



**2018/19 SESSION  
of the  
BERMUDA HOUSE OF ASSEMBLY  
OFFICIAL HANSARD REPORT**

**22 February 2019**

*Sitting number 9 of the 2018/19 Session*

*(pages 579–596)*

**Hon. Dennis P. Lister, Jr., JP, MP  
Speaker**

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**BERMUDA HOUSE OF ASSEMBLY****OFFICIAL HANSARD REPORT****22 FEBRUARY 2019****10:03 AM***Sitting Number 9 of the 2018/19 Session*

*[Hon. Dennis P. Lister, Jr., Speaker, in the Chair]*

**PRAYERS**

*[Prayers read by Mrs. Shernette Wolffe, Clerk]*

**The Speaker:** Good morning, Members.

*[Gavel]*

**CONFIRMATION OF MINUTES**

*[Minutes of 15 February 2019]*

**The Speaker:** Members, the Minutes of the 15<sup>th</sup> of February have been circulated. Are there any amendments, omissions or adjustments to be made?

There are none. The Minutes are confirmed as printed.

*[Minutes of 15 February 2019 confirmed]*

**MESSAGES FROM THE GOVERNOR**

**The Speaker:** There are none.

**ANNOUNCEMENTS BY THE SPEAKER  
OR MEMBER PRESIDING****APOLOGY**

**The Speaker:** Yes, there are actually three announcements this morning.

I received word this morning that the Member from constituency 30, Leah Scott, is out ill this morning, and we would just like to have that noted.

**DR. CARIKA WELDON  
GENETICS AND DIABETIC STUDY 2.0**

**The Speaker:** Secondly, I would just like to thank the Members who participated last week in the genetics/diabetes sampling that was done by Dr. Weldon.

**YOUTH PARLIAMENT DEBATE**

**The Speaker:** And thirdly, [I would like] to remind Members of the Youth Parliament debate tomorrow, as part of [Dr. Weldon's] programme, that will take

place at the Southampton Princess at 1:30. And the topic, again, which they are debating is the sugar tax. Is it?

**The Clerk:** Yes.

**The Speaker:** And I encourage all Members to come out and support the Youth Parliament for their efforts in debating that topic.

**MESSAGES FROM THE SENATE**

**The Speaker:** There are none.

**PAPERS AND OTHER  
COMMUNICATIONS TO THE HOUSE**

**The Speaker:** There are two papers to be presented this morning.

The first is in the name of the Minister of Finance. Minister.

**2018 NATIONAL ECONOMIC REPORT**

**Hon. Curtis L. Dickinson:** Good morning, Mr. Speaker.

I have the honour to attach and submit for the information of the Honourable House of Assembly the 2018 National Economic Report.

**The Speaker:** Thank you.

And the second report is in the name of the Minister of Tourism and Transport. Minister.

**BERMUDA AIRPORT AUTHORITY  
2017/18 ANNUAL REPORT**

**Hon. Zane J. S. De Silva:** Thank you, Mr. Speaker.

I have the honour to attach and submit for the information of the Honourable House of Assembly the Bermuda Airport Authority 2017/18 Annual Report.

**The Speaker:** Thank you, Minister.

## PETITIONS

**The Speaker:** There are none.

## STATEMENTS BY MINISTERS AND JUNIOR MINISTERS

**The Speaker:** Well, there is one Statement on the Order Paper today, and I think it is the one of most importance that everyone is here for this morning.

Sergeant, would you like to . . . yes, thank you.

*[Desk thumping]*

**An Hon. Member:** Here goes.

**The Speaker:** Yes.

As the Minister sets himself up, the Statements will be distributed, momentarily.

Minister, you can begin.

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

**Hon. Curtis L. Dickinson:** Mr. Speaker, this statement is a unique one in our parliamentary democracy. It is a statement made in support of the Estimates of Revenue and Expenditure for the Government of Bermuda in any given year. It is a statement centred on facts and figures and is the guide for how a government will fiscally govern itself in the coming year.

But, Mr. Speaker, that basic description bears no resemblance to the significance of this process to all sectors of this country. This statement must provide the confidence necessary for investment in this country; it must speak of stability and competence to businesses small and large; it must ease the golden years of seniors; it must bring hope and inspiration to the young people who stand to inherit this country; and, most of all, it must signal to the most vulnerable that they are not forgotten and can be made whole.

Mr. Speaker, in this, my first [Budget Statement](#), I am mindful that I represent a legacy of social justice and a struggle for equality in this country that, while not yet perfected, has been advanced through the work of icons like Browne-Evans, Wade, Smith, Scott, Allen, Brown and Cox—and countless others whose names we may not speak today, but whose values guide what we do for and on behalf of the people of Bermuda.

Mr. Speaker, it is no exaggeration to say that we live in one of the most challenging economic eras in modern times. Delivering on even a modest agenda would be considered difficult, but the agenda set by this Government is not modest; it cannot be because

these extraordinary times demand that we take strides that may not match conventional wisdom and may defy the understanding of those who do not share our vision or indeed even our common purpose.

Mr. Speaker, in his message to Congress in 1862, President Abraham Lincoln said, “We can succeed only by concert. It is not ‘can *any* of us *imagine* better?’ but, ‘can we *all* do better?’ The dogmas of the quiet past, are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise—with the occasion. As our case is new, so we must think anew, and act anew. We must disenthrall ourselves, and then we shall save our country.”

Mr. Speaker, this call to action was made in the throes of the US Civil War and the impending end of slavery. It was a morally and economically challenging time which demanded that their country examine itself and decide if they would commit to living up to the purported values of their founders. Although no war threatens us, we face similar challenges. The question for us, the call to action on the cusp of this third decade of the 21<sup>st</sup> century, is whether we can do more than imagine better: Can we, will we, commit to doing better?

Mr. Speaker, we must grow our economy. We must balance our budget, and we must reduce our national debt. We must evolve our system of taxation to one that is more equitable, and we must concurrently fulfil the promise of November’s Speech from the Throne to reduce the cost of living for Bermudians. In the face of modest economic growth and manifested resistance to efforts at diversifying this economy, this is no easy task. Add to that external threats to our business model and the mainstay of our existing revenue base, and the enormity of the challenge becomes clearer. But, Mr. Speaker, I am proud to report to this Honourable House and the people of Bermuda that their Government remains steadfast, determined and is making steady progress in delivering on those promises.

Mr. Speaker, in this budget, I have struck a necessary balance between fiscal prudence aimed at promoting job creation, and economic growth. Our 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 will move us towards a small budget surplus and, consequently, a reduction in net debt.

*[Desk thumping]*

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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. Democracy can sometimes be inelegant

and disheartening to some, but, Mr. Speaker, the process since the Pre-Budget Report and the hosting of various meetings has been an enriching experience that has informed the preparation of this Government's fiscal policy.

From end to end, the people of Bermuda have voiced their concerns, their fears and [most] helpfully, their ideas and suggestions. We have heard how ordinary, hard-working women and men have been impacted by the economy since 2008, and how they have done extraordinary things to still provide for their families, to care for ageing loved ones and to preserve property legacies for future generations. In their sharing we have found inspiration and validation of the need to diversify this economy, to run this Government more efficiently and to start the exercise of fair taxation by collecting what is owed. Mr. Speaker, the voice of the people will be heard in this budget, and what they have demanded of their Government is what we aim to deliver.

Mr. Speaker, the public service is the engine on which we as a community rely to provide services and value for money in the management of various agencies that impact the people who call Bermuda home. The men and women of the public service share the same concerns, responsibilities and aspirations as all other citizens. Public Sector Reform will form an important part of this year's fiscal efforts at streamlining the operations of government to suit the modern service delivery standards demanded of any organisation.

Mr. Speaker, this budget will demonstrate this Government's determination to invest in our people. From nursery through mature learning and retraining, we will invest in the building of capacity in our people so that success in economic diversification finds them ready to assume the jobs created locally. 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.

### **ECONOMIC OUTLOOK**

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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, fixed exchange rate, high levels of government debt and other potential liabilities, from guarantees and underfunded pension and health care schemes, changes in global financial market sentiment 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 sustainable economic growth.

### **The Challenges We Face**

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Government has carefully identified and assessed these risks, among others, when framing the 2019/20 Budget. Bermuda faces several challenges globally, and these must be considered when planning our national budget and charting our economic course for the future. Many of the challenges are international, but there are also domestic challenges that can pose significant risk to our economy if not managed judiciously.

### **The European Union's List of Non-Cooperative Tax Jurisdictions**

**Hon. Curtis L. Dickinson:** Mr. Speaker, the most pressing threat to Bermuda's international business sector and to Bermuda's economy is the European Union's (EU) list of "non-cooperative tax jurisdictions." Mr. Speaker, on the 5<sup>th</sup> of December 2017, the Council of the European Union [the Council] adopted and published its conclusions regarding "non-cooperative jurisdictions for tax purposes," together with a list of "non-cooperative jurisdictions." The final list was determined by the Council following an evaluation, by the EU's Code of Conduct Group, of the tax regimes in those countries on the basis of a set of specified criteria.

Bermuda was not listed as a non-cooperative jurisdiction; however, the Council has stated that tax regimes exist in Bermuda, among other countries, which facilitate offshore structures that attract profits without real economic activity. Since December 2017, the Government has been meeting with various stakeholders at home and abroad and has implemented reforms. On 17 December 2018, the Economic Substance Act 2018 was passed by Parliament. The purpose of this legislation and its accompanying regulations is to ensure that Bermuda remains off of any EU list of non-compliant jurisdictions and that it will continue to thrive as an international business centre.

The Government will continue to engage the EU in constructive dialogue and we are confident that the EU will continue to recognise Bermuda's leadership in the area of global tax transparency and compliance.

### **Caribbean Financial Action Task Force Assessment**

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Caribbean Financial Action Task Force's [CFATF] assessment of Bermuda's anti-money laundering and counter-terrorism financing regime is in progress. The first draft of the report has been received, and the Bermuda team has provided a detailed response to the ratings and analysis in order to seek to ensure that the

report is revised to reflect the Bermuda regime appropriately. The second draft is due shortly and the team is preparing its strategy for analysis and response. It has now been confirmed that Bermuda's report will be discussed at the CFATF's November 2019 Plenary, to be followed by the CFATF's quality and consistency processes. It is therefore anticipated that Bermuda's Mutual Evaluation Report should be finalised and ready for publication in early 2020.

The Bermuda team continues to work in unison to present Bermuda's best case and to ensure that issues already identified by the CFATF assessors are evaluated and strategies are developed for dealing with them in a timely manner.

### US Tax Reform

**Hon. Curtis L. Dickinson:** Mr. Speaker, the tax reform legislation eventually passed by [the US] Congress does not appear to have had any significant negative impacts on Bermuda's insurance and reinsurance industry; this risk has therefore diminished significantly. Nevertheless, we will need to ensure that we maintain our comparative advantage as a place to do business and keep a close eye on developments in Washington.

### Brexit

**Hon. Curtis L. Dickinson:** The legal basis for the relationship between the Overseas Territories and the EU is set out under the Treaty on the Functioning of the European Union. Accordingly, Bermuda benefits from special arrangements with the EU, including most favourable treatment in relation to measures affecting trade in services and other trade-related matters. While most of Bermuda's trade in goods and services is with the US, the EU exports a sizeable amount of goods and services annually to Bermuda. Annual two-way trade is normally \$30 billion. Given that the withdrawal agreement primarily provides for an orderly exit from the EU, there should be limited direct impact on Bermuda if an agreement can be reached prior to 29 March 2019.

The Government of Bermuda has been working with the UK Government to ensure that issues related to Bermuda are considered. However, to the extent that the UK acts to defend Bermuda's interests in the EU, particularly in relation to financial services regulation and tax policy, Bermuda may find it difficult to make its case in Brussels.

### Bermuda's Ageing Population

**Hon. Curtis L. Dickinson:** Mr. Speaker, Bermuda's ageing population—a certainty, not a risk—will result in serious medium- and longer-term pressures on public spending and challenges to growth. The recent census throws these issues into sharp relief, suggest-

ing a sharp rise in the old-age dependency ratio in the near future. While demographic trends are, by their nature, slow-moving and may not be immediately visible to the public, this is perhaps the single most serious long-term issue Bermuda faces. It will not be possible for the Government to meet its obligations to our retirees and pensioners without significant structural reforms to our economy. We must have [more] Bermudians working in Bermuda, and have more jobs located in Bermuda, to ensure that we collect the revenue necessary to fund our pensions and care for our seniors.

### The Domestic Economy

**Hon. Curtis L. Dickinson:** Mr. Speaker, I will now turn my attention to the domestic economy. A narrative has been advanced that Bermuda is in a recession. However, the facts simply do not bear that out. Over the last several months, we have seen signs that Bermuda's economy is improving. Many of the major economic indicators—such as employment, construction, and air visitor arrivals and spending—increased in 2018, indicating some improvement in the Bermudian economy. However, while we are seeing some evidence of growth, there are other indicators showing signs of softness that may have a negative impact on economic growth.

### Employment

**Hon. Curtis L. Dickinson:** Mr. Speaker, preliminary data from the 2018 Employment Survey indicates that the total number of jobs in Bermuda grew by 144, from 33,653 in 2017 to 33,797 in 2018, a 0.4 per cent increase. The year 2018 represents the third consecutive year in which there has been an increase in the number of jobs available in Bermuda. Much of the growth was fuelled by an increase in jobs filled in the construction and hotels sectors, which added 131 and 105 posts, respectively. The report also shows that there were employment increases in the following sectors: retail trade and repair, real estate and rent, business services, public administration, education, health and social work, and, most importantly, international business. These increases were offset by declines in transport and communications, which shed 69 jobs, and other community, social and personal services, which shed 57 jobs. Other losses in positions occurred in agriculture, fisheries and forestry; electricity, gas and water supply; wholesale trade and motor vehicles; restaurants, cafes and bars; and financial intermediation.

Mr. Speaker, one of the major headwinds in our growth prospects is the level of employment. Although employment numbers are marginally positive, the pace of job growth must increase if we are to have a sustained economic recovery. In the first three quarters of 2018, employment income decreased by \$16.4

million to \$2.61 billion, a modest decrease of 0.6 per cent.

### Tourism

**Hon. Curtis L. Dickinson:** Mr. Speaker, [2018] turned out to be another record-breaking year for the number of visitor arrivals when cruise, air and yacht figures are combined. The previous record was 692,947, achieved in 2017. In 2018, that number grew 11 per cent, to finish at 770,683. Air arrivals in 2018 grew by 4.6 per cent, while the number of cruise passengers increased by 15.9 per cent. Total visitor arrivals increased by 11.4 per cent over the previous year. Total visitor spending in 2018 rose by \$74.3 million, or 17.2 per cent, settling at \$505.3 million.

### Other Economic Indicators

**Hon. Curtis L. Dickinson:** Mr. Speaker, total retail sales for 2018 decreased by 2.1 per cent, or \$24.7 million, to settle at \$1.15 billion. Despite this decrease, jobs in the sector rose by 34 positions, or 1 per cent. It should be noted that the value of goods included in the Retail Sales Index does not include the significant number of goods shipped to Bermuda that are purchased online by residents. The Department of Statistics will begin to include this information as part of their monthly report on retail sales, as only goods that come through the airport with returning residents are currently reported. Declining retail sales can, in part, be traced back to the fact that over the last year many families who have mortgages have seen their monthly payments increase, and so they are forced to spend more money paying the bank than eating out or shopping.

Imports decreased by 5.9 per cent over the first three quarters of the year, to register at \$798.8 million. This decrease was due mainly to the return to more normal levels following the large increases related to the America's Cup. The largest decreases were seen in the importation of transportation equipment and finished equipment, which saw declines of 34.4 per cent and 19.7 per cent, respectively. The estimated value of construction work put in place increased from \$133.9 million in 2017 to \$156.8 million over the first three quarters of 2018, an increase of 17.1 per cent. The majority of the increase can be attributed to an increase in the levels of work performed on roads, bridges, and the airport project.

Mr. Speaker, headline inflation numbers continue to remain low in Bermuda, as reflected in the 2018 Consumer Price Index, which indicated an average inflation rate of 1.4 per cent. This rate is below the UK (3.3 per cent), the US (2.4 per cent) and Canada (2.3 per cent). Bermuda's Balance of Payments remains a strength in the Bermuda economy and, over the first three quarters of 2018, recorded a surplus on the current account of \$727 million, an increase of \$59

million over the same corresponding period's surplus in 2017. The increase in the current account surplus was mainly due to changes in the services account, reflecting higher fees and commissions earned on the provision of financial services to non-residents. Some 827 new international companies and partnerships were registered in Bermuda during 2018, representing a 5.5 per cent increase compared with 784 registrations in 2017.

### GDP Estimate 2018

**Hon. Curtis L. Dickinson:** Mr. Speaker, considering all economic indicators and the recent Third Quarter Gross Domestic Product (GDP) publication released by the Department of Statistics, the Ministry of Finance is lowering its 2018 GDP growth estimate by 1 per cent, from 1.5 per cent to 2.0 per cent, to 0.5 per cent to 1.0 per cent. The reduction follows an increase in GDP of 2.5 per cent in 2017. The GDP estimate highlights the urgency of the need to invest in creating a more diversified economy, which will create stronger economic growth for the Island, as our ability to reduce our debt depends upon growth of our economy and the creation of more jobs in Bermuda.

### BUDGETING IN UNCERTAIN TIMES

**Hon. Curtis L. Dickinson:** 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 either must 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.

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 refinancings 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.

Mr. Speaker, due to the uncertainty facing the Bermuda economy, mainly in relation to the economic

substance requirements, 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 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.

### GROWING OUR ECONOMY

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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.

#### Executing Our Plan

**Hon. Curtis L. Dickinson:** Mr. Speaker, during last year's Budget Statement, this Government laid out a path for economic growth that relied on targeted investment by the Government while stimulating the Bermuda economy by reducing barriers for investment.

Last year's increased investment 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.

*[Desk thumping]*

#### Reducing Interest Rates

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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 differences 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, as more overseas firms reduce or eliminate the cost of shipping goods to Bermuda. 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 the rate increases put in place to slow the US economy have the effect of slow-

ing the Bermuda economy, which needs stimulus, not slowing. The negative impact of high interest rates must be combated directly. 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 relief.

Mr. Speaker, the Government will do two things to reduce the mortgage pressure on 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.

*[Desk thumping]*

**Hon. Curtis L. Dickinson:** Secondly, the Government will create a government-backed mortgage lender to relieve pressure on public sector employees by providing them with reduced mortgage rates.

*[Desk thumping]*

**Hon. Curtis L. Dickinson:** 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.

Mr. Speaker, 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 support local businesses.

#### The Case for Economic Reform

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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.

Mr. Speaker, 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 here in Bermuda. Mr. Speaker, 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.

Mr. Speaker, 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.

### Our Economic Plan

**Hon. Curtis L. Dickinson:** Mr. Speaker, some have asked for this Government's economic plan. Our plan was spelled out in our 2017 election manifesto, and it can be summed up by the following: 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, make our government more efficient, and reduce regulations and red tape to stimulate investment while promoting competition in the Bermuda economy.

### Expanding Financial Services and Tourism

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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 working 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 hotels profitable, which will serve to protect existing jobs, while attracting additional investment leading to new tourism jobs.

### Diversifying the Economy

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Government, in conjunction with the Bermuda Business Development Agency, has a multi-faceted approach to creating new areas of economic activity in Bermuda.

Mr. Speaker, 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. Mr. Speaker, five of the ten largest companies in the world are technology companies, 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, Mr. Speaker, 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. The work on these initiatives will be highlighted during the Budget Debate, and the Government looks forward to informing Honourable Members of the progress to date.

### Reduce the Cost of Doing Business

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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. I have already spoken about our plans to provide relief to Bermudians struggling with high interest rates, but health insurance costs are also a burden for many Bermudian families. Mr. Speaker, 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. Mr. Speaker, 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.

Mr. Speaker, 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.

### Making Government More Efficient

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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 services 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.

Mr. Speaker, on Monday, the Government will launch 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.

### Stimulating Investment & Competition

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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.

Mr. Speaker, creating an additional supply of condominiums will work only 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 and 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 to 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 reve-

nue opportunities for existing taxi and minibus operators.

Mr. Speaker, 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.

### 2018/19 FISCAL PERFORMANCE

**Hon. Curtis L. Dickinson:** Mr. Speaker, before going into further detail on the 2019/20 Budget, I will now focus briefly on the forecasted financial results for the current 2018/19 fiscal year, as they form the foundation for the 2019/20 Budget.

Mr. Speaker, the Government is forecast to earn \$1.079 billion in revenue in 2018/19. This is \$11.9 million (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 are \$932.0 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.

Mr. Speaker, included in total operating expenses is the 2 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.

Revised capital expenditures for the year are predicted to come in at \$61.7 million, or \$600,000 more . . . below plan . . . below the plan 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.

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 (i) to repay a \$135 million loan facility with Butterfield Bank; (ii) to finance a portion of the 2018/19 [deficit]; and (iii) 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.

Mr. Speaker, 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 31<sup>st</sup> of March 2019, gross public debt will stand at \$2.68 billion and net debt will stand at \$2.465 billion. 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 2018/19.

### 2019/20 BUDGET ESTIMATES

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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, Mr. Speaker, I am pleased to report that this year the Government of Bermuda will report a budget surplus of \$7.4 million.

*[Desk thumping]*

**Hon. Curtis L. Dickinson:** The projected current account balance (excluding debt service) indicates whether [revenues] can support the day-to-day running of government, excluding interest on debt, capital expenditures and the mandatory Sinking Fund. 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.

Mr. Speaker, 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 be \$2.457 billion once we apply the projected surplus to the Sinking Fund.

Mr. Speaker, 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.

Mr. Speaker, 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 Fi-

nance 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 expense by \$12.1 million per year and lower our weighted average cost of borrowing from 4.591 per cent to 4.437 per cent.

### Revenues

**Hon. Curtis L. Dickinson:** In order to reduce the deficit and provide for much-needed services, the Government considers it appropriate to strategically increase our revenues.

Mr. Speaker, the estimates for 2019/20 show government revenues of \$1.118 billion, which is \$28.6 million, or 2.6 per cent, higher than the original estimate for the previous year. Honourable Members will note that this increase is less than the \$50 million in revenue [increases] proposed in the Pre-Budget Report. 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 million from the economy in taxes. 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.

Mr. Speaker, there have been accusations from some channels that this Government is a "tax-and-spend government," that increasing revenue is only being brought about by this Government, and others have not raised taxes. Well, Mr. Speaker, there can be nothing further from the truth. The record will show that, during its time in office, the former administration increased taxation from \$866 million in 2013 to \$1.052 billion in March 2018. This amount represents a \$185 million, or approximately 21.4 per cent, increase. During this same period (2013–2017), GDP growth averaged a modest 0.1 per cent. Therefore, the majority of this increase in taxes was from tax hikes rather than [from] economic growth.

Furthermore, it was the former administration's plan to increase revenue to \$1.146 billion by 2019/20, as set out in the last budget produced by the OBA in 2017/18.

Also, recall that the former Government engaged CARTAC [Caribbean Regional Technical Assistance Centre] to complete a review of Bermuda's tax system and its administration in 2015. The report was completed in September of 2015. Many stakeholders requested access to this document, but the former Government refused to share its contents. This Government tabled the CARTAC report in Parliament

on 6 October 2017 so that Parliamentarians and members of the community could be made aware of its recommendations.

Mr. Speaker, the report indicated that the main objective of the tax review was to increase tax revenue. The former Government's preference was to increase the revenue provided by the existing taxes, although it was open to proposals that would expand the tax base and improve equity. The main goal of the reform was to increase revenues by about \$100–\$150 million over a three-year period. Thus, we can see that tax reform is nothing new. This Government did it in a transparent manner with the publication of the Tax Reform Commission report, while the former Government did it behind closed doors with no public scrutiny.

Mr. Speaker, I provide this information for context only. Honourable Members are aware that the Government released the Pre-Budget Report in advance of this budget. The Pre-Budget Report spoke of the choices we face and discussed them in the context of the risks that we face. In addition, the report contains some policy options that were under consideration by the Government.

Mr. Speaker, the objective of the Pre-Budget Report is to raise awareness of the choices faced by the country and to stimulate discussion for moving forward. The policy options that were presented in the Pre-Budget Report are just that—options. As a Government, we must lead, but we will also always listen.

I would like to thank all stakeholders who provided submissions during the consultative pre-budget process. It is an example of the approach that this Government will take to ensure that we conduct our business in an open and transparent manner. Following consultation, the Ministry will take the following actions to meet the Government's revenue target in 2019/20.

### Payroll Tax

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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, which is 41.7 per cent of total government revenues. The Tax Reform Commission proposed various payroll tax recommendations; however, due to uncertainties in other revenue projections, it is proposed to leave most rates unchanged.

### Economic Substance Incentives Programme

**Hon. Curtis L. Dickinson:** 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 announced already, 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 a two-year employer payroll tax concession for additional jobs created in Bermuda. The new EU Economic Substance Incentives Programme will also include the application of the existing New Business Work Permit Policy.

### Payroll Tax Relief for the Retail Sector

**Hon. Curtis L. Dickinson:** 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 per cent for all retailers whose payroll is above \$500,000 and whose primary sales are in fashion, shoes, jewellery and perfume.

### Payroll Tax Relief for Local Musicians

**Hon. Curtis L. Dickinson:** Mr. Speaker, 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 be providing 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.

### Customs Duty

**Hon. Curtis L. Dickinson:** Mr. Speaker, the yield from customs duty is estimated at \$235 million, or 21 per cent of total government revenues. Mr. Speaker, 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 the up-rated 75 per cent sugar tax. These adjustments will yield an additional \$4 [million] to \$5 million of customs duty.

Mr. Speaker, the duty on cigarettes and tobacco, and on beer, wines and spirits will be raised in April 2019 to achieve additional customs revenue of

approximately \$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 31<sup>st</sup> 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.

### Financial Service Tax

**Hon. Curtis L. Dickinson:** 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.

Mr. Speaker, in the Pre-Budget Report we announced that the Government was considering increasing the financial services fee on banks and insurance premiums to generate additional revenue and that the increased fee on insurance premiums would be the obligation of the insurer. Following consultation, the Government will increase the tax rate 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. This will yield an additional \$3.4 million in revenue.

### Foreign Currency Purchase Tax (FCPT)

**Hon. Curtis L. Dickinson:** The Pre-Budget Report signalled the Government's proposal to increase the Foreign Currency Purchase Tax from 1 per cent to between 1.25 per cent and 1.75 per cent. Following the pre-budget consultation, the Government proposes to increase the FCPT from 1 per cent to 1.25 per cent, generating additional revenue of \$4.1 million.

### Residential and Commercial Rents

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Pre-Budget Report stated that the Government was considering taxing residential and commercial rents. As announced already, following consultation, the Government will not introduce a new tax on residential or commercial rents. Instead, the Government intends to increase land tax.

**An Hon. Member:** It is the same thing.

*[Inaudible interjections]*

**The Speaker:** Members! Members!

Minister—I want to hear from that one Minister today. Thank you.

### Land Tax

**Hon. Curtis L. Dickinson:** In the 2018/19 Budget Statement, as a temporary measure, land tax rates on commercial properties were increased by 5 per cent, raising an additional \$15 million in land tax revenues. This provision will expire on the 30<sup>th</sup> of June 2019, and the legislation provides for the rates to revert back to 7 per cent. It is now proposed to increase land tax on commercial properties from 7 per cent to 9.5 per cent, and land taxes on tourist properties from 7 per cent to 8 per cent.

Mr. Speaker, it is also proposed to amend the land tax rate structure for residential properties by amending the taxes for properties as follows: From value ranges from zero to \$44,000 ARV [annual rental value], there is no rate change, but an introduction of a base rate of \$300. For rates for land value ranges between [\$44,001] and \$90,000, the proposal is for a base charge of \$300, plus a 5 per cent increase in the proposed tax rate. For [properties valued at] \$90,001 to \$120,000, there is a \$300 base charge, plus an increase in the rate from 25 per cent to 30 per cent. And for properties rated [over] \$120,000, there is an increase in the rate of 3 per cent and a base charge of \$300.

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.

### Managed Service Tax

**Hon. Curtis L. Dickinson:** The Pre-Budget Report signalled that the Government was considering levying a tax on professional services provided by non-Bermudian businesses to local and international companies. Following consultation, the Government will not introduce a new tax on professional services provided by non-Bermudian businesses to local and international companies.

### Other Taxes and Fees

**Hon. Curtis L. Dickinson:** Mr. Speaker, following 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.

In the last fiscal year, the Ministry of Tourism and Transport and the Bermuda Tourism Authority (BTA) conducted a review of the tax levels and the competitive landscape in the cruise industry. Following this review, the Ministry and the BTA were of the view that the current tax structure was outdated and

unnecessarily complex and, therefore, it would benefit from simplification and updating. Therefore, 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.

Mr. Speaker, the statutory period in the Schedule to the Bermuda Immigration and Protection (Land-Holding Charges) Regulations 2007 expires on the 31<sup>st</sup> 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, ending the 31<sup>st</sup> of March 2021. During this period, we will evaluate the effectiveness of these concessions on property sales.

Finally, Mr. Speaker, 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.

### Tax Collection and Accounts Receivable

**Hon. Curtis L. Dickinson:** Tax collection and accounts receivable have been a considerable problem for the government for years. It is altogether unacceptable that taxes owing to government, according to the law, are not being paid. It is now time to take corrective action. In the 2018 Pre-Budget Report, we stated the following: "The Government will ensure that the Office of the Tax Commissioner (OTC) has the resources that it needs to collect taxes that are due. 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 taxes have been identified. We will take 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 OTC, with four in the Debt Management Section, and one working closely with the Assistant Tax Commissioner—Operations. These additional resources for tax collection and enforcement should pay for themselves many times over with the additional revenue collected during this period.

It has been noted that only 50 per cent of payroll tax returns are received electronically. While this rate has improved in recent years, it is still unacceptably low and must be raised dramatically during the

coming fiscal year and beyond. Too much of the OTC's time and resources are devoted to processing manually filed tax returns. Accordingly, a new filing policy will be implemented on April 1<sup>st</sup>, 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 2019, which will be payable by the 15<sup>th</sup> of July deadline. Employers who do not adhere to the stipulated e-filing requirements will be subject to penalties.

Mr. Speaker, 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, government will start to recover these fees by way of a recharge fee for this convenience.

### Expenditures

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Government has set the overall budget expenditure, 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 2018/19. This reduction was achieved despite the Government's pay awards to public officers for this fiscal year.

Mr. Speaker, the level of spending will enable the Government to provide targeted investments to grow and diversify Bermuda's economy; service our debt; strengthen infrastructure, educate our children; and provide health care and security for our citizens, and assistance to the less fortunate among us. 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.

Mr. Speaker, while there has been some success in reducing costs, it has become increasingly difficult to implement further reductions under the current government structure and the across-the-board expenditure cuts in previous budgets. With 51.5 per cent of the current account expenditure (excluding debt service) representing employee costs and 34.1 per cent relating to grants and contributions, there are very few other expenditure types that can be reduced and have a material impact on the level of spending.

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 [EC] 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 EC 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.

### Debt Service

**Hon. Curtis L. Dickinson:** Mr. Speaker, debt service costs for 2019/20 are projected at \$116.5 million, which represents interest expense only.

### Sinking Fund

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Sinking Fund currently has a balance of \$214 million. During the fiscal year 2019/20, a total of \$180 million of the proceeds in the fund will be used to repay two tranches of maturing private placement notes. The Government will suspend making mandatory contributions to the Sinking Fund. This decision has been made in light of the following factors: (i) apart from the private placement notes referenced above, the next maturity of government debt will occur in 2022; (ii) the interest expense associated with borrowing to fund the mandatory Sinking Fund contributions will be greater than the investment return generated on those funds; and (iii) 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 debt.

### Capital Expenditures

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Government is committed to making sound capital investments that 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 development expenditure in the 2019/20 Budget relate to upgrades to the Mid Atlantic Wellness Institute (\$4.5 million), school maintenance (\$3 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.

## MINISTRY HIGHLIGHTS

**Hon. Curtis L. Dickinson:** Mr. Speaker, I will now review highlights from the 10 ministries that form the government.

### Ministry of Education

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Ministry of Education has been given \$136.9 million. This Ministry has allocated an estimated total of \$2.8 million in the fiscal year 2019/20 for the funding of initiatives that support the execution of Plan 2022, and the introduction of a merit-based College Promise programme for public school graduates to attend Bermuda College. Plan 2022 articulates a clear mission "to provide all students with equitable access to holistic, varied and high-quality instruction that is culturally relevant and empowers students to reach their full potential." Of the \$2.8 million, roughly \$2.2 million was found as a result of the Ministry's undertaking a microscopic review of its existing budget for greater efficiencies in operational activity.

At the pre-school level, an expenditure of \$327,000 will support the implementation of an Autism Spectrum Disorder programme; introduce foreign languages to expand learning opportunities; continue to offer programmes to educate parents; and hire an Early Childhood Quality Assurance Officer to provide professional training and coaching for pre-school teachers. At the primary school level, \$770,000 will be spent to cover the cost of continuing the [deployment] of the STEAM [science, technology, engineering, art and mathematics] programme, inclusive of professional development training for teachers; updating the social studies curricula; and expanding the literacy programme to focus more on students' literacy skills.

A total of \$473,000 will be used to continue the implementation of a standards-based grading system covering site-based professional development training, and \$539,000 will be set aside to address the urgent need to increase the bandwidth for schools at the primary and middle school levels. At the senior school level, \$129,500 will support the implementation of the City and Guilds programme in English, and the mathematics programme will be progressed further; and a virtual job-shadowing programme will be introduced to create a unique experience for students as part of the Career Pathways programme.

### Bermuda College

**Hon. Curtis L. Dickinson:** As the sole tertiary institution on the Island, Bermuda College is a key stakeholder in the economic growth and development of our Island, and during the 2019/20 fiscal year, the college will continue to meet its mission of setting Bermuda's students on their paths to success. Outside its normal operating expenses, Bermuda College will

fund the following initiatives during the 2019/20 fiscal year:

Delivering Success, Bermuda College's new five-year strategic plan, will be the blueprint to steer the college towards its 50<sup>th</sup> anniversary in 2024. The college will continue to receive a special \$300,000 grant to assist students with financial need in order to ensure that no student is prohibited from attending Bermuda College as a result of limited household income. This investment commenced in 2017 and has supported close to 450 Bermudians in pursuing their tertiary education at Bermuda College.

In addition, and as promised in this year's Speech from the Throne, a merit-based College Promise programme will be introduced, which will award scholarships to Bermuda College to public school graduates with a GPA [grade point average] of 3.0 or higher. This initiative has been funded in this year's budget to the tune of \$279,000. Another [\$85,000] will be set aside to assist non-traditional students wishing to become certified as landscapers and compliance professionals, and to assist nursing students undergoing overseas practicums. It is anticipated that \$20,000 will support landscaping training for a new cohort of students in order to decrease the number of non-Bermudian employees on work permits. A further \$20,000 will support Bermudian nursing students to undergo practicums at SickKids Hospital in Toronto, Temple University Hospital in Philadelphia and Lahey Hospital in Boston. This funding will ensure that students are able to complete the required overseas practicums as part of the nursing programme.

With so many industries requiring compliance professionals, Bermuda College, working with its Compliance Advisory Board, will offer a range of compliance courses and certifications for those new to the industry, as well as those who are currently in the industry, but have no certification. It is anticipated that \$45,000 will be set aside to support students in this emerging industry. Approximately \$40,000 will be used to support the development of the National Educators' Institute, which will provide a centralised entity for public and private school educators and counselors of all levels to engage in and benefit from professional development, professional learning and research.

### Ministry of Public Works

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Ministry of Public Works provides its services through its six departments and has budgeted to spend \$32.59 million in capital development, \$3.18 million in capital acquisitions and \$73.45 million in operations in 2019/20, as detailed below. The Department of Works and Engineering aims to improve service delivery and extend the useful life of key assets by repairing bridges, performing Tynes Bay maintenance, refurbishing King's Wharf and other ferry docks, upgrading water

infrastructure and extensively resurfacing all main roads. To this end, the department is committed to aggressively attracting, training and retaining Bermudians in key and varied engineering posts to ensure efficient provision of critical services to the public.

The department is aiming to achieve operational efficiencies by investing in controlled fleet and equipment modernisation in order to enable it to carry out its mandate. Charged with the responsibility of efficient management of the government's property portfolio, the Department of Public Lands and Buildings will be working on the refurbishment of Parliament Building, school maintenance, major buildings upgrades, and various office relocations and alterations.

Lastly, Mr. Speaker, the Department of Land Title Registration is responsible for the creation and maintenance of an electronic register of legal rights and interests in land, thus providing legal security for owners and third parties. With an operational budget of \$1.4 million in 2019/20, the department is seeking to provide an opportunity to young, interested Bermudians to become the Island's future land registrars and will continue with the voluntary registration of titles.

### Ministry of Labour, Community Affairs and Sports

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Ministry of Labour, Community Affairs and Sports is the former Ministry of Social Development. A restructuring in November of 2018 moved the Departments of Child and Family Services, Financial Assistance, National Drug Control and the Mirrors Programme to other ministries and added the Department of Workforce Development and the Labour Section to this Ministry. The 2019/20 Budget of \$18.9 million for the Ministry reflects the changes in the structure and responsibilities of the Ministry, with an uplift of \$455,019 for the Department of Youth, Sport and Recreation.

Mr. Speaker, this uplift is mainly made up of a \$400,000 increase in the grant to the National Stadium trustees, from the 2018/19 grant of \$800,000 to \$1.2 million for 2019/20. This is to take the grant back to its 2014/15 levels, when it was reduced from \$1.1 million to \$850,000, and then to \$800,000 in 2016/17. The increased costs of running the facility, particularly with the addition of the swimming pool and the reduction in grant, have provided a no-win situation for the trustees that has resulted in maintenance and repair works suffering. This cannot continue. The trustees will pursue alternative energy solutions for the stadium to address the very high energy costs associated with running a pool.

Mr. Speaker, the Ministry has a number of key initiatives this year, including the implementation of a workforce development plan that will lay the foundation for a 21<sup>st</sup> century workforce development system for Bermuda—a system that has the primary aim of connecting people with jobs. This Government be-

lieves that upgrading the skills of Bermuda's labour force through a solid workforce development plan is critical to our long-term prospects for broad-based and inclusive economic growth.

Other initiatives include the modernisation of the labour laws, implementation of a living wage and pay equity for Bermudians.

*[Desk thumping]*

**Hon. Curtis L. Dickinson:** Our culture and history continue to be high priorities. To this end, we are promoting art, and particularly that of young Bermudians, with government buildings being used to display and promote their work. Some \$4.8 million is budgeted in fiscal year 2019/20 to support sporting bodies, youth organisations, apprenticeships, scholarships, the arts, and community and cultural events.

### Ministry of Health

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Ministry of Health leads the country's health system to promote and protect Bermuda's health. The Ministry comprises five budget heads, which fund seven departments; two quangos; and 29 boards, councils and committees. Together, these entities work to improve the quality, access and sustainability of health services.

The Health Ministry's budget was adjusted following the addition of the Department of Financial Assistance. No budget head received additional funding, so the total budget remained the same as in fiscal year 2018/19, at \$241.5 million. The Government recognises the fragility of some of our health services and the importance health plays to Bermuda's economic growth. Nevertheless, greater efficiencies must be found to ensure sustainability of health funding.

The amount the country spends on health care is a continued source of concern, and this Government is committed to implementing the reforms necessary. Health financing reform is in development this year in order to create the foundation for the long-term sustainability of Bermuda's health system by establishing better ways to fund and provide a decent base package of insurance. Bermuda spends over \$700 million on the total health system annually. This has to be enough to give all of our residents the health care they need. But we need to be more efficient about how we utilise these funds.

The care of adults with intellectual disabilities and mental health or psychiatric problems, who have no next of kin, at times falls on the state. Bermuda does not have the social services infrastructure to care for such individuals, and the government currently funds, through the Ministry of Health, two individuals at an overseas institution, as there is no local capacity to meet their needs. The Ministry is also undertaking to reform the Financial Assistance programme

to improve its financial sustainability and ensure a more equitable allocation of awards. Measures have been identified to improve efficiency in order to prevent the need for additional funding.

*[Desk thumping]*

### Ministry of Finance

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Ministry of Finance is provided with a budget, excluding debt service, of \$104.3 million, an increase of \$943,470. The majority of the Finance Ministry's allocation (\$84.8 million, or 81 per cent) relates to non-discretionary items, which include an estimate of government overheads and payments made under the programme for war veterans. Ministerial restructuring resulted in the transfer of the Bermuda Gaming Commission to the Ministry of Finance, and \$500,000 of the aforementioned increase relates to a partial grant to the Bermuda Gaming Commission to cover their operations. The Commission will seek external financing with local institutions to cover their other operational costs.

There have been several legislative changes made in the past two years that have expanded the role and mandate of the Registrar of Companies [ROC], particularly in regard to corporate compliance as a response to requirements of Anti-Money Laundering (AML), Counter Terrorist Financing (CTF), the Organisation for Economic Co-operation and Development (OECD), and the EU's Economic Substance Regime (ESR). Additionally, the ROC has embarked upon implementation of a new IT registry system. Considering these changes, it is proposed to increase the ROC budget allocation by approximately \$533,000 in order to meet their increased mandate.

Bermuda faces a number of external tax and regulatory threats. These threats pose a real and present danger to our economy. During the upcoming year, additional funds have been provided to the Regulatory Unit and Treaty Unit in the Ministry of Finance Headquarters to protect our economic security.

Mr. Speaker, the Ministry of Finance is responsible for the collection of the majority of government revenue, and in 2017/18 collected \$913.1 million, or 85 per cent of government revenues. Accordingly, it is critical that the capacity of the revenue-collecting departments to effectively collect revenues is maintained. The OTC has been provided with additional funding for five temporary additional [employees]. This will allow increased follow-up on payment plans, which is a main requirement for increased payment plan compliance.

In the upcoming fiscal year, the Ministry will continue with the development of an open budget structure. The 2019/20 Pre-Budget Report has been a great success and, no doubt, has fostered greater public participation and clarity in budget decisions.

Finally, Mr. Speaker, the Ministry of Finance will keep the Progressive Labour Party platform promise of increasing pensions for our seniors by the rate of inflation this year and every year as long as we are in office.

*[Desk thumping]*

### Cabinet Office

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Cabinet Office will receive a budget allocation of \$46 million. This Government's vision for public service is a future-forward government for the people of Bermuda. With input from public officers, the civil service executive, Ministers, trade unions and other stakeholders, a Government Reform Strategic Plan has now been completed.

Mr. Speaker, the plan includes the vision and purpose which codify the overarching objectives of the Government of Bermuda. The main focus of the plan is the target operating model and an accompanying short-term plan that lays out specific, practical actions that can be accomplished in the near term.

The operating model is comprised of five strategic areas:

1. Processes—clear administrative processes and policies, sound fiscal management.
2. Platform—organisational structure, workplace and IT infrastructure designed for execution.
3. People—committed, capable, well-trained resources receiving fair benefits for their work.
4. Perspective—customer service mentality embracing growth and business development.
5. Performance—culture of measuring activity and results, enabling true accountability.

With clear direction, focused activity and transparent performance measurement, the public service can begin to realise positive change and embed a new, sustainable culture of reform into the departments and ministries.

Mr. Speaker, substantive change will commence with the people functions. The Government will undertake a complete overhaul of the delivery of its human resource services. The future-state organisational structure will provide the resources and capabilities for the development and transformation of the Bermuda Government's workforce to satisfy the critical need of good governance. It centralises HR strategy and policy development; it differentiates between strategic, consultative, and transactional roles; and it optimises and centralises HR processes.

The new Department of Employee and Organisational Development (Head 61) will be established, and ultimately will result in the centralisation of the Department of Human Resources and the more than 10 human resource satellite offices that provide duplicative services. The first phase, to occur in the upcoming year, involves the amalgamation of the Com-

pensation and Benefits Section, currently under the remit of the Accountant General's Office and the Management Consulting Section.

In order to retain highly competent and energised individuals in the public service, it is important for the Government to ensure that career paths are made available that will reward those employees who demonstrate promise. To this end, one facet of the public service Reform plan will be to identify "high-flyers" within the public service and prepare those officers to assume leadership roles within the public service. Officers selected to participate will undergo leadership development training to prepare them for senior roles within the public service.

### Ministry of Tourism and Transport

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Ministry of Tourism and Transport will receive \$88.5 million in the upcoming year. In addition to funding the Departments of Transport Control, Public Transportation, and Marine and Ports Services, the Ministry provides grants to the Bermuda Tourism Authority [BTA] and Bermuda Airport Authority [BAA].

The BTA will see a reduction in its government grant from \$26 million to \$22.5 million. A reduction in the BTA grant does not mean, though, a reduction in this Government's commitment to investing in tourism development. Indeed, as the BTA focuses on implementation of the new National Tourism Plan, its overall budget will increase from \$31 million in 2018 to \$35.9 million in 2019. This is possible, in part, due to the introduction of new visitor fees charged to cruise ship passengers and visitors taking advantage of vacation rental properties. A portion of the \$35.9 million will be earmarked to the Bermuda Events Authority, which will look to attract events to Bermuda that appeal to a younger generation of traveller.

Recognising that Bermuda's transportation infrastructure is ageing, this Government will continue its phased investment in a new fleet, while at the same time ensuring that both Marine and Ports and Public Transportation have increased capacity to undertake proper maintenance and refits of buses and ferries, as and when required. The uplift for inventory, maintenance and repair for these departments is made possible by the reduction in the grant to the BTA. The challenges faced by our ageing transportation infrastructure are real, and this Government will continue to find a path forward for solutions that are fiscally responsible.

### Ministry of National Security

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Ministry of National Security will receive an allocation of \$134.9 million, an increase of \$3.8 million compared with the fiscal year 2018/19 actual budget. This increase is attributed to the Cabinet reshuffle resulting

in the Department of ICT Policy and Innovation moving to the Ministry of the Cabinet Office, and the Department of Immigration moving from the Ministry of Home Affairs to the Ministry of National Security.

Several of the uniformed services, including the Department of Corrections, the Bermuda Police Service, the Customs Department, and the Bermuda Fire and Rescue Service, are running recruitment drives in fiscal year 2019/20 to fill vacant but funded posts in order to reduce the levels of overtime and allow for best-practice services for the people of Bermuda.

In fiscal year 2019/20, the Ministry will focus its efforts on two important projects—the Gang Violence Reduction Team and comprehensive immigration reform. Mr. Speaker, the Ministry continues to provide support to address and to prevent anti-social behaviour through the Gang Resistance Education and Training programme (otherwise known as G.R.E.A.T.) which aims to prevent young gang affiliations among school-aged children, through early intervention. The team also provides restorative justice circle sessions, which focus on the intervention and mediation phases with inmates and others requiring assistance. The team will expand in 2019/20 by launching the Redemption Farm Programme. This is a 12- to 16-week therapeutic, incentivised programme for at-risk individuals that aims to restore justice and discourage criminality through case management, educational and post-training services.

Mr. Speaker, the Comprehensive Immigration Reform project has already addressed the backlog of work permits in the department in its first phase. In the next phase, the project will implement process improvements to enhance efficiencies, reduce costs and improve customer satisfaction within the department. Another phase includes amendments to current policies and legislation, and will involve public consultation.

### Ministry of Legal Affairs

**Hon. Curtis L. Dickinson:** The Ministry of Legal Affairs will receive \$48.9 million, an increase of \$967,000, or a 2 per cent increase, from the current 2018/19 fiscal year.

In the 2017 platform, the Government promised to “allow licensed practitioners to prescribe their patients medicinal cannabis to address legitimate health issues and establish a regime for domestic medicinal cannabis production.” The Government has already delivered on a platform promise that targeted the removal of the criminal offences for simple possession by any person holding seven grams or less of cannabis. In this 2019/20 budget year, the Ministry intends to move from a standard of limited decriminalisation of cannabis to establishing a robust licensing regime that will create a comprehensive framework

embracing the science of cannabis use for medicinal purposes.

In the 2019/20 year, the Ministry of Legal Affairs will introduce amendments that are designed to improve and modernise the functioning of the Liquor Licensing Authority under the Liquor Licence Act 1974. It remains the duty of a responsible government to ensure that adequate protections exist in law to administer the sales and consumption of alcohol in the best interests of the whole society. The gaps identified in the liquor licensing regime are preventing businesses from legally serving alcohol at certain events. It is anticipated that the amendments to the law will decrease the practice of serving alcohol without the proper authorisation.

### Ministry of Home Affairs

**Hon. Curtis L. Dickinson:** Mr. Speaker, the Ministry of Home Affairs will receive \$18.2 million. The Ministry will focus on completing the implementation of municipalities’ reform to modernise the municipalities in today’s Bermuda and will table a Bill to provide for the long-awaited marina in the Town of St. George’s. Consumer Affairs will complete phase one of the Debt Collection Act 2018 and begin the consultative process with the BMA [Bermuda Monetary Authority] to bring financial services conduct under the umbrella of Consumer Affairs.

Mr. Speaker, the Department of Planning will complete the public consultation and objections process for the draft Bermuda Plan, and will publish and release for public consultation the draft Local Plan for North East Hamilton. The department will also publish a World Heritage management plan for the sustainable economic, social and environmental protection of Bermuda’s World Heritage sites.

### CONCLUSION

**Hon. Curtis L. Dickinson:** Mr. Speaker, I am a husband and a father; I am the son of parents who worked and sacrificed to provide the best for me. The Bermuda of their youth rigidly denied opportunities to too many of its citizens. The change of the 2017 General Election and the mandate to build a better and fairer Bermuda mean that there is an expectation in this country that we will foster an environment for growth and the development of Bermudians.

The beauty of true democracy is that beyond the numbers, graphs and charts lie real people. This economy does not permit us to do all that we want to do, but the balance this budget brings to the delivery of services, meeting external threats, investing in the education of our children and advancing a system of fairer taxation continues to build on the economic foundation set out since our 2017 electoral victory.

Mr. Speaker, our “quiet past” has been upended by this “stormy present.” The norms on which

Bermuda has relied are unlikely to present the full solutions to these global issues. The change required of us all will not be easy. It challenges us to dig deeper in pursuit of common goals, it defies our usual definitions of industry and the jobs that support them, and it tests our true value system. I believe that we are equal to the task. Hundreds of Bermudians responded to the call to acquire skills that would equip them to work in new opportunities coming to Bermuda. That is evidence of hope and proof of the importance of the work we do every day in public service. We see the same expectancy when we visit Bermudians in their homes and field questions on topics ranging from health care to sports development to road paving. Bermudians are keenly interested in a brighter future for themselves and their children, and I submit that their trust in this Government is well placed.

Mr. Speaker, the values of hard work, sacrifice, forthrightness and dedication I learned from my parents have served me well through a decades-long career in the private sector. They spurred me to seek public office. And now, in this pivotal role as Minister of Finance, I again draw on the lessons learned from them as I humbly present for the consideration of this Honourable House the Estimates of Revenue and Expenditure for the fiscal year 2019/20.

Thank you, Mr. Speaker.

*[Desk thumping]*

**The Speaker:** Thank you, Minister. Thank you.

That is the only Statement for this morning. So, we will move on with the rest of what is on the Order Paper this morning.

## REPORTS OF COMMITTEES

**The Speaker:** There are none.

## QUESTION PERIOD

**The Speaker:** There were three written questions submitted to the Premier from the Honourable Member Dunkley, each of which required a [written response](#).

### QUESTION: BRUSSELS OFFICE STAFF COMPLEMENT

**Hon. Michael H. Dunkley:** Will the Honourable Premier please inform this Honourable House if the position of Brussels representative filled by the Honourable Renee Webb was advertised, and if so please provide details?

**Hon. Michael H. Dunkley:** Will the Honourable Premier please provide to this Honourable House complete details of her employment

*package including housing allowance, travel expenses and any other benefits?*

**Hon. Michael H. Dunkley:** Will the Honourable Premier please inform this Honourable House of the names of any other staff or interns associated with the Brussels Office and advise on the selection process used and the benefit package associated with each?

**The Speaker:** I believe that the response has been circulated to the Member, correct?

**Some Hon. Members:** No.

**The Speaker:** The Member has [received] the response.

It is not for you. It is for this side.

*[Laughter]*

**The Speaker:** The Member has the response. We can move on.

## CONGRATULATORY AND/OR OBITUARY SPEECHES

**The Speaker:** I believe all other matters have been carried over. So, Premier.

## ADJOURNMENT

**Hon. E. David Burt:** Good morning, Mr. Speaker.

Mr. Speaker, I move that this Honourable House do now adjourn until next week, Friday, March 1<sup>st</sup>.

**The Speaker:** Friday next. Yes. At 10:00 am.

**Hon. E. David Burt:** At 10:00 am, Mr. Speaker.

**The Speaker:** Yes.

Does any Member wish to speak to that?

No Member wishes to speak to that.

The House now stands adjourned until next week at 10:00 am.

*[Gavel]*

*[At 11:42 am, the House stood adjourned until 10:00 am, Friday, 1 March 2019.]*