



One Bermuda Alliance



# REPLY TO THE BUDGET

**Delivered by The Hon. N.H. Cole Simons, JP, MP**  
Opposition Leader & Shadow Minister of Finance

*February 24<sup>th</sup>, 2023*



The One Bermuda Alliance is a decisive and dedicated political team that works tirelessly to strengthen communities, enforce integrity in politics and promote social fairness through responsible spending.

## Bermuda 2023/24 National Budget Response

**Mr. Speaker,** I'll start my response to the PLP Government's 2023/24 Budget by summarizing some comments from the 2013 Sage Report, which are as relevant today as they were ten years ago:

Throughout its more than 400 years of settlement, Bermuda has braved the winds of adversity, causing us to punch above our weight, and testing our mettle at every pass. Through it all, Bermudians proved to be resilient, and innovative, responding to adversity with confidence and vigour.

**Mr. Speaker,** as a people, we developed a pragmatic ingenuity, which ensured that the Island continued to develop from strength to strength. We learned to capitalise on a service-based economy, leveraging our stunning natural beauty and gift of hospitality, to create a buffer of affluence and a level of comfort for its residents that few other countries could offer.

**Sadly, for the first time in Bermuda's history, that buffer is gone!**

Bermuda is labouring beneath unprecedented costs which continue to rise. The country's substantial debt is seemingly unabated and threatens to destabilize our fragile financial foundation. Our population continues to decline. Bermuda's two principal industries, tourism, and international business are facing increased and aggressive competition. Bermudians who were once the rival of our neighbours to the south, boasting of having more than one job – by choice, are today faced with rampant unemployment that hovers over the island like a dark cloud, that is determined to remain in place.

The scenario is unfamiliar to us, and like a rough tag on the back of a shirt, it is an uncomfortable label to bear, especially for a proud country, whose reputation was synonymous with adjectives like a "premier" and "blue chip" destination.

**Mr. Speaker,** unfortunately, the 'Winds of Change' that were with us in 2013, are with us again in 2022 and 2023, and there is no end in sight.

The One Bermuda Alliance believe that these challenging winds are not due to climate change or pending hurricanes, they are due to the government's mismanagement of the public purse.

How can the country raise \$50 million dollars to close a current account deficit, as suggested by Bermuda's Fiscal Responsibility Panel's Annual Assessment, when it cannot effectively manage and recover the \$300 million dollars due to it in accounts receivables? Why penalize our people and corporate citizens with increased taxes, when the Government has totally mismanaged the recovery of the hundreds of millions due to it in taxes and fees? Clearly, the PLP Government cannot get its house in order, despite the offers of assistance by members of our International Business community.

It is a clear sign that the Burt Government has had an epic failure, and they **cannot continue to beat their chests and proclaim victory in the evidence of these failures, especially at the expense of Bermudians.**

**Mr. Speaker,** for years, the One Bermuda Alliance has been sounding the alarm for the need to attract new businesses and people to the island. Those cries have fallen on deaf ears. This government has known for quite some time that the size and composition of our population can only be addressed by increasing immigration and strengthening and expanding Bermuda's workforce. This should have been one of their top priorities, as our workforce challenge is likely the biggest challenge facing Bermuda and her people today.

If we are to enjoy an economic recovery, Bermuda needs to expand its current workforce. There's absolutely no doubt about it. The PLP government must develop a bold prospectus that will be attractive to potential investors and attract human capital that will bring jobs to Bermuda or create jobs in Bermuda.

This prospectus must help us to build trust and a real bond within our business community, through a sensible plan to deploy taxes and provide the much needed business support; through the prioritization and delivery of green investments; through strategic investments in Tourism and Hospitality; through supporting the Arts and creative sectors; through providing effective Seniors' Care programmes; supporting the philanthropic sector, and, absolutely, to focus on the critical need to support our students.

**Mr. Speaker,** other than the management of the pandemic, the Burt government has exerted little to no leadership since getting re-elected. Government members repeat what they hear people say on the street, and then say they're "listening to the people" - which is not bad, but it is not enough. What people are looking for and need is TRUE LEADERSHIP. We need people who see the problems, analyze them, come up with workable solutions, and then execute them. All too often the PLP government's solutions are unpopular, which is why nothing gets done. After months, no years, of calling for immigration reform, in February 2023, there has still been no movement from the government.

We need a leader who will eliminate waste in government. We know that it is very easy to hand out giveaways and throw out money, but it is more difficult to eliminate waste, and this does not mean the automatic reduction of heads.

As most of us know, there are thousands of Bermudians living in the United Kingdom. Many of them are young people who we desperately need to support healthcare and government's financial initiatives. The One Bermuda Alliance has been sounding the alarm on this issue for years, yet there is no clear plan to retain or attract people. **Our dwindling population is Bermuda's number one problem.**

**Mr. Speaker,** while on this topic of people leaving the island, we are also witnessing a lack of confidence in the Government's leadership. Businesses are closing or contracting, and the disturbing incidents of youth violence occur on an almost regular basis, with no plan to end it.

Again, this Government has failed the people of Bermuda. They have not provided the resources or social support, to curb our country's rise in violence, deaths, and other antisocial behaviors.

Without debate, per capita, Bermuda is one of the most expensive countries to live in. As they say, 'the struggle is real.' People are finding ways and means of existing, by emigrating to other jurisdictions. Nearly 8,000 people have left because many Bermudians cannot afford to remain in Bermuda and live with dignity. The cost of healthcare is one of the highest in the world, food prices continue to increase almost daily, the cost of bank loans and energy is off the charts and there is the perceived dearth of

opportunities and jobs for our young people. Is it any wonder why people are leaving in droves? From a business perspective, the cost of doing business is also one of the highest in the world. Business owners must face high employment costs, rising energy costs and healthcare costs, payroll taxes, and the exorbitant cost of housing.

**Mr. Speaker**, in addition, Investor confidence has been battered by the increasing cost of living, the unprecedented increase of inflation for the past year and rising interest rate costs which appears to continue unabated. Then there were the discussions about the change in our sovereignty status and the real concerns about Bermuda's economic and social stability and certainty. Our economic prospects were dealt a severe blow, especially in the retail, service, and tourism sectors.

**Mr. Speaker**, when it comes international business, despite a hardening market due to the trailing impact of Hurricane Ian in 2021, we are continuously challenged by competitive global insurance and financial service markets. The same currently applies to our Life Assurance and Annuity industry which is gaining great momentum despite the exorbitant cost of doing business in Bermuda.

Despite efforts to mitigate the financial impact, as in other countries, the impact of the pandemic, and the challenges just mentioned have all exposed deficiencies in Bermuda fiscal prudence and management and has also exposed the weakness of Bermuda's social, economic, and political landscape.

**Mr. Speaker**, candidly speaking, the One Bermuda Alliance believes that the PLP Government has failed the people of Bermuda. They have failed our corporate citizens in the domestic market, and after the past ten years of their government, collectively, we are no better off.

When it comes to the accumulation of wealth in Bermuda, the Premier's bullish and sunny outlook for our economy next year may have been driven by the growth of his personal wealth, but for the average working-class person and even members of this Honourable House, they have not seen or enjoyed the same accumulation of wealth during the last ten years.

**Mr. Speaker**, as you know, our small population of under 65,000 people are burdened with a debt of \$3.142 billion dollars, and an annual interest expense \$130 million dollars, which are both unsustainable.

After ten years in the seat, this government has failed the people of Bermuda because of this financial burden. Our people are no better off in the long term.

In the same vein, let's look at the financials.

According to PriceWaterhouse Coopers, Government's debt, liabilities and guarantees exceed \$7 billion dollars. The annual deficit for 2022 -23 is more than \$7million above the original estimate of \$77 million dollars.

The annual revenue to debt ratio lies at an unsustainable level of 275%, while the performance benchmark is 80%. Considering these statistics, a financial lines underwriter indicated that if she was underwriting a company with this type of performance, she would have rejected the application and recommended that this company be wound up. Incredible!

On the demographic side, our own government statistics revealed that 10% of Bermuda's population is living below the poverty line.

**Mr. Speaker**, one wonders what the Progressive Labour Party have been focused on throughout their reign? They should have racked up a string of successes. Instead, all we see is a trail of debt that has ballooned since they took over managing the public purse.

How can the Premier paint such a hopeful picture for the people of Bermuda? Again, something is wrong with his rose-colored glasses. His leadership has failed the people of Bermuda.

**Mr. Speaker**, one of the Progressive Labour Party Government's top priorities should be to ensure that tools are in place to boost our economic growth, reduce inflation, eliminate our national debt, and reduce the \$300 million dollars due to the people and Government of Bermuda. If we seek to restore confidence and personal wealth, the government must address their own outstanding accounts receivables. In so doing, Bermudians will have more money in their pockets and more government services and programmes will be made available as our government's \$130.4 million dollars of annual debt services obligations will be reduced.

**Mr. Speaker**, last year's societal disruption in Bermuda was grave and unfortunately, it will continue in the coming year as we have yet to turn tourism around which employs 14% of Bermuda's workforce. The government states that inflation is currently 5.6%, the highest it has been in the past 40 years. This figure is highly debatable, compared to other countries. Even at 5.6%, inflation is a silent killer of hopes and dreams of Bermudians, both young and old. This sky-rocketing inflation has impacted salaries and our real purchasing power.

**Mr. Speaker**, considering this grim reality, we must examine new ways to work together towards a common end, as we collectively chart our way through the path of economic recovery and rehabilitation. Bermuda is small and agile enough to do it.

**Mr. Speaker, a Bermuda Economic Recovery Plan NEEDS TO BE more than aspirational.** Just like running a business, the plan must have measurable timelines and milestones, so that progress can be tracked and moreover, so that we can define our roadmap to economic recovery. As it currently stands, the Government's economic recovery plan has proven to be ineffective in delivering real growth to the economy, and a large portion of our economic wellbeing.

Once again, I restate that the Government cannot continue to be proud of its failures. It has by no means executed its economic recovery plan, and hence they are trying to create and deliver a second and improved recovery plan which has yet to see the light. Why not fix the original plan?

**Mr. Speaker, it is critical that a vibrant economy must be rebuilt. 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, **we cannot continue to listen to the same old dusted off budget promises year after year, which now reads like an all too familiar, yet boring bedtime story.** It's also a story that no one wants to read, nor believes.

Bermuda needs a recovery plan that is realistic, workable and addresses Bermuda's fiscal framework, ever-growing debt, and infrastructure investment strategies. If we used all the resources made available to the Government by all of Bermuda's stakeholders, including talented C suite executives from International Business, our domestic corporate citizens and other stakeholders, we could well have been on the path to economic recovery. But no, the Government and their team has crafted an aspirational growth plan which has been ineffective in addressing Bermuda's economic malaise and recovery.

In fact, this recovery plan has been so ineffective that the Minister of Economic Development and his team are now reviewing it and adjusting its efficacy and effectiveness.

**Mr Speaker**, The PLP's 2023-24 budget lacks courage. It should support Bermudians by creating new opportunities in the trades and by helping people to develop the skills needed to succeed.

The PLP Government should continue to help businesses grow and innovate by creating incentives to hire workers and providing access to financing to scale-up businesses. Government must keep out of the way of businesses, and let them do their job, and concurrently, ensure that guardrails are in place to ensure that Bermuda's reputation is not compromised.

In addition, more support must be provided to our financial service industries, especially for reinsurance and insurance companies, mutual fund and fund administration companies and trust companies.

Additional support must also be given to our retailers, restaurants, healthcare, and tourism sectors. The continued **reduction of payroll taxes is not enough**. What our local businesses need is access to capital, as most of these businesses have depleted their savings, or their retained earnings and are all spent. **They also need a more relaxed and efficient employee recruitment programme which is supported by our workforce development programmes, and more efficient immigration processing policies for our guest workers.**

**Mr Speaker**, the other item to be highlighted is the salary increase that will be coming to the 4,362 public sector employees, this, despite the current economic challenges. What do we tell people in the private sector who have not had a salary increase in the past five to ten years? Are they expecting an increase now that the government has set the standard? **Given the huge deficit, where is the funding coming from for these salary increases? I repeat, where is the money coming from to fund these salary increases?**

Are these pay raises linked to employee output, or efficiencies, as is the case in the private sector?

**Mr. Speaker**, let us not forget that Bermuda is a part of the global economy. Its economy, and success is dramatically influenced by external influences, therefore, Mr. Speaker, it would be remiss of me not to look at the overseas jurisdictions which are very important to us because they fuel our economy, and because we are dependent upon them.

## **GLOBAL ECONOMY:**

**Mr. Speaker**, according to the International Monetary Fund, "The global economy will slow down this year before rebounding in 2024. But a global recession is not in their baseline. The important factors shaping the outlook are: On the downside, Russia's war in Ukraine and the global fight against inflation. On the upside, the reopening of China's economy. Overall, they have a mild upward revision to our projections. The global economy has shown much resilience. Labor markets are tight, household spending and business investment remain strong, and European economies prove to be resilient against the energy crisis. Consequently, Global growth is expected to slow from 3.4% in 2022 to 2.9% in 2023. The slowdown will be more pronounced for advanced economies. China and India will account for 50% of global growth. Global headline inflation is expected to fall from 8.8% in 2022 to 4.3% in 2024. Core inflation, however, is more persistent and remains too elevated. To sum up, barring new shocks, 2023 could be the year of turning points, with growth bottoming out and inflation decreasing," This information is from Pierre-Olivier Gourinchas, the International Monetary Fund's Chief Economist.

Within that organization, Kristalina Georgieva, the Managing Director of the IMF said 2023 will be "tougher" than last year as the US, EU and China see their economies slow. It comes as the war in Ukraine, rising prices, higher interest rates and the spread of Covid in China weigh on the global economy. She said that "We expect one third of the world economy to be in recession," "Even for countries that are not in recession, it would feel like recession for hundreds of millions of people."

She went on to say that "While our baseline avoids a global recession over the next year, the odds of one are uncomfortably high. Europe, however, will not escape recession and the US is teetering on the verge of it," she said.

## **THE US ECONOMY:**

**Mr. Speaker**, as the United States is Bermuda's largest trading partners, it is also important that we speak to the prospects of the US Economy for 2023.

Leading U.S. economists forecast that economic weakness will intensify and spread more widely throughout the US economy over the coming months, leading to a recession starting in early 2023. This outlook is associated with persistent inflation and the Federal Reserve hawkishness.

In December 2022, JP Morgan indicated that the U.S. economy will likely slow further in '23, entering a mild recession. They take the view that the U.S. economy is going to expand at a muted 0.5-1% pace in 2023, as measured by real GDP, which incorporates our prediction for a mild recession beginning in late 2023. This would lead to a further deceleration in growth from 1.5-2% in 2022, 6% in 2021, and the longer-term average annual growth rate of 1.8%.

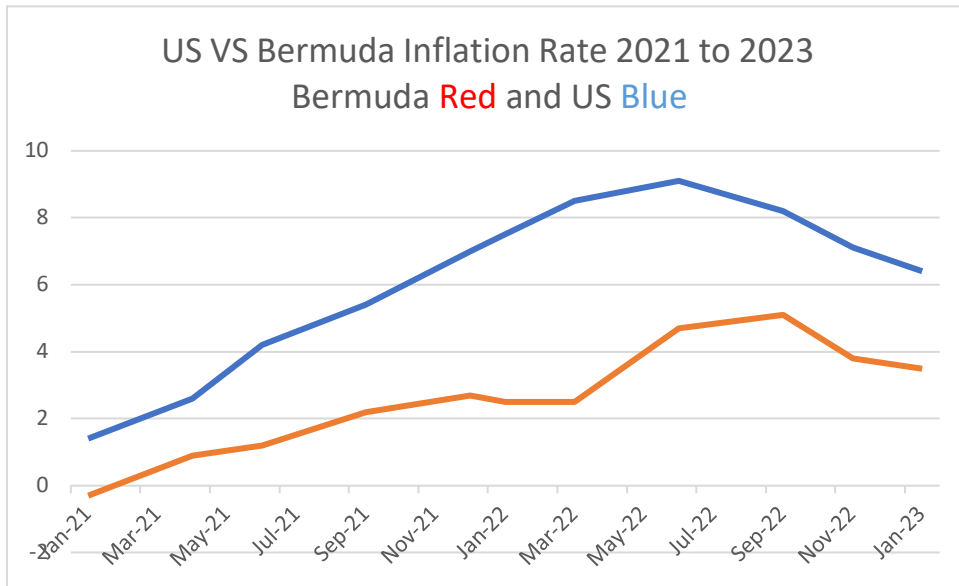
Considering the major components of Gross Domestic Product (GDP), they expect that real consumer spending will rise approximately 2% in 2023, which assumes wage growth of 4-5%, inflation moderating to 3-4%, and further drawdown of excess accumulated pandemic savings.



**Mr Speaker,** with the above forecasts from the leaders of the global economy, what does this mean for Bermuda and for the lives of Bermudians in 2023?

It means a challenging economy, with a flat to a possible 1.5% GDP growth.

Inflation and the cost-of-living increases will thrive and cause havoc on the daily lives of Bermudian families and our Bermudian lifestyle. This cost-of-living crisis continues to be the biggest and most challenging issue facing us. Currently, inflation and the escalating cost of living in Bermuda is hovering around 3.5%. This rate appears to be unrealistic, and flawed as the inflation rate of our largest trading partner currently lies at 6.4%, which has been crippling.



**Mr. Speaker,** when it comes to attracting new inward investment to this country, the Burt Government has failed the people of this country and as a consequence our people are no better off.

**Mr. Speaker,** it is with pride that I state that during the five-year term of the One Bermuda Alliance Government, the government was awash with new inward capital. The OBA had the Loren Hotel. The OBA had the St. Regis Hotel, The OBA had the America’s Cup, and we have Aecon’s colossal investment in the development of our award-winning L.F Wade International Airport, which provides a world class experience to locals, tourist and others when travelling to or from Bermuda.

Where was the new inward capital for the \$500 million dollar airport planned by one of the former Progressive Labor Party Premiers during a previous PLP administration? Where was the new inward capital that was required for the shovels in the ground in 2022, for the development of the Fairmont Southampton, yes, the pink elephant that sits empty on the hill just off South Road in Southampton?

**Mr. Speaker,**

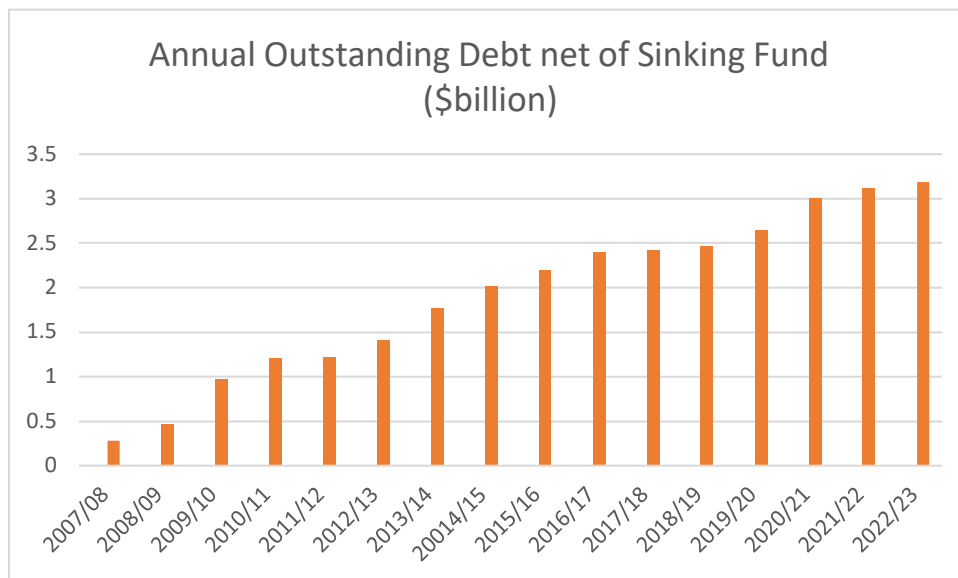
In fact, one of our locally respected economists pointed out that the current lack of investment, showed that entrepreneurs and other drivers of the economy had little faith in government policy — with the risk that the economy will remain stagnant.

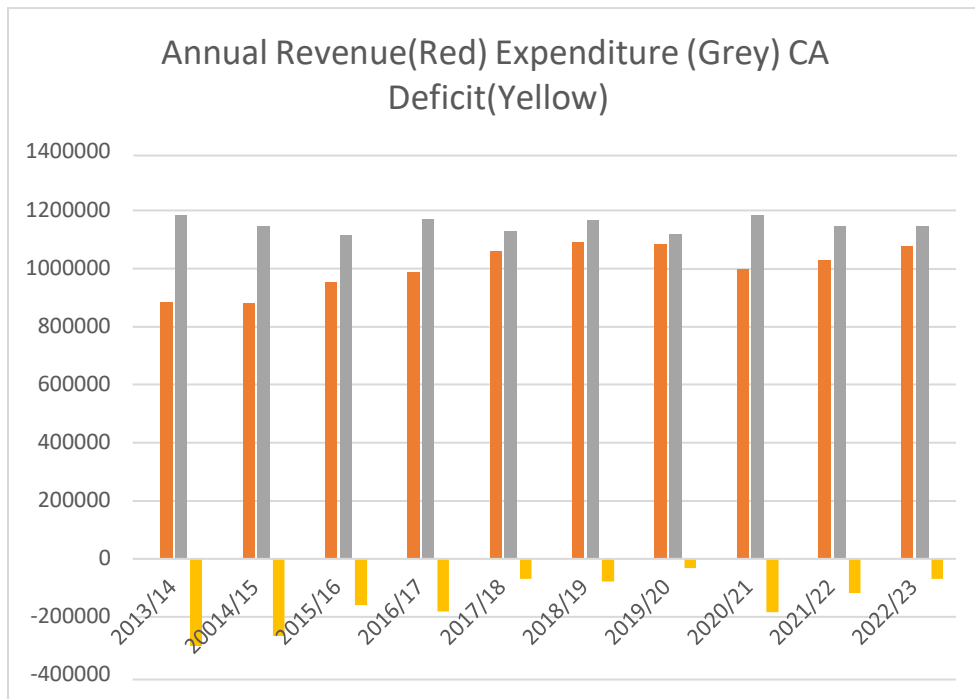
**Mr. Speaker**, inward investment spending is crucial. It is an excellent indicator of the likelihood of Bermuda’s recovery and economic expansion potential.

**Mr. Speaker**, what do the 2023 global dynamics and outlook mean for Bermuda? Unlike views from Premier Burt’s rose color glasses, **things will not be as bullish as he professes. Instead, there will be:**

- **More job losses** for Bermudians, especially in beauty salons, fitness-related facilities, and businesses within the hospitality sectors. Apparel stores will also continue to decline as people are shopping online. It also means a 15-20% closure of retail stores in Hamilton in the past two years.
- **Closures: Retail businesses** will continue to face the added threat of closing because of their commercial financing, supply chain challenges and inflationary wholesale prices. They will likely not be able to pay their overhead costs, rents, and other expenses due to the dramatic decline in revenues of small businesses which play a vital role in Bermuda’s economic engine;
- **An increase in the cost of personal mortgages, which in some banks, were increased four times over a series of just months, and the added cost of credit card interest.**
- **The Construction Industry:** The estimated value of construction projects for the coming year will be down by 30-35%, as there are no new major hotels coming online in 2023.
- **Low wage earners** who clean, prepare, and serve food within the private, and public sectors will continue to be significantly impacted. They will experience the most job redundancies and will be hit with increasing unemployment. For those who have been able to retain their jobs, they likely have not had a wage increase for years or are faced with reduced working hours.

**BERMUDA’S NATIONAL DEBT LEVEL:**





**Bermuda’s debt continues to rise unabatedly because of irresponsible spending and because the government has had current deficits in the past ten years.**

**Mr. Speaker**, as I mentioned earlier this year, Bermuda can expect that our national debt will hover between \$3.29 Billion and \$4 Billion dollars during the next fiscal year.

According to the latest report from Government’s Fiscal Responsibility Panel, its revenue to debt ratio remains at 275%, which is significantly far above the target of 80% which is best practice. This ratio has been at this level for a number of years with no improvement. This should be a matter of grave concern. In addition, let us not forget the PLP Government’s total liability portfolio. In addition to the \$3.29B in national debt, we should acknowledge the unfunded liability in our Government Pension Plans, our Social Insurance Programmes, and the sovereign guarantees, which when combined with our sovereign debt, **the total Government liability is around \$7 billion dollars.**

The Fiscal Responsibility Panel (“FRP”) said in their 2020 report and remains so today, 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.

They 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 space 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. The issue is not about whether action is needed, or even what actions are needed, but **when and how?**

**Mr. Speaker**, while on the matter of our debt burden, did you know that every man, woman and child living in Bermuda at the end of January 2023, is responsible for repaying approximately \$50,251.00, of Bermuda's National Debt of \$3.14 billion dollars?

Did you also know, that for the fiscal year 22/23, each adult and child residing in Bermuda, was responsible for paying \$2,241.69 in interest, of the total interest expense of US\$138.290 million dollars for this current fiscal year?

Did you also know that each man, woman and child currently living in Bermuda is responsible for **\$52,492.69** for debt repayment and this year's loan interest expenses, and more than 90 percent of the annual interest payment of \$138.290 million dollars does not stay in Bermuda. It is paid overseas to the note holders.

**Mr Speaker,**

**Debt Service:** 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, 2024, this annual expense will total approximately \$130 million dollars or approximately 11.78 percent of the estimated total government expenditures. This is the fourth-largest government expense after the Ministry of Education, and the Ministry of Health and National Security. It is almost larger than the Ministries of 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.

**Revenues:** From our perspective, nothing new and nothing substantive, was introduced to deliver an economic trajectory which will show revenue growth for this country. The government's Economic Recovery Plan is not robust enough. The Premier's digital industry focus is not creating the jobs that he said they would. Recent statistics indicate that only approximately 40 jobs for locals have resulted, and the industry is currently having its share of global negative press which could be a real reputational risk to Bermuda.

Having showcased the challenges, let us not forget and acknowledge the valued contributions made by our international business sector, and the gradual recovery in tourism.

**Job Creation:** On the matter of job creation, nothing significant was presented to stimulate job creation. There are no opportunities in the agricultural and fishing industries to support food security.

**Airlift:** Here it should be noted that Bermuda's air capacity will remain below 2019 levels if Bermuda has a limited number of hotel rooms and convention centers on the island. It is fair to say, that this situation will not improve until we have an additional 600 hotel rooms and a convention center on the Island. We applaud the Air Services Development Committee for their work, and we hope that the results of their efforts will address our airlift challenges which is vital to the success of our Tourism and International Business Sector.

**Accounts Receivables:** The current Pre-Budget Report reaffirms that the PLP Government's tax collection and accounts receivables portfolio across the ministry is still growing. In fact, the report indicated that it grew by 5% at the end of the current fiscal year. As a result of the continued pressure to have this matter addressed, we are pleased to see that the Government has presented the beginning of

an accounts receivables recovery plan. Once again, they want to raise taxes, which they may not be able to collect.

**Guarantee Portfolio:** The Government has not addressed how they are managing the Bermuda Government's guarantee portfolio, which by the way, is not charged against Bermuda's debt ceiling. **This guarantee portfolio is valued at approximately \$1.138 billion dollars**, and includes \$29.3 million dollars for the BHC; \$71.8 million dollars for Wedco; \$1.5 million dollars for BEDC, \$787 million dollars for Bermuda Hospital Board; \$165 Million dollars for Morgan's Point; \$10 million dollars for the Bermuda Tourism Authority; \$2.7 million dollars for the Bermuda Gaming Commission, and \$25 million dollars for Hotel Bermuda Holdings, \$30 million dollars for BLDC, \$10 million for Bermudiana Development Company Limited, \$3.2 million for the National Sports Center, and \$2.5 million dollars for the InnoFund. (Source: Bermuda Government Estimates of Revenues and Expenditures. 2022/23).

**Bermuda's Fintech Sector:** As the Royal Gazette aptly indicated in its December 19 issue, Bermuda's fintech sector has experienced its fair share of failures in the past four years and is now feeling the effect of the high-profile collapse of FTX, the world's second largest cryptocurrency exchange. Other notable headlines include locally registered companies which have filed liquidation petitions to the Supreme Court, money laundering where a local executive in the industry was extradited to the United States for contravening anti money laundering laws, and other cases, which continue to cause anxiety for our regulators. Currently, there are approximately 16 companies on Bermuda's company registers, who employ between 40 -50 people. Is the industry's presence and returns, worth the reputational risk which is currently being bestowed on Bermuda? Is our robust digital asset regulatory framework being used as a tool to attract FinTech company? The Center of Evidenced based Management indicated, that Bermuda can provide legitimacy for these companies so that they can attract investors for this high risk and highly volatile industry.

As a jurisdiction, we need to pay very close attention to the United States' Securities and Exchange Commission (SEC), and provide increased scrutiny, when it comes to crypto companies, especially those who wish to transition to publicly listed companies. In 2022, the SEC failed to issue approvals for a number of companies which applied to go public and be listed on a reputable exchange, according to the January 25 edition of The Wall Street Journal. This action resulted in the loss of confidence in the crypto companies, as financial stress, failures, and losses spread across this volatile industry.

#### **REVISED TAX STRUCTURE:**

**Mr. Speaker,** the Fiscal Responsibility Panel regarded **2019 as a year of missed opportunity**, and this position remains today. It is not just because of the further delay in meeting the target for a balanced budget, it's because of the absence of significant tax reform which was proposed by the Tax Reform Commission and this Fiscal Responsibility Panel (FRP). Added to this there is also the easing of the government's fiscal targets, facilitated by the suspension of contributions to the Sinking Fund.

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

It should also be noted, that with the imminent embodiment of the Tax Reform Committee, a more fair and equitable tax structure should be examined.

Recently, we had the topical issue of the proposed restructure of Bermuda's payroll tax structure.

**Mr. Speaker**, the new tax proposals announced by the Minister of Finance are likely to have a significant negative impact on the economy by solely targeting the International Business (IB) sector and virtually no one else. Factually, IB is the ONLY economic growth engine in Bermuda. They already infuse millions of dollars of taxes, corporate spending, and spending by their staff. The other leg of our economy which is tourism was drastically weakened by the impact of Covid, the closure of the Fairmont Southampton and Elbow Beach. No other sector is significant enough in size other than the Public Sector.

**Mr. Speaker**, the first rule of public finance for a jurisdiction like Bermuda, is to mitigate its spending, to the greatest extent practicable. **When the OBA was the government, we reduced public personnel costs by 12% without laying anyone off. Since that time, spending has increased back to levels not seen since 2012.**

So far, we haven't heard anything from the Minister of Finance regarding cuts in government spending. The irony is that he is demanding that IB increase its funding of a government whose spending is out of control. This is what business means when they say that the PLP's proposals are not "Responsible."

It is not responsible because the Payroll Tax proposals hit IB especially hard, as traditionally, they pay both the employer and employee portions of payroll tax.

The OBA fully supports the examination of a progressive tax system, which is fair and equitable for all stakeholders. We believe that all taxpayers should share in the tax burden to some degree, as all taxpayers reap the underlying benefits from government services. Therefore, **we do not agree with the proposal that those earning below a specific amount should have zero tax. Lower earners should pay proportionately less, but not zero.**

Interestingly, in its Pre Budget-Report, this government indicated that it was looking to IB for new taxes, when they cannot collect the hundreds of millions of taxes that are already owed. Somehow, it has never been able to effectively manage and effectively collect its own back taxes.

On Bermuda's General Tax Reform, we should consider the Fiscal Responsibility Panel's recommendation and position. They take the view that our government tax revenue to GDP ratio should fall between 20 to 22.5% because the current level and method of taxation is dated and is not working for the country or our people. In addition, we should have a clear philosophy and ensure that there is an equitable balance between consumption taxes, capital taxes, and labour taxes to support the national tax framework.

**BUT BEFORE ANY OF THIS CAN BE DONE THE GOVERNMENT MUST CLEARLY DEFINE ITS TAXATION PHILOSOPHY TO THE PEOPLE OF BERMUDA.**

#### **TOURISM:**

**Mr. Speaker**, Bermuda's tourism industry is in a crisis. A real crisis that has never seen before.

**Mr. Speaker**, according to the tourism minister, and I agree, cruise travel is a critical revenue earner for Bermuda's tourism economy. According to government statistics, Bermuda has enjoyed a strong cruise ship season, with 116 cruise calls to Bermuda by mid-September. The team at the BTA project that cruise visitor volumes will be up to 400 thousand passengers, contributing \$162 million dollars to the

local economy. As the pandemic has waned, and Bermuda has relaxed some of the stringent requirements, unvaccinated travellers are now being allowed to travel to Bermuda, and the industry has been energized by news of more welcome changes to come.

**Mr. Speaker,** airlift, and hotel capacity have not yet returned to pre-pandemic levels. Hotel inventory has proven to be a limiting factor in the island's bid to restore air capacity. So, the growth of our hotel bed count is a pressing need for tourism's recovery. While it is a challenging environment, there are some promising developments on the hotel front. Azura hotel has announced that it will complete its final phase of construction this Fall, and that its second property Nautilus is progressing well with a sold-out phase one, and hotel opening slated for 2024. The Bermudiana Beach Hotel, a Tapestry Resort by Hilton, is set to add 110 much-needed hotel rooms into inventory in 2023. Likewise, Rosedon Hotel, which has developed an award-winning sustainable farm-to-table culinary model at the property's restaurant, will reopen its boutique hotel next year with twelve luxury rooms. Cambridge Beaches has invested in renovations to the property and the opening of new food and beverage outlets, but the Fairmont Southampton remains the greatest question mark regarding Bermuda's tourism recovery. Without this hotel, Bermuda's tourism renaissance will be stymied,

**Mr. Speaker,** looking at our cousins to the south of us, on January 9, 2023, the Caribbean Tourism Organization indicated that in 2022, the Caribbean was one of the fastest recovering tourism regions in the world, with some destinations recording arrivals more than in 2019. All Caribbean destinations are expected to reach or exceed the 2019 level in 2023.

Some destinations are expecting to make dramatic strides in cruise ship arrivals this year. The US Virgin Islands expects 450 cruise ship calls with 1.4 million people.

Air arrivals/stopover visitors/tourist arrivals, for the period January to September 30, 2022, Tourism Analytics, showed the following arrival statistics:

• Jamaica	1,817,791
• Bahamas	1,064,336
• Aruba	990,562
• US Virgin Island	728,671
• Martinique	428,174
• Barbados	383,360
• St. Maarten	300,914
• St. Lucia	287,456
• Antigua	211,180,
• Trinidad and Tobago	198,456
• Cayman Islands	180,824
• Turks and Caicos	138,762
• British Virgin Islands	121,423
• <b>Bermuda</b>	<b>113, 020</b>

**When it comes to cruise visitors by first port, the performance is also telling:**

• Bahamas:	3,574,502
• Dominican Republic:	816,408

- Virgin Islands: 810,632
- St. Maarten: 547,907
- Belize: 516,803
- Cayman Islands: 516,161
- Jamaica: 510,958
- Aruba: 509,866
- BVI: 200,217
- Barbados: 252,303
- **Bermuda: 302,777**

Regarding the tourism product, more investment is needed in our beach facilities. Why has there not been an allotment to add changing facilities, and bathroom facilities at Elbow Beach which is a very popular beach, for both locals and tourists all year around?

In addition, may I also invite the Bermuda Tourism Authority to craft a concierge type service which collects and delivers our guests to local tourist events and establishments on the Island. To facilitate this process, it is our opinion that Bermuda should have a management plan which markets and promotes local tourism products and activities like carnivals, Harbour Nights, the Ag Show, Cup Match, the Bermuda Festival, and other events.

Also, before we go onto the next topic, which is the Fairmont Southampton Hotel, can the Minister please confirm how he plans to help our taxi drivers, and tourism ambassadors? What benefits will they receive? As self-employed professionals, they should not be paying both the employer’s share of the payroll tax, and the employee’s share of the payroll taxes. How will this anomaly be addressed?

**FAIRMONT SOUTHAMPTON HOTEL:**

**Mr Speaker**, as we all know the Fairmont Southampton closed in September 2020, resulting in the loss of more than 700 jobs. It also cost the PLP Government \$11 million in loans for redundancy benefits which were later recovered.

It is our understanding that the project financing may be in place and there exists a massive cloud of doubt over the development project’s future. There are those who have indicated that once the pending Special Development Order is completed and finalized; the hotel complex may be prepared for sale. There are others who feel that the emphasis will be placed on developing and selling the said villas to allow the owners and developers to enjoy a capital income stream which will feed the various development phases of this massive development project.

Its future is also in doubt because of the continued escalation in the cost of financing as a result of U.S. interest rate hikes, the pending global recession, and the ever-increasing cost of cement, associated other construction costs, and the general supply chain challenges. There is also the question around the competition and closing of the overall development agreement between the Government and Westend Development Company/Gencom Limited.



**Mr Speaker**, this project is crucial to Bermuda. A PWC Impact report on this topic, indicated that in 2019 the hotel accounted for:

- 25 percent of Bermuda’s hotel room inventory;
- 31 percent of Bermuda’s hospitality industry workforce; and
- 35 percent of air visitors stay in hotels.

Going forward, it will provide 716 new construction jobs and \$44 million dollars of net additional impact on our GDP in 2022.

If the hotel remains closed, it will have an \$80 million-dollar negative impact on Bermuda’s GDP in 2022. The negative impact on GDP considers the loss of conferences due to limited spaces for large conferences, thus the loss of visitors to the Island.

**Mr Speaker**, the PWC reports said that based on the operator projections, if Gencom or any other investor does not proceed with the transaction or renovation, and shuts down permanently, the opportunity cost is estimated to be \$60.6 million dollars in 2022, and up to \$118.4 million dollars in 2025, or an accumulated opportunity cost of \$404.1 million dollars for four years from 2022-2025.

**Mr. Speaker**, please allow me to be frank. Bermuda is desperate to have this 600-room hotel and its convention center facility reopened within the next two or three years, as the rebirth of this landmark property will boost staffing levels, provide more career pathways for professionals in hospitality sector and revitalize Bermuda’s tourism industry.

**Can the Premier be honest and confirm where we stand with this multi-million dollar project? With all of its twists and turns, the One Bermuda Alliance will watch the development of this critical project with a forensic focus.**

**MORGANS POINT:**

Is this going to be Bermuda’s version of Cayman Island’s Caymana Bay? What is the overall objective of this project? Why is the government competing with its newly released plan to boost a residential development along with a restaurant and retail complex in Hamilton, Somerset, and St Georges which will provide opportunities in the retail and hospitality sector?

**Mr. Speaker**, given the fact that the government has not built and opened a new hotel in the past twenty years, this reimagined complex sounds like a fairytale.

Is this a betrayal of a commitment to tourism, because of the government’s inability to close on the Fairmont Southampton Hotel deal?

**Mr. Speaker**, this reimagined complex sounds like a fairytale.

**Mr. Speaker**, Mr. Burt is bullish on the proposals for Morgan’s Point, although this plan raises many questions.

As the Royal Gazette indicated, while it makes sense to finish the buildings on the site, and it may also make sense for the building to be used as housing, and possibly to drop the hotel element of the project, the Government is undertaking all of this — and that gives rise to uncertainty, as the Premier has himself admitted.

It appears that the Government intends to borrow \$130 million dollars for the first phase of the project, with at least part of that borrowing secured by a government guarantee. So, \$130 million dollars will be borrowed with the help of a guarantee to recover the \$165 million dollars that the Government had to spend to make good the guarantee its predecessor in government committed to. In addition, the Government has spent a further \$50 million dollars for restructuring the project and paying other creditors.

This seems to mean that before recovering any money, Bermuda will be \$295 million dollars in the hole and each of the 100 units costing approximately \$1million dollars per unit to build.

When David Burt was the Shadow Finance Minister, he rightly warned against issuing guarantees to businesses, noting they were needed only when there “is some doubt as to the ability to repay”. The fact that he should be now proposing one for Morgan’s Point, on top of the \$75 million dollar guarantee given to the Fairmont Southampton, seems more than a little bizarre.

Is he now having a reality check? A guarantee will be vital for all debt financing as the environmental remediation challenges still plague the site in some of the underground caves.

**Mr. Speaker,** this looks like another Bermudiana Beach complex waiting to happen, and I truly hope it isn’t.

#### **DIGITAL COMMERCE:**

**Mr. Speaker,** while on digital business, may I take this opportunity to be a bit flippant.

With all the Premier’s IT and digital skills, can the Premier please explain, why a digital copy of the “Estimates of Revenue and Expenditure for the Year 2023/24” was not presented when he, the Minister of Finance presented the Government’s Budget for the same fiscal year? Can he ensure that this happens next year? Thank you!

**Mr Speaker,** quite a lot is also being said about the opportunities in Bermuda’s digital commerce arena and the One Bermuda Alliance supports this discussion. With Bermuda’s legislative, regulatory and telecommunications framework, and its digital communications infrastructure, we stand ready to capitalize on this emerging and growing industry.

**Mr Speaker,** as stated by the Fiscal Responsibility Panel, the One Bermuda Alliance also does not support this government’s intention to own or promote a digital bank in Bermuda. This initiative should be driven by the private sector. period.

**Mr Speaker,** we recognize why the Government is trying to do this.

According to their 2020 platform, they want to create the Bermuda National Digital Bank with ownership shares available to all Bermudians to invest and create wealth for future generations. The

bank will allow for long-stalled industries like gaming to commence, creating jobs and economic growth, while connecting Bermuda's residents and entrepreneurs to the global world of digital payments. This bank will ensure that more Bermudians can benefit from lower mortgage rates to reduce pressure on middle-class families, while lower rates will increase the value of existing homes.

**Mr Speaker**, the Fiscal Responsibility Panel in their most recent report said it succinctly. I quote:

A new digital bank **will not** address all the factors responsible for the lack of access to quality banking services experienced by many Bermudians. Other potential issues include a lack of competition between banks and barriers to entry in the retail banking market; banks' access to retail customer credit scoring and other data, and other barriers to writing new business; strengthening consumer protection in financial services; payment systems; and the lack of liquidity in Bermudian residential real estate or a secondary mortgage-backed securities market. Also inhibiting access to finance is the absence of any requirement for businesses to provide routine financial statements or accounts, and the absence of clear legal procedures for handling company failures in the non-financial sector. For small businesses, this may hinder their access to capital.

As the Fiscal Responsibility Panel said: "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 PLP Government should consider the 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.**

**Mr Speaker**, the One Bermuda Alliance is also very concerned about some CEOs who have violated foreign corruption, trading, and international sanctions laws locally and internationally. We take the view that enhanced Know Your Customer and Anti Money Laundering investigations need to be completed before these senior people are granted permission to operate in Bermuda by the Government, and the Bermuda Monetary Authority.

**Mr Speaker**, we have had more than our share of investigations by the SEC, the US Government, and other international agencies,

**Mr. Speaker**, in fact, I recently read that three federal agencies in the US have suddenly issued a wide-ranging warning on the dangers posed to banks by crypto asset risks.

Recently, The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, jointly listed a number of key risks associated with crypto assets and crypto asset sector participants, of which they said banking organisations should be aware.

The warning is said to be linked to the significant volatility and the exposure of vulnerabilities in the crypto asset sector experienced over the last year, when cryptocurrency exchange FTX filed for Chapter 11 bankruptcy protection in November, a collapse that shook the volatile crypto market. It caused a

near domino effect that saw more than 100 linked companies file for bankruptcy or suffer heavy losses. The market lost billions in value.

### **BERMUDA'S GAMING INDUSTRY:**

**Mr. Speaker**, 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.

**Mr. Speaker**, the Gaming Commission issued one licence, and one provisional license to two of our world-class resorts.

As you know, recently one of these resorts indicated that they are no longer keen on moving ahead with their gaming offering because the legislative framework, and operational framework are deemed to be very challenging and cumbersome. 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 squarely at the feet of the Premier, and that the banking matter can be resolved *if* the Premier does what is required.

Again, the Burt government has failed its people with its empty promises.

**Mr. Speaker**, there are local stakeholders who believe that the overarching Gaming Commission legislation must be amended, so that the Commission is independent of government influence, and interference. It 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.

In addition, one of our local banks has indicated that their US correspondent bank would be receptive to moving forward with banking Bermuda's gaming proceeds, if the ultimate responsibility for gaming is removed from under the Premier's purview, and that the Premier should also relinquish his role as the Minister of Finance.

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 were prepared to invest in this industry, are not clear on Government's cashless gaming direction. This matter must be resolved soon.

Considering all of this, we must get it right, as Government has a responsibility to fulfill its obligations as prescribed under the various hotel development agreements.

## **IMMIGRATION:**

**Mr. Speaker,** 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.

But despite this, the Progressive Labor Party has begun to make progress in this space. The Government is finally beginning to recognize that Bermuda's workforce and population must be expanded.

**Mr. Speaker,** they are finally accepting the fact, that expanding the current workforce is crucial, and consequently, a good Immigration policy is a good economic policy, something that the OBA has been stating from its inception.

We need a minimum of 10,000 new residents to bolster our economy. There are no ifs, ands or buts about it. We need thousands of bodies on our island WHO WILL BRING JOBS OR CREATE JOBS.

As stated in last year's response, Ruchi 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.

Having 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 healthcare system.
- Ageing population: Increasing the working age population with all else staying the same, directly reduces our maintenance ratio. Total healthcare 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, which is international business.

The time has been long spent. This immigration review must start now. **Immigration reform just makes good business sense.**

## **RESPONSE FROM THE INTERNATIONAL BUSINESS (“IB”) SECTOR:**

**Mr. Speaker**, PWC Global recently released a survey of 4,410 global chief executive officers in 105 countries including Bermuda and the Caribbean. The findings of the survey suggest that they have one of the most pessimistic outlooks for International Business in more than a decade.

The survey also found that 73 per cent of CEOs around the world believe global economic growth will decline over the next 12 months.

Nearly 40 per cent of CEOs think their organisations will not be economically viable in a decade if they continue on their present path. The pattern is consistent across a range of sectors, including insurance, telecommunications, manufacturing, healthcare, and technology.

CEO confidence in their own company’s growth prospects also declined 26 per cent, the biggest drop since the 2008 to 2009 financial crisis when an 8 per cent decline was recorded. Considering this, CEOs face an incredible challenge to reinvent the business for the future. They are seeing multiple direct challenges to profitability within their own industries over the next ten years.

More than half believe changing customer demand/preferences will impact profitability, followed by changes in regulation, taxation labour/skills shortages and technology disruptions.

Financial Services CEOs cite regulatory change (66 per cent) as their biggest potential source of industry disruption, followed by evolving customer preferences, technology shifts and labour/skills shortages.

Inflation, macroeconomic volatility, and geopolitical conflict topped CEO concerns.

**Mr. Speaker**, not surprisingly, the war in Ukraine and growing concern about geopolitical flashpoints in other parts of the world have caused CEOs to rethink aspects of their business models.

To mitigate exposure, companies are increasing their investments in cybersecurity or data privacy, adapting supply chains, and adjusting their geographic footprint.

Climate risk did not feature as prominently as a short-term risk over the year relative to other global risks.

This was the case as well in the insurance sector where CEOs ranked it as the fourth-biggest risk they face over the next 12 months, while inflation was No 1.

Closer to home, a Bermudian lawyer identified shifting reinsurance market trends that could also alter the future of cat bonds and the issuance of insurance-linked securities in the year ahead.

Appleby lawyer Brad Adderley noted the hard reinsurance market could be expected to last three to five years, but there had been no rush to market of new investors in the wake of the heavy catastrophe claims of Hurricane Ian.

**Mr. Speaker**, in preparation for this debate the One Bermuda Alliance met with a number of international business leaders and have attended several IB events, and the message is very simple.

The Government is just not taking the war on human capital seriously enough. They must consider the competitive landscape and that Bermuda's employee costs are 15 to 20% higher than in other jurisdictions.

Added to which **Mr. Speaker** is the remote worker, who can deliver their services digitally, from anywhere in the world.

And costs continue to escalate, whether for food, healthcare, housing, energy, government services and immigration permits. They indicate that human resource expenses continue to rise, and now form approximately 22.75 % of our companies' total operating cost. This situation is untenable in the insurance and reinsurance markets as the underwriting margins become thinner and thinner.

IB also made it clear that the Premier's Budget speech stated that 86% of Bermuda's workforce will pay less in payroll taxes next year. Their question to this is, where is the balance of the 14% coming from? IB takes the view that the majority of the 14% will be coming from International Business and middle-class Bermudians. This will also have an adverse impact on attracting senior and specialist employees who already come at a higher cost, as some CEOs may redeploy them to more competitive and less expensive jurisdictions.

ABIR made it clear, that because of the spiraling costs and the difficulty in having their employees assimilate in Bermuda, they are currently reviewing their options, as the government's changes will have a negative net impact on their businesses.

**Mr. Speaker**, in the past, a number of these international business companies have been quiet and were not prepared to vent their anxieties publicly, but more recently, their concerns have become overt, which is out of character for them.

They indicated that without thorough consultation, they were shocked when the government floated the introduction of new disruptors to their businesses in the Pre-Budget Statement. They said with the proposed increase of payroll taxes and fee bands that are aligned with company's assessed capital, they were aggrieved, frustrated, and surprised.

They were disheartened by Government's friendly fire. They believe that their organizations should be spending most of their energies and resources on addressing the OECD BEPS initiatives, and competing with the EU, Dubai, Switzerland and London and our friends to the South like the Cayman Islands. They should not have to continuously look over their shoulders, to see what the Government is going to draw from their arsenal to fire at them. Where is the synergy? Where is the certainty? Where is the respect for these businesses who help our economy?

They take the view that with the new payroll taxes, and the inefficiencies and uncertainties prevalent in the Department of Immigration they must reassess some of their decisions. They feel that these new taxes are divisive and will be punitive for them to continue to put heads and bodies on the Island.

In addition, they cannot come to terms with increasing taxes across the board, when the PLP Government cannot recover or collect the \$300 million dollars in accounts receivables on existing taxes. If we cannot manage these taxes, Bermuda would look like clowns when it comes to managing the pending tax harmonization initiative coming down the road because of the OECD's BEPS program.

**Mr. Speaker** let's be real. IB is operating in a truly, and globally competitive environment, and these companies are quietly shifting roles out of Bermuda to where there is more certainty, more cost efficiencies, and more value for money. Quietly, through attrition or nonrenewal of work permits, jobs and positions are dripping to other more competitive jurisdiction.

This is partially attested by the fact that in 2022, ABIR members employed more than 87,000 employees around the world. There are 37.94 thousand people working in the US, 34.28 thousand people working in Asia and Oceania, 8.13 thousand people in the UK, 5.73 thousand people in the European Union, and 1.330 thousand people in Bermuda.

Let's build on the things that this industry has achieved and done well. We should nurture our golden goose, not strangle it.

#### **GLOBAL MINIMUM TAX AND TAX REFORM:**

Global tax reform is an ongoing matter for most jurisdictions, and many nations are responding and readjusting their fiscal frameworks accordingly. In fact, there appears to be tax arbitrage amongst many jurisdictions. To remain a competitive jurisdiction, Bermuda must be best in class in terms of talent, infrastructure, immigration, healthcare, housing, and lifestyle.

**Mr. Speaker**, despite these challenges, in principle, we in the Opposition support the direction taken by the Government. We agree that it is too early to estimate what impact the Global Minimum Tax is going to have on Bermuda's future tax structure and tax collections. In addition, we have yet to determine how we are going to manage the complexities which will arise as a result of developing the appropriate framework for Bermuda.

In addition, we will also monitor other competitive jurisdictions to see how they are going to adopt the OECD's Global Minimum Tax Initiative. As far as we know, the US Republican controlled Senate has grave concerns about this initiative and Singapore has indicated that the earliest that they will implement this is in 2025.

We look forward to receiving the details on those who will be appointed to the International Tax Working Group, who will be charged with examining how Bermuda will implement this global agreement while considering the diversity and complexity of our international business sector. We also look forward to receiving their findings and recommendations in their report which is due in July of this year.

#### **PENSION FUNDS FOR INVESTMENT:**

**Mr Speaker**, Government actuaries have indicated that the public sector pension fund will be depleted by 2044. Imagine what that sounds like to a young person at the beginning of their career. This simply cannot happen. If we stay on this trajectory, we will see even more young Bermudians emigrating. We



must encourage them to stay and attract talent back to Bermuda. They will need to see and believe that they are returning to something that will offer them real opportunities.

**Mr Speaker**, once again the PLP Government 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 \$1.74 billion dollars, based on the latest Auditor General's Report and the latest Government actuarial report.

Will 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 noteholders, now stands at approximately \$4.6 billion dollars.

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

#### **ACCOUNTS RECEIVABLES DUE TO GOVERNMENT:**

**Mr Speaker**, the Minister of Finance confirmed that the Government is currently owed more than \$314 million dollars in taxes and fees and are only prepared to recover a paltry \$7.5MM this coming year. This is a mere 2.3% of the outstanding balance. What is going on? Again, another Government failure.

With the improved enforcement policies and procedures, and the improved infrastructure investment for debt collection, surely the expected recovery should be at least \$62.5 million dollars, which is approximately 20% of these outstanding receivables.

**Mr. Speaker**, we understand that Oarrs Inc. and PWC were hired to address and recover these funds. PWC was paid approximately \$4.2 million for their services. How much did the Government pay Oarrs Inc, an unauthorised collection agency, for their services?

As the Minister indicated in March of last year: "By not collecting these funds, the Government cannot address or deliver the services that the people of Bermuda voted to receive, such as the development of infrastructure projects like school and road repairs or issues associated with healthcare, pensions, youth programmes and many other social initiatives.

Interestingly, on another note, in July 2021, the Government overpaid \$3.5 million dollars in unemployment benefits during the COVID-19 lockdowns, which was admitted by the Minister of Finance.

About 2,500 people (1 in 4 people) were overpaid an average of \$1,300.00 via unauthorised payments by senior civil servants because the applicants did not inform the government when they returned to work and continued to receive the money. Who is being held accountable?

When will these receivables be cleared?

## **CAPITAL EXPENDITURES:**

**Mr. Speaker**, the Government has earmarked a lofty \$96 million dollars for the 2023/24 fiscal year. We understand their intent, as this forms a part of Bermuda's Economic Recovery Plan.

**But Mr. Speaker**, let's be honest. There could have been a far less expensive allocation for capital expenditures, if we had proper and ongoing maintenance programmes for our roads, buildings, and beaches. We don't allow our homes to crumble before we decide to work on them, and the same should apply to government real estate and other assets. They all need to be managed and maintained from day one.

It is shameful that the ferry dock in St Georges became inoperable. It is shameful that the swing bridge in St Georges has been out of commission for years. It is shameful that the floating dock at the Hamilton Ferry dock is one hurricane away from being inoperable. Look at the challenges faced by the Tynes Bay waste facility, which resulted in the temporary landfilling and the inconvenience to Pembroke residents. This is a trend that must stop now.

The Premier is correct when he states that the lack of the needed infrastructure investments has caused the risk of catastrophic failures which we face today.

On the positive side, we support the capital investments in our schools, and the development of a community health clinic in Somerset. We also support the upgraded facilities that house government employees, which include the Government Quarry, DPT Depot, and Marine and Ports. We also support the replacement of aging public vehicles for the Bermuda Police Service, the Bermuda Fire Service, and Department of Corrections.

And finally, we support the upgrades to our court facilities, and the increased funding for our paved road.

## **BANKING REFORM:**

**Mr. Speaker**, banking reform is nothing new to Bermuda. It just takes a very long lead time for any development to come to fruition.

**Mr. Speaker**, obviously, the One Bermuda Alliance supports competition in our Banking industry. In fact, our former finance minister the Hon. Bob Richards was working on this with his ministerial team in 2012 under the One Bermuda Alliance Administration. Like the current government, they also knocked on a few doors with the hope of enticing new banks to join us here in Bermuda. In fact, as the team in the Ministry of Finance can affirm, it is very difficult to capture the attention of global banks and blue-chip banks to come and operate from Bermuda. We don't have the scale, we don't have the air capacity, we are not competitive when it comes to human capital when it comes to costs and availability. Furthermore, we are challenged with expensive IT and communications costs and the high cost of real estate. We are also inhibited because we are known as the one of the most expensive jurisdictions in the world and there was little confidence that they can get a good return on their investments and capital.

**As previously stated, a Bermuda Digital Bank should not be advanced and developed by the Government of Bermuda.** The Government can set the environment which can bring it to fruition, but it should not be involved in its ownership or operations. This should be left for development by private sector players and initiatives.

With the advancement of the crypto economies, and the digital assets and digital banks we should expect a new level of risk to the Government's asset portfolio, which will compromise Bermuda's sovereign debt ratings, and our ability to raise financing in the global capital markets at affordable prices.

Here it should also be noted that the vision of the banking sector presented is not a picture of something new and different. It is merely a reflection of the status quo with some questionable additions around specialized international banks.

- a. Narrow purpose banks – These restricted licences already exist under Schedule 3 of the Bank and Deposit Companies'99 Act, and not one has ever materialized, and nor does there seem to be any appetite for them because they can't get correspondent banking services for the class of business that these banks are targeting. Gaming, cannabis, it's all the same root problem. It is a matter of trust.
- b. When it comes to credit unions, perhaps the Government should direct some of its resources (via the BMA) towards shoring up the solvency of the one existing credit union on the island.
- c. As for specialized banks, I wonder what possible reason these banks would have for wanting to come to our shores? If they aren't focused on domestic consumers or businesses, what value will they bring? If promises have been made, how will those promises impact Mr. and Mrs. Bermuda?
- d. Regarding the Bermuda Commercial Bank mortgage guarantee, it is concerning to see the government actively undermining competition, whether it be with courier services or in the banking industry.

### **THE SINKING FUND:**

**Mr Speaker**, for the edification of the public, please note that the Sinking Fund was set up by law, specifically to provide for the RETIREMENT OF DEBT. In fact, the original annual contribution was earmarked at 2.5% of the outstanding debt for the expiring fiscal year.

It appears that this Minister of Finance made it clear that he will not be hamstrung by this inconvenience.

What will be the Burt Government's policy going forward? Will Sinking Fund contributions be made only in times of plenty, when we have current account surpluses, and when we have borrowed more money than we need from the capital markets?

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

**Mr. Speaker**, for 2023/24, we should expect to maintain a balance in the Sinking Fund of \$151.68 million dollars, which is down from \$348 million dollars in 2020/21, down from \$297 million dollars in 2021/22, and down from \$245 million dollars in 2022/23.

What is causing this trend? Why is the PLP Government raiding the Sinking Fund? The answer is simple. The Government is raiding the account to pay current account expenditures or capital account expenditures.

For the record, the Burt Government has not repaid and reduced Bermuda's \$3.3-billion-dollar gross national debt for a number of years. They are intent on passing this responsibility, and burden to our children and grandchildren for generations to come. There is no plan or road map to manage or halt the unabated growth of our national debt, which is a shameful legacy for the Burt administration.

**Mr. Speaker**, just last year, it went from \$245.376 million dollars to \$151.682 million, estimated for this upcoming fiscal year. This is a reduction of \$93.7 million dollars or 38.2 percent. It is our guess that this \$93 million dollar withdrawal is being used to fund the majority of this year's \$96 million dollar Capital Expenditures. Does the Capex payment fall in line with the original mandate of Bermuda's Sinking Fund? The answer is a definite no!

## **HEALTHCARE:**

**Mr Speaker**, please allow me once again to applaud and thank Bermuda's healthcare workers for the work that they have accomplished over two years, for the management and mitigation of Covid-19 and the Delta and Omicron variants which plagued this island. It nearly brought the country to its knees economically and medically.

**Mr Speaker**, where do we stand the "Bermuda Health Strategy 2022 – 2027"?

This strategy formed the foundation of an aspirational plan which would ensure that all people have equitable access to the needed informative, preventative, curative, rehabilitative and palliative essential health services, of sufficient quality to be effective while also ensuring that people do not suffer financial hardship when paying for these services and critical medicines.

**Mr Speaker**, the strategy for this aspirational plan was to be based on seven strategic principles:

1. Promoting healthy living and preventative care;
2. Focusing on person-centered care;

3. Understanding our population's health needs;
4. Providing access to healthcare coverage;
5. Strengthening our healthcare workforce;
6. Harnessing healthcare technology; and
7. Partnership and collaborative working.

**Mr Speaker**, we understand that the new National Health Plan will be crafted and finalised through a graduated phased process.

When will Bermuda's revised National Health Plan be delivered? How much will the implementation of this plan cost and how much has been allotted to it for the 2023 fiscal year?

**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 agrees that the Government MUST 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, which is evidence-based and managed by independent professionals and not by the Government.

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

**Mr Speaker**, we look forward to receiving this plan as it will address some of the health care weaknesses, financial hardships, and healthcare access challenges that presented themselves during the Covid-19 pandemic.

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

**Mr. Speaker**, all our people need more access to information about their healthcare policies, to have transparency regarding 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 subset 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.

On the issue of Medical Tourism in Bermuda, the initiative is another pipedream. We take this view because we cannot effectively manage all of the local patients presented to our hospital on a timely basis. In fact, patients are waiting 5 months for a routine procedure, to occur at our hospital.

In addition, research has revealed that medical tourism has failed in small tourism nations.

The scale is not there to make such institutions profitable, and the cost of doing business is exorbitant. In addition, securing medical equipment and reasonably priced medical staff are both very challenging. Added hospital beds and structural facilities are also required to make this business work.

And finally, we are years behind the curve when developing and promoting this new industry.

**Mr. Speaker**, when it comes to the Bermuda Hospital Board and the KEMH, I think it is imperative that we focus on their finances. In 2018, BHB changed its funding model. It went from a fee for service model, to a flat annual grant model. In light of this, BHB receives an annual grant of \$322 million dollars per year, and generally this fee is paid directly to BHB from the Standard Health Benefit Fund and the Mutual Reinsurance Fund. Recently, this annual grant has proven to be inadequate, given that the Government has had to provide \$15 million dollars in additional funding.

To make matters worse, I have been advised that this annual funding has not been adequately accounted for, as BHB has not produced audited financial statements since 2018, and today this entity operates an overdraft facility to support major operations. Where is the accountability? This is totally unacceptable.

How can we increase this annual funding when we have no satisfaction that the funds are adequately applied and accounted for? This truly boggles the mind.

This behaviour is truly a testament to the poor management and leadership of the organization.

I was also told that the annual grant is being used to service the lease which is in place with Paget Healthcare Partners.

Going forward, what additional multimillion dollar top ups will be required to keep BHB functional and operating, to fulfill its lease with Paget Health Services? What incentive is there for the hospital to be self-sufficient from an economic perspective? Will they continue to receive handouts going forward?

**Mr. Speaker**, does this sound familiar? It is a Public-Private Partnership, similar to Aecon and L.F. Wade International Airport. It is the PLP's version of the OBA's AIRPORT DEAL. As such, we can close the door on the narratives that the Premier continuously espouses, that the airport is a bad deal for Bermuda.

#### **OTHER REVENUE MATTERS:**

**Mr Speaker**, on other revenue matters, stamp duty fees were raised. Why would the Government increase the stamp duties on mortgages, when the government is also encouraging homeowners to transfer their mortgages to banks which offer government guaranteed mortgages?

Applicants and mortgage holders benefit from reduced interest rates on one hand, and they then take some of the same benefits to apply to increased stamp duties for their mortgage transfer on the other hand.

On the matter of increasing fines, what were the adequacy tests for the fine increases, and how were these figures arrived at? How do they compare with other jurisdictions?

On the matter of immigration fee increases, the Government must tread very lightly, as this will be added to the exorbitant cost of doing business in Bermuda. As previously stated, this is a major irritant to our ABIC and ABIR members. A 52% increase is unconscionable, especially if there is no improvement in value for money, and no dramatic improvement in application processing times. In fact, the same comments apply to the increases in the Department of Planning's fees.

### **HOUSING REQUIRED TO SUPPORT ECONOMIC GROWTH:**

**Mr. Speaker**, the Opposition support onward urban planning, when it comes to ensuring that we have adequate housing for our proposed growing population. Considering this position, we have no problem with allowing Approved Residential Schemes in the City of Hamilton. We take the view that it will bring vibrancy to the City, and also it will provide a great economic boost to the restaurants and retailers of the City of Hamilton. Hopefully, it will form an environment which will foster all forms of after dinner entertainment, which the country sorely lacks.

As previously stated, we must ensure that we do not cannibalize other approved residential schemes located in Somerset, St. Georges and North East Hamilton.

As a former Minister of the Environment, I remember approving mixed use buildings during my tenure, and I am pleased that this is continues.

On the matter of housing, the issue is not the number of affordable houses on the Island, but access to the number of houses in Bermuda because of Airbnb's.

### **EDUCATION:**

**Mr. Speaker**, a lot is going on in education in Bermuda, and according to people that we have spoken to, there are varying views on the delivery of and quality of public education in Bermuda. Be that as it may, we agree with the duty-free exemption on all school uniforms for all school aged children. This will come as a needed relief for those parents in question.

While on education, we note that the budget book shows a 53% increase in professional services, and an increase in rentals which went from \$6 thousand dollars to \$356 thousand dollars. In fact, the overall estimates for the Ministry's HQ increased by 35% or \$1.895 million dollars. It landed at \$7.236 million dollars.

### **SPORTS:**

Again, **Mr Speaker**, there was very little mention of sports in this budget report, and very little on the further development of our young people. It was noted that the Ministry of Youth and Sports had an 11% percent increase in allocation. This I am sure will be appreciated by the community.

We all know that education and sports provide discipline, self-respect, responsibility, and growth to our young people. They are our future, and more should have been included in the budget to address their development.

### **PATI REQUESTS:**

**Mr. Speaker** during the upcoming fiscal year, the government indicated that they will be introducing a nominal fee for PATI Requests which are not from private individuals, for requests which are about data that the government holds about them. This fee will help to defray the cost to cover the extraordinary amount of research PATI requests cost government.

In principle, we understand the reason supporting this initiative, however, more information is needed to determine who this may or may not apply to. Will it apply to law firms and lawyers? Will it apply to media outlets like Bernews or the Royal Gazette, and others?

What will the fee schedule look like, and how will the fees operate? Will there be a minimum fee or maximum fee? It is important that we know as the Minister of Finance was thrifty with the details.

**Mr. Speaker**, we also take the view that fees be used as a deterrent to arrest the number PATI requests, which in our mind could be used as a true assault on transparency, which is a pillar of democracy.

We will be watching this space very carefully.

### **SUGAR TAXES:**

Again **Mr. Speaker**, we were pleasantly surprised to see Government's movement on the controversial sugar taxes. It reaffirmed the OBA's view that this tax was nothing but a money grab. It was a last-minute scramble to raise revenue for the Government during difficult economic times. It was not used to educate the community on the negative effects of sugar in our diets and diabetes. In fact, from my team's research, we learned that none of the fees realized by government, was used to support the Bermuda Diabetes Association in any way. It was used as a sin tax only.

It just did not help Bermudians from a health perspective and these taxes **did not** influence our dietary choices.

Again, this scale back is an admission of Government's failure when it comes to fiscal policies.

### **THE ARTS:**

Given the significant contribution of the arts, culture, and creative sector 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 4% reduction in allocation to the Department of Culture is disheartening.**

### **THE PHILANTHROPIC SECTOR:**

**Mr Speaker**, in recognition of its important role in building and supporting Bermuda's social fabric, the One Bermuda Alliance believes that the Government should take action to protect the capacity and financial sustainability of the Third Sector, **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 addition, we should also ensure that Immigration's Economic Investment Certificates are adjusted so that contributions to the charitable sector, can also be applied against individual investment certificate programs. In addition, somehow, we should also work to ensure that such donations are tax deductible.

### **LOOKING FORWARD, HOW WOULD THE ONE BERMUDA ALLIANCE TURN THIS ECONOMY AROUND**

How would the One Bermuda Alliance turn this economy around?

Glad you asked **Mr. Speaker**,

The One Bermuda Alliance would implement the following:

- Develop a glide path to **balance its budget within three years** and reduce the reoccurring current account deficit and ultimately our current national debt level.
- **Reduce the size of the government** through offering early retirement and through attrition, as the human resource cost is approximately 40 plus percent of the current account expenditures.
- Apply more diligence and provide better management **to recover the millions of dollars owed to the Government in accounts receivables with assistance previously offered by our IB sector.**
- **Expand Bermuda's workforce** by relaxing immigration policies so that it is easier for job creators, executives, entrepreneurs, and high net worth individuals to migrate to Bermuda and thereby create jobs.
- During these challenging times and the high cost of living, we would suspend Bermuda's Foreign Currency Purchase Tax (FCPT). The problem with this tax is that it increases the cost of all the goods and services that Bermuda imports from abroad, it is excessively regressive, and it has a multiplier effect which means that the relatively small revenue it produces for Government might lead the average person to think that its impact is small.
- As an example, if we consider the cost of BELCO's fuel is increased by the amount of the FCPT and that means that the cost of electricity is increased not just by the amount of the FCPT but also by the multiple of BELCO's profit margin. The same applies to our

Supermarkets and a reduction of our food costs.

- We would reinstate an Economic Development committee or council, made up of Global C Suite CEO's from IB, the Government, and other stakeholders. The mandate would be to develop a true economic recovery plan which will benefit Bermuda economy and Bermuda's corporate citizens, be they local or international.
- We would provide **added resources to the Bermuda College and the Workforce Development** team, to train and retool our students and employees for any newly created jobs in the private and public sector.
- Reassess sin taxes on cigarettes, and spirits.
- **Provide resources to the agricultural and the fisheries industries** to entice job creation and help food security.
- In accordance with the reports and recommendations produced by the Fiscal Responsibility Panel and the Tax Reform Commission, and **with feedback from the public and the International business sector**, the One Bermuda Alliance would also examine, define, and implement the most equitable, fair, efficient and transparent tax system, to serve the needs and people of Bermuda today and into the future, and not a structure which was crafted to serve the needs of Bermuda's past and its legacy.
- We would also consider the G20/OECD Global Tax Initiative which addresses domestic tax base erosion, and profit shifting to multinational enterprises to end tax avoidance; and
- To make commercial and residential construction cost more affordable, immediate attention would be given to updating Bermuda's 2014 Residential Building Code Book which is a couple of cycles overdue. In addition, the same should apply to Bermuda's Commercial Building Code to ensure that it adheres to the International Building Code standards and protocols. These reviews should not only be reviewed by the Architectural Board, but also by a newly formed Electrical Engineering Board who represent the electrical engineering sector.

## **CONCLUSIONS:**

**The One Bermuda Alliance's assessment of this 2023/24 Budget is a reconfirmation that the Premier and his Government are living in a Bermuda which is not in tune with the rest of Bermuda. He, and his associates are living the high life, while most Bermudians are living from day to day, and are trying to live a life of dignity, despite the unprecedented cost of living challenges, the continued inflationary pressures, unemployment and underemployment, and a diminishing sense of hope.**

**Mr Speaker**, let's face it - the Progressive Labour Party has been the Government for over 20 years and the people of Bermuda are tired of having the One Bermuda Alliance blamed for the current government's inadequacies and woes.

I began this response by stating that the buffer, the equity that Bermuda gained over its 400 years of facing challenges and overcoming them through sheer grit, determination, and innovation -is now gone! It has been decimated.

**The time has come for the Government to acknowledge that they have failed Bermudians**, and honestly accept that they have played a significant role in fostering the challenges currently faced by our island and our people. It's time for them to show real leadership and create a better future for Bermuda and develop some real solutions. They must stop kicking the proverbial can down the road for difficult national issues.

It is time to have a government where maintaining and consolidating power is not the national priority.

We need a government that embraces community involvement, that includes getting input from local and international businesses, that includes listening to the hard working men and women of this country; that means taking into consideration the lives of seniors and students. We have a hard road ahead of us, but collectively, we can face those challenges and come out on the other side of it with success. We've done it before, we can do it again. But to do that, this government **MUST** steer the country in the right direction where we can all be confident in our leadership, our economy, our safety, and our peace. We must link arms and all march in the same direction.

We cannot afford one more minute of a government that continues to fail her people.

**Thank you, Mr Speaker.**



One Bermuda Alliance