



# REPLY TO THE BUDGET 2020/21

Delivered by  
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*Shadow Minister of Finance*

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## **INTRODUCTION**

**Mr. Speaker,**

“Crushed by the costs of housing and mortgages, challenged by food prices, and facing high electricity bills, they wonder if we really understand what is happening in Bermuda.”

These are the remarks made by the Premier at their delegate’s conference in October, speaking of the perception by his supporters of his government. This Budget clearly reflects that Premier Burt’s Government does not understand what is happening in Bermuda, and they have not made their priorities clear in how these issues can be addressed to provide assistance and comfort to our people.

Two and a half years into the Burt administration, we have seen multiple levels of taxation imposed on our seniors, businesses and consumers generally. Our most vulnerable have been alienated by an agency that is mandated to care for them. The imposition of the “bait and switch” sugar tax helped raise costs for consumers. In short, we are still crushed.

There are few things easier than spending money but spending other people’s money requires discipline. This becomes more evident when that money is limited. The discipline of determining how to equitably plan for the distribution of an entire budget with competing demands is a skill. Developing that skill requires good leadership. That, Mr. Speaker is where this chain stops with this Burt administration.

- Good leadership requires humility. Humility demands accountability.

The money at the core of the national budget comes from and belongs to the people who have entrusted the responsibility of distribution to their elected representatives through the appointed Executive. That trust is betrayed when the leadership fails to implement policies to grow the economy and fails to answer legitimate questions as to how some individuals have been prioritized to benefit from the first fruits of the people’s money. Now the remnants have

been left to the people and it is from this diminished resource this 2020/21 budget has been crafted. It is truly sad that all we can be grateful for is the news that we do not have to pay more to license our vehicles.

Collectively, we are just about managing to keep our heads above water. We are so far behind that government is even considering an amnesty on overdue taxes and the absence of growth is causing a shrinkage of the middle class thereby putting undue pressure on our citizens.

In responding to the Budget 2020/21, we do so against the backdrop of an economy that continues to falter, a government with limited ideas on how to ensure prosperity for our citizens or how to address our most pressing issues. They have failed to lay out an economic growth and diversification strategy and failed to address the biggest elephant in the room, that of needing more people to contribute to our economy. From taxation to national debt, education to the economy, this Government continues to struggle to address our most serious issues.

In November 2017, the Premier said “One of the best ways to make Bermuda more affordable to live in is, surprisingly, to get more Bermudians living and working in Bermuda. The more people living and working in Bermuda, the more customers you have but also more ability to spread fixed expenses across a greater number of people.”

Notwithstanding this, there has been no commitment from this government to addressing immigration inequities, or to taking steps to align the Government’s goals with its immigration policies, such as GDP growth, being an attractive international business domicile, and increasing population.

There has not been one new capital project initiated by this Government and, whilst the government continues to denigrate the airport project and perpetuate falsehoods about the business model, the airport and the St. Regis projects are effectively the only projects that have kept Bermudians employed since 2015.

Mr. Speaker, history is a great teacher and resource. With that in mind, I will refer you back to the 2015/16 then Opposition's Reply to the Budget, where the Premier, who was the Shadow Minister of Finance at the time, stated:

“There are no easy decisions going forward. As the government in waiting, we know that we cannot be all things to all people, and we are prepared to make the tough choices that are necessary to build a better future for Bermuda. The situation at hand requires ideas and a vision for the future. What we require is a fundamental transformation of our economy;”

Yet here we are, two and a half years into their term and Premier Burt will not make the tough choices, particularly in relation to immigration reform, nor has he been able to achieve any fundamental transformations, other than imposing tax burdens on those who can least afford it.

It was the former Shadow Minister of Finance Burt, who remarked about former Minister Bob Richards, that “not even this Minister of Finance can change the laws of economics...”

I dare say that this statement applies to the current Minister of Finance as well. But will Premier Burt and his Government have the grit to implement the recommendations contained in the Future State Report prepared by Bermuda First, a group commissioned by the Premier, to draw up a socio-economic plan to meet the island’s future challenges.

Bermuda First, along with the Fiscal Responsibility Panel have been embodied by the government but there is no will by the Premier to embrace their suggestions and recommendations. This failure is to the detriment of the people of Bermuda.

Mr. Speaker, our jurisdiction faces global existential threats. Competitive jurisdictions are forging ahead. We no longer enjoy a unique position of envy. As soon as we surmount one regulatory hurdle, another one is quickly placed before us. We applaud the government, and in particular, the Minister of Finance for ensuring that Bermuda delivered on its commitment to implement all the necessary reforms to comply with EU tax good governance principles ahead of the agreed

deadline, addressing all of the EU's concerns. In conjunction with the Government, we offer our gratitude to those stakeholders who worked to facilitate the resumption of our rightful place on the whitelist.

However, Bermuda's short stint on the blacklist has had a deleterious impact on the ability to attract new foreign direct investment, and we did lose business.

Mr. Speaker, there are some stark revelations that are evident in this budget. We can recall that the 2019/20 budget was delivered in this Honourable House with great fanfare, harkening the first time in many years that a surplus had been projected. The ensuing debate reminded the government that it was premature to flaunt a surplus as the external indicators and their own history did not support a disciplined approach to expenditure either in the current term or the past years between 2003 and 2012.

Mr. Speaker, it was also pointed out that the surplus was projected against a decision to withhold contributions to the Sinking Fund which otherwise would have shown a deficit position. That said, the Opposition understands the philosophy behind not contributing to the Sinking Fund if it can only be achieved by borrowing. It does, however, underscore the importance of growing the economy to produce real surpluses. The government has failed in this regard.

Our domestic struggles have even made the world stage.

The February 2020 edition of *The Economist* observed that "Rising debt service and pension costs will complicate the efforts to achieve fiscal resilience by the centre-left Progressive Labour Party government led by the Premier, David Burt. Immigration and tax reforms will be required to boost revenue in order to counter the effect of the island's shrinking workforce and an ageing population. A slowdown in the US, the island's main trading partner and source of tourists, will result in the deceleration of economic growth in 2020/21"

## **Domestic contraction:**

Mr. Speaker, while we have taken the necessary steps to comply with international requirements, the business confidence report issued in 2019 noted that "business confidence has dropped notably and now sits at the lowest level. Indeed, consumer confidence has also declined notably and now sits at the lowest level for the past five years." (2019 Bermuda Business Confidence Index April 2019).

Mr. Speaker, the Retail Sales Index (RSI), which is produced by the Economic Division of the Department of Statistics is a key economic indicator that assesses, on a regular basis, the performance of sales activity in the retail sector. According to the recently published RSI, October 2019 was the worst October for retailers in at least six years, but it was also a reflection that the monthly retail sales have contracted for 19 out of the last 21 months.

Excuses offered that the retail sector GDP isn't that bad, or that retailers must reinvent themselves to compete with Amazon gives little comfort to the employees who wait with bated breath in their stores hoping for patrons, all the while having the underlying fear for the security of their jobs. It is also inexcusable that the release of numbers was repeatedly delayed, an attempt to hide from the ugly truth.

In the budget statement in relation to the GDP, the Finance Minister refers to pockets of growth but admits that the 3.5% increase in the first two quarters of 2019 is "not broad-based, signaling that there is more to be done to ensure that economic prosperity reaches all segments of Bermuda's society". It is evident that the government policies have not benefitted all sectors, as we have seen the demise of some long-established businesses that were unable to maintain profitable operations under the weight of additional governmental burdens, and with it, came the loss of jobs of many Bermudian employees.

Mr. Speaker, it is also worthy of note that the retail sector is a closed category for immigration purposes. That means that Bermudians make up the vast majority of all employment in this sector. Retail is the largest employer outside of government, so any negative fallout from stagnant or negative growth directly impacts Bermudian workers and their ability to feed their

families. Government has blamed local retailers' results on a failure to innovate and employ technology to remain competitive against on-line shopping. The "lesson" offered to retailers is pure hypocrisy as government has failed in leveraging technological solutions to deliver its own services more efficiently to the taxpayer. Spending targets have yet again been missed and the taxpayer is paying more money for less public services.

***Solution: Implement the recommendations of the Fiscal Responsibility Panel and the Future State report by Bermuda First in regard to Universal Health Care, Immigration Reform and long-term payroll tax planning.***

### **Civil Service employment numbers:**

The government has denied that there has been an expansion of the civil service under their watch. They allege that comments to the contrary are nothing but frivolous falsehood. The numbers that are the subject of this criticism have been taken from the government's own budget books reflecting actual full-time equivalents are as follows.

- 2014/15        5,181
- 2015/16        4,899
- 2016/17        4,707
- 2017/18        4,764
- 2018/19        4,806
- 2019/20        4,942 (revised estimate)
- 2020/21        5,076 (estimated)

As the Finance Minister has indicated, facts are important and the numbers speak for themselves.

The recent legislation allowing for the appointment of political advisors and consultants has been utilized extensively, and these numbers, although a cost to the public purse both in terms of remuneration and benefits are not included in the FTE numbers.

## **Increase of Debt Ceiling:**

Mr. Speaker, we expected to see that the issue of raising the debt ceiling to accommodate the Caroline Bay (formerly Morgan's Point) debt buy-back would be placed squarely at the feet of the former administration. This criticism cannot be looked at in isolation of the history of this project. The record should reflect the facts surrounding the decision to guarantee the project.

Morgan's Point was acquired in a land swap with the owners of Southlands as an accommodation for their commitment to not undertake the unpopular development of their previously owned South Shore site. While Southlands is a pristine tract, the property at Morgans' Point, former US base lands, was a brown field, with residual oil sludge from the US navy operations. The Agreement, made by the former PLP administration well before the OBA was born, required that the brown field clean up would be achieved to 'residential standards' at government expense.

The leeching of oil, asbestos remediation and sludge clean up were required to be completed before any development would commence on that site.

No government anticipates that decisions made to stimulate the economy would result in loss to the public purse, which in this instance amounts to approximately \$7M in additional annual interest. However, the choice was either to guarantee the project and create some economic stimulus or be sued for specific performance on clean up with no benefit to the taxpayer resulting from the contractual arrangements made by a previous PLP administration in relation to the swap.

The disappointment lies in the failure of this government to effectively manage the fallout as the principals of Morgans' Point held significant talks with this government shortly after the 2017 general election. Certainly, the preparation of the 2018/19 and the 2019/20 budgets ought to have addressed the contingent commitment from the guarantee.

At this juncture, what is more important to the taxpayer is a full explanation as to the intent of government, having now purchased the interests of the Tranche B and Tranche C lenders and



having paid the contractors at Caroline Bay. What will happen to the assets, what arrangements have been made with the owners of the property to repay the taxpayers for this fiscal bail out and when can the taxpayer expect to see the benefit of the recouping of such payments? The Finance Minister has indicated in his statement that discussions are ongoing. Fortunately, the Minister stated that it is anticipated that there will be full recovery, so we await updates.

***Solution: The government should ensure appropriate public updates while they aggressively pursue satisfactory claw back for the commitment by the public purse.***

### **Health Care:**

Mr. Speaker, following recent criticism of the Bermuda Hospitals Board's failure to produce audited financial statements in nearly five years, and justifiable concern expressed by the financial watchdog, the BHB somehow managed to publish unaudited management statements for the last three years. With salaries and benefits costing the quango \$194.3M in 2019, it boggles the mind why the Board would choose to spend more taxpayer money to challenge the decision by the PATI Commissioner that the salaries for the executives be disclosed. The Minister responsible for Health can give direction that disclosures be made and in the interest of transparency, it would be beneficial if people knew how their money was being used.

In its new policy implemented in June 2019, the government chose to provide the BHB with a block grant of \$330M and arrived at this level of financing without the benefit of audited financial statements. This irresponsible decision ignores the fact that money, whether from the consolidated fund or from premium generation, ultimately emanates from the public who has the right to know how their money is being spent.

Last year, this government imposed a sugar tax, supposedly to encourage healthier food choices and to reduce health care costs. They stated that the additional revenue collected from the sugar tax would be earmarked for expanded health promotion and disease prevention activities. This budget reveals a tacit admission that the sugar tax was nothing more than a cash grab from our community and has resulted in an across the board increase in the costs of

food. The promised direct health initiatives have taken a back seat to “other pressing priorities” and there has been no ring-fencing of the revenues for the promised intent.

Tweaking the taxation of sugar products by giving customs officers greater discretionary waivers of tax appears to be an overly complicated, granular administrative exercise.

***Solution: We would recommend that the government set the level of acceptability of sugar content based on international health established norms, and tax items that exceed that level.***

Mr. Speaker, although the government has undertaken the most significant reform in health care, this budget statement barely mentions the public dissent or the appeals to share further information. We in the Opposition agree that we must find viable solutions to reduce health care costs and protect the under-insured. We believe in a UNIVERSAL health care plan, not a unified, single payer health care system.

Against their constant refrain abhorring two Bermuda’s, they have instead decided to entrench this egregious principle in the introduction of this new health plan. The proposal is that the new approach to health care would provide some basic services for a yet-to-be-determined premium (initially reported to be \$514 monthly) to the majority of the population. Those who wish to be covered for additional services such as major medical, vision and dental, will have the option to purchase supplemental cover. Talk about separate classes, entrenching two Bermuda’s! The government-offered HIP programme currently demands a premium of \$430, and Future Care, \$500. Many residents currently have difficulty meeting that monthly burden. The government’s solution to those who may not be able to afford this increased financial commitment for the new plan is to ‘go to financial assistance’. With the suggestion of going to financial assistance, the government has yet to reveal the criteria for eligibility. Further, the budget for financial assistance has in fact been decreased, so the question must be asked, “Is the government yet again making promises that its actions do not support?”.

***Solution: The Opposition recommendation is that the government should work through the intended programme for a more equitable solution, listen to the stakeholders and recognize***

***that those who provide health care services know better than politicians what is needed to ensure optimum patient care. It also does not serve Bermuda for the Premier and his ministers to misrepresent the advocacy proponents as being greedy and uncaring, or advancing the conspiracy theory that those advocates are driven by the insurance companies.***

Mental Health issues continue to plague our community and the group homes promised by Premier Burt in 2019 have not yet materialized. Magistrates are frustrated that they are required to incarcerate people who would be better served with dedicated treatment in a mental health facility. The community engagement with the Salvation Army to assist at the site of the Bishop Spencer school is a distinct possibility, but it cannot be done without dedicated funding.

***Solution: As the Bishop Spencer facility has been previously explored and determined to be an appropriate site for an integrated step level programme, we recommend that the government make funding available for the purposeful conversion of this property.***

### **Seniors:**

Mr. Speaker, in July 2019, Premier Burt said, and I quote 'As a society, we should be judged by how we take care of our most vulnerable.' This is a philosophy with which we agree, and have articulated many times publicly. However, in August 2019, massive increases in six-month land tax bills left some seniors who are reliant on their rental income worried over how they will make ends meet.

How can the government profess to be concerned about our seniors on the one hand, yet on the other, totally disregard their financial plight?

Because we dare criticize the government, we will be reminded that during our administration, we increased seniors' pensions only one time as against this government's regular increases. We will take the criticism but at the same time, remind our seniors that indiscriminate expenditure by the government resulting in capital cost overruns during their previous tenure in office from 2003 through 2012 left very little money, such that it was even necessary to

borrow in order to meet government payroll within a month of taking office. Imagine if the public treasury had the benefit of the money that was poured into the cost overruns for nearly all the capital projects undertaken between 2003 and 2012.

### **Pensions:**

Mr. Speaker, we await the actuarial report to outline the health of the Contributory Pension Fund. There are far fewer younger people paying into the fund to support the burgeoning population of seniors. The issue of too few people paying to support increased demands on the pension is the common theme throughout all of our fiscal challenges.

The Department of Social Insurance which is responsible for ensuring the calculations for the Contributory Pension disbursements to eligible recipients has not been proactive in ensuring that new enrolments for the benefits are processed based on the records of their department. If seniors do not take the initiative to enroll at their 65<sup>th</sup> birthday, they can find themselves losing benefits to which they are entitled.

***Solution: We recommend that the Department takes a responsible approach in ensuring that seniors are registered appropriately and in a timely manner so that no one is denied pension to which they are entitled. This includes a phone call followed by notification sent to the last known address of an enrollee to present themselves for registration. If there is no contact, further outreach must be undertaken until registration is achieved.***

We also anticipate the tabling of the regulations supporting the legislation to enable retirees to withdraw 25% of the balance of their Occupational pension fund so that they have available the funds to alleviate financial pressure from some of this government's policies.

### **Payroll Tax: - employees**

The idea of decreasing the payroll tax at the lower earning level is beneficial to assist that demographic. A former Finance Minister in 2016 made the decision to introduce progressive payroll tax to help alleviate hardship experienced in the lower earnings segment. This relief has been enhanced in two subsequent iterations and does provide additional available money for

that band. It does, however, push up to the next level where the costs will increase for those earning more than \$96K. Employees who have worked their way up to the fringes of the middle class are being punished with this equalization exercise and it is unfortunate. The jubilation at hearing that there were no proposals for any new taxes was soon dampened. The Minister giveth, and the Minister taketh away!

Further, this tax relief barely mitigates the health care costs that government shifted onto earners under \$96K with the Standard Health Benefit reform. This payroll tax reduction should be viewed not as a gift to low earners, but rather an apology for the hardship they have experienced at the hands of the recent fiscal policies. Mr. Speaker, in the words of Jim Rohn, an entrepreneur and motivational speaker, “We should help those who are doing poorly to do well and those who are doing well to do better”. That principle clearly does not apply to the middle-income earners who have been hit in this budget.

While this reduction to the tax yield is nearly \$4M, different decisions would have been at the disposal of the government if there was more income.

### **Payroll Tax: - employers**

Further reform to payroll tax could be accomplished if the government is willing to consider the model being used by some of our competitor jurisdictions. In our existing model, employers are required to pay more payroll taxes as their payroll increases, and it is almost a punishment for success. These increased payroll tax burdens could deter further employment and if these positions are filled at the higher levels of remuneration, invariably those jobs and the attaching benefits are not offered to Bermudians.

***Solution: Under this alternative model, the cost of work permits could be significantly increased across the board and a tax-neutralizing reduction benefit for payroll tax could be offered for employer. The higher cost of permits would encourage companies to hire and train Bermudians, and this can be reflected in opportunities for Bermudians abroad to consider returning home. This approach could also fulfill the aim of reducing payroll tax burden on employers while incentivizing them to hire Bermudians; growing the economy;***

*enhancing our talent pool; encouraging the efficient processing of permits; creating a separate revenue centre for government and creating a shift for companies to manage expat employees as a separate cost centre rather than their entire employee base, and could discourage employers from unfairly selecting foreign workers over qualified and or trainable Bermudians.*

### **Overdue Tax Amnesty:**

There are some government policies that make sense, and some that are ill-conceived. This budget suggestion of considering forgiving taxes for delinquent taxpayers who meet certain eligibility requirements is a slap in the face for those taxpayers who have been diligent, made sacrifices and found the wherewithal to pay their bills when they became due. Some who may not have had the money to pay their bills entered schemes of arrangement to ensure that they met their commitments. In some instances, if a company required work permits, such permits were withheld until delinquent accounts were brought current.

To forgive those who just did not bother to pay or enter into payment plans will establish a precedent whereby otherwise responsible companies will hold on to their money with the view to waiting out their time to get a write-off. We ask the government not to consider this avenue in the interest of fairness.

***Solution: Continue to maintain traditional methods of debt collection and fund the tax collection enforcement department.***

### **Tourism and Transport:**

Mr. Speaker, the National Tourism Plan was debated in this Honourable House and received unanimous support.

Premier Burt said that they will get serious about tourism and invest in this vital industry. It appears that his definition of investing means dismantling the Bermuda Tourism Authority. With the announced departure of the CEO of the Bermuda Tourism Authority, another “independent” body has suffered the malady of Ministerial interference.

The essentially defunct Casino Gaming Commission is on life support yet cost \$2.51M for operations during the fifteen months ending June 2019. There will be no progress in filling the Executive Director post, or any success at getting any bank to process gaming proceeds as a result of Ministerial interference.

Buses continue to be regularly put out of commission. The new bus schedule, scrapped only six weeks after it was implemented in March of 2019, has still not come to fruition. Seniors, children, the physically challenged, tourists, workers and employers continue to be inconvenienced by the ongoing cancellation of bus runs. What does it take to implement an acceptable bus schedule?

***Solution: Work to create a schedule that addresses the health and well being of the bus operators while creating corresponding efficiencies.***

### **Education:**

Mr. Speaker, recent industrial action by teachers have left our students vulnerable and underserved in their educational experience. One would not anticipate that a labour government would fail to rectify the challenges that would cause our teachers to withhold their labour.

The recently announced permanent closure of the T. N. Tatem Middle School, following lacklustre attendance by parents during the consultation process, underscores the diminished level of trust by the electorate in the 'consultations' undertaken by this government. The belief is that if one's opinion differs from what the government has decided to do, it is an exercise in futility to offer suggestions. The closure does however, address Priority No. 4 of Plan 2022 which is to improve and to provide a more efficient use of our schools' infrastructure and instructional resources. Some of our schools may have to be repurposed.

During the coming year, the Opposition will provide its support to the people of Bermuda's multi-year 2018–2022 strategic plan, known as Plan 2022. This plan is currently steering public

school education. It should be noted that the strong foundation of Plan 2022 was started under the One Bermuda Alliance Government, and defines Bermuda's vision and mission for education. This plan has five priority areas which focus on:

- increasing academic rigor and student engagement;
- ensuring career and college and workforce readiness;
- enhancing the quality of teacher practice and system leadership;
- improving infrastructure and instructional resources; and
- ensuring system success

We are confident that Plan 2022, developed by participants and stakeholders drawn from across Bermuda's entire community in a consultative process will identify the way forward for public school education in Bermuda, and will help to better meet the needs of our children. Plan 2022, with its adaptive and technical strategies aligned with international best practices, will transform public school education in Bermuda and ultimately lead to greater successes for our students.

***Solution: We recommend the formation of a Cabinet subcommittee to include the Premier, the Ministers of Education, Finance, Health & Social Services and Works and Engineering. The committee would provide immediate active oversight and support to ensure that Bermuda's Educational agenda is given priority and is delivered.***

One of the committee's immediate priorities would be to lay the foundation for the exploration and development of an educational authority, which will remove the politics from education and provide consistent professional and accountable leadership to our public education system.

The committee would also explore and develop amongst other things, a Centre for Teaching Excellence, staffed with trainers and equipment to enhance teaching skills, lessons contents and classroom management skills.

Teachers have for far too long been required to use their personal resources to fund basic supplies within their classrooms.



***Solution: To support and supplement the basic classroom requirements and supplies, this cabinet subcommittee would approve an annual \$1,000 budget for each schoolteacher, to alleviate the practice of teachers being required to personally fund extras for their classes. It will also find ways to reduce the cost to our Bermudian families such as the simplification of school uniforms.***

***Solution: In addition, the cabinet subcommittee would source a dedicated public transportation allocation of school buses that will get all of our students to and from school safely, on time and on a regular and consistent basis.***

***Solution: We also offer a recommendation that the Ministry have a dedicated Assistant Director of Math education and a qualified supporting team to drive the delivery in conjunction with the Bermuda Council of Teachers of Mathematics.***

## **Legal Affairs:**

Mr. Speaker, included in this ministry is the Department of Child and Family Services. As a society, our most treasured possessions are our seniors and our children. This department has been recently been subjected to intense public examination. The policies and practices it has employed have left many unanswered questions.

***Solution: We would recommend that there be sufficient funds to enable a thorough external enquiry into the operations, effectiveness, care and concern underlying the choices made on behalf of our children for overseas care.***

We are fully supportive of the government's budget allocation commitment to look out for our vulnerable young people who have aged out of the DCFS system through the proposed residential and transitional living facilities.

## **National Security and Immigration:**

Mr. Speaker, there have been constant calls for the government to make the tough decisions in respect of immigration reform. The House was reconvened in September 2019 under the guise

of tabling immigration reform legislation. Since September there has been only a short break for Christmas, yet we still do not have any legislation in this regard. It is disingenuous to hear that the delay in immigration reform legislation is the responsibility of the opposition members who sit on the joint committee. The government has the numbers to advance any policy they may wish.

The drumbeat continues to reverberate as the report from the Fiscal Responsibility Panel in their 2019 Annual Assessment states: “Given the fiscal position, and the limited progress of the Government in acting on our previous recommendations, we are concerned that Bermuda will have little fiscal or macroeconomic policy space to address any crystallization of these risks. Over the longer term, the key concern for policy action remains domestic: the island’s shrinking workforce and ageing population will put ever-increasing pressure on both taxes and spending. The issue is not whether action is needed, or even what actions are needed – there is a high degree of consensus, as expressed in both our reports and those of other independent bodies and indeed within Government – but when and how. Immigration reform, tax reforms and tax increases, and changes to the structure of healthcare and pensions are all required.”

**The challenge is whether they have the courage to do so.**

We also do not appear to have a handle on the number of Bermudians who are continuing to leave for greener pastures in other countries. The Premier has indicated that emigration is still the result of locals escaping gang violence. This theory does not appear to be supported by the reports from the Minister of National Security who has updated this House on the progress made in bringing this problem under control.

For planning purposes, it would be helpful if there is a register of how Bermudians who are studying abroad are equipping themselves for employment upon their return.

***Solution: We recommend that government returns to the policy of obtaining student information at departure in order to ensure that proper planning can be in place for future opportunities for our students, and implement a mechanism for tracking Bermudians living abroad who have chosen to give in to their disillusionment with living in Bermuda.***

## **60:40 relaxation:**

Mr. Speaker, we support the change for local company ownership from 60% Bermudian to 40% Bermudian as this initiative could create inward investment. Bermudians are resilient and innovative people. With the right environment to encourage foreign investment in local companies, our Bermudians will find the acceptable partners who will be able to meet the established prerequisite of 'fit and proper'.

It does not appear to be a workable solution to require that the Boards of Directors of such blended companies be 60% Bermudian. It is possible for the majority foreign investor to appoint Bermudian directors as would be required by the proposed change. We question what investor would invest most of the capital of an entity and be satisfied with having a restriction on how many of his preferred directors could be appointed to the Board. While there are service agencies that could provide directors, such individuals may not be the ones to advance the goals of the investor. This approach does not make sound investment sense and could serve to create an impediment for this possible area of growth by requiring unrealistic conditions.

***Solution: We invite the government to rethink this restriction.***

## **Conclusion:**

Mr. Speaker, the budget report 2020/21 highlighted some difficult financial realities for Bermuda and her people.

When you compare what the public wants to what the government actually does or has done, they don't line up. In fact, the preferences and concerns of the average Bermudian appear to have a near-zero, non-significant impact upon the PLP Government's public policy.

The absence of economic growth has resulted in the need to borrow to provide funding for capital development. While borrowing for capital expenditure is fiscally sound, it is better to generate funds from day to day operations and not need to borrow, especially given our debt levels.

The minimal growth for our economy anticipated to be between 1.0 - 2.0% for 2019, fewer International companies and partnerships in total, a decrease in international company registrations, new construction down, retail sales down and a contracted money supply are the reality of this government's administration.

Success in stimulating the real estate sector is predicated upon people having enough confidence when making major capital purchases. This may prove to be a difficult proposition.

The reduced confidence results in limited inward foreign investment. While there has been some level of success in Fintech companies incorporating in Bermuda, the reality is that after nearly three years, this sector has not evolved into the third pillar of the economy that was predicted by the Premier. Given the level of regulatory scrutiny that is required regarding beneficial owners of companies, it appears that there was a failure in the vetting process in respect of one particular company, resulting in an empty building and unfilled promises to the people of Bermuda.

The common thread throughout the identification of Bermuda's challenges is the lack of sufficient people on island to stimulate economic growth. Lack of money has resulted in diminished service levels such as bus cancellations and reversion to the unpopular once per week garbage collection.

The added foreign currency purchase tax from last year's budget which increases costs of all imported goods more than offset any benefit from the decision to suspend the bi-annual increase in fees for government services. People are struggling and have fallen so far behind that there is no blood left in the stone. Particularly disturbing is the recent release by the Auditor General concerning the delinquency in presenting for audit the accounts for many government entities. This lack of accountability is deeply rooted and needs to be rectified forthwith.

Mr. Speaker, the PLP's "Bermuda for Bermudians" continues to leave many Bermudians hungry and beholden to the PLP Government for support. We NEED a budget that is focused on growing the economy in ways that generate jobs and economic security for the residents of this Island. This government continues to avoid making the hard decisions and their Budget shows no real plans to address the serious underlying economic problems in our economy.

It is time for this government to devise a budget with the needs of the country considered BEFORE the political needs of the Government.

The Finance Minister has stated that the country is best served if the pettiness of politics is avoided. We agree wholeheartedly, however it does not mean that poor performances by the government will be left unchallenged.

Thank you, Mr. Speaker.

