. We talked a little bit . . . And that sugar tax went from 50 per cent to 75 per cent. Wow! That is a big jump.

And, of course, the landowners, the land tax. Again, when a government sets policy, they are not only actually making a money call, an economic decision that affects people's purses. But they are also sending a message. So, if I am saying to the population, *I'm going to give you, and I'm going to implement a rental unit tax*, and I pull it back and say, *You know what? We were thinking about the people. So, we're not going to levy you that tax*. But right behind it, you come with a land tax that increases the low end from \$88 to \$300, it sends the wrong message! It is like a sleight of hand. If you are going to do it, be transparent, explain yourself fully and do it.

But this is catch-and-release. You know, as a kid, you go fishing. You catch a fish and you throw it back in. Well, that fish was traumatised when you pulled it out of the water. And now you threw it back in there. Well, to some degree, that is what we did, or that surely what was done to the residents. There was a lot of uproar in the community about this rental tax. And people were getting concerned, and people were getting alarmed. And then it was pulled back. And then this land tax was pushed in.

I recognise the fact that this Government is jammed up. It has to find ways to support its programmes, to support its services without letting people

go. It is a challenge for anybody. And that is where stimulus comes in. That is where diversity of an economy becomes very important.

Now, I have often heard, and we have heard on the airways, we see it in the newsprint, the fact that the OBA wants to bring all of these people to Bermuda. Where are they going to find jobs? Why are they going to bring all of these people? They are just going to be sitting around trying to find jobs just like Bermudians. Well, here is the question: Which came first, the chicken or the egg? Do we have the right incentives in place to attract the job creators, to attract the foreign investors who will bring industry to Bermuda? And then the people will come behind them. That is what we are saying.

We have to maintain, or better still, gain back our competitive advantage. If you look at one of our competitors to the south of us, Cayman Islands, they have certain caveats in their package to invite foreign investment that we in Bermuda need to get our heads in the game and compete like we once did before. They have some advantages that we would do well to not just emulate, but do better than.

When a foreign investor is coming into a jurisdiction like Bermuda, they have got a couple of questions that they are going to ask. They are going to ask, How expensive is it to do business? They are going to ask the question, Can I buy property? Do I have to rent? How fast can work permits get processed? Another big question is, What are the chances of being a permanent citizen of that country?

At some point, we are going to have to admit that the population size in this country is tied to the hip to any economic plan. So, our immigration reform is integral to any economic plan that is going to put us in a good position.

A couple of sessions ago, I shared with this House, with this Chamber and with the wider audience the Marcus and Steven economy of marbles. And just to refresh your memory and to lighten up this tight debate just a little bit, if I can refresh your memories. As a kid, my brother and I had a marble economy. And in that economy, starting out, it was just he and I. He was a better marble player than I was, so more times than not, he was able to win more marbles from me, Madam President.

What we found was, in order to give more chance for the lesser-skilled marble player to at least be able to gain marbles for himself, we thought that we would widen the pool. And so, we reached out to different neighbourhoods to find willing participants in our marble economy. And we were able to increase the number of marbles, because we went outside of our household, which was just my brother and I, to the neighbourhoods around us.

One part of that story I failed to disclose to you, and that was the majority of those willing participants whom we were able to convince to be a part of that marble game were children of the Canadian and

American forces. They were not familiar with the game of marbles. So, what we would do is, we would give them a couple of marbles, teach them how to play, then tell them they had to go and find their own marbles and come back and play for real.

But they were not originally from this country. We brought them in. We played marbles. And we were able to fleece them. And the unskilled marble player, myself, was able to gain marbles.

But the day came when one of them came and said, *My dad has been called to go somewhere else*. They had to leave. They were sad; I was sad. But they did not know the tear in my eye was because I was not going to get any more marbles from them. But because they left, it affected my pool of marbles. And later on, we became babysitters for those Canadian kids, those Canadian families. So, we diversified our economy. We went from marbles to actually getting money. We were able to babysit and make money from them.

But the point is that we were able to generate income. We were able to stimulate our economy of marbles by pulling from a source outside of the familiar surroundings. We were able to bring in some foreign players who were able to add to our economy—just like we have to do as a country.

I hear the word *xenophobic* being used falsely in this country. I read the blogs. I hear it bandied around. Bermudians have been labelled as xenophobic. I will say to you unequivocally that nothing can be further from the truth. If one could go back in time, most especially when the Canadians and the Americans were here and when tourism was booming, Bermudians went out of their way to be welcoming to foreigners. So, I am offended when people call us xenophobic.

The reason why Bermudians, I believe, can be misunderstood to be xenophobic is that they are fearful. You walk on a jobsite as a carpenter, and you see a different nationality doing your job. What is it going to make you feel like, Madam President? You are going to be put out. You are going to feel angst. You are going to feel resentful, because you have got to feed your children. And someone else from a different country is doing the job that you can do.

So, when I say that we need to implement an immigration reform to put a package together that will be inviting to the foreign investors, I am not saying to displace Bermudians and their jobs. I am saying, bring in foreign workers who can do the jobs that Bermudians cannot do, or are not quite trained-up to do. Let them come in here. Let them find a place, especially the job creators, so that we can stimulate this economy so that we can widen this tax base.

Over 40,000 jobs in 2007 and 2008! We are now plugging along at 33,000. Surely, surely, we can make up some of those numbers by making coming to Bermuda attractive.

Now, I was telling you about the jurisdiction to our south, the Cayman Islands, which can be considered a tax-neutral jurisdiction. All that they get deducted from their pay are health premiums and pension—no payroll tax, no income tax. They pay no duty on import goods. In their Immigration Department, they can turn around a work permit in five days.

That is what you call rolling out the red carpet for foreign investment. Can we in Bermuda do that? Absolutely! We have the ability. We just have to have the will. We have to be willing to put aside our fear. *Oh, those foreigners! They are going to come and take our jobs!* No, they are not! They are going to add to what we already have.

You know, graphs and statistics tell us that when those jobs left from Bermuda, when those foreign workers left, the thought was, *Okay, Bermudians will just fill those jobs.* Well, no. As many foreign worker jobs were lost, local jobs were lost, too. So, you can throw that theory out the window. So, we on this side strongly believe that immigration reform is an integral part of our economic plan, going forward.

Now, the Premier has stated, and he is probably right, that he feels that his Government has earned the trust of the people by a mandate of 25 to 11. (Is that the number? No one is answering me over there.) So, they have earned the mandate to lead the charge of immigration reform.

So, I say to you on this side, *Lead us! Take the bull by the horns and show us the way!* Now, you may change the name of it from Pathways to Citizenship to Economic Stimulus Through Immigration Reform, whatever way you want to put it. But you have got to get it right, and you have got to do it soon. Quick, fast, and in a hurry, because Cayman Islands is taking our lunch! If we are going to get into this game, let us be serious. And we are not in this game to draw. We are in this game to win.

And so, we need to take off all of the restrictions, all of the limitations. Make sure that we value the status of our home-grown Bermudians, absolutely. But we have got to open up just a little bit more so that we can be attractive for that foreign investment.

The President: Senator Jones, you have two minutes.

Sen. Marcus Jones: Thank you, Madam President.

The President: Do you have final words?

Sen. Marcus Jones: And on that note, Madam President, I leave you with this thought. This budget has left me hopeful.

There is a word of scripture that says, *Can a leopard change its spots?* Well, I believe the leopard can change its spots, and I believe that this PLP Government, in its attempt to stimulate the economy, in its

attempt to generate surplus budgets, they are going to have to reflect the budget that they did this year and take it a step further and look forward, be forward-thinking. How am I going to sustain surplus budgets? How am I going to be sure that I am putting money away so it can go towards this debt? How can I put a plan in place that can tell this country, in 10 years we are going to be at this debt level where we will be able to breathe again, where we will be able to function like we did in the past?

So, Madam President, I finish my talk with hope. And that is where I left the country here today.

Thank you.

ANNOUNCEMENT BY THE PRESIDENT

SENATE VISITOR

The President: Thank you, thank you, Senator Jones.

And before I call on the next speaker, I would just like to acknowledge the presence of the Deputy Premier, Minister of Home Affairs, the Honourable Walter Roban in the gallery. Welcome, sir.

Would any other Senator care to speak?

Senator Richardson, you have the floor.

[General Economic Debate continuing]

Sen. Anthony Richardson: Good afternoon.

The President: And you have 45 minutes.

Sen. Anthony Richardson: Sure.

Good afternoon, Madam President, fellow Senators, and listening audience.

I am going to try my best not to smile as I go through this, but I do want to thank Senator Jones for his rather enlightening comments.

I, too, came with a thought [to] not talk about people, as opposed to numbers, and I am going to try my best to do just that. But I will say that in listening to Senator Jones, in particular, . . . to use, I guess, the local vernacular, I believe he threw his party under the bus in terms of the general narrative, [which] seemed to be that the Finance Minister's decision to forego the contribution to the Sinking Fund was not well received. And you have characterised it as you should have, as being a brilliant move.

As I go forward with my other comments, I will show you how actually in making that decision the Minister of Finance has actually saved Bermuda, I think it is about \$1.6 million. And, before I go on, also, Senator Robinson asked earlier, "Where's the beef?" And I will also go back a few sessions, because your "beef" that you are asking for is actually in the budget, yet again, in terms of you previously stated that you are one of those young persons that was looking to find accommodations, and if this process comes to fruition, you will be one of those young people that will

benefit by being able to buy a condominium-type accommodation in the city that meets your personal circumstances.

To go back, I will do, really, what Senator Caesar referred to earlier. And that is try to speak to the comments that I received from members of the public. And I will start by just, I guess in a summary way, asking, What are we doing? What is this whole process? And the process, of course, is for the Government to sit down and to try to estimate as best as it can what it anticipates as being the amount of revenue that can be generated from the local economy in the next 12 months, and, thereafter, figure out what will be spent, what could be spent, what can be spent, and those things. And it will be interesting if the average person or average family does the exact same thing. Because I would hazard a guess that very, very, very, very, very few families take the time to sit down and think about the fact that, *Ok, fine. My weekly, monthly, or annual income is going to be X. My expenses are Y. What am I going to do with either the surplus, or to make up the shortfall?*

It is a very revealing process, notwithstanding, whether you have a surplus or a shortfall, because at that stage you have an idea as to what you must do. Do you have excess to spend, or do you have a shortfall to make up, and, therefore, have to make some additional sacrifices? And, so, that is what we are doing today. We are talking about what the Government is doing, obviously, on a national level.

And I will also add before I forward, again, from [Senator] Marcus Jones, that I know he made some comments just now in terms of the Cayman Islands. And at all times when we speak about these things it is about context. And I would offer that many Caymanians would complain that, based upon the Cayman Island's immigration policies, they as Caymanians are now the minority of the workforce. Now, I am not sure if you are advocating to Bermuda to get to a status whereby Bermudians themselves are the minority within the workforce.

And so, my comments are actually going to focus on two areas primarily. And some of it is repetitive, and I apologise for that, but I think it is necessary because, again, of what has been developed into some degree as the narrative.

In preparing for this, I did look at the National Economic Report of Bermuda that was given out to all of us. And I looked at the GDP as many have, using the nominal rates. And it shows that Bermuda's GDP is approximately \$6.3 billion.

And then the natural thing was to look and see, well, what are the major components of the national economy? And we find that, for international business it is about \$1.7 billion, which is 27 per cent. The next, actually, is \$1 billion for real estate and renting, and that is about 16 per cent. And the next one is \$737,000, which is 12 per cent, which is financial intermediation. And it helped me to focus on the fact

that lending and lending rates, and debt, and all those things, are important for us individually, and for the country, nationally. And then that took my focus to the whole discussion, going back to what many persons have said already about the national debt.

We always bend around the idea that the national debt is or is not. The national debt is actually unique, from a government perspective in terms of . . . it is actually what is defined by the Loans Act. And so, it does not take into consideration the entirety of the debt, as Senator Jardine referred to earlier about all the guarantees the Government has given and whatever. So, if looked at that in its entirety, right, the Government debt would be more than we think it is. But, in terms of the defined national debt, it is (give or take) \$2.4 billion, being the actual debt outstanding less whatever amount is in the Sinking Fund.

And then on an annual basis what Government is supposed to do, is put aside 2.5 per cent of the then outstanding debt. And that is why we are bending around this year the fact that Government would have, under other circumstances, put aside approximately \$60 million into the Sinking Fund, but has chosen not to do so, for good reason. And I will explain to you in a minute why that decision was wise, and why it is estimated that, by doing so, the Minister of Finance has saved the Island about \$1.6 million that would have otherwise been paid.

I say that because it is roughly estimated that the current amount that is earned on the Sinking Fund is a little less than 2.0 per cent. And I will call it 2.0 per cent. But the actual average cost of borrowing is more likely 4.6 per cent. And what I have used, just for argument's sake, is that that is a differential of about 2.5 per cent. And so, to use the example that Senator Hayward used earlier, we would have used our credit card to borrow some money at 4.6 per cent, and then put it in the bank at 2.0 per cent. Clearly, that makes no sense. And at \$60 million, that would cost about \$1.6 million of interest per year. And so, on that basis alone, it clearly made a lot of sense for what the Minister of Finance did in terms of, let's not borrow money in order to put it in the bank and effectively earn a negative return.

The other point that I wanted to make, which is also being bandied around, is in terms of the potential impact of the Government providing guarantees. It has been said in this space and in the other place (as we call it euphemistically) by persons who I am surprised because I believe they should know better, that your level of collateral does impact your interest rates.

If you think that makes no sense . . . well here is an example as to why it does make sense. If two people go to the bank to borrow, let's say, a million dollars, and they make the same exact money, everything is the same except one person has collateral and the other person does not, the banks are clearly going to be more prepared to lend to the person with collateral than the person without, all things being

equal. Clearly, it allows for the bank to have some additional security. Because what the banks will do, of course—

Sen. Nicholas Kempe: Point of clarification.

The President: Do you accept it?

Sen. Anthony Richardson: Sure, I will accept it for now.

POINT OF CLARIFICATION

Sen. Nicholas Kempe: Are we referring to general loans or mortgages in this example?

Sen. Anthony Richardson: Actually, it does not matter. Whether you are going for a general loan, for example, consumer loan or a mortgage, it is not going to matter. The collateral definitely does play a part.

And I should have . . . I want to declare an interest, but I advise that in a different time of my life, I suppose, I was involved in the lending aspect at one of the local banks. But even before that, from my background, just from what I know, it is true that if you go to somewhere to borrow money, all things being equal, if one person has collateral [and the] other person does not, then, clearly, the person with collateral will get the advantage and should actually get a lesser loan rate.

To give a more concrete example, potentially, which is also, I guess, sensitive for Bermuda right now, would be the Morgan's Point Development. Everybody knows full well that there were some challenges in terms of obtaining financing for that project. And it was not until the Government stepped in and provided collateral that the developers were able to obtain financing. So, if anybody in this locale or in the other place would speak again in terms of collateral not making a difference, then, clearly, they are being intentionally obstinate, because, again, collateral does make a big difference.

And so, that then [leads] to Senator Hayward's comment earlier, in that: Yes, the Government's announced plan . . . and, yes, I accept that the details have to be given to us so that we can actually better understand how it is going to work out, in that, if they do offer a mortgage guarantee programme, then any of the potential recipients will benefit. It does not follow that the Government has to take on board lending specialists. What the Government would have to do is provide to whatever lending institution proof of the quality of the collateral that is being offered. The lending institution should be charged with the responsibility for underwriting the actual mortgage application, because they would still be taking the initial risk in terms of approving the mortgage.

Similarly, when it comes to Government's announced plan, and I believe it is intended to be on a

pilot basis to provide some sort of opportunity to be a lender, clearly, people would be concerned about that. And you have already heard the narrative that is being developed in the public space. But in the context of being transformative, it actually makes a huge amount of sense. And the reason is, if you take any household expenditure, unless they have a house that is mortgage-free, then the biggest monthly expenditure is going to be either their rent or their mortgage payment. And so, it then follows that if anything can be done to reduce that expenditure that family will have more money to spend. And the commentary, I believe in the Budget Statement, spoke to an average mortgage of \$500,000, and if that is the example, that is fine. But if you can reduce that by 1 per cent, that is going to give you . . . the example they gave is \$5,300 per year as a reduction.

I take Senator Kempe's point that we may need to get more information so that we can understand what is the true average residential mortgage that is being held by Bermudian families. And then we can speak more definitively to what the impact would be of the 1 per cent reduction in mortgage rates.

But it also stands to reason (which we all know, right?) that in Bermuda there is a fundamental problem. If you have \$1 million that you deposit into the bank, you are probably going to get interest of 1 per cent, maybe a few basis points higher or lower, but let's say 1 per cent. And the reverse is that if you go borrow that \$1 million dollars, you are going to pay probably more than 6 per cent, which is a differential of 5 per cent. That cannot be sustained. That cannot be reasonable. And any adjustment to that would have a significant impact on the monthly discretionary income of all families.

And if a family has even a \$1,000 per month extra to spend the chances are they will spend a portion of that, which will then boost the economy. They may spend it on going out to dinner. They may spend it on their children. They may spend it on leisure activities. Whatever they spend it on doesn't matter. But if they spend it locally, or if they save it, it is all going to have a benefit for Bermuda. So, certainly, there should be significant encouragement to the Government if they are able to provide the necessary details and put in place either of those perspectives for mortgage guarantees or mortgage lending, if that then does decrease the amount of interest rates for the average home owner.

My comment earlier in terms of the real estate and renting factor providing up to \$1 billion in the local economy means that there would be a significant impact, even for the overall economy, if you could reduce the rates by 1 per cent for both commercial lending and residential lending. That would be a huge impact if we accept that the \$1 billion is what is being contributed to the economy.

Before I move off the whole idea of lending and borrowing and rates and that piece, I want to re-

peat what was repeated in (as we say) the other place, which goes back to Senator Jones, in that the initial intention for the Sinking Fund was that it will be funded by current account surpluses. It was never intended for the Sinking Fund to be funded by borrowing money to put into the Sinking Fund. And so, from the inception, if I read this correctly, going back to the 1993/94 fiscal year when the Sinking Fund was established, the comments, in part, if I may read, Madam President?

The President: Yes, you certainly may.

Sen. Anthony Richardson: Is that: "Mr. Speaker, going a step further, legislation will be introduced in this session to establish a Sinking Fund into which regular contributions financed from current account balances will have to be made."

So, that was the initial intention.

Secondly, we sometimes refer to the private sector as being the most expert in managing the economy or giving us advice as to some things that we should do. And when it comes to their budget process they do a similar thing. As I said earlier, I worked at a bank. And I still remember this clearly, whereby, they would say, *Okay, fine, this year we want to increase income by X*. And then you figure out what charges can you increase that will cause the least angst among the consumers but still meet the bank's target?

And it is quite interesting, because one of the social media complaints of recent, was (I won't name the bank, but those who know will know) that one of the local banks actually put out a notice of increased fees. And guess what? Their increases will range from a low of 6 per cent (and, as they say, *Wait for it, wait for it*), to a high of 300 per cent!

So, depending upon which institution you use, you will be paying rates that are increased between 6 per cent and 300 per cent. It is going to be interesting to see if there are any more complaints or comments about this. And obviously if there are complaints, what can be done?

And that leads me to my other comment in terms of the Government has been advocating increased competition to allow for price decreases because, in terms of impact in prices in Bermuda, the introduction of price controls is deemed to be ineffective, inefficient, and a non-starter, effectively. So, what do you do instead? You have to make sure that there are choices. Senator Robinson mentioned this earlier. If I sell grapes at, say, \$16, and Senator Campbell can also provide grapes, and does at, let's say \$10, they may not even be the same exact quality, to be honest. However, you as the consumer have a choice. It is Anthony at \$16 or Senator Hayward at \$10? You choose.

And I forget who said it earlier in terms of . . . I believe you said it. I am sorry I keep referring to Sena-

tor Hayward, but I believe he said earlier that there are now some Renaults on offer at \$16,000. You can go and buy one if you choose. And at the higher end, there are some other vehicles available that may run you \$70,000 plus. Others may be \$50,000 plus, or \$40,000, and the whole nine yards. And so, the idea is [that] you have a choice. And so I think the Government needs to be applauded for whatever it does to improve the choices that are available to consumers because that is what will probably drive down prices.

And so, we should be heralding the recent announcement that there will be another bank coming to the Island. Yes, it has been earmarked to service the . . . well they said the FinTech Industry, but let's say the tech industry in terms of the digital economy, which would be a huge positive. And, I know that I was asked before as to whether or not I would suggest that other banks be introduced to Bermuda that will be full-service banks. And my honest answer is, yes. If that is what it takes to drive down even just lending rates, then, by all means, yes. Because we need to make sure that we are paying reasonable fees for services that are being rendered. And that also goes for the listening community, especially, that you can now transfer a mortgage from lender A to lender B and not pay stamp duty, which is actually a huge savings when you think about the cost of buying a house.

But to be effective, we now need to encourage competition amongst the banks. And similarly (I will say this indirectly when it comes to the insurance companies), at this stage I am not aware of any significant variances in prices for insurance companies. And so, if your house is valued at X, your house insurance is going to be almost the same no matter which carrier you go to. They do compete based upon service. But it would be interesting to find a way whereby there is much more price competition in Bermuda in terms of those things which are almost unavoidable. Everyone may know that, certainly, if you have a mortgage, the bank will require that you have home insurance for that house. And then, you go around and shop around and find one. Unfortunately, there is not that much price competition. So basically, the price is going to be within the same range.

And I will say this while I am talking to that. It is interesting to figure out what is the base that the insurance companies are using for building costs. Because, as you all know, at one stage in Bermuda, the building rates were quoted as being per square foot, and they became more than \$250 per square foot to build. I am not sure what they are now, but it will be interesting to see whether the insurance companies have actually reduced their basis for calculating their premiums or not to reflect what is now the reduced building rate.

And I see some frowns and some shakes of heads. But I don't know. And it is going to be interesting for me, or others who are listening right now, to go

and find out what they quoting as being the basis for your home insurance.

So, Madam President, what I next want to address is what I will almost refer to as the elephant in the room, because when it is mentioned we always hear lots of negativity. And that is the FinTech.

Everybody is afraid of FinTech. And a lot of times what happens is the Government is heavily criticised for any discussions around FinTech. Very often, the immediate reference is to some of, what I want to call, the drama that has occurred in the FinTech space. And with that what we tend to do is characterise the entire industry based upon some of those rogue applicants.

What I want to do in that regard . . . and I may be revealing my age a little bit. And I will say that I am not the youngest person in this room, nor am I the oldest. But when I came back from school and I was doing my training as an auditor . . . it was a wonderful experience, in my mind, because you go out, and within a one-week or two-week period you go from company to company to company and you learn. You have to get there and within that time period learn the personnel, learn the systems, learn the business they're doing, do your work and get out.

One of those opportunities was around 1986, 1987, maybe (somewhere between 1985 and 1987, for sure), when I had the opportunity to audit one of the new insurance companies. (Well, I guess it doesn't matter if I call the name, anyway.) And there was a person in charge. His name was Mr. Cox. And that was the first exposure I had to the idea of someone living in the US, but, effectively, commuting to Bermuda. They would arrive on Monday morning and leave on Friday afternoon. So basically, they would fly back and forth.

But I am saying that because that was at a very new stage, or was new stage, for insurance in Bermuda. And I vividly recall the office getting excited when the phone call came in from the bank that said, *Guess what? A premium of \$75,000 had been received (or \$50,000, or \$125,000).* It was entered into a spreadsheet. And that was because the business model was that in order to get insurance, you had to be a shareholder. And so, they were excited when they received the premium.

And then, from the accounting side (going back into history again), when they used to calculate the loss reserves they still used the basic, basic spreadsheet. You run it out this year and the whole nine yards. I am saying that because at that stage there was a lot of reticence about what this meant or did not mean for Bermuda's economy. One well known CFO at that stage actually went to the bank to borrow some money. He was the CFO of one of these major companies. The bank was so unsure that they denied him the mortgage.

We all know now how significant the insurance sector (which is generally referred to as the IB

sector) is in Bermuda. And so that grew from that stage to, *Okay, well, I am not really sure everybody is celebrating, right?* To it being the leading pillar of the economy today.

Why did I say all that? Simply because I am young enough, or old enough, to remember the infancy of the insurances into Bermuda. That company, by the way, went from renting a small space in Craig Ap-pin House to building one of the largest office buildings in Bermuda, very well-regarded, leading internationally. And so, my point is that when it comes to FinTech, as Senator Jardine referred earlier, we need to be more bold yet cautious and step into it, and allow Bermuda to develop as best we can to a stage whereby FinTech can be the industry, or an industry, of the future.

Now, why I am saying this also is because the Government, from an economic perspective, are looking forward and has pledged I believe a total of \$100,000 to allow interested persons to register and enrol in FinTech-type introductory courses to allow more people to become more aware of what this means and for them to be potentially in a position to be employed when these companies come. And earlier it was said that there were already 66 companies registered in the FinTech space. And it could FinTech, InsurTech, and the rest of these techs, but in this whole space.

And part of my commentary, also, is to encourage those in the community to take personal responsibility to become aware of these things, because, yes, it requires personal sacrifice. And to be an example, I enrolled. And, yes, it means on Thursdays, or Tuesdays, or Saturdays, or whatever, you are going to go this class and learn stuff, and whatever. But you know what? That is what it takes to allow us to be prepared for the future.

I go back to my earlier time also. I used to teach accounting at Bermuda College some time ago. And I was always amazed that policemen in particular, and most of them non-Bermudians, to be honest, would come to those classes. And I would ask, *Well, why?* And their idea was because they knew that within the police service they could serve for a period of time and they could retire as early as age fifty-five. They were preparing for the future. And now, when they retire they get these jobs. And we complain, but it is preparing for the future. And I am saying this because it is necessary for us to say to Bermudians, *Get ready, get ready, get ready.*

What is in my mind also is that yesterday (I think it was) I drove to St. George's. I haven't been down there for a while, and I drove around by the new hotel and yes, guess what? It is coming out of the ground. The metal beams and things are mostly in place. I am saying that because that means that this hotel will ultimately provide jobs also. And I know that they have a particular brand. So, Bermudians, make yourselves available for those options as they come

around. As a St. Georgian, what you would *not* want to do is have the place finish off, require people and then employ persons that are not in the neighbourhood, because they are simply not available, not prepared, rather. So, it is time for us to prepare ourselves. Take advantage of the opportunities as they arise.

One of the hindrances also in the whole FinTech space has been the fact that there is resistance by the existing banks to facilitate the banking of the proceeds from these companies. And we understand that because, clearly, Bermuda has to maintain its existing reputation. That is actually one of our strengths in comparison to (as you said, Senator Jones, earlier) the Cayman Islands and the rest. We are actually recognised as being in a better regulatory environment than many of our competitors.

And even in the instance of this, I want to call it a temporary setback around economic substance, yes, it is a major deal. But subject to us being able to sort out the current challenges, the information that I have been made aware of is that Bermuda . . . because they are going to make sure that all jurisdictions have similar legislation, you are not going to be able to go to one jurisdiction versus the other. Each jurisdiction is going to require other attributes to be seen to be to the better locale.

Bermuda, of course, has natural beauty on its side, but we also have the regulatory environment. And I say that because it is a significant advantage to Bermuda to be seen to operate as a blue-chip jurisdiction. It is very, very important, and we should not lose sight of that. And I also caution while I am speaking that the European listing should not ever drop to the point of being a political football. Never. Because Bermuda is a locale that we all benefit from, or none of us benefit from. So, it is not an issue in terms of *let's make international negative commentary about that*.

And I say that also because I had the opportunity to attend the Chamber breakfast that followed from the budget announcement. And I would say that to a point that the Minister of Finance was very well received. And one of the commentators made the same point that we have to get on the same page when we are discussing Bermuda in the international arena. And obviously, given where we are now in terms of social media and how instant messages are, it is no game for us to try to score local political points when we realise what is happening on the international stage. It is absolutely inexcusable that we would do that.

Now yes, we have differences between ourselves. And, you know, that is part of the political process. But we have to be very, very mindful of where we are when it comes to comments that may impact us internationally.

And so, Madam President, for me, I trust that as we move from today's debate discussion into fur-

ther consideration of the actual budget that, yes, we are able to be constructive. I trust that we are able to hear the explanation from the Government side and then to receive substantive questions from the Opposition in a manner by which we are able to receive the questions and provide information, because in the absence of doing so, we are doing a disservice to the general public.

And my final comment, Madam President, would be that I find that this national budget process is quite rigorous. And again, I would encourage individual family members to try that same process at home. Sit down and see if you can write down what your weekly or monthly income is, and then compare that to your expenses and go through the exact same thing. *What can I adjust? Where can I trim to make sure that I can either live within my means, or I can proactively be aware of where I am going to be short and make plans or do whatever I have to do to be able to overcome that challenge, whether I have to borrow money, whatever I have to do.*

But it is better to do it in advance than it is to do it at the last minute and suddenly you find yourself a bit jammed up. And, of course, everybody be aware of these not so small, but these charges that you may be charged when you use banking services.

And I do know, I will say this last thing, because one of the hiccups that have occurred with banking is that when you do an online transaction for some of those banks they charge you a fee. And in my experience from a business side what is happening is I receive a payment, and it is in this case six dollars less. The question becomes who should pay for it. Do I pay for it or do I tell you as my customer, *Listen, you must now pay the extra six because that is what I am being charged.* My personal decision has been that it is the cost of doing business. But over the course of a year, it does add up, and really that is what Government is trying to do with these charge-backs for credit card use.

And in that regard, I was surprised to find out that, yes, there are businesses that use credit cards for major payments to avail themselves of the benefit of credit card uses, primarily frequent flyer miles. And so, yes, it certainly makes sense, and as Senator Kempe talked about earlier today, that Government might set, you know, limits, I guess, above which you cannot do certain things. That is Government being practical and increasing its efficiency and, thereby, decreasing the cost of running government, which is what we are all trying to get at.

So we cannot have it both ways. We cannot say, *Okay, fine, Government be efficient*, and then Government tries to do some things that are efficient and then they complain. We cannot have it both ways.

And so, with those comments, Madam President, I say thank you.

The President: Thank you, Senator Richardson.

Senator Campbell, it is over to you to reply to questions and move us to the end.

Sen. Vance Campbell: Thank you, Madam President. It has been a long, long session.

The President: Mm-hmm.

Sen. Vance Campbell: But I would like to thank Senators for their contribution. I sat here thinking, *How am I going to wrap this up? Should I make it short? Should I address some of these things that have come up?* And I decided I am going to address those things that have come up, because they keep coming up. Hopefully, they will not come up anymore.

The first one I would like to deal with is this notion that the PLP is a tax-and-spend Government. I will address that by looking at the OBA's history in their four and a half years in Government.

First, during their time in office they increased taxation, as was mentioned by Senator Hayward, to the tune of \$185 million. That is a 21.4 per cent increase in taxes. It was also their plan to increase revenue, you know, by \$1.146 billion by the 2019/20 budget, which we are sitting at now. And this was mentioned in their last budget in office, the 2017/18 budget that they produced. So, that plan to increase their revenue to that amount was through taxation. And that is borne out by the fact that they did engage CARTAC to do that report that was mentioned earlier. So, I will not go into the details of that. But the sole purpose of that report was to increase tax revenues.

We had an increase in vehicle licence fees of 3 per cent in 2013. The cost of bus passes rose. Payroll tax, land tax on commercial buildings, corporate services tax, customs duty on fuel, airport departure tax and other miscellaneous taxes increased in 2015/16. We had payroll tax again in 2016/17. Customs duty on fuel, tobacco and alcohol, and the implementation of a biennial review of government fees. That was 2016/17. We had more taxes in 2017/18, Madam President. So, they try and distinguish between a PLP Government by saying, *Well, we put in place incentives*. So, that is okay if there are incentives, Madam President.

The airport. Yes, we have Bermudians working down there, and they will continue to work for maybe another year and a half. Then what? We have lost control. Control of a major asset was transferred along with 100 per cent of the revenue. It is anticipated, Madam President, for 30 years [there will be] hundreds of millions of dollars lost to the government's coffers.

We had the America's Cup. Yes, short-term stimulant to the economy. We now have I believe it is about 9 acres that cost us \$33 plus million that sits vacant. There was no plan on how it was going to be used post America's Cup, and there was no plan as to how we were going to pay for it. In fact, I correct my-

self. Right now, it is being used as a temporary storage for the work that is going on at Kings Wharf, but basically no plan for how to use a \$33 million asset after the America's Cup.

If we look at the hotel development in St. George's, the developer is also acting as the general contractor, which means that both of the jobs go to their workers. And they were given, my numbers that I have heard, other numbers that I have heard, and I stand to be corrected, somewhere between 70 and 100 carte blanche work permits. So, Madam President—

Sen. Nicholas Kempe: Point of order, Madam President.

The President: What is your point of order, Senator Kempe?

POINT OF ORDER

Sen. Nicholas Kempe: The speaker must cite his sources.

The President: Senator Campbell?

Sen. Vance Campbell: Madam President, it is clear there are many people working on the site that have been brought in by the developer/general contractor. The money that they earn on that site does not stay in Bermuda; it does not circulate in this economy. I will concede to the fact that, yes, Bermudians are getting some employment on that site. And hopefully, hopefully, will get some employment after the hotel is finished. But if you look around Bermuda and you look into the hospitality industry, fewer and fewer familiar faces can be seen.

We have heard . . . and if you go back to the time that the OBA was in power, you wouldn't . . . we heard earlier today of people buying expensive luxury cars. You would not want to drive your car on the road. It would be scratched up because of the overgrowth of vegetation alongside our roads. You could not walk on the road without risking your life because you had to walk out in the centre of the lane to get around the vegetation.

What is the picture that this gave to what was supposed to be a first-class business destination, looking like a third world country? Garbage piling up, not being picked up for two and three days, because of decisions made by the previous administration.

Buses beat up; private vehicles beat up by vegetation, overhanging trees. Buses not running, because of, again, decisions made to cut positions. Actually, they would fund them and then use the money. . . not fill them, and then use the money elsewhere. That sounds like a tax-and-spend government to me.

And in my upbringing, you know, the elders that I looked up to, they had some sayings that are quite simple.

POINT OF ORDER

[Misleading]

Sen. Nicholas Kempe: Point of order, Madam President. The member may be inadvertently misleading the Senate. Current account expenditure on the OBA decreased over the five-year-period.

The President: Carry on, Senator.

Sen. Vance Campbell: Madam President, it is a fact that our trash collection was an issue. It is a fact that our buses were breaking down, and there were numerous, countless cancellations of bus routes every day. That is a fact, Madam President.

Going back to what I was saying, elders used to have a saying: If it looks like a duck, if it walks like a duck, if it quacks like a duck, it is a duck.

An Hon. Member: It's a duck.

Sen. Vance Campbell: So, the PLP is supposedly a tax-and-spend government. You cannot dispute that our roads . . . you can drive that luxury vehicle on our roads today, Madam President. You cannot dispute that the money this Government has spent has improved the collection of the trash that we put out every week. And, I might add, at a lower cost due to the reduction in overtime.

It is a fact that the bus cancellation situation has improved. Is it where we want it to be? No, but it has improved under this PLP Government. It is a fact that we have students who are able to go to Bermuda College as a result of money spent by this Government, who were previously unable. And we talked about preparing our workforce to meet the challenges and the needs of our new economy. That is what this Government has been doing with the money of the people.

With that said, Madam President, I am going to just recap the themes of the budget. The Government has a plan, a fiscal plan. Some around this table, Madam President, may not like that plan, but it does not mean we do not have one. The budget is rooted in fiscal discipline and prudence, modest tax increases, current account frozen at 2018/19 levels, small increase in capital funding, Madam President.

First balanced budget in 16 years. Reduction in net debt. No expectations of increase in the debt ceiling. The Sinking Fund contribution suspended rather than borrow \$67 million at 4.591 per cent and earn 1.9 per cent on that \$67 million. No increase in interest expense, allowing for funding for other priorities.

The Government has tried to be fair and balanced, taking into consideration the situation that we must face as we try to reduce the deficit.

The Government has put in place an efficiency committee. We have heard that, but yet Senators around the table, Madam President, still say, *Where are the attempts to control costs?* Efficiency committee. We explained what their role and their charge is, but yet we still have, *Where are the attempts to control costs?*

This Government is taking care of our people, reducing the cost of living, providing mortgage relief. Healthcare reform is coming. Tackling electricity costs . . . that is a big one; that is a challenge. As I mentioned earlier, increased investment in education.

With that, Madam President, we have talked about sharing the tax burden. This Government has attempted to do that. We have been transparent for the third time, second time, this administration. The only time we have had a pre-budget process is under the PLP Government and we will continue to do that. And we are looking to grow our economy for all Bermudians. We also spoke of the Government doing its part through that efficiency committee. So, to say that the Government has not checked spending is not accurate.

So, with that, Madam President I conclude my comments on the budget, the general economic debate.

The President: Thank you, Senator Campbell and senators.

This concludes the general budget debate and on Wednesday we will move into the estimates and expenditures of the ministerial and departmental budgets. Thank you all for your input today. It has been quite a good budget, and I think the public should be well pleased with all the comments that you have made.

We will now move on to the second Order of the Day, which is the second reading of the Foreign Currency Purchase Tax Amendment Act 2019, Governor's recommendation signified.

Senator Campbell, this will give you a chance to catch us up and move us on this second reading.

Thank you.

BILL

SECOND READING

FOREIGN CURRENCY PURCHASE TAX AMENDMENT ACT 2019

Sen. Vance Campbell: Thank you, Madam President.

Madam President, the Bill now before the Senate is the [Foreign Currency Purchase Tax Amendment Act 2019](#). The purpose of the Bill is to

amend the first schedule of the Foreign Currency Purchase Tax Act 1975, which I shall refer to as the Act.

Madam President, the Act provides that tax is to be paid by or on behalf of persons who purchase foreign currency from banks and similar financial institutions. The rate of the tax is set out in the first Schedule to the Act and the current rate is 1.0 per cent. The last time the rate was increased was in 2010 when it was raised from 0.5 per cent to the current rate of 1.0 per cent.

Madam President, the kinds of transactions that are caught by the Act include purchase of foreign currency for travel overseas, purchases of imported goods and services by traders, and also purchases by consumers through catalogues and/or by way of the Internet. Persons will also notice the charge when they pay on or pay off their credit card balances. Madam President, the Act does provide for exemptions from the tax on certain transactions. The list of exempted transactions is set out in the second Schedule to the Act.

For the convenience of the Senate and those who may be listening, I shall recite those transactions that are exempt from the tax. Madam President, a transaction by any of the following bodies is free of the tax, namely: the government, the Bermuda Monetary Authority, the Bermuda Housing Corporation, the Bermuda Hospital Board, the Bermuda Tourism Authority, the Bermuda Deposit Insurance Corporation, a bank, a deposit company, a credit union, a trust company.

Madam President, in addition to the entities just mentioned, remittances of premium income by local insurance companies or non-resident insurance undertakings and pension contributions by a local pension fund are not subject to the tax.

Madam President, the main purpose of the Bill is to raise additional revenue. Indeed, while the community would prefer that taxes not be increased, it is important that all parties assist in the road to fiscal consolidation driven by a sense of shared sacrifice.

There is no question that the demand for government services is increasing, along with the pressing requirement to reduce the deficit. The proposed change in this rate will assist in providing some additional revenue that is required to satisfy the expanding public needs of our community and reduce the deficit.

Madam President, in the case of the proposed increase in Foreign Currency Purchase Tax, the overall impact on the cost of imported goods and services is an increase of 0.25 per cent. Madam President, the yield from the tax in 2019/20 is anticipated to be approximately \$26.1 million.

With those comments, Madam President, I conclude my remarks.

The President: Thank you, Senator Campbell. Would any Senator care to speak on this Bill?

Senator Kempe, you have the floor.

Sen. Nicholas Kempe: Thank you, Madam President.

I have a couple of questions and comments on the statement from the spokesperson from Finance.

The first premise was that there is an increased need for government services. But we have heard from other Members today, and also from reports that have been put out that we have a decreased and a decreasing population. So, I am wondering how these two states of mind are compatible.

When we look at this Foreign Currency Purchase Tax, there were a lot of exemptions, namely, trust companies, insurance companies, government. So, who does it affect, Madam President? It affects people that earn Bermuda dollars and people that consume goods in Bermuda, which means it has a disproportionate effect on people working in the local economy, mainly Bermudians, and it has a disproportionate effect on retail, and people that dedicate a higher percentage of their disposable income to consumption, which is generally people that are at the lower end of the economic scale.

So, this tax seems completely unnecessary, and it targets (according to the aspirations on page 1 of the budget) the wrong sectors of our economy. It is not an evolution of taxation; it is a worsening of the status quo.

Another item is that by increasing the cost on the foreign currency purchase tax, one of the unintended consequences I fear we are going to find is that businesses that service companies that earn in US dollars, namely, in international business, will now have crossed a threshold by which it makes sense to run two accounts to receive payment for the goods and services, one in US dollars and one in Bermuda dollars. And by doing that they will be able to do their purchases overseas, or even pay employees if they wish to in US dollars, and that will lessen the projected increase in collection from this change in the tax.

When we look at it, it is a relatively paltry amount at the end of the day. The Senator mentioned that it is \$21 million, but we are really talking about an increase of \$4.1 million. So, it is not a huge number in the large scale of things. It is less than the projected surplus for the year, and I question the logic of doing this increase at all, quite frankly.

Thank you, Madam President.

The President: Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

No?

Then, Senator Campbell—

Sen. Vance Campbell: Madam President, we have heard the Senator use “paltry sum” a number of times today. A dollar is built one penny at a time. The Government had the option to go higher in many of the

areas that they increased tax, but they chose to go with modest increases. If we would have gone high, we would have been criticised for it not being a paltry sum. We go with a modest tax increase, we are criticised for it being paltry. I would take \$4 million over the status quo in our attempt to meet a balanced budget.

I have no other comments, Madam President.

The President: Will you do your second reading then?

Sen. Vance Campbell: I move that the Bill entitled the Foreign Currency Purchase Tax Amendment Act 2019 be now read a second time.

The President: Is there any objection to that motion?

No objection.

Go ahead Senator Campbell.

[Motion carried: The Foreign Currency Purchase Tax Amendment Act 2019 was given a second reading.]

SUSPENSION OF STANDING ORDER 26

Sen. Vance Campbell: Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

The President: Is there any objection to that motion?

No objection.

Carry on.

[Motion carried: Standing Order 26 suspended.]

BILL

THIRD READING

FOREIGN CURRENCY PURCHASE TAX AMENDMENT ACT 2019

Sen. Vance Campbell: Madam President, I move that the Bill entitled the Foreign Currency Purchase Tax Amendment Act 2019 be now read a third time.

The President: Is there any objection to the third reading?

No objection.

Carry on, Senator Campbell.

Sen. Vance Campbell: Madam President, I move that the Bill do now pass.

The President: It has been moved that the Bill entitled the Foreign Currency Purchase Tax Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection. The Bill is passed.

Thank you, Senator Campbell.

[Motion carried: The Foreign Currency Purchase Tax Amendment Act 2019 was given a third reading and passed.]

The President: Moving on to the third item on the Order Paper, and that is the second reading of the Financial Service Tax Amendment Act 2019, Governor's recommendation signified. And Senator Campbell, I believe that is your Bill as well.

Sen. Vance Campbell: That is correct, Madam President.

The President: You have the floor.

BILL

SECOND READING

FINANCIAL SERVICES TAX AMENDMENT ACT 2019

Sen. Vance Campbell: Madam President, I move that the Bill entitled the [Financial Services Tax Amendment Act 2019](#), be now read a second time.

The President: Is there any objection to that motion?

No objection.

Carry on Senator Campbell.

Sen. Vance Campbell: Madam President, the Government wishes the Senate to give consideration to the Bill entitled Financial Services Tax Amendment Act 2019.

This Bill provides for a revenue raising measure in support of Government's 2019/20 budget, but it also exempts insurance policies taken out by government from the tax. In the 2017/18 budget, in an effort to broaden the tax base, the former Government enacted the Financial Services Tax Act 2017. This legislation introduced a Financial Services Tax on insurance premiums, excluding health, money transmissions of a money service business and bank assets.

Madam President, when applied to banks, the tax was calculated at 0.005 per cent of the assets. The tax, as applied to local insurance companies, was a tax on gross premiums earned, excluding premiums from health insurance. The rate of tax was set at 2.5 per cent of non-health related gross premiums. Finally, the rate of tax for the money service business was 1.0 per cent on their aggregate outgoing transmission volume. When the former Government introduced the Financial Services Tax, this tax was an obligation of the respective financial institutions, and it was up to the company if they passed this tax on to their customers or not.

In 2018/19 it is estimated that government will collect a total of \$8.6 million from this tax, broken down as follows:

- \$4.1 million from bank service tax;
- \$4.0 million from insurance service tax; and
- \$0.5 million from money service business tax.

Senators will recall that the Tax Reform Commission (TRC) recommended increases of Financial Services Tax on bank assets and insurance premiums. The exact recommendations were as follows: The bank fee, Madam President, to be increased by [0.0075 per cent], or 75 basis points. The fee on insurance premiums to be doubled from 2.5 per cent to 5.0 per cent. This increase will be the obligation of the insurer, as recommended by the Tax Reform Commission.

Madam President, following consultation, the Government will increase the tax on premiums by 1 per cent, and increase the tax on bank assets from 0.005 per cent to 0.0075 per cent of its consolidated gross assets as at the end of a tax period. The Financial Services Tax increases will be on the same terms as the existing Financial Services Tax remittances introduced by the former Government. This will yield an estimated additional \$3.4 million in revenue.

Madam President, the Bill will also exempt insurance policies taken out by government, as it is pointless for government to be increasing its insurance costs due to its own taxes. Currently, government incurs \$8.9 million in insurance costs, so this will save approximately \$311,500 at the increased rates.

With that, Madam President, I conclude my remarks on this Bill.

The President: Would any other Senators like to speak on this Bill?

Senator Kempe, you have the floor.

Sen. Nicholas Kempe: Thank you, Madam President.

I touched on this briefly during the general economic debate, but the piece in this Tax amendment Act that I find quite cynical is the raising of tax and then the belief that this can be obligated to be assumed by the insurer, bank, or whoever was passing it on and simply listing it as a line item on the final invoice. This tax will continue to be passed on. It just will not be listed as a separate line item on the premium.

We will see fees and premiums and other things go up to recover the cost of this raised tax. And, as I said before, an increase in tax is an increase in cost of living.

I find it amusing that not even the Government believes that the insurers will bear the cost of this bill; otherwise they would not have needed to write a carveout for government policies from the insurance companies. They know that this tax will be passed on and will not be borne by the insurance companies.

Otherwise they would not have felt the need to write a carveout for policies that they receive from the insurance companies themselves.

The President: Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

No?

Senator Campbell.

Sen. Vance Campbell: Madam President, in my brief I said, "When the former Government introduced the Financial Services Tax, this tax was an obligation of the respective financial institutions, and it was up to the company if they passed this tax on to their customers or not."

I then stated, Madam President, "The Financial Services Tax increases will be on the same terms as the existing Financial Services Tax remittances introduced by the former Government."

So, that is pretty obvious to me, Madam President.

Madam President, I move that the Bill entitled the Financial Services Tax Amendment Act 2019, be now read a second time.

The President: Is there any objection to that motion?

No objection.

Go ahead Senator Campbell.

[Motion carried: The Financial Services Tax Amendment Act 2019 was given a second reading.]

SUSPENSION OF STANDING ORDER 26

Sen. Vance Campbell: Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

The President: Is there any objection to that motion?

No objection.

Carry on.

[Motion carried: Standing Order 26 suspended.]

BILL

THIRD READING

FINANCIAL SERVICES TAX AMENDMENT ACT 2019

Sen. Vance Campbell: Madam President, I move that the Bill entitled the Financial Services Tax Amendment Act 2019 be now read a third time.

The President: Is there any objection to the third reading?

No objection.

Carry on, Senator Campbell.

Sen. Vance Campbell: Madam President, I move that the Bill do now pass.

The President: It has been moved that the Bill entitled the Financial Services Tax Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection. The Bill is passed.

Thank you, Senator Campbell.

[Motion carried: The Financial Services Tax Amendment Act 2019 was given a third reading and passed.]

The President: We now move on to the next item, which is the second reading of the Hotel (Temporary Customs Duty Relief) Amendment Act 2019.

Senator Campbell, that is your Bill as well. We've kept you busy today.

Sen. Vance Campbell: Yes, Madam President.

BILL

SECOND READING

HOTEL (TEMPORARY CUSTOMS DUTY RELIEF) AMENDMENT ACT 2019

Sen. Vance Campbell: Madam President, I move that the Bill entitled the [Hotel \(Temporary Customs Duty Relief\) Amendment Act 2019](#), be now read a second time.

The President: Is there any objection to that motion?

No objection.

Carry on Senator Campbell.

Sen. Vance Campbell: Madam President, this Bill proposes to extend the Hotels (Temporary Customs Duty Relief) Act 1991 by a further five-year period, expiring on March 31st, 2024. The Act provides a zero rate of customs duty on capital goods to be used in a capital investment scheme a hotel. Qualifying goods are listed in the Appendix of Public Notice 26, Customs Duty Relief, Hotels (Temporary Customs Duty Relief) Act 1991. The items included in the list of goods are intended for the renovation and refurbishment of hotels and guest houses.

The duty relief for hotel redevelopment is easy to obtain. Any hotelier may claim duty relief by making a customs declaration, a BCD, in respect of qualifying goods and specifying CPC 4509 in box 16 on that form. A copy of the relevant hotel licence should accompany the customs declaration. Detailed declaration guidance is easily accessible on the government portal.

Madam President, many properties have benefited from the concessions that are due to expire on March 31st, 2019. Since the last extension of the Act

in 2014, the hotel sector in Bermuda has benefited by receiving approximately \$12.7 million in duty relief on the renovation and refurbishment of their facilities.

Madam President, 2018 turned out to be another record-breaking year for the number of visitor arrivals when cruise, air and yacht figures are combined, with air arrivals growing by 4.6 per cent. Despite this success, hotel occupancy for the full year increased by only 1.1 per cent over 2017, to 63.7 per cent. There is no doubt that every hotel with a licence relies on this concession. This includes new hotel development prior to any order under the former Hotels Concession Act, or the now Tourism Investment Act.

Madam President, upgrades are vital to maintain standards and the hotel licensing regulations and are monitored through compliance inspections twice a year. This concession helps hotels to comply with these regulations.

Madam President, hoteliers have made it very clear to Government that they require this assistance to successfully navigate through these times. This extension to the customs duty relief will allow industry to be better prepared for any challenges that lie ahead.

To Bermuda's great fortune, the hoteliers are generally committed to maintaining staffing levels wherever possible, while continuing to offer first-class service and amenities to the guests of their establishments. The extension of duty relief will encourage the properties to continue to upgrade and provide the greatest quality experience possible to both visitors and residents alike.

Madam President, Government is equally committed to supporting the industry as it provides a diverse range of jobs to a wide cross section of Bermudians.

Thank you, Madam President.

The President: Would any Senator care to speak on this Bill?

Senator Jones, you have the floor.

Sen. Marcus Jones: Thank you, Madam President.

As I am looking at this amendment the thought and question has come to me that (and I don't know if the Junior Minister will be able to enlighten the Senate) . . . does the Government have any intention with this amendment of opening up an opportunity for the fastest growing category of tourism unit in the country now, the Airbnb and vacation rental units? I agree with this amendment. I think it should be extended, but there is still a category within our tourism product that I feel one can consider this being extended to that category as well.

The President: Thank you, Senator Jones.

Would any other Senator care to speak on this Bill?

No?

Senator Campbell, you have the floor.

Sen. Vance Campbell: Madam President, I do not have the answer for that question at this time, but I will endeavour to get it for Senator Jones.

The President: Thank you, Senator Campbell. Carry on.

Sen. Vance Campbell: Madam President, I move that the Bill entitled Hotel (Temporary Customs Duty Relief) Amendment Act 2019, be now read a second time.

The President: Is there any objection to the second reading?

No objection.
Carry on.

[Motion carried: The Hotel (Temporary Customs Duty Relief) Amendment Act 2019 was given a second reading.]

SUSPENSION OF STANDING ORDER 26

Sen. Vance Campbell: Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

The President: Is there any objection to that motion?

No objection.
Carry on.

[Motion carried: Standing Order 26 suspended.]

BILL

THIRD READING

HOTEL (TEMPORARY CUSTOMS DUTY RELIEF) AMENDMENT ACT 2019

Sen. Vance Campbell: Madam President, I move that the Bill entitled the Hotel (Temporary Customs Duty Relief) Amendment Act 2019 be now read a third time.

The President: Is there any objection to the third reading?

No objection.
Carry on, Senator Campbell.

Sen. Vance Campbell: Madam President, I move that the Bill do now pass.

The President: It has been moved that the Bill entitled the Hotel (Temporary Customs Duty Relief) Amendment Act 2019 do now pass.

Is there any objection to that motion?
No objection. The Bill is passed.

Thank you, Senator Campbell.

[Motion carried: The Hotel (Temporary Customs Duty Relief) Amendment Act 2019 was given a third reading and passed.]

The President: We will now move onto the next item on the Order Paper, which is the second reading of the Restaurant (Temporary Customs Duty Relief) Amendment Act 2019.

Senator Campbell, it is your Bill, so you have the floor.

BILL

SECOND READING

RESTAURANTS (TEMPORARY CUSTOMS DUTY RELIEF) AMENDMENT ACT 2019

Sen. Vance Campbell: Madam President, I move that the Bill entitled the [Restaurants \(Temporary Customs Duty Relief\) Amendment Act 2019](#), be now read a second time.

The President: Is there any objection to the second reading?

No objection.
Carry on, Senator Campbell.

Sen. Vance Campbell: Madam President, this Bill proposes to extend the Restaurants (Temporary Customs Duty Relief) Act 2002 by a further five-year period, expiring on March 31st, 2024. The Act provides for a zero rate of customs duty on imported capital goods intended for the renovation and refurbishment of restaurants.

Madam President, many properties have benefited from the concessions that are due to expire on 31st March 2019. Madam President, Government is committed to upgrading this country's tourism product in our continuing efforts to revitalise the tourist industry. The restaurant industry is viewed as an essential component in this Government's quest to provide a first-class experience for our Island's visitors. It is vital that Bermuda's restaurants achieve and maintain the highest standards possible.

Madam President, of significance is that many smaller mom-and-pop restaurants have taken advantage of this concession. The concession is easy to obtain. A restaurateur may apply in writing to the Minister of Finance for a scheme to be approved in respect of his/her restaurant. The application should include a description and plan of the capital investment scheme, along with an itemised list of the capital goods to be used in the execution of the scheme.

Once approved, the restaurateur may claim duty relief by making a customs declaration in respect of qualifying goods and specifying CPC 4517 in box

16 on that form. A copy of the Minister's approval letter should accompany the customs declaration. Again, detailed declaration guidance is easily accessible on the government portal.

Madam President, since the last extension of the Act in 2014, the restaurant sector in Bermuda has benefited by receiving approximately \$2.2 million in duty relief on the renovation and refurbishment of their facilities.

Madam President, like the hotels, most restaurants are committed to upgrading their facilities to the highest standards possible, and those that have already reached high standards are determined to maintain them. To reach their goals in the prevailing economic climate, a number of restaurants will be in greater need of this assistance than in the past. Over the next five years the customs duty concession will be of immense benefit to the restaurants in Bermuda.

Madam President, Government is equally committed to supporting the restaurant industry as it is with supporting hotels.

Thank you, Madam President.

The President: Thank you, Senator Campbell.

Would any Senator care to speak on this Bill?
Senator Kempe, you have the floor.

Sen. Nicholas Kempe: Thank you, Madam President.

The OBA recognises the value in the Restaurant and Hotels (Temporary Concession Duty Relief) to ensure that we can maintain a tourism jurisdiction with modern amenities and we recognise that the duty relief given has a multiplier effect on the amount reinvested into the properties and construction jobs and all these wonderful things that keep us as a luxury jurisdiction with a curve.

Thank you.

The President: Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

No?

Then, Senator Campbell.

Sen. Vance Campbell: Madam President, I move that the Bill entitled Restaurants (Temporary Customs Duty Relief) Amendment Act 2019, be now read a second time.

The President: Is there any objection to that motion?

No objection.

Carry on.

[Motion carried: The Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 was given a second reading.]

SUSPENSION OF STANDING ORDER 26

Sen. Vance Campbell: Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

The President: Is there any objection to that motion?

No objection.

Carry on, Senator Campbell.

[Motion carried: Standing Order 26 suspended.]

BILL

THIRD READING

RESTAURANTS (TEMPORARY CUSTOMS DUTY RELIEF) AMENDMENT ACT 2019

Sen. Vance Campbell: Madam President, I move that the Bill entitled the Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 be now read a third time.

The President: Is there any objection to the third reading?

No objection.

Carry on, Senator Campbell.

Sen. Vance Campbell: Madam President, I move that the Bill do now pass.

The President: It has been moved that the Bill entitled the Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection. The Bill is passed.

Thank you, Senator Campbell.

Sen. Vance Campbell: Thank you, Madam President.

[Motion carried: The Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 was given a third reading and passed.]

The President: Item 6, was the second reading of the Municipalities Reform Act 2019. Senators, we know that, for the listening public, this Bill will be taken up on Wednesday.

We now move on to item 14, Motions.

MOTIONS

The President: There are none.

Item 16, Congratulatory and/or Obituary Speeches.

CONGRATULATORY AND/OR OBITUARY SPEECHES

The President: Would any Senator care to speak?

Sen. Vance Campbell: I have a real quick one, Madam President.

[Laughter]

The President: Senator Campbell.

Sen. Vance Campbell: I have to do it—

The President: Senator Campbell, this is your day, so—

Sen. Vance Campbell: I have to do it—

[Laughter]

The President: Carry on.

BERMUDA'S SPECIAL OLYMPIANS

Sen. Vance Campbell: And, hopefully, everyone agrees that it was necessary to do this.

Madam President, I would like to congratulate our Special Olympians.

[Desk thumping]

Sen. Vance Campbell: They are doing Bermuda proud. Equestrian, Eden Wollery, who is the youngest member of Bermuda's 13-strong contingent, at age 14, won the silver medal competing in the Level CS English Working Trials at the Al Forsan Arena on Saturday. Carlton Thompson, not to be outdone, he is the most senior person on the Island's team at 51, secured a bronze medal in the singles bowling competition.

We had bowlers Tiannai Lowe and Wayne Smith, and runners, Danielle Gibbons, Damon Emery, Kris Trott and Kirk Dill who also did the Island proud after placing in their respective disciplines.

I just want to shout out to the athletes who are scheduled to compete today, that is, Del-Che Landy, Solay Thomas, Gibbons, again, and Woollery who will try for her second medal.

Thank you, Madam President.

The President: Thank you, Senator Campbell. And it has been . . . all Senators around the table agree with you and certainly congratulate our athletes.

Would any other Senator care to speak on the Congratulatory and/or Obituary Speeches?

No?

Then the adjournment. Senator Caesar, you are the Government Leader in the Senate today, so it is over to you for the adjournment.

ADJOURNMENT

Sen. Crystal Caesar: Thank you, Madam President.

I now move that the Senate adjourn until Wednesday, March 20th, 2019.

The President: Thank you.

Would any Senator care to speak on the motion to adjourn?

No?

With that, the Senate stands adjourned until Wednesday, the 20th of March. Thank you.

[At 5:52 pm, the Senate stood adjourned until 10:00 am, Wednesday, 20 March 2019]

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