
REPLY TO THE BUDGET *2021/22*

Delivered by
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Without a doubt, **2020 will forever be remembered as the year that the Covid-19 pandemic struck the world, and without warning, caused it to go into a free fall. It also helped to reset the dial for new global protocols.**

We began the year with the presumption of living our lives in the normal manner; when suddenly, the world was abruptly plunged into a global pandemic. We were mandated to shelter in place, work remotely in Teams, Zoom into meetings, study and worship online, purchased groceries online or on designated shopping days and spend more time with our families. Throughout riots and demonstrations of civil unrest around the globe, our new reality now includes social distancing, washing our hands with increasing regularity and compulsory wearing of masks in public places.

Mr. Speaker, on the economic front, the societal disruption in Bermuda has been grave. Let's face it, we were just not prepared for this type of catastrophic event.

It was a shock to our economy. **It was a stress test that revealed that Bermuda's fiscal management under the Progressive Labour Party Government, was seriously lacking.**

While Bermuda has a great history of managing our way through disasters like hurricanes, the pandemic proved to be more than overwhelming.

We don't have to look far to find that many of our sisters, brothers, mothers, fathers, aunts, and uncles have lost, or are losing their jobs and we cannot stand idly by. We must do whatever we can, to support these families, both economically and socially. **On this 21 square mile island, we are literally our brother's keeper.**

Mr. Speaker, 100-year-old business institutions have closed, restaurants and popular retail stores have shut their doors and major sporting events were cancelled. Our tourism and travel industries are decimated, resulting in the closure of some hotels, guest houses, and the very dramatic rise in unemployment across all sectors. This bleak economic picture will continue until we have COVID-19 under control. **The One Bermuda Alliance believes that a healthy population is needed to support the development of a healthy**

economy. In addition, a robust national recovery plan must be crafted to guide Bermuda into an economic renaissance.

Mr. Speaker, we also believe that this economic shock will provide opportunities for bold new initiatives, requiring us to **revisit tried and proven programmes, which deserve our immediate attention, without political bias. We must examine new ways to work together towards a common end**, as collectively, we chart our way through the path of economic recovery and rehabilitation. Bermuda is small and agile enough to do it.

Mr. Speaker, Bermuda needs an Economic Recovery Plan which is more than aspirational. The current budget presents details on the principles and aspiration of a plan, but unfortunately, it has not presented measureable milestones to define Bermuda's road map to economic recovery.

Mr. Speaker, we must rebuild a vibrant economy. An economy where jobs are created with a focus on equity, diversity, fair trade, and real opportunities for Bermudians. We must find investors to support small businesses and our local economy, and we all must buy Bermuda.

This rebuilding process should be supported by a realistic blueprint, or an economic recovery plan. A recovery plan that is workable and addresses Bermuda's fiscal framework, and infrastructure investment strategies. We must develop a bold prospectus for the country which will be attractive to potential investors. One that will build trust and a real bond with our business community, through the deployment of taxes and business support; through the prioritization and delivery of green investments; through strategic investments in Tourism and Hospitality; the Arts and creative sectors; Seniors' Care; the philanthropic sector, and let's not forget, the critical support of our students. As a result of COVID-19, changes have taken place in the workplace. We must identify new skills training for the labor market, and apprenticeships jobs guarantee programmes, all of which will promote an economic framework that will value and support all of Bermuda's assets.

Mr Speaker, for 2021 and beyond, there is a view that there will be a better sense of normalcy by the end of the year. It is thought that this will be realized through the fields of medicine and health sciences. As we are nearing the one-year anniversary since of the pandemic began, we can now see that globally,

there have been improvements in the management of the risks associated with the virus and its effects. As global citizens, we learned to better manage and live with COVID-19; much like the flu and the Aids virus, which unfortunately, have not been eliminated.

There is now a sense of optimism, that people should be able to go about their daily lives with the post COVID-19 constraints, and that our economies should be poised to experience a reboot, to more self- sustaining levels.

This view was recently endorsed by The Hon. Mat Hancock, the U.K. Minister of Health. According to the BBC, Mr. Hancock commented that, with the adoption of vaccines and treatments, by the end of the year, it could mean that Covid-19 will be an illness that we live with "like we do the flu". He went on to say that he hoped that new drugs would be introduced by the end of 2021, which could make Covid-19 a "treatable disease" and that the drugs, and vaccines represent "our way out to freedom" and further, that new treatments and new antibody treatments are needed for a small number who may not be protected by vaccines.

Mr. Speaker, living with Covid-19 safely would also depend on the vaccines to:

- reduce the numbers admitted to hospital;
- reduce the number of deaths; and
- reduce the transmission of the Virus.

According to the International Monetary Fund 's ("IMF") World Economic Outlook, dated October 2020: 'A Long and Difficult Ascent', tthe global economy is climbing out from the depths to which it had plummeted during the lockdown in April. However, with the pandemic continuing to spread, many countries have slowed their reopening, and some are reinstating partial lockdowns to protect their vulnerable populations.

GLOBAL GROWTH OUTLOOK AND RISKS

According to the IMF, global growth was projected to be 4.4 percent in 2020, which is a less severe contraction than was forecasted in the June 2020 World Economic Outlook ("WEO"). This revision reflects a better-than expected second quarter GDP result, mostly in advanced economies, where activity began to

improve sooner than expected, after lockdowns were scaled back in May and June as well as indicators of a stronger recovery in the third quarter. Global growth is projected at 5.2 percent in 2021, a little lower than in the June 2020 *WEO Update*, which rejected the more moderate projected downturn for 2020 and is consistent with expectations of persistent social distancing. Following the contraction in 2020 and recovery in 2021, the level of global GDP in 2021 is expected to be a modest 0.6 percent above that of 2019. The growth projections imply that there are wide negative output gaps and elevated unemployment rates this year and well into 2022, across both advanced and emerging market economies.

IMPACT OF THE U.S. ECONOMY:

Mr. Speaker, a leading economist at Patheon Macroeconomics stated, that like many advanced G20 countries, there have been measurable advances in the management, containment, and acceptance of COVID-19 as a way of life, as evidenced by the US economy, which is now showing the green shoots of recovery.

There is also real evidence to indicate that cases of COVID-19 are declining, and hospitalizations are slowing down at a steady rate. These reductions are reportedly due to either prior infections, increased vaccinations, and the increased efforts to achieve herd immunity. As a result, there is a real sense amongst many economists, that when it comes to COVID- 19, the U.S. is in the beginning stages of a sustained and permanent retreat, and that its economy is beginning to slowly reopen.

It is further thought that the U.S. Congress may pass a relief bill worth approximately \$1.7 trillion dollars by the end of March 2021. This economic safety net will result in an extension of the country's enhanced unemployment benefits and provide a moratorium for evictions and foreclosures until September 2021. The U.S. media has also indicated that there will be payments of \$1,400 to most households.

Mr. Speaker, with this type of economic support and fiscal stimulus, economists agree that normal life in the US will resume for the most part by the middle of this year.

It is expected that as COVID-19 infections subside, and restrictions are lifted, that consumer confidence will increase, along with the corresponding increase in consumer spending, especially within the various service sectors.

They went on to indicate, that by April 2021, U.S. households will have accumulated savings balances of some \$2 trillion dollars, which is almost 10% of the GDP since February 2020. This is due largely to the savings generated by the enforced cutbacks on spending on discretionary services, and stimulus payments to households. Pent-up demand for leisure, recreation, entertainment, and travel-related services are also forecasted to reach unprecedented levels.

Economists further believe that the U.S. dollar is at one of its lowest levels from a trading perspective, and that a U.S. economic rebound is inevitable, and capital will head back to the U.S. as COVID-19 fades.

We believe that this positive outlook will provide invaluable benefits to Bermuda as the U.S. is our largest trading partner.

THE E.U. CHALLENGES:

Mr. Speaker, in the 2013 report by the European Parliament's Directorate General for Internal Policies, entitled "European Initiatives on Eliminating Tax Havens and Offshore Financial Transactions and the Impact of These Constructions on the Union's Own Resources and Budget", they reviewed the impact of tax havens, secrecy jurisdiction, and similar structures on the E.U." The report concludes that the availability of these structures constrains the E.U. budget and undermines the fiscal recovery of E.U. Member States. They distort markets by conferring advantages on large companies that engage in transfer pricing.

The Report notes that the shadow economy in the E.U. is estimated to amount to some €2 trillion, and that tax evasion is estimated to be around €1 trillion annually. Its further notes that recent reports suggest that tens of billions of euros are held offshore, are unreported, and untaxed.

The Parliamentary Assembly of the Council of Europe recently commented that “Council of Europe Member States lose billions every year due to tax avoidance, tax evasion and tax fraud which are facilitated by the offshore financial systems, including tax havens and secrecy jurisdictions. This massive tax cheating by wealthy individuals and enterprises not only penalizes ordinary tax-payers, public finances and social spending, but also threatens good governance, macroeconomic stability and social cohesion.”

The Report takes the view that offshore financial centers are widely perceived to have contributed to the financial crisis that emerged in 2007. The holding of vast funds in secretive offshore centers enables financial institutions to hide vital information from governments, regulators, ratings agencies, and the public. This means that they escape proper regulation and public scrutiny. This enables them to take greater risks than would be possible with full transparency, and governments, regulators, ratings agencies, and investors lack the level of information required to make informed decisions. In turn, this leads to financial instability, with taxpayers having to cover the cost of rectifying the resulting problems.

They also believe that the use of tax havens for transfer pricing and tax evasion has a negative impact on E.U. revenues by reducing the gross national income (“GNI”) of Member States. Moreover, lower tax revenues are likely to have a negative impact on the willingness of Member States to increase or maintain their contributions to the E.U. Tax havens facilitate the activities of tax evaders and criminal organizations. Combating these activities consume resources that could otherwise be used for productive investments. The ability to engage in transfer pricing gives large corporations a significant advantage over smaller companies, which undermines the E.U.’s efforts to develop the small and medium enterprise sectors and may constrain employment creation.

Mr. Speaker, in light of the above, Bermuda is unfairly deemed to be on the E.U.’s Blacklist. Consequently, despite our continued engagement with the Commission and the Code of Conduct Group (COCG) and its constructive and cordial relationships with its relevant officials, in principle, nothing really has changed for Bermuda since 2013.

We continue to have an uphill battle when conducting business in the E.U. especially after BREXIT.

The fact is, **Mr. Speaker**, that Bermuda has no heavy weight friends or influencers who can successfully lobby on our behalf at the national and international level.

If the E.U. takes the view that tax havens have a negative impact on E.U. revenues by reducing gross national income of its Member States, Bermuda will be looked upon with suspicion, and will be challenged to conduct real business in the E.U. They will continue to place hurdles in our economic lanes, given their perception of tax havens and their impact on the EU states.

In fact, as recently as last month, European Union politicians were calling for any jurisdiction with a zero per cent tax rate on corporate profits, including Bermuda, to be included on the E.U. list of non-cooperative jurisdictions.

What makes this even more challenging, as our Finance Minister has indicated, is that the body that manages the list, has given no indication of changes in the listing criteria.

Mr. Speaker, Bermuda should form a strategic alliance with members listed on the E.U.'s blacklist, influential lobbyists, NGO's and other influencers that work within the E.U. Parliament and its states. In so doing, this alliance could leverage its collective economic power, global influence and contributions to the international financial markets.

BERMUDA'S 2021/22 ECONOMY AND BUDGET

Mr. Speaker, many Bermuda residents see this budget as very aspirational, and one that lacks detail. It provides very little hope and is likely the most nonspecific budget statement ever presented.

It is as though the onset of the COVID-19 pandemic was viewed as a **GET-OUT-OF-JAIL**-free card to dismiss the economic challenges facing Bermuda that were in existence, prior to the pandemic.

Mr. Speaker, the purpose of the budget statement is to give the public two specific things: 1) A report and analysis of the government's finances for the past fiscal year within the context of the overarching external conditions and government objectives and 2) The government's plans for the country for the next fiscal year, and how those plans will affect government's revenues, expenditures and balance sheet.

Mr. Speaker, the Minister of Finance has failed to deliver either one of these objectives in any kind of robust or detailed fashion. Instead, he has merely listed off a number of issues facing the country without any specific plan as to how to meet those challenges. **There is virtually no analysis or context, other than COVID-19, of government's financial performance.**

What has been produced is a list principles, but even that was poorly executed because the list is only mixture of principles and objectives, for example:

- Combating COVID-19 is an objective
- Reducing the cost of living is an objective
- Fairness and equity are principles
- Fiscal prudence is a principle

Mr. Speaker:

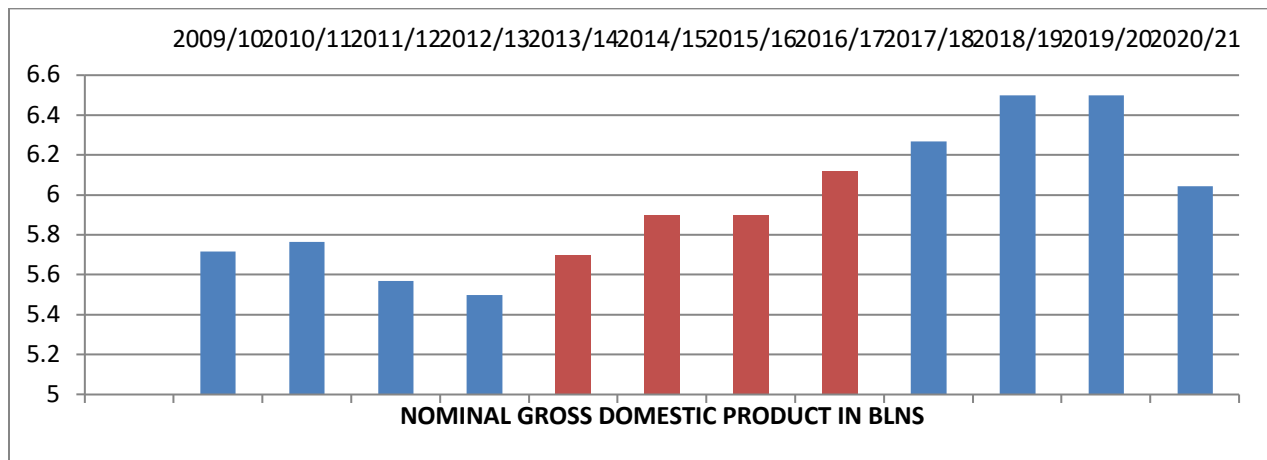
The COVID-19 pandemic transcends national borders, through aviation, ground transportation and shipping. Its social and economic impact is the same. As we have all seen, as the Covid-19 numbers spike, the health of our population becomes more challenged. **As populations isolate, and quarantines increase, ECONOMIC CONFIDENCE DECLINES.** Business sales decline, unemployment increase, furloughs increase, homes are lost, loans become unserviceable, and the contraction of various businesses and economies continues. This story is the same around the globe.

From a health perspective, Bermuda's recovery is admirable, and the Bermuda Government should be commended for the work they have done, and the work they continue to do. In fact, the Pan-American Health Organization and the U.S. Center for Disease Control, at one point, raised the Island's country status from clusters of Covid-19 cases to "sporadic cases", in recognition of the success that our country has achieved in containing the pandemic.

In light of this, all Bermudians must continue to make their personal contribution if we are to minimize the health devastation left in the wake of COVID-19. These mitigation measures include social distancing, self- isolation, and quarantining, when warranted, using personal protective equipment, and adhering to the standards prescribed by the World Health Organization, POCA, the U.S. Center for Disease Control and other agencies.

As a well-known Fiscal Responsibility Panel economist said, **if you have a healthy and productive population, you will also have a more productive economy.**

Mr. Speaker, despite the above, the fact still remains, that Bermuda's economy continues to contract, given that our 2020 Gross Domestic Product is projected to fall between 7-9%.



Mr. Speaker, what the reduction in GDP means for Bermuda is:

- **More job losses for Bermudians**, especially small businesses, which play a vital role in Bermuda's economic engine;
- In the Retail Sector, businesses such as beauty salons, fitness related facilities and businesses within the hospitality sector will continue to bear the brunt of job losses. Apparel stores, and service stations will also continue to decline. These businesses face the threat of closure due to the added COVID-19 restrictions placed on them. They will likely not be able to pay their overhead costs, rents, and other expenses due to the dramatic decline in revenues.
- Low wage earners who clean, prepare, and serve food within the private, and public sectors are also significantly impacted. They will experience the most job redundancies and will be hit with increasing unemployment. For those who keep their jobs, they likely have not had a wage increase for years or are faced with reduced working hours.

- Tourism was catastrophically affected by COVID-19. Our Cruise Ship industry has all but vanished with the related revenues down approximately 90% for 2020.
- The Construction Industry will continue to suffer, as Bermuda's construction projects fell by 41.3% for the first six months of the fiscal year 2020/21, and there is no relief on the horizon.

Despite this status, economically Bermuda must place its economy on a path of higher productivity and growth, while ensuring that benefits are shared evenly, and that our debt is manageable. This is not an easy task, as other countries find it difficult to have trade-offs between implementing measures to support economic expansion, and avoiding a further buildup of debt.

There are those who believe that investments in health, education, and high-return infrastructure projects, will also help move the economy forward to a green economy. Research spending can facilitate innovation and technology adoption, which are the primary drivers of long-term productivity growth. Others believe that we cannot spend or grow our economy without extending our workforce or population.

Mr. Speaker, we should also cooperate with other countries and regulators on the design of international corporate taxation to respond to the challenges of the digital economy.

With the continued uncharted path of the pandemic, Bermuda must ensure that our healthcare systems can continue to cope with its demands. This means that we should continue to secure adequate resources, prioritize healthcare spending as needed, including testing; contact tracing; personal protective equipment; life-saving equipment, such as ventilators; and facilities, such as emergency rooms, intensive care units, and isolation wards.

Considering the above, Bermuda must continue the fight to contain the pandemic and can be implemented by adopting measures to lower its transmission and set the stage for an eventual economic recovery due to mobility constraints. We should also limit the damage by supporting earnings losses for affected people and firms. Retraining and reskilling of Bermudians should continue to the extent that it is feasible, so that workers can look for jobs in other sectors.

As this transition may take some time, displaced workers will need extended income support as they retrain and search for jobs.

Mr. Speaker, we believe that as we reopen, our government must support the recovery by gradually removing targeted support, facilitating the reallocation of workers and resources to sectors less affected by social distancing, and providing stimulus where needed, and to the extent possible. Some fiscal resources freed from targeted support should^[SEP] be redeployed to public investment, including in renewable energy, improving the efficiency of power transmission, and retrofitting buildings to reduce their carbon footprint. Moreover, as lifelines are unwound, social spending should be expanded to protect the most vulnerable, and where gaps exist in the safety net, authorities could enhance paid family and sick leave, expand eligibility for unemployment benefits, and strengthen healthcare benefit coverage as needed.

CREATING A NIMBLE GOVERNMENT

Mr. Speaker, as stated in the SAGE Commission Report, when comparing the size of Bermuda's government with other jurisdictions, and when tracking its growth during the last 20 years, the SAGE Commission believed that Bermuda's government is disproportionately larger than it needs to be to conduct its business and to deliver necessary services to tax payers.

Currently, there are 36 Members of the House of Assembly, 11 Senators, 12 Ministries, 72 Departments, 13, Quasi Non-Governmental Organizations (quangos), 16 related entities and approximately 5,070 employees. Additionally, a multi-layered management structure and excessive decentralization has led to unnecessary red tape, poor communication, and delayed decision-making.

Bermuda also has a disproportionate number of paid legislators when compared to many other countries.

As our elected and appointed representatives address the Island's economic challenges, the SAGE Commission believed that Bermuda had an opportunity to demonstrate their belief that the sacrifice needed to regain Bermuda's financial footing must be shared by all.

Mr. Speaker, it is important to note that while the Sage Report was written seven years ago, its recommendations are as workable today as they were when the Report was first written. For example:

- The Commission recommended that the cost of running the Bermuda Legislature should be reduced by 15%;
- In the first instance, the Commission recommended that the House of Assembly should be reduced from 36 to 30 seats. Secondly, they recommended that the size of the Cabinet should be reduced to a maximum of 8 Ministers, including the Premier;
- These reductions represent savings in salary and benefits. The Premier can carry out the reduction in the size of the Cabinet now;
- Until both recommendations are implemented, the SAGE Commission recommended that the Ministers and Members of the Legislature take an immediate reduction in salary, equal to the reduction in salary and wages of the Civil and Public Service; and
- As these cost savings do not equal the targeted 15%, the Commission recommended that the remaining areas of the Legislature's budget should be reduced to make up the difference, and/or make further reductions in the salary of the Ministers and Members of the Legislature.

Mr Speaker, while some of these recommendations have been actioned, we believe that these recommendations can serve to demonstrate to the Bermuda community, that our Parliamentarians are serious about addressing the chronic debt crisis and moreover, and that leadership should lead by example, starting at the top.

The Commission further recommended the following reductions (and one increase) to the organizational structure of the Bermuda Government:

- Ministries: from 12 to a maximum of 8;
- Departments: from 72 to 52;
- Quangos: from 13 to 12; and
- Organizations where Government has administrative responsibility: from 9 to 8.

RELIANCE ON THE ONE BERMUDA ALLIANCE CAPITAL PROJECTS HELPS TO BOOST THE CURRENT ECONOMY.

Mr. Speaker, over the past three years, there has been a reliance on several OBA projects to materially boost Bermuda's GDP and create jobs

Unfortunately, we have not seen any meaningful action to manifest the promises made by the PLP. **The reality is, the promises made by the PLP have been broken.**

In its 2020 election platform, the PLP pledged to 'target a return to a balanced budget within three (3) fiscal years when tourism has fully recovered following the Pandemic'. They made repeated promises to balance the pre-pandemic budget and have failed. In fact, as recently as February 3 of this year, on a television broadcast, the Minister of Finance indicated that he hoped to have a balanced budget by 2023. How exactly will this happen? Where is the detailed Plan? Why should we believe them this time?

Indeed, with the on-going effects of Covid-19, and with no detailed plan to resurrect our economy, **it appears that Bermuda is destined to further increase the size of our national debt, which is well on its way to almost \$4 billion dollars.** A debt of that size will undoubtedly cripple our ability to put money where it is most needed, which is into social support networks, into stopping violence, and into improving the healthcare and the wellbeing of all Bermudians. Especially as debt servicing is costing us \$127.8 million dollars per year.

Mr Speaker, the One Bermuda Alliance stands by its economic policies. We know that it suits the naysayers to play down our achievements, but our efforts were nothing short of an economic miracle! On our watch:

World class events came to the island, new hotels and a new airport created wealth and new jobs for Bermudians; and

The OBA attracted one billion dollars of inward investment to Bermuda.

While those were some of the OBA's accomplishments to make it to the headlines, the OBA did so much more.

Mr Speaker, we created the independent Bermuda Tourism Authority ("BTA") and under its leadership, Bermuda had seen record tourism arrivals. Now that it has been politicized, will we see the same level of success?

Recognizing the need to bring more tourists to Bermuda during the shoulder season, we worked with the BTA to bring events such as the World Triathlon Series to the Island.

We negotiated a deal to bring 12 cruise ships to the Olde Towne of St. George's, from 2017 to 2022. Under the agreement with Norwegian Cruise Lines ("NCL"), NCL agreed to bring two new catamaran ferries to the Island for a run from Dockyard to the East End, along with a yearly investment of \$150,000 by NCL to sponsor tourism enhancement projects.

Mr. Speaker, on the OBA's watch, we created the Bermuda Business Development Agency ("BDA"), to help bring new businesses to Bermuda, and long before the PLP, we were exploring the opportunities of outer space when we began discussions with NASA over a more permanent facility on Cooper's Island. Further, we granted a 15-year exclusive contract to develop Bermuda's satellite slot.

Aware of the need for sustainability and to reduce our reliance on fossil fuels, it was the OBA who started the process of getting a Solar Photovoltaic Project on the "Finger" at the LF Wade International Airport.

The small electric rental cars we now see on Bermuda's roads today, were a result of legislation that the OBA passed, allowing rental minicars in Bermuda for the first time in our history. As a result, there are now at least four car rental businesses, providing safer transportation for visitors and jobs for Bermudians.

CAROLINA BAY:

Mr. Speaker, Morgan's Point has taken a prominent place in this Budget statement and, consequently, I will share some history with the people of Bermuda on this matter.

Morgan's Point was a poisoned chalice almost from the start. How so? The ground was poisoned by the U.S. Navy and the contract that was signed by the previous PLP government with Morgan's Point Ltd. was poisoned by the obligation to clean up the entire site to a "Residential 1" standard, at government's cost and the Bermuda taxpayer.

As the project progressed, the developers threatened to sue the then Government for \$100 million dollars if they did not comply with the development agreement.

Mr. Speaker, after long and difficult negotiations, government agreed to clean up the sections of the site where clean-up was possible and retain for itself the areas where it was impossible. We did that at a cost of about \$33 million dollars.

Notwithstanding all of this, it was still a "Brownfield Site", and as such, investment funding would not be forthcoming without government's guarantee.

To lay the infrastructure for the long-term future of our tourism industry, create opportunities for local businesses and jobs for Bermudians, the decision was made to guarantee certain loans for the project.

Unfortunately, the project failed. Nevertheless, the negative result of this case, government guarantees are generally required from overseas financiers to finance major projects in Bermuda.

Mr. Speaker: The question is, what now?

The government has had plenty of time to formulate a plan for the future for Morgan's Point - What is the plan? We were hoping that would be articulated in this budget statement. I have to say that it is disappointing not to see the plan.

While I am on the topic of Carolina Bay, what happened with the Morgan's Point liquidation? What did the Government actually receive for the \$165 million dollars expended for the adoption of the loans? Again, **the Minister of Finance has been very thrifty with these details.**

2019/20 BUSINESS CONFIDENCE:

Mr. Speaker, to contrast the OBA's accomplishments, **under the PLP leadership, Bermuda has seen the lowest business confidence levels ever.** New and increased taxes have significantly impacted small Bermudian businesses, who can least afford it, and we have seen the implosion of retail businesses as well as the loss of hundreds of jobs in a sector, which was described by one Minister as 'insignificant.' It is important to note that **none of these casualties were as a result of COVID-19.**

Agonizingly, we have seen Bermuda's debt rise by one billion dollars in 12 months, which is absolutely incredible.

Mr. Speaker, there has been also very little progress on gaming, and an untendered deal for an arbitration center, for which no financial details have been provided.

GAMING

Mr. Speaker, there has been no mention of gaming in the 2021/22 budget statement. In the past two or three years, the topic of Gaming has been very popular, as it is an amenity which can support our ever-evolving tourism industry.

We note in the budget statement, that there is a 125% increase in the Cabinet Office where the Governments gaming infrastructure is managed. Is this extra \$21.691 Million dollar allocation for the Gaming industry?

Mr. Speaker, the Gaming Commission has issued two provisional licenses to two world- class resorts, and these resorts are unable to move forward with their gaming offering because the proper legislative and operational framework is not in place. Moreover, the banking component of the structure has not been resolved, even though we are making progress in this space.

I have been advised that the delay in gaming lies at the feet of the Premier, and that the banking matter can be resolved *if* the Premier does what is required.

Mr. Speaker, there are those who have vast experience in the gaming industry who believe that Gaming should be removed from the Premier and Cabinet office's portfolio and transferred to the Ministry of Finance. **Senior international bankers also have indicated that they are not aware of any advanced nation where gaming is under the control of, or under the purview of a country's head of state, i.e.; Premier, Prime Minister or President.**

In addition, there are stakeholders who believe that the overarching Gaming Commission legislation must be amended so that the Commission is independent of government influence and interference. These should include the removal of the requirement, that a government representative sits on the Board of the Commission. In fact, it was noted that the Gaming Commission should have the same type of independence and autonomy, as the Bermuda Monetary Authority.

As most in our country are aware, the current Government has indicated that operationally, Bermuda will be progressing with a cashless gaming solution. What does a cashless gaming solution mean? Are we talking about credit cards only? Are we looking at crypto currencies like Bitcoin, Ethereum, or Tether through blockchain solutions? Transparency is required as potential operators who are prepared to invest in this industry, are not clear on Government's cashless gaming direction. This matter must be resolved soon, especially as a new hotel will be launched before this summer.

Considering the above, we must get it right, as Government has a responsibility to fulfill its obligations as prescribed under the various hotel development agreements which are in place in our tourism industry.

INTERNATIONAL BUSINESS:

Bermuda's International Business sector has continued to tick over well, despite Covid-19, and the debacle in travel. It has been said, that from chaos, comes opportunities, and all this chaos is having a major turn in the right direction for the global Property & Casualty insurance underwriting market.

For the first time in about 15 years, underwriting rates are hardening and rising. There is a significant tailwind for our ABIR members. There was a similar market which incentivized many international insurance and reinsurance company giants

to flock to Bermuda years ago. As mentioned at the recent Budget Breakfast by the director of Policy of ABIR, their members contributed some \$830,000,000 to renew Bermuda's economy by way of contributions to such areas as construction, travel, entertainment, and housing, and note, of their 1756 total number of employees, 72% are Bermudian.

Mr. Speaker, new capital is coming into our market. Many of Bermuda's major carriers have already raised \$12 billion dollars in new capital according to the Chairman of and CEO of Arch Worldwide Reinsurance group. Most of this capital went to existing companies, and approximately \$2 billion dollars went into new companies. With this infusion in existing and new companies, Bermuda will see the multiplier effect.

However, while much needed capital is coming to the island, the new landscape will not be similar to previous landscapes.

Companies are now outsourcing many of their back office functions to jurisdictions outside of Bermuda. IT servers have been relocated overseas, employees are working remotely from Canada, the UK, the USA, and Europe. More and more administrative work is being outsourced to more competitive jurisdictions, and business analytic models are being purchased off the shelves, thereby robbing our people of job opportunities and employment.

Considering the above **Mr. Speaker**, our job as Parliamentarians, is to encourage such companies to fill those positions locally. This can be accomplished by making the immigration process more accommodating, and by removing some of the bureaucratic red tape which stymies a productive and welcoming business environment. **We cannot afford to lose this momentum, as it is the only tail wind that we currently have.**

Mr. Speaker, we must encourage government to get out of the way and allow Bermuda to grow. In 2018, Bermuda hosted an event that has been referred to as the 'Davos of Ocean Science'. **It is time now that we consider hosting a similar Ocean Risk Summit event for Climate Change Risk?** In so doing, **Mr. Speaker, Bermuda can reposition herself to also be the center of excellence for an international climate change risk market.**

DIGITAL COMMERCE

Mr. Speaker, quite a lot is also being said about tangible opportunities in the digital commerce arena in Bermuda, and the One Bermuda Alliance supports this discussion.

With Bermuda's legislative, regulatory and telecommunications frameworks and digital communications infrastructure, we stand ready to capitalize on this emerging and growing industry.

We expect the provision of robust training and internship programs, and the creation of new jobs for Bermudians.

In addition, from a taxation perspective, the digital sector will benefit from the traditional tax schemes currently in place in Bermuda, such as company taxes, payroll taxes and land taxes. **The Government should consider further examination of a negotiated value added tax for the privilege of booking their local and global internet business earnings from Bermuda. This approach is not new, and the industry is familiar with it.**

According to the Organisation for Economic Cooperation and Development, in the absence of a new international rule book, several member governments are planning their own digital service taxes. They are taking this action because of growing public pressure on large multinationals like Google, Facebook, and Amazon, to pay their share under international tax rules after the Covid-19 strained national budgets.

BASE RATES

Mr. Speaker, The Government's recent Speech from the Throne indicated that the Legislature will be invited to consider bills to reform banking laws and regulations, and to establish a Bermuda base interest rate.

It goes on to say, that the reform of banking laws will increase competition in this sector, introduce new classes of banks to boost the economy, and harmonize the Bermuda base rate, while at the same time working with the banks to reduce the interest rates charged on mortgages.

Mr. Speaker, before the Government embarks on this journey, **may I strongly suggest this Government build consensus with the Bermuda Banking**

Association, and that it also secures the blessings and support of all its members.

I am saying this because of the unintended consequences.

The reality is that there are two large international banks on this Island, which likely provides approximately 65-70% of Bermuda's loans and mortgages. If they are not on board with Government's proposals, and if the prescribed base rate impacts their earnings and return on assets, then these same banks will stealthily exercise their option, and will quietly and drastically reduce their mortgage and loan portfolio footprint in Bermuda.

They CAN redeploy their assets, and the availability of loans and mortgages to their branches, or subsidiaries in other jurisdictions.

In simple terms, if we do not get this right, the availability of mortgages and loans to Bermudians will decrease exponentially, and the banks' assets will be used to support the rapid growth of their mortgage and loan footprints in other jurisdictions such as Cayman, Bahamas, BVI, Jersey and Guernsey, the US, and the UK.

Mr. Speaker, I reiterate, we must be aware of the unintended consequences, as this move may come back to bite us.

IMMIGRATION:

Immigration reform has been a thorny, and very emotional issue for successive governments of Bermuda and her people. It has been a political football, and with the aid of successive PLP Governments, this issue has also stoked civil unrest.

But despite the above, the Progressive Labor Party has begun to make progress in this space. Their Government is just beginning to recognize that Bermuda's workforce and population must be expanded. **Mr. Speaker, the PLP government is finally accepting the fact that a good Immigration policy is a good economic policy.**

Two weeks ago, the Ministry of Immigration introduced the Economic Investment Certificate and the Residential Certificate Policy which enables investors to apply for the right to live in Bermuda indefinitely on the condition that they invest a minimum of \$2.5 Million dollars into the economic wellbeing of Bermuda which will add value to our economy.

Mr. Speaker, Bermuda has approved applications for 400 digital nomads, who are all welcome, but how many have actually moved to Bermuda under this residential program?

For years, the One Bermuda Alliance tried to revise the current Immigration Act, but we could not do so because of the civil unrest in our community, but **today the Progressive Labor Party is finally seeing the light.**

A GOOD IMMIGRATION POLICY IS A GOOD ECONOMIC POLICY.

We are seeing the promotion of several reforms that the One Bermuda Alliance recommended, especially with mixed status families, as well as the idea of commercial immigration, which was initially presented by former OBA Immigration Minister, the Hon. Michael Fahy JP MP.

Quite frankly **Mr. Speaker**, we also know that **a full review of the Immigration Act of 1956 is a must.** It is draconian, dated and well over sixty years old. Its original purposes and features are no longer relevant to the Bermuda we enjoy today. It just does not support our 21st century economy with all its nuances and challenges.

Considering the above, **our current government must grab the proverbial nettle, stop the political sophistry, and embark upon an immigration review which will help to expand Bermuda's workforce**, and in turn will form the foundation for Bermuda's economic growth. It will also create a pathway to residency and citizenship, while at the same time, protect the interests of Bermudians and Bermudian jobs.

Based on Ruchir Sharma's 'Ten Rules of Successful Nations', increasing populations has accounted for roughly half of economic growth and that if the population is shrinking, it is close to impossible to generate strong economic growth. **As the European Commission stated in 2005, "never in history has there been economic growth without population growth."**

Mr. Speaker, for the edification our community, let me explain why the expansion of our workforce is so crucial.

- Debt, debt service and deficit: More working people in Bermuda means greater payroll tax collection and more local consumption which increases

customs duty. A greater residential population creates a multiplier effect on our two biggest buckets of tax.

- Healthcare costs: Guest workers are generally younger and healthier than our average resident. Increasing the number of guest workers massively improves the sustainability of our health care system.
- Ageing population: Increasing working age population with all else staying the same, directly reduces our maintenance ratio. Total health care costs and ageing population are closely intertwined.
- Global compliance requirements: Many companies are going to have to do more to justify their presence in Bermuda under the new tax regimes. We are competing with other jurisdictions on this front and must present a welcoming attitude.
- Narrow economy: More working age people on island decreases the tax load per person.

Mr. Speaker, keeping it real, our economy, social wellness and security are inextricably linked with immigration, more so than nearly any other jurisdiction.

We are a service economy with no physical exports and only two pillar industries, one of which produces much of our foreign exchange, employment, and tax revenues i.e., international business.

It is time. This immigration review must start now- **Immigration reform just makes good business sense.**

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PENSION FUNDS FOR INVESTMENT

Mr Speaker, once again the Minister of Finance is silent when it comes to the unfunded liability for our Public Service Superannuation Fund, the Government Health Insurance Fund and the Members of the Legislature and the Ministerial Fund. For the record, it stands at approximately \$1.47 billion dollars, based on the latest Auditor General's Report.

Will our Government employees have a pension that they can draw on when they retire in the years to come?

Mr. Speaker, this question is not unreasonable given that the total liability due to our pension plan participants, and Government's note holders, now stands at \$4.7 billion dollars.

Mr. Speaker, if we are going to be truly transparent, we should note that our government funded some of their stimulus programs on the back of pension funds, the pension holiday, which only kicked the can further down the road.

Here it should also be noted that Superannuation fund shortfalls are of course, funded through the Consolidated Fund and will need to be addressed at some point.

ADDITIONAL CAPITAL DEVELOPMENT SPENDING

The Throne Speech indicates that, "under normal circumstances, governments the world over, increase their capital expenditure to stimulate the economy and create work projects to help to get its citizens back to work, after natural disasters or dramatic economic downturns".

But these are not normal times with the Government's debt ceiling at \$3.5 billion and no surplus budget possibilities in the near future

The OBA Government created an environment that incentivized foreign investment such as The St. Regis and the Azura Bermuda hotels. We engineered innovative public/private schemes such as the airport and promoted international events, such as America's Cup which alone brought \$350 million dollars to our economy and stimulated jobs and commerce, representing a sizeable return on the public purse spending.

This present Government has not demonstrated that type of ingenuity and prowess. Is capital development spending needed now to upgrade our infrastructure and stimulate a stagnant economy? The answer is Yes.

Does this Government have the ability to make this happen while adequately servicing its debt, and at the same time, not going into further debt and maintaining its present service levels while trimming the fat of Government spending? Past performance by this Administration and the contents of its most recent Throne Speech does not convince us that it can.

Mr. Speaker, while on the topic of Capital Developments, it should be noted that the One Bermuda Alliance recognizes the need for infrastructure development. When we were the government, we implemented a number of large infrastructure projects, some successful, and some were not.

One that was not successful, was the Fortress Bermuda Infrastructure Fund. This was the brainchild of Brian Duperreault, and the Hon 'E.T.' Bob Richards. The idea was to create a "for profit" investment fund to improve the infrastructure in Bermuda, funded by the reinsurance industry that has assets of 2/3 of a Trillion dollars (yes with a 'T') invested outside Bermuda. A number of ABIR companies bought into the idea and Fortress Investments of New York, who were to be hired to manage it. It was supposed to be about \$250 million in size. In the final analysis, in March 2017, the proposal realized firm commitments for only \$66 million, and Fortress wanted \$1 million per year. We consequently declined the offer.

However, after the 2017 election, one of the first things Premier Burt and the PLP Government did was to sign that same deal.

As far as we know, government has paid Fortress \$5 million dollars for this infrastructure fund. Where do we stand today? What value has the country received for the \$5 million dollar payment to Fortress?

UPDATE TAXATION SYSTEM

Mr. Speaker, The Throne Speech proposes that the Tax Reform Commission of 2018 should update its recommendations "*in light of the new economic realities created by the Pandemic*".

Mr. Speaker, our question to this Government is - ***Have they read the 2019 report?*** And ***if*** they have read the report, what have they done thus far to implement those recommendations?

We submit that there are recommendations found in that report that are fair and equitable. They do not place an undue burden on the lower paid workers of this country, and which do a lot to effectively broaden the tax base without stifling the economy.

But just like the SAGE report, the Fiscal Responsibility Panel's ("FRP") report, and other similar reports, this government apparently has no appetite for them, nor have they put into practice recommendations made by these commissioners.

REVISED TAX STRUCTURE:

The FRP recommends that the country should brace itself for a revised tax structure. The Panel feels that the current structure is unsustainable in addressing Bermuda's current economy. In real terms, this may mean more taxes for the people of Bermuda, given that they believe that a reasonable tax revenue, as a percentage of GDP, should be around 19 to 20%. That would be an increase of approximately \$190 Million dollars over 3 years.

In addition, it should be noted that with the imminent embodiment of the Tax Reform Committee, a more fair and equitable tax structure is being examined, which could result in an increase in all of our current personal tax liabilities.

Mr. Speaker, the bottom line is that we need enough taxes to run government and no more. Without taxes we can not effectively run government.

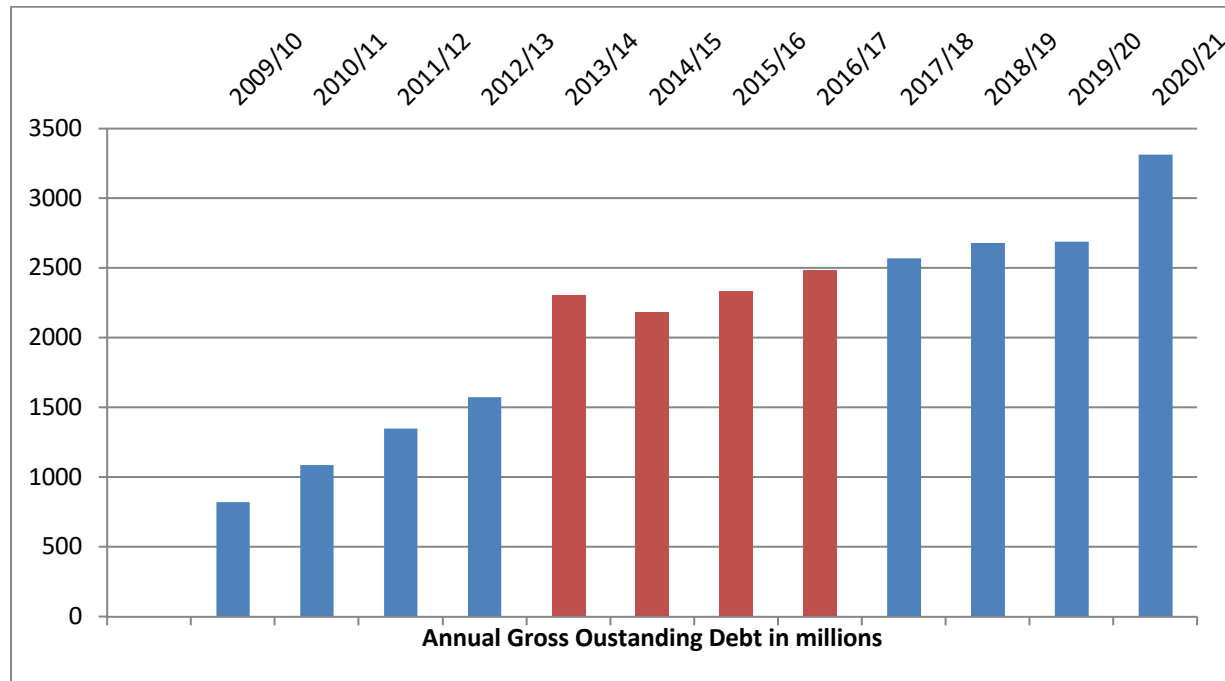
GOVERNMENT'S ACCOUNTS RECEIVABLES:

Mr. Speaker, it should also be noted that this current budget has not addressed the Government's \$100,000,000 accounts receivable portfolio realized from across all Government ministries. Neither did they present any management strategies, write-off strategies, or recovery strategies.

In today's environment, this Government should not and cannot entertain any suggestion of implementing overdue tax amnesties, or tax forgiveness for delinquent taxpayers who meet certain eligibility requirements. This is a slap in the face to those taxpayers who have been diligent, made sacrifices and found the wherewithal to pay their bills when they became due. Some who may not have had the money to pay their bills, entered arranged payment plans to ensure that they met their commitments. In some instances, if a company needed work permits, such permits were withheld until delinquent accounts were made current.

To forgive those who just did not bother to pay, or to enter payment plans will establish a precedent, whereby responsible companies will hold on to their money with the view to waiting out their time to get a write-off.

BERMUDA'S NATIONAL DEBT



Bermuda's debt continues to rise unabated. As I mentioned earlier this year, Bermuda can expect that our national debt will hover around \$4 billion dollars during the next fiscal year. The Minister of Finance is rightfully concerned, indeed, we all should be very concerned. He indicated that the Government's Budget deficit is expected to be an "unsustainable" \$245 million for the 2021 financial year after the Covid-19 pandemic with slashed revenues, and soaring expenditures. If we continue this glide path, we will see another increase in Bermuda's debt ceiling. The Fiscal Responsibility Panel ("FRP") said in their 2020 report that "An adverse but far from inconceivable" scenario would see Government debt on an unsustainable trajectory, leading to a credit rating downgrade and higher interest rates on new debt, the risk of "large emergency tax increase and spending cuts", and the possibility of capital flight and a foreign exchange crisis.

The FRP also indicated that given the fiscal position, and the limited progress of the Government acting on their earlier recommendations, they are concerned that Bermuda will have little fiscal or macroeconomic policy bandwidth to address

any crystallization of these risks. Over the longer term, their key concern is still domestic, i.e.: the island's shrinking workforce and ageing population. This challenge will put ever-increasing pressure on both taxes and spending.

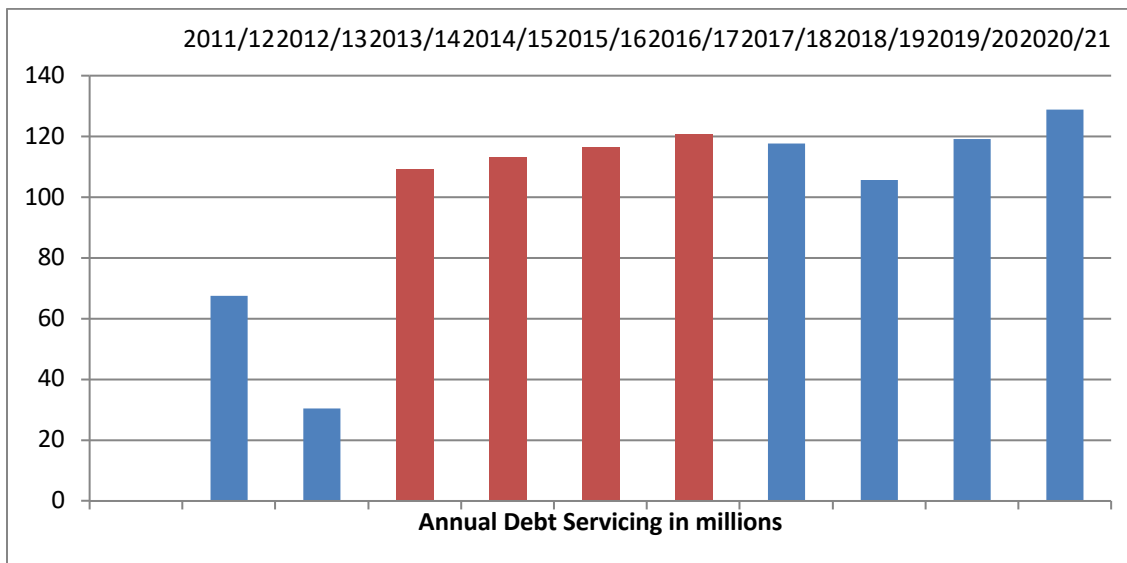
Mr. Speaker, according to the FRP, the issue is not whether action is needed, or even what actions are needed. There is already a high degree of consensus, in both their reports and those of other independent bodies, indeed within Government that **action is needed**. This action includes immigration reform, tax reforms, and changes to the structure of healthcare and pensions, which are **all** necessary.

DEBT SERVICE

Mr. Speaker: Bermuda's annual debt service is completely out of control.

This money is paid to our local and international bondholders. For the year ending March 31, 2021 this annual expense will total approximately \$127 million or approximately 11.4% of the estimated expenditures. This expense is the third largest government expense after the Ministry of Education, and the Ministry of Health. It is almost larger than Youth, Sports and Community Affairs, Social Development and Seniors, Home Affairs and Transport combined.

And **Mr. Speaker**, most of this money leaves Bermuda. It does not circulate in our economy for further use by our people.



THE SINKING FUND:

Mr. Speaker, the current budget statement indicates that the Minister of Finance plans to finance his deficit from the Sinking Fund. The Royal Gazette stated that, “the Sinking Fund, was devised by the late David Saul for a rainy day, just like this one.” For clarity, Bermuda should note that **The Sinking Fund was set up specifically to provide for the RETIREMENT OF DEBT**. In fact, the annual contribution was earmarked annually at 2.5% of the outstanding debt for the expiring fiscal year.

What will be the PLP Government’s policy going forward? Will the Sinking Fund contributions be made in times of plenty when we have current account surpluses?

Will the suspension of our contributions to the Sinking Fund be permanently on the table, or will the suspension be temporary? How are we going to establish a reserve to retire the growing debt which Bermuda faces as a result of Progressive Labour Party Governments?

Mr. Speaker, it should also be noted that the OBA amended this policy slightly, so that when we could raise large cheap borrowings, we would place the excess in the Sinking Fund, and take it out as needed. It was not intended to mix the money set aside for debt repayment with excess borrowed money for operations, but that, **Mr. Speaker** is exactly what is taking place.

INCOME TAX:

Mr. Speaker, income tax recently became a topical issue in Bermuda, especially when it comes to addressing economic inequality.

As my friend and former political colleague, and former Minister of Finance the Hon E. T Bob Richards indicated and I quote “The United States and Britain have had a system of income tax for more than 100 years, yet income inequality is still a significant issue there. In a recent study by the Organization for Economic Co-operation and Development, which has 37 member countries, the US was the fourth highest in terms of income inequality. Britain was fifth highest.

In the US, the top 1 per cent earns 38 per cent of the entire country's income. The income gap has widened over the past 50 years. A Pew Research study showed that in 1968, the top 20 per cent earned 43 per cent of the nation's income, while in 2018 the top 20 per cent earned 52 per cent of the nation's income. Across the Atlantic, it is said that there are more billionaires in Britain per capita than any other developed country in the world. Billionaire Warren Buffett once said that his secretary paid a higher percentage of taxes on her income than he did. So much for income taxes promoting income equality. That premise, in the real world, is patently false.

Mr. Speaker, legislating income tax is easy; collecting income taxes is another matter. The structure of Bermuda's private sector creates peculiar challenges in collecting income taxes. Take dividends for example, if I own 100 shares of Butterfield Bank, the dividend will be paid to me and there would be a clear audit trail if I failed to declare it as income. But most local businesses are privately held, family-owned enterprises. In such cases it would be easy, in a myriad of ways, to extract a return on your capital without paying a dividend.

The cost of collecting such passive income will be enormous. In a large country, that cost can be spread over millions of taxpayers, but not in Bermuda. We would have to swell the Civil Service just to attempt to collect such taxes; but wealthy people have the resources to hire tax professionals to mitigate their tax burden, while average and poor people do not. In Bermuda, a balance must be struck between levying taxes and the cost of collecting taxes and the cost of doing business in Bermuda and the cost of living in Bermuda.

Mr. Richards enlightening remarks speaks volumes on the implementation of income taxes to correct inequities. To summarize, **Bermuda should measure twice and cut once, as income tax is not the panacea for addressing economic inequality in Bermuda.**

YEARLY DEFICIT IN MILLIONS

Mr. Speaker, I can recall back in 2012 when the OBA became government and had to borrow money to pay for the ongoing expenses to run the government. Money had to be borrowed as there was a massive inherited deficit, while the stimulus program took effect. Government spending was reduced gradually in an effort to avoid mass redundancies of civil servants. The OBA determined that the debt ceiling was required to clean up the mess and set it at \$2.5 billion dollars. The OBA inherited a machine running an operational deficit of \$101 million dollars and an overall deficit of \$299 million dollars in 2012/13. The OBA handed over a Government running an operational **surplus** of \$166 million dollars and an overall deficit of only \$8 million dollars (excluding the Sinking Fund contribution) in 2017/18. The debt was being significantly addressed.

Mr. Speaker, for those Honorable members wishing to make political points with the debt, it is worth noting that during the last fiscal years of PLP Government (2008/09 to 2012/13), the debt grew by 320% from \$335 Million dollars to \$1.408 billion dollars. From the start of the times of plenty in 2001/02 until the year of the election in 2012/13, **the debt had grown by 1,045% or eleven times over!**

Mr. Speaker, it would be remiss of me, if I did not acknowledge the comments recently made by Bermuda's Auditor General about Bermuda's national debt. She underscored her concern by stating that, as in her previous annual reports, the Government continues to make decisions without knowing the combined financial position of all the organizations that make up the Government reporting entity.

She further added that there are no effective, comprehensive long-term plans for reducing the annual and accumulated deficits or the associated debt, the unfunded liabilities of its major pension plans, or the size of taxpayer indebtedness, all of which continue to grow unsustainably.

This continued behavior must stop, and fiscal prudence should and must be addressed if we are going to bring our national debt in check.

Is it time to introduce fiscal responsibility legislation which places a ceiling on the annual expenditure growth? Do we also place an added feature which places a ceiling on our debt to GDP ratio?

This should not be dismissed, **as our debt is close to 60% of our GDP and each Bermudian worker is carrying \$133,000 of the government's debt.**

HEALTHCARE

Mr. Speaker, the One Bermuda Alliance believes that all Bermudians should have access to affordable, high quality healthcare.

Through true and transparent consultation, the OBA recommends that Government work with all sectors involved in the delivery and financing of healthcare in Bermuda to reduce the cost of healthcare, tackle chronic illness, and ensure equal access to care.

Every Bermudian has the right to health insurance coverage that is evidence-based and managed by independent professionals and not by the Government.

The legislation surrounding healthcare is fragmented and we recommend that the laws are brought up to date and unified to reduce the confusion surrounding our healthcare regulations.

The supplemental benefit for mental health needs to be regulated and protected to ensure that insureds are being covered at the same level as medical benefits.

All of our people need more access to information about their healthcare policies, to have clear transparency regarding to the specifics of their coverage.

We also recommend that the PLP Government implement a "Unique Patient Identifier" ("UPI") for everyone in Bermuda. This will ensure that everyone has coverage, reduce duplication of services, and drive down the cost of healthcare for all. It will assist in services being streamlined and produce a true number of those who are uninsured or underinsured, to assist in developing solutions to reduce this sub-set of the population.

But **Mr Speaker**, we must do more to tackle the root causes of poor health, so the One Bermuda Alliance recommends a National Physical Fitness Programme to encourage well-being, sound health, exercise, and healthy diets, from primary school throughout life.

We would also recommend the introduction of a programme that specifically targets non-communicable diseases, underpinned with food cost reductions for healthy living.

AGING POPULATION AND ITS IMPACT ON BERMUDA

Mr. Speaker, according to Bermuda's department of statistics, Bermuda Population Projections 2016-2026 ,as baby boomers age over the coming years, more persons will be reaching retirement age than in the past. Due to declining fertility levels, it may be difficult for employers to secure enough qualified young Bermudians to fill these vacant positions. Also, as indicated by the increasing old-age dependency ratio, there will be a greater proportion of elderly dependents who may need to be supported by the working population. One possible option to address this, would be to increase the mandatory retirement age of 65 in some industries or to eliminate it altogether as an earlier retirement age diminishes the labor pool. Aside from substantial immigration, another way to increase the labor supply immediately will be to bring more of the elderly into the workforce.

In the future, the needs of the elderly will likely shift public policy and the provision of services. Finding affordable care providers for seniors could become more challenging than finding childcare providers. More or larger retirement facilities, senior citizen daycare programs and in-home care services will also be required. As a result, Bermuda's "greying" population will mean added challenges in upcoming years.

Again **Mr. Speaker**, to remedy this challenge, we need to expand our work force. We need more local jobs so that we are able to collect the revenue to fund our pensions and care for our seniors.

RESOURCES NEEDED FOR CHRONIC HEALTH CONDITIONS

Mr. Speaker, the Population Projection Report also states that of all residents, 7.2% were 75 years and older in 2016. By 2026, this proportion is anticipated to increase to 10.8%. The increase in the proportion of older seniors, will likely increase the demand for purpose built residential facilities with trained staff. This is inevitable as with increasing age, seniors are more likely to have chronic health challenges that may require the assistance of another person or permanent care in an institution. According to the 2010 Census, 77% of seniors had a long-term health condition compared with 35% of persons under the age of 65. Also, 14% of seniors had a disabling long-term health condition in comparison to 4% of the population under 65 years of age. The 2014 Health Survey of Adults in Bermuda indicated that seniors were more likely to have hypertension, diabetes, and cardiovascular disease (Bermuda Ministry of Health, Seniors and Environment, 2016).

RISING HEALTH CARE COSTS OUTPACES INFLATION

In 2004, each Bermuda household spent on average, \$7,000 a year on healthcare, a 156% increase from the amount spent in 1993. This represents a greater increase in healthcare expenditure than the 32% rate of inflation during this period. The amount each household spent on healthcare was roughly \$10,300 on average in 2013, a 47% increase from 2004. This was also a greater increase than the 30% rate of inflation during this period. In 2013, households headed by seniors, spent \$10,919 per year on healthcare, up from \$6,000 in 2004. Seventy-six percent (76%) of that expenditure was comprised of health insurance (Bermuda Department of Statistics, 2005 and 2014).

The Report indicates that **Bermuda's health system share of Gross Domestic Product is the third highest out of the Organization for Economic Co-operation and Development ("OECD") countries.** This is of concern as "although this may reflect prioritization of health in an economy, it can also highlight the need for improvement in health system efficiency" (Bermuda Health Council, 2018:21).

EMPLOYMENT:

Mr. Speaker, as we review government finances and the state of our economy, it is shameful that this Government does not have the latest employment statistics for 2020.

Mr. Speaker, you may recall that the latest report was issued in September 2020 by the Cabinet Office, under the then leadership of the Hon. Wayne Furbert JP MP, and that the report referenced the week of **August 25 to August 31, 2019**.

The annual Employment Survey is a census of all businesses on the island and serves the purpose of providing a broad count of all filled jobs in the Bermuda labor market.

That said, our economic review indicated that 1935 jobs were lost in 2020, which is a 5.6% decrease.

Mr. Speaker, Bermuda's young people have been hit particularly hard by the labor market fallout from the Coronavirus, with workers aged under 24 accounting for nearly half of the total fall in employment during the economic crisis.

At the same time, there is strong evidence that more people are chasing fewer jobs, so young people are struggling to enter the employment market.

Significantly, young people account for 46% of the overall fall in employment during the pandemic - even though they only account for just one in nine of the workforces.

What strategies and programs will this government establish to address this job loss glide path? Is it time to provide more resources to foster and support entrepreneurial opportunities? As a senior economist at Bermuda College said, **"we need to support more young people who working in the Gig Economy, which would be a significant part of the engine to drive our economy."**

LOCAL RETAIL SALES:

Mr. Speaker, when looking at the sales index figure, it became very clear that consumer demand was stronger than ever. The demand straddled across all business sectors. When looking at the latest sales index figures, it became very clear, that consumer demand was stronger than ever as was evidenced in all sectors. This we believe, was directly attributed to the Corona Virus lock down, and the dramatic decline in nonessential overseas travel by our residents. People had more discretionary income and shopped locally. They spent much less on travel and vacations overseas, and more was spent in Bermuda. We shopped locally; we made minor renovations to our homes; purchased new furniture and vehicles, and stocked up on essential like groceries, toiletries, and beverages.

Mr. Speaker, according to the Government Statistics Department, sales volume increased 7.9 per cent, after adjusting for the retail sales rate of inflation which was measured at 0.8 per cent in October. The overall volume of retail sales increased 7.9 per cent when compared to October 2019. This confirmed that the growth was attributed mostly to increased spending on-island by residents. In value terms, retail sales rose 8.8 per cent to an estimated \$99.5 million.

Six of the seven retail sectors recorded higher sales volumes with Motor Vehicle Sales, recording the largest volume increase of 21.2 per cent. Building materials, were up by 5.15; Service Stations were up by point 1%; Apparel Stores were down by 11.9%; Food was up by 7.2% and Liquor sales were up by 17.7%.

Mr. Speaker, according to Minister Wayne Furbert “while the restrictions on travel had a significantly limiting impact on local retail activity, they actually substantially boosted Selected Overseas Declarations,” which are defined as declarations via courier, by residents via the airport, by households via sea, and via the Bermuda Post Office. The value of the total of those categories is seen as continuously increasing for the fifth consecutive month since May 2020. Compared to August 2020, Selected Overseas Declarations in September had reported an increase of 6.6%

TOURISM AND HOSPITALITY

Mr. Speaker, according to a tourism economist and specialist, Adam Sacks, Bermuda's tourism sector will recover nearly fully from the impact of the Covid-19 pandemic by 2023. He stated that tourism in Bermuda will operate at 20 per cent of 2019 levels in 2020, improve to 67 per cent this year, and reach 79 per cent in 2022, and 94 per cent three years from now.

He said: "Part of the strategy is survival, in the three-year period to get to that point." Mr Sacks said he expects the first half of 2021 to be "very difficult", but said the second half of the year will see an improvement.

He said tourism accounted for 19 per cent of the island's gross domestic product, or nearly one fifth of Bermuda's economic output, adding that 23 per cent of all jobs are directly or indirectly supported by the visitor economy.

He further stated that: "Bermuda has reinvented itself, and approached the market in innovative ways, and has done it while staying true to who you are."

He added that the loss of 80 per cent of the tourism economy this year was "a massive call to action to do all that you can from a policy and strategic standpoint to restore a central pillar of the Bermuda economy".

Considering the above, Bermuda has shown steady improvement since the airport reopened on July 1, hitting 16.1 per cent of 2019 visitor volume earlier this month.

We still have a way to go, but this will be challenged because of the recent spike in the Corona Virus in the East Coast of the US, which is our core market.

We should also support the industry by increasing the number of seats and flights available to visitors, and we also should continue to position ourselves as one of the international Covid-19 safe havens".

Mr. Sacks went on to indicate that the time is right, as a survey in the U.S. showed that only 50 per cent of American householders felt safe travelling outside their community. This was reflected in figures that showed that air travel by Americans was at one third of previous levels, and it is likely to increase in the

coming months as studies show that air travel is relatively safe compared to other activities.”

While 11 million Americans remain out of work, he said high-income earners were least affected by job losses. “Those people are our customers.

Mr. Speaker, despite this outlook, this Government expects a paltry Passenger Tax of \$4.5 million dollars. The same principle applies to the Transport Infrastructure Tax, which was allotted a negligible \$2 million dollars. This speaks to Government’s dismal outlook for 2021/22. Are they not listening to the professionals in the industry?

Mr. Speaker, another feature which jumped out in the Budget Statement was the \$10 million dollar guarantee to the Bermudiana Beach Hotel to support the second phase of its development. This is a philosophical turn around for the Minister of Finance who thrashed the One Bermuda Alliance for its hotel guarantee program.

EDUCATION AND BERMUDA COLLEGE:

Mr. Speaker, the One Bermuda Alliance has long stated that the way forward for education is to have it overseen by an independent education authority, so we are delighted that the PLP finally sees the value that an education authority can bring to the delivery of education in Bermuda and student performance and outcomes.

An education authority is not the cure, **Mr. Speaker**, but it is the first and necessary step towards establishing a system that provides the foundation for our young people to succeed.

We also recommend the establishment of a Continuing Professional Development Centre for our teachers, to enhance teaching skills and maintain high standards with continuous training and support.

It is also crucial that both teachers and students receive the support they need so, **Mr. Speaker**, the One Bermuda Alliance urges the Government to supplement schools with teams of Foundational Counsellors, to support our

children and instill the skills needed for life, from early developmental learning to guidance in later years, when our children transition from education to working life.

Government should protect Bermuda College from the financial impact of the crisis, so that it can maintain and enhance its critical role within our community and take decisive steps to align their teaching and learning provision to meet business and employer needs.

Mr. Speaker, in July 2017, the Progressive Labor Party released its General Election platform.

In it, it pledged to “reform public education by phasing out middle schools and introducing signature schools at the secondary level, with a focus on the learning styles and interests of our children, including academic, technical and the trades, business, sports, arts, and special needs education”.

Instead now, the focus is on primary schools. The Government is expected to close nine of the present 18 primary schools and replace them with parish primary schools; one in each parish except Pembroke, which will have two.

Under the plan, a new primary school would-be built-in Devonshire, with two existing primary schools to be converted into an alternative signature school and a replacement for the Dame Marjorie Bean Hope Academy.

This proposal to close half of Bermuda’s primary schools, was not mentioned in the 2017 election campaign. That is understandable; as it might not have been even thought of, but surely it should have been mentioned in the October 2020 PLP election platform when the Government sent Bermuda’s voters back to the polls.

Mr. Speaker, it is sad to state, **but this budget statement, ironically, has said very little about this educational structuring and the reconfiguration and redevelopment of our school campuses.** In fact, there was an \$8 million dollar allocation reduction for the Department of Education. We look forward to an explanation for this.

SPORTS

Again, **Mr. Speaker**, there was no mention of sports in this budget report and the further development of our young people. In fact, it was noted that the Ministry of Youth, Cultural Affairs and Sports Head Quarters had a 38% reduction in allocation. Is this department not valued?

We all know that education and sports provide discipline, self-respect responsibility and growth to our young people. They are our future, and nothing was addressed in the budget to concentrate on the development of our young people.

Yet, this Government spent resources on the development of the cannabis industry, with very little said by the Minister in support of our youth.

THE ARTS AND CREATIVE SECTOR

Given the significant contribution of the arts, culture, and creative industries to Bermuda's economy, and to our social fabric, **the Government should take steps to protect this sector and look for ways to increase public and private investment in the arts in Bermuda.**

THE PHILANTHROPIC SECTOR

Mr. Speaker, the One Bermuda Alliance believes that the Government should take action to protect the capacity and financial sustainability of the Third Sector, in recognition of its important role in building and support of Bermuda's social fabric. **We should examine the scope for longer-term funding arrangements for social services which support our families, seniors, and the development of young people.** There should be new initiatives to incentivize private investments in this sector.

In closing....

Mr. Speaker, I would also like to take a moment to once again, acknowledge the sterling contributions of the late Anthony Manders, former Financial Secretary at the Government of Bermuda. He was a force to be reckoned with and would have been an integral part of this budget process. His untimely death earlier this year is still having an impact on all who knew and respected him.

Finally, **Mr. Speaker**, the OBA asserts that there is a way forward, but there is much work to be accomplished.

From a health perspective, it starts with each one of us who call Bermuda, home. We must continue to adhere to the Covid-19 protocols to ensure that not only are we safe as individuals, but the knock-on effect will also be a safer community which will bolster our economy as tourists return, businesses reopen, jobs are filled, and investors will return to our shores.

Mr. Speaker, Bermuda has proven time and time again, that we can weather the storm if we work together.

The One Bermuda Alliance fervently believes, that if Bermuda is to move forward from the darkness of the pandemic, into the rays of hope which are just ahead of us, the issues outlined in this submission must be addressed.

Thank you, Mr. Speaker.



One Bermuda Alliance