



Empowering the Bermudian Dream

REPLY TO THE BUDGET

Delivered by

Dr. Douglas De Couto JP, MP
Shadow Minister of Finance

May 9th 2025

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Introduction

Good Day *Mr. Speaker*,

Today it is my privilege to present the Opposition's Reply to the Budget, with the theme "Empowering the Bermudian Dream". We will provide an overview of global and local economic conditions that affect us here in Bermuda, lay out our views on how the Government proposes to spend the People's money, and contrast the Progressive Labour Party's approach with the One Bermuda Alliance approach – that would be focused on empowering Bermudians, so they can dare to dream of a future in Bermuda. We will provide a vision for why Bermudians, especially our younger generations, should want to stay here and return here. Contrast that to the Government, which disenfranchised our up-and-coming generation of students at the recent election.

Mr. Speaker, in summary, while the Government claims to be focused on creating "fairness" for the people of Bermuda, its policies and actions have been ones of economic control and financial shell games. We know that there are many in Bermuda who need help and a hand up. And, like almost all societies, our society can and must be fairer to all.

The Opposition agrees, there have been some Government initiatives that helped many in need, and we have taken care to note and support those, both in this House and in the public. But this current Government has presided over an unprecedented shrinking of Bermuda's population and the associated long stagnation of the local economy that most Bermudians live and work in – even after accounting for the impacts of Covid. This has meaningfully decreased fairness across the island.

Mr. Speaker, while the current Government has spoken of many plans, strategies, and initiatives, with the exception of a few bright sparks, the favourable economic impacts on our local economy and finances have been lackluster for everyday Bermudians. The blame must be laid squarely at the feet of the Progressive Labour Party Government and its failed policies. Many Government actions seem to benefit special interests, party insiders, and those otherwise connected to the Government party.

And, this Government has repeatedly refused to meaningfully engage with and address what has been and will remain our biggest challenge of these decades: a shrinking and emigrating population. This Government has failed to make a case for Bermuda's future.

Mr. Speaker, this Government has failed to convince the next generations that Bermuda is a country for them. And that's because the Progressive Labour Party Government's vision for the future extends no further than the most recent election. This government would rather preside over the decline and fall of Bermuda, than take the actions required to see Bermuda rise.

A One Bermuda Alliance Government will make Bermuda rise again, by taking immediate action to address issues like the shrinking population and lack of growth in the local economy. Our goal is to make Bermuda an attractive destination, for visitors, local and foreign investors, and most importantly, Bermudians. We are competing with other jurisdictions not just for business and investment, but for our own people.

Mr. Speaker, we fully acknowledge and support the role of Government to provide a critical social safety net, but we consider that to be a minimum requirement from a government. We know most Bermudians who are able, and would prefer the opportunity to have a good job, or start a business, or otherwise apply their energy and creativity to take control of their future. The One Bermuda Alliance would set the conditions to empower Bermudians to achieve their dreams, and create an environment of growth, optimism, and possibility. Government can provide a launching pad for success, not just a safety net.

We would do that by creating clarity, consistency, and predictability in Government policies and operations. By not competing with businesses or intruding into their financial affairs, so they are more likely to invest, hire, and grow. By being responsive to and working with Bermuda's stakeholders in various sectors. By providing appropriate support via legislation, marketing, and where appropriate, financial support. By not ignoring our own home-grown experts. By judiciously managing our island's finances to care for our people, **Mr. Speaker**. Not just today, or tomorrow, but for the long-term future of our people and our children.

And most importantly, by looking forward, and running the race in front of us

2. Global Economy

Mr. Speaker, Bermuda's economy exists as part of a bigger global picture and is impacted by trends around the world. Of course, thanks to the unprecedented policies and activities over the recent months of our largest trading partner and neighbour to the west, the United States, forecasts and predictions are particularly difficult right now.

The various Trump policies on tariffs, shipping fees, and other changes to international relationships and agreements have seriously disrupted the way the world has been working, **Mr. Speaker**.

These changes have introduced volatility and uncertainty to economies, businesses, and supply chains around the world. At this point many countries and businesses are rethinking their trading relationships, their supply chains, and where, when, how, or even if to invest. And while some might argue that the Trump phenomenon will be short-lived, the impacts will not be. The changes that countries and companies make over the next few years will likely stay in place as organisations and countries seek to insulate themselves from any future volatility.

In fact, **Mr. Speaker**, the world has reached a watershed moment. A decade-long period of stability anchored by stable US-backed international rules with a historically low rate of global conflicts is coming to an end. To some, this moment looks like the 1930s, which led into World War II, or the late 1800s around the American Civil War. Many parts of the world are moving back to a transactional and zero-sum approach, focusing only on themselves.

Mr. Speaker, as the global political system becomes more fragmented, companies and countries are focusing on safety, and security, rather than efficiency. This in turn leads to duplications in the global economy, adding delays and costs everywhere in the global economy. What does that mean for Bermuda?

Firstly, tariffs and shipping fees will increase the costs of goods in the United States. This will impact Bermuda, since we look mainly to the US for our goods. This will increase our cost of living. Even if tariffs are not as high as originally projected, and Bermuda companies identify alternate supply chains, sorting this out will take time and add cost.

Secondly, **Mr. Speaker**, we can expect an economic slowdown in the United States, and we are already seeing signs of it. As you know, if the US economy sneezes, the Bermuda economy catches a cold, and continues to remain ill long after the US has recovered.

Thirdly, financing costs are now rising around the world on the back of increased yields on US Treasuries due to the economic uncertainty. This means increased interest costs when the time comes for Bermuda to refinance its very large debt, limiting our Government's financial flexibility.

2. Global Economy

Fourthly, **Mr. Speaker**, economic uncertainty in the US may reduce the number of American residents who want to spend money to travel, or the amount they spend if they do travel—perhaps negatively impacting our tourism sector.

There is some potential for silver linings, although they won't offset the bigger picture problems. For example, there is an opportunity to market to more Canadian visitors, who may now wish to avoid the US.

Mr. Speaker, our well-respected world-class regulatory regime and unique mid-Atlantic location should be attractive to businesses that wish to avoid the United States. The Government should continue and increase its canvassing of the various trade organizations on-island to see how Bermuda can support initiatives in these areas.

Finally, this new era of global uncertainty means we cannot take any particular outcomes for granted. We must plan for the future, thoughtfully. We must manage our funds with particular care, knowing that economic downsides are real possibilities. We must carefully consider where to launch initiatives and place our investment bets. We must act swiftly and effectively to get the best results possible. The current Government status quo of poor decision-making and accepting mediocre results is no longer fit for purpose and hasn't been for a long time.

Mr. Speaker, put another way, we are looking at a potential economic crisis, on top of our current cost of living crisis, and these demand action and results.

3. Local Economy

Mr. Speaker, when we look to the local economy, it's important to dig beneath the surface of the available statistics and examine multiple perspectives to assess the true economic state of our island. For our reference, we use 2017, the start of this current Government's economic stewardship. While this current Government still likes to point to Covid as an excuse for issues, the rest of the world has moved on. We must too.

3.1 **GDP**

At a high level, **Mr. Speaker**, the total economic growth as measured by Gross Domestic Product, or GDP, has seemed reasonable, with increases over the last few years. And the overall unemployment rate – the fraction of the population that wants to work but can't – is indeed low. But these figures hide troubling trends underneath.

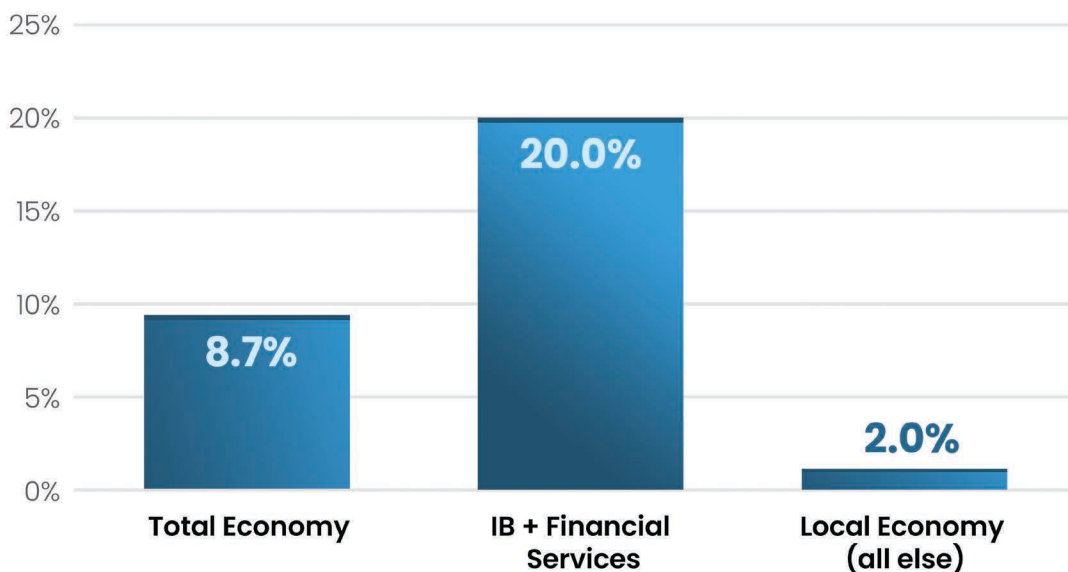
Mr. Speaker, a closer look shows us that our total GDP improvements have been driven almost solely by International Business and Financial Services. Local business output has remained essentially flat. And detailed jobs numbers show fewer people working in Bermuda, fewer Bermudian jobs, high youth unemployment, and an ageing workforce – our demographic crisis unfolding right in front of us.

In 'real' GDP, that is, after adjusting for inflation, Bermuda's economy grew 8.7% from 2017 to 2023, or 1.4% per year, on average. By comparison using OECD data over the same time, the Euro Area grew 6.7% (1.1% per year), the USA grew 13.9% (2.2% per year), and the world grew 16.8% (2.6% per year).

Looking into the breakdown of Bermuda's GDP by industry, we see that a massive 76.1% of the GDP growth was driven by International Business, rising to 87.4% after adding in other Financial and Insurance activities. Bermuda's GDP growth was due almost solely to these industries.

In fact, from 2017 to 2023, IB grew a whopping 25%, or 4.1% per year. Local business, that is, everything except for IB and Financial Services grew only 2%, or a meager 0.3% per year. That is essentially no growth at all.

Growth in GDP, 2017 to 2023



3.2 Retail Sales and Shipping

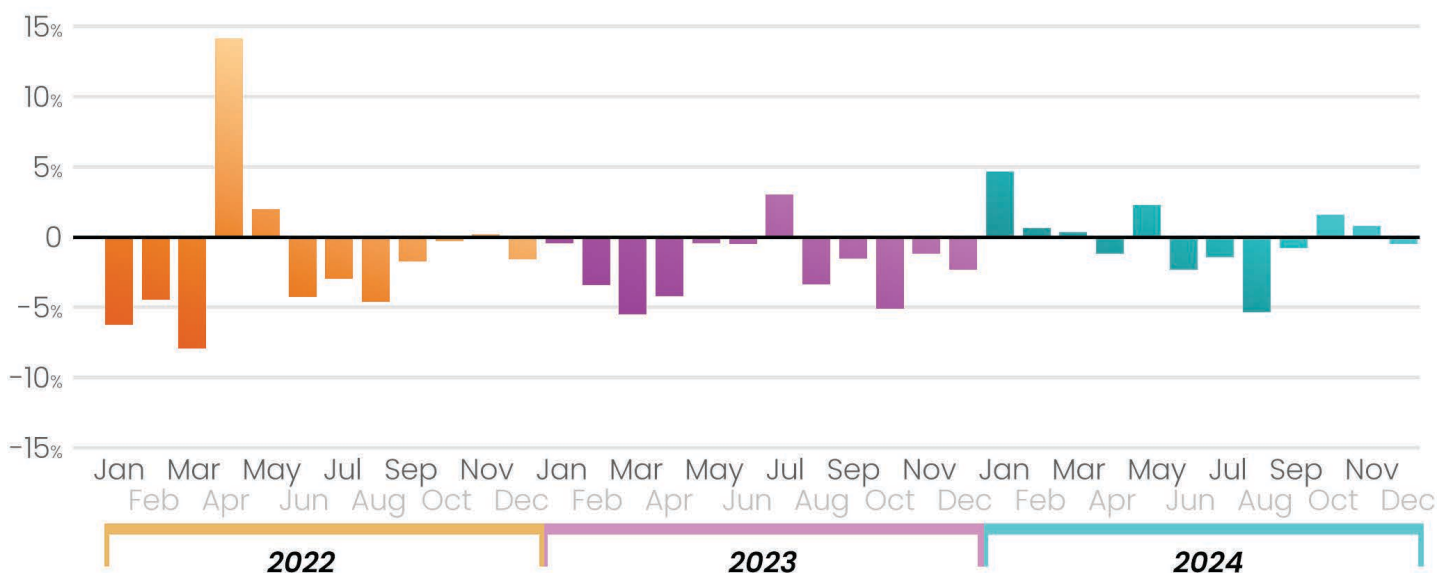
Mr. Speaker, other key indicators for the health of the economy are retail sales and shipping. These continue to show declines. Looking at full-year retail sales data for 2022, 2023, and 2024, after adjusting for inflation, total sales were 1.9% lower in 2024 than in 2022. Out of the seven sectors reported, only motor vehicle sales and service stations showed an increase.

In fact, in 18 out of 24 months in 2023 and 2024, or 2/3 of the months, total sales were lower than the same month a year before. For food and liquor these numbers are 16 months and 20 months, respectively. Thanks to emigration and cost of living increases, there are fewer people buying things, spending more, but getting less.

Mr. Speaker, container volumes point in the same direction of fewer goods being brought to the island and purchased. Although container volumes from April through September last year were up from the prior six months, they were still down 9.6% from the same period in 2020, before the pandemic. And ‘breakbulk’, which includes heavy equipment and construction materials, was 27% lower than the same period last year.

All of these data confirm our view that the local, bricks and mortar economy is not doing as well as we would like.

Percent Change in Retail Sales vs Same Month Last Year



3.3 *Jobs and Population*

Mr. Speaker, one of the Government's favourite cited statistics is the unemployment rate, which was 2.8% in the November 2023 Labour Force Survey. What is driving this? Fewer people and fewer jobs. The reality is that the number of people has shrunk faster than the number of jobs. Government has outsourced our unemployment, as people who can't find work have been emigrating.

Shockingly, youth (those between the ages of 16-24) unemployment was a whopping 13.5%, over four times the average.

According to the Government's Employment Briefs report, Bermuda lost 793 jobs from 2017 to 2023, or -2.4%. This was actually a loss of 1,438 jobs for Bermudians and spouses, but a gain of 787 jobs for non-Bermudians. And all those missing jobs are for workers under 55 – who should be the backbone of our workforce. The largest increase in jobs is for workers over 65, presumably they have been unable to retire due to the cost of living.

Mr. Speaker, we struggle to reconcile this disturbing loss of Bermudian jobs, high youth unemployment, and seniors having to work longer, with the Government's claims of a "fairer Bermuda".

The reality, which we all know, is that people are leaving Bermuda for opportunity. They are leaving Bermuda for social support. They are retiring. Or they are reaching the end of their life. Anecdotally, everyone has friends, family, and acquaintances who are either thinking about moving away or who have already gone. In fact, survey results released last year show that over 70% of Bermuda residents are at least thinking about leaving Bermuda. And this is no doubt even more likely among our youth. They are looking for opportunity, they are looking for support, and they are looking for a dynamic, thriving place to live. And while many of our youth were denied a chance to vote at the ballot box, we can be sure the younger generation will vote with their dollars and their feet. They already are.

Mr. Speaker, other reputable reports and data all reinforce that Bermuda's shrinking population is a crisis that must be treated as a national emergency. Government's own report, "Addressing the Challenge of an Ageing Population" described the problems very well. It also described the negative impacts on our economic growth, healthcare, and pensions.

Here is the short version: **you can't grow the economy with a shrinking population**. You can't reduce the cost of living with a shrinking population. And you can't properly fund healthcare and pensions with a shrinking, ageing population. We can either have more people, each paying less tax, or fewer people, each paying more tax. Government's own estimate for the required increase in the working population at that time was 8,418 workers, or +25%.

3. Local Economy

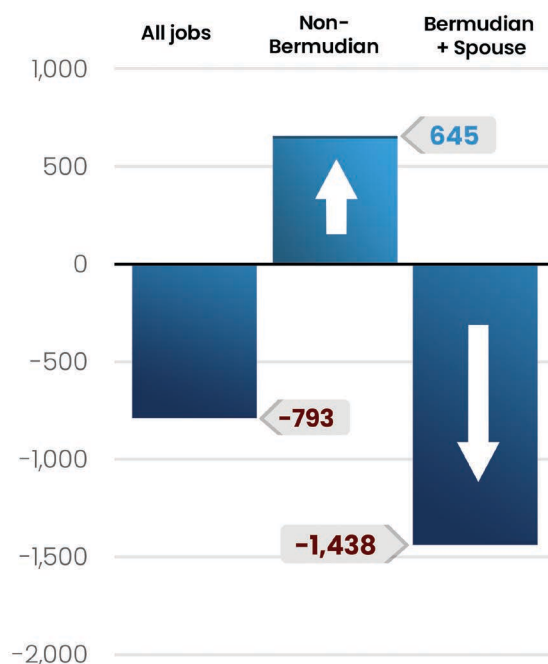
Mr. Speaker, organisations like the Chamber of Commerce have done a commendable job of conducting research. Its “March 2025 Economic Report” provides a credible estimate of our population from as low as 54,651 to 56,683 people, or at least 10% less than the 2016 census of 63,779. The Chamber also provides a perspective on the ageing workforce that is complementary to the Government’s report – it’s not just a loss of workers, it’s also the loss of their experience and knowledge.

So how many people do we need working in Bermuda to maintain a growing and vibrant economy and society? Reasonable people can disagree on the exact number, but no one can disagree that the answer is more than we have now, by at least several thousands.

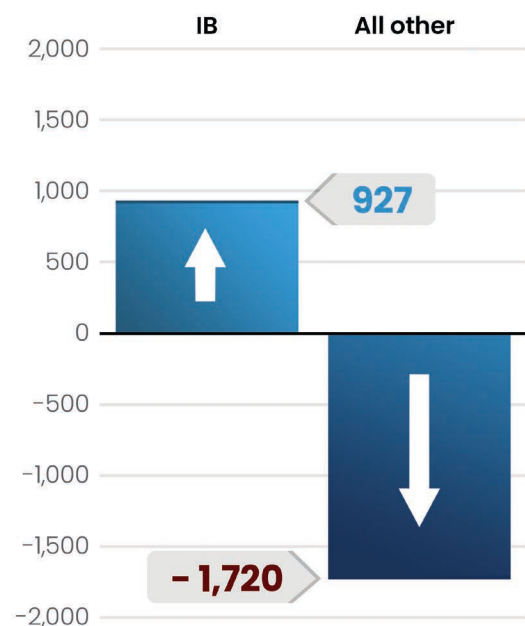
Mr. Speaker, we in the Opposition have seen no realistic, credible, or effective strategy from the Government that will address the shrinking population with the urgency and impact required. Instead, the Government has continued cynically to attempt to use the difficult and complex topic of immigration to divide Bermuda, for short-term political gain.

We know that part of the answer is to make Bermuda a compelling home that Bermudians want to return to.

Change in jobs, 2017 to 2023
Bermudians vs Non-Bermudians



Change in jobs, 2017 to 2023
International Business vs Other

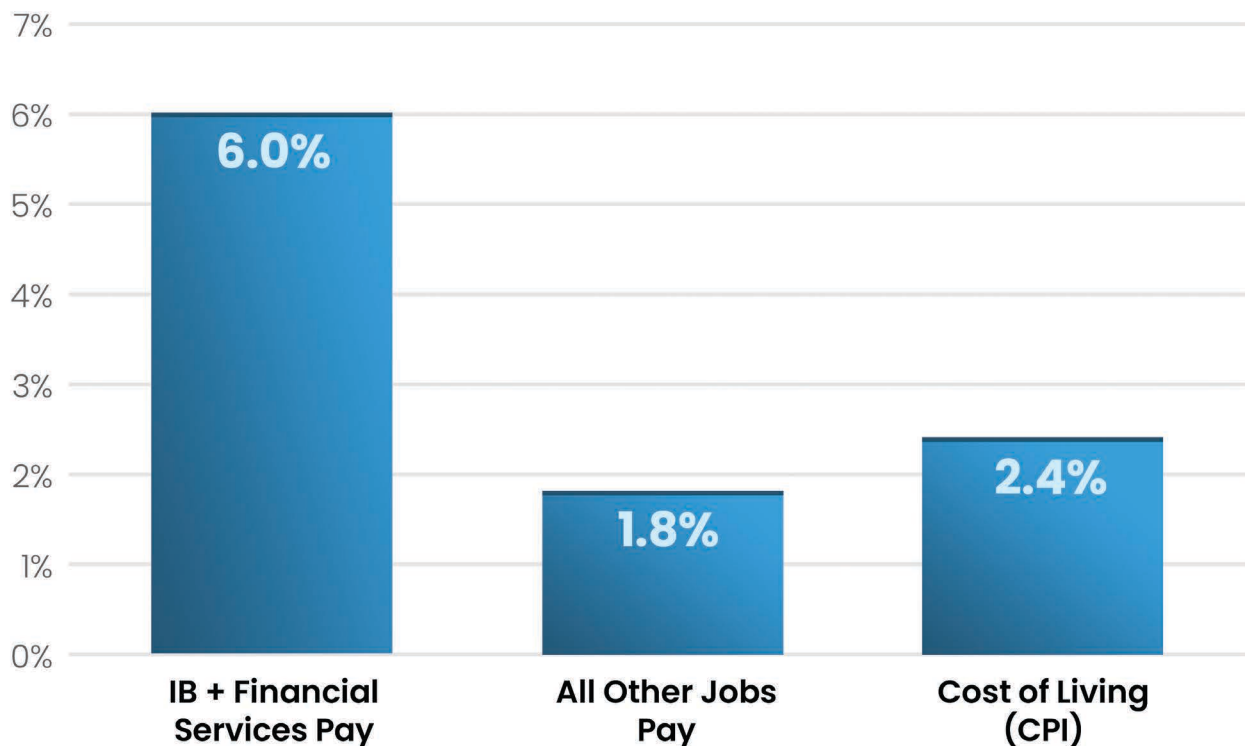


3.4 **Salaries and Cost of Living**

Mr. Speaker, all those statistics might seem abstract to Bermudians who are working day to day. Our people who are trying to pay the rent, buy the groceries, keep the car running, and stop the house from leaking. How are these workers doing? Based on recent Government statistics, we know that the median gross annual income across all workers grew 2.4% from 2022 to 2023. But much like the higher-level economic statistics, there is a lot of variation here across industries. For IB and Financial Services, the average median increase was 6%, and for everything else, more like 1.8%.

Over the same period of time, based on the December 2023 Consumer Price Index, costs rose 2.4%. This increase is just about the same as the median salary increase for all workers, and one-third higher than the median salary increases for workers in “local” industries. In fact, rent costs grew 2.7%, driven by 1.7% increases for properties under rent control, and 3.5% for properties not in rent control. Food increased 2.9% and health costs increased 2.5%. At the end of the day, while it is true inflation has slowed, for most people costs are still rising faster than their incomes. And that’s why Bermudians remain very concerned about the cost of living.

Change from 2022 to 2023 in Pay and Cost of Living



3.5 **Tourism**

Mr. Speaker, tourism has seen some improvements from 2023 to 2024, but remains far behind 2019, and continues to remain behind our competitors to the south. Tourism arrivals by air are 15% higher from 2023 to 2024, but are down 27% versus 2019. Airline capacity is 25% higher than the prior year, but still 6.4% lower than in 2019.

By comparison, the Turks and Caicos has seen air visitors increase 51% since 2019. Bahamas' air visitors are at the same level as 2019, and Cayman's air arrivals are down 14% versus 2019 (only half the gap of Bermuda since Covid). While many competitors are having record years for tourism, our Government is still talking about Covid.

It's clear that our snail's pace tourism recovery is another crisis that requires swift and decisive action.

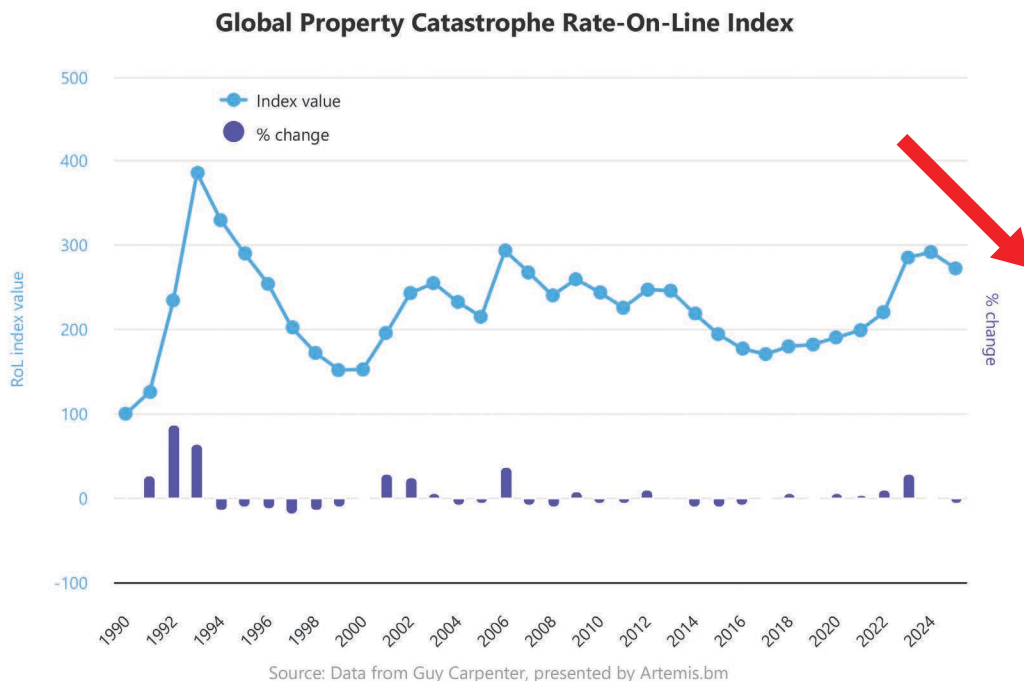
4. International Business

Mr. Speaker, while we rely on tourism as a key component of our local economic activity, providing a variety of jobs, attracting visitors, and consuming goods and services, it's currently IB that drives our economy. IB drives our GDP. As a sector, IB is our largest employer. IB employees are economically influential consumers of goods and services. Business travelers contribute to our air traffic and spend in our hotels and restaurants. IB spending fuels our professional services sector.

And IB provides a major component of Government's revenue – perhaps as much as 25% in direct payments such as payroll tax and companies fees, and even more considering other tax payments made by IB companies and employees such as customs duty, land tax, and foreign currency fees.

With the Corporate Income Tax (CIT), IB's contribution to Government's coffers will be even more influential. We must pay close attention to the dynamics of these industries.

Mr. Speaker, while IB encompasses much more than insurance and reinsurance, these two industries drive the lion's share of IB's economic activity on-island. Over the past few years, insurers have seen a relative 'hard market', with good returns as demand has risen, capacity has stayed flat or shrunk, and the market has brought pricing discipline to many areas. In addition, there has been very good growth in new markets such as Cyber insurance.



¹ <https://www.artemis.bm/global-property-cat-rate-on-line-index/>

4. International Business

These good years in insurance have led to above-budget Government payroll tax receipts. However, headwinds have already started for IB. Property reinsurance rates peaked in 2024¹, with increases slowing to only 2.3% for the year, with average rate increases decreasing by 6.6% at January 2025, and in some cases as much off as -15%.

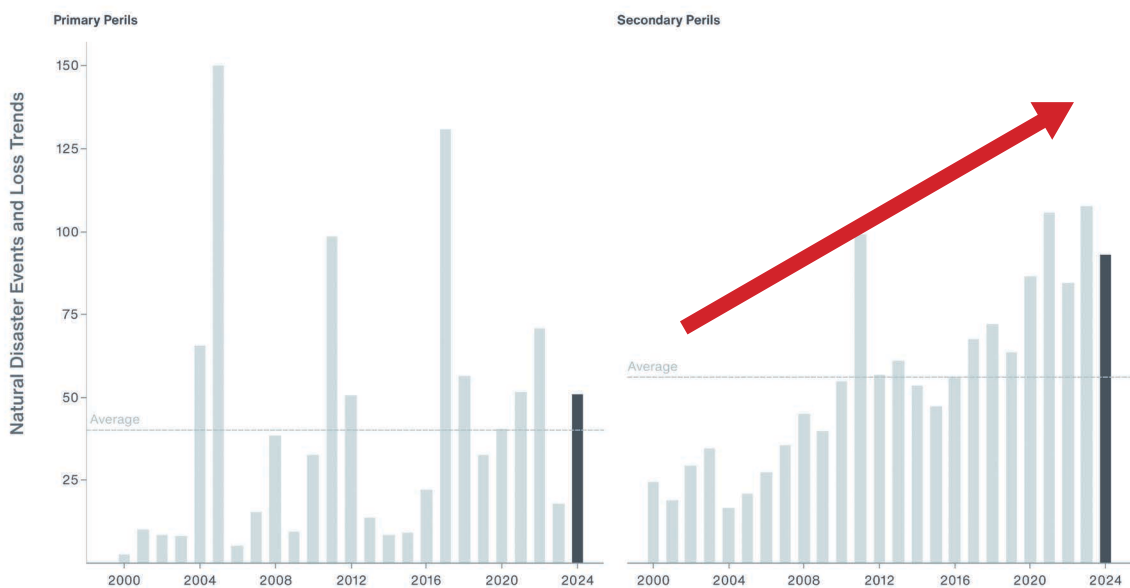
Insurance cycles don't last much more than a few quarters in today's market, and while the industry as a whole remains positive, it has already come down from its recent peak. New capital is available in the insurance market, suppressing prices, and many clients have had good history with their insurance and also demand lower prices.

Many large insurers are facing earnings headwinds from catastrophes such as the LA wildfires occurring early in the year, with peak hurricane season and other risk periods still ahead, and a backdrop of constantly growing natural catastrophe losses year on year. Fast-growing areas like Cyber are slowing, as insureds better understand their risk and control their insurance costs by buying less insurance or seeking lower premium, further reducing insurers' profits.

Mr. Speaker, the question mark of Corporate Income Tax hangs over the industry. As IB starts to pay taxes, how will companies react? What business will stay? What business, if any, will leave? How much will IB reduce its charitable giving, leaving more for Government to pick up? Will the Government do what is needed to keep Bermuda attractive for IB? Will the OECD throw another wrench in the works to disrupt our economic model, which competes against their jurisdictions?

We won't know for a while.

Exhibit 15: Global Insured Losses from Primary and Secondary Perils (2024 \$B)



Data: Aon Catastrophe Insight

5. Government Performance

5.1 Pension Challenges

Bermuda's demographic crisis – an ageing and shrinking population – has negatively impacted our public pension funds: Public Sector Superannuation Fund (PSSF), for Government Employees, and Contributory Pensions Fund (CPF), also known as Social Insurance.

Mr. Speaker, for defined benefit funds such as the PSSF and CPF to work properly, all the components must be in balance: the proportion of active workers paying in versus the number of pensioners receiving benefits; the investment results; and the number of years workers pay contributions into the pension fund versus the number of years they receive benefits.

In the case of both the CPF and PSSF, many of those elements have become unbalanced, and the ability of the funds to support their beneficiaries in the future has been compromised. The most recent Actuarial Review of the CPF in 2023 shows that the CPF funds will be exhausted in 2042, two years earlier than predicted in the 2020 review. As the report states, "the CPF is not financially sustainable for the long term".

Mr. Speaker, there are fewer workers contributing into the funds, while the number of beneficiaries has increased. In addition, beneficiaries are living longer and receiving payments for longer. And the Government has increased pension payments for the CPF, without corresponding pension contribution increases. Government has cynically sought political credit for those increases, without doing the work to secure the foundation of those payouts for the future – even though the underlying issues have been known for several years.

We were glad to see that reforms to the PSSF have been agreed with the Public Service, and look forward to the changes being implemented promptly. However, there has been no progress with the CPF. Without reform, many Bermudians working today should not rely on Social Insurance in the future.

We are glad to hear that Government says it plans to reform the CPF – but are puzzled why this is delayed yet again, to next year. Government's statement that the pension fund investments are well-managed is true, but irrelevant. Government's continued failure to address the long-understood structural issues is its own kind of mismanagement.

5.2 **Healthcare**

Mr. Speaker, after eight years of this current Government, healthcare costs in Bermuda have continued to rise. And, most of us have a story of a friend or relative stuck on beds in the hospital hallways or suffering long waits due to lack of staff.

Government has focused on increased expenditures on electronic medical records, plans to shuffle the taxpayer money around without actually addressing the underlying costs, and damaged relationships with medical professionals after threatening to lock them up over paperwork. Meanwhile, key information required to inform decision-making, like the National Health Accounts, is delayed and incomplete.

Mr. Speaker, from year one, the block grant to the hospital was a bad idea. While the thinking behind it seemed reasonable – make the hospital pay attention to its costs – it's clear that it has not worked. The block grant is not enough money to properly run the hospital, pay for staff and equipment, and keep the facilities up to the required standard. Compounding the problem, at times the Government has not even made the payments as promised by the block grant on time or in full. This grant should be scrapped, or the amounts reviewed on a regular basis to properly support the hospital requirements.

Under the block grant, the hospital is not able to charge 'fee for service' on most of its procedures, that is, charge for each procedure or service provided. This forces the hospital to view every part of its facility as a cost centre. Understandably, the hospital has trimmed operations to reduce its costs. This includes closing operating rooms, reducing services to our island. In addition, **Mr. Speaker**, while the Public Service has just received a large pay increase, the hospital has been unable to increase wages, leading to low staff morale and difficulties recruiting staff.

Mr. Speaker, the knock-on effects have reduced healthcare performance and increased costs for everyone on the island. For example, because there are fewer operating rooms open, more people have to travel overseas for procedures that could otherwise be performed on-island. These overseas procedures, with associated travel costs and 'international patient' rates at US hospitals, have inflated insurers costs, which are then passed on to residents via increased healthcare premiums. So Government attempts to reduce costs have in fact increased costs.

continues....

5.2 *Healthcare* continued

We are also very aware of the problem of hospital wards filled with seniors, because we lack the appropriate facilities to care for them. This in turn, causes a blockage of use for new patients.

Another issue of concern is Bermudians without healthcare or with poor coverage attending the hospital emergency room for ailments that could be dealt with by a family doctor or GP. Put another way, a huge driver of our healthcare costs is that we are not taking care of our people in the right place.

Mr Speaker, we need a variety of facilities to take care of seniors and others, that are less expensive than the hospital but still provide the appropriate care, sometimes known as 'step-down' facilities, such as skilled nursing facilities, long-term care facilities, and residential and outpatient rehabilitation facilities. We also need to give all Bermudians access to a primary care doctor.

Government's promised 'universal healthcare' to date really means some expanded benefits for people who already have some form of health insurance. This is a step in the right direction, but not the same as 'universal' care. Almost 4% of workers with permanent employment, 1,300 people, do not have health insurance.

We are also glad to see progress in reducing drug prices by ensuring people have access to the lowest cost provider possible – with the caveat that this has to be implemented fairly and efficiently for all stakeholders, not least the patients and pharmacies.

Similarly, while initiatives like electronic medical records are useful and increase efficiency, they do not address the core underlying issues, which we have outlined. Finally, underlying all of this is our shrinking, ageing population which requires more healthcare spending per person, with fewer people paying health premiums.

At the end of the day, **Mr. Speaker**, we support making sure that all Bermudians have access to quality healthcare. We believe that this can be done in conjunction with the private sector – doctors, allied health professionals, pharmacies, and insurers – with targeted Government support and programmes. We would not support a fully Government-run 'socialised' healthcare system with reduction of options for people in Bermuda

6. Education

Mr. Speaker, education is one of the most important components for success in life. It comes in many forms, from hands-on to book-work. Bermudians need to be well-educated, in whatever form that means for each person, so they can be empowered to take control of their own success. A well-educated populace with a mix of critical thinking skills and hands-on technical abilities is required to power our economy, keep Bermuda running, and produce an engaged and informed citizenry.

Our public education system is in crisis. While many or even most agree that reform was and is needed, it's clear that the Government's current reform project is stalled or even failed. Now that Government's spending on the "Innovation Unit" consultants has grown to \$8.4 million, Bermudians can rightfully ask, are we getting results for our taxpayer dollars? For many Bermudians, the answer is a resounding no, as shown by the increasing fraction of students enrolled in private schools.

Parents are particularly frustrated with the poor provision of special education and support for special needs, despite the fact the public education costs far more than private schools per child. Many families leave the island to obtain the education support their children deserve.

Bermudians deserve high-quality public education, and getting this reform working effectively is critical to our future. We believe that a critical piece of the solution is an Education Authority that is independent from political control, and accountable for educational outcomes.



7.

Housing

Mr. Speaker, the One Bermuda Alliance believes that all Bermudians must be able to live in dignity, and this includes securing affordable housing. The housing situation in Bermuda has left many puzzled. Why, with an acknowledged decline in population, is housing harder and harder to find, at all levels of the housing ladder? The reasons for this housing shortage are incredibly varied, and include vacation rentals, rent control and landlord-tenant issues, and shifts in society like divorces, post-Covid splits, and younger generations wanting their own space.

Recent work by the Chamber of Commerce Economic Committee has provided valuable insight, that the average household size in Bermuda has reduced. That is, even with fewer people on-island, we need the same or even more units, as each unit will house fewer people. This is of course compounded by people not wanting to rent for fear of locking up their assets with a bad tenant or choosing to host a vacation rental for increased income.

Ultimately, we need more housing supply, at a range of sizes, and a range of price points. And, we need to recognise that for many, home ownership may not be the right answer or even the desired answer. While “owning a piece of the rock” has been a dream and path to intergenerational wealth for many generations, that is no longer true for everyone. Younger generations often value experiences and flexibility over the anchor of a home. They may plan to live internationally for a while, or simply prefer to avoid the expense, risk, and hassle of ownership, while relying on financial investments for their retirement and family assets.

Mr. Speaker, the rate of development of new housing units has been at a historic low since 2014, and we can presume this has been further offset by buildings falling derelict and owners removing units from the rental supply. Therefore, housing is yet another national priority. Addressing it will require a mix of approaches, in balance.

Landlord-tenant laws and rent control need immediate reform, to incentivise owners to rent, giving protection both to the property owners as well as the renters, in a fair and proportionate way. For example, streamlining the process for removing bad tenants and ensuring legal disputes are handled quickly and fairly so all parties can get resolution without excessive delay and costs. Also, enabling property owners to raise rents in a measured way, so they can properly maintain their properties and get a reasonable return in the face of rising insurance, maintenance, and energy costs. Many renters will need support to afford their housing, but that support should come from the Government, not be shouldered by private property owners. We look forward to working constructively with the Government when it brings forward its promised reform.

7. Housing

Mr. Speaker, Government can incentivise the development of brownfield sites and derelict buildings, including unused Government properties. These incentives can include tax breaks on payroll costs for construction labour or land tax breaks – with increased incentives to provide rent-controlled or otherwise low-cost units. As an added benefit, this can be a way to move unused properties off the Government’s balance sheet. We also support the Government’s proposed duty breaks for construction materials, and suggest they go down to zero for affordable housing initiatives.

While we cautiously support in principle Government’s plans to address derelict property in private hands, this needs to be handled in a very sensitive way, ensuring that the rights of families that own properties

are fully respected and that they also gain a return from their family assets.

Mr. Speaker, we need to provide more flexibility in how we build – how can we amend our codes and techniques to enable efficient and cost-effective designs that can attract capital, while keeping up our high standards for safety and quality. Building technologies have advanced over the years, so should our regulations.

The City of Hamilton has an important, perhaps central role in expanding our housing supply, which we will discuss later.

It’s clear that if we want different outcomes – more housing – we need to change how we do things.

8. Energy

Mr. Speaker, last but not least of the cost-of-living drivers is energy. We in the Opposition proposed to give the Regulatory Authority (RA) more legal power to take into account costs to consumers when setting Belco rates. We welcome Government’s promise to limit the costs Belco can recover from customers and give the RA power to consider if pricing is fair. This will improve alignment between Belco and the consumers when Belco plans its investments and spending.

We would also support ways to streamline the deployment of renewable sources of energy so that they are cost-effective and ultimately reduce consumers’ costs. This may mean speeding up and simplifying permits, looking at duty relief for certain classes of customers, and allowing more flexible ways of connecting to the island’s energy grid. We welcome and support all Government initiatives that are aligned with these goals.

In terms of subsidising or directly investing in energy projects, we believe the private sector is best placed to assess and take that risk. The OBA will work to remove barriers and roadblocks to efficient deployment. Our decisions must make economic sense for consumers and the country.

9. Government's Financial Performance and Fiscal Plans

Mr. Speaker, turning now to the Government's recent financial performance, it is disappointing, yet unsurprising that the Finance Minister persists in his charade of a so-called "surplus" for the recently concluded financial year. It reflects poorly on his credibility as a steward of our finances, and by extension the Government and our country.

The independent Fiscal Responsibility Panel 2024 report used terms such as "regrettable", "of particular concern", and "should not be repeated" to describe the Government's use of off-balance sheet spending to achieve policy goals. Alarm bells sound when Governments spend money directly from the Sinking Fund without Parliamentary oversight, bypassing the very process of scrutiny we are engaged in today. That's strong language for a bureaucratic report. What is particularly galling is that the Government passed a law specifically enabling it to spend borrowed money without oversight.

Mr. Speaker, we would also suggest that if any Chief Financial Officer in international business manipulated their results like this, they would be fired.

These funds were spent on healthcare and housing – noble goals – but like any other spending, this spending must be subject to the oversight of the Members of this Parliament elected by the Bermudian people. And the fact that this sort of spending is normally 'above the line', including in this current Budget, shows that transparency is the proper approach.

Putting aside Government's misrepresentation, and properly adding up the spending, last year's finances came in at a \$54m deficit, the year before had an \$80m deficit, making a \$134m cumulative deficit over two years.

The following table restates the Budget years 2023/24 and 2024/25 to present the true picture of the spending versus revenue.

Summary of Consolidated Fund Estimates – Restated

ACTUAL 2023/24		ORIGINAL ESTIMATE 2024/25	REVISED ESTIMATE 2024/25	Revised v. Original 2024/25	
				%	\$000
Revenue and Expenditure Estimates					
1,176,703	Revenue	1,232,341	1,248,468	1.3%	16,127
977,599	Current Account Expenditure (excl.debt & s/fund)	992,017	992,145	0.0%	128
50,158	Off-Balance Sheet Spending		73,673		
1,027,757	TOTAL SPENDING (Restated)	992,017	1,065,818	7.4%	73,801
131,470	Interest on Debt / Guarantee Management	127,777	128,760	0.8%	983
97,100	Capital Expenditure	112,337	107,870	-4.0%	(4,467)
(79,624)	Budget Surplus (Deficit) – RESTATED	210	(53,980)		(54,190)

Mr Speaker, based on the revised estimates, last year's deficit was driven by \$1.3 billion of spending offset by \$1.25 billion of revenue. Revenue's \$16m beat to budget (1.3%) was primarily driven by a \$26m budget beat for payroll tax, offset by other areas producing lower than expected revenue. We were glad to see an increase in the Hotel Occupancy Tax receipts, but also note a 12% decrease in immigration receipts, perhaps indicating a slowdown in work permits among other things.

Mr. Speaker, as the Government Budget Statement noted, the better than expected payroll tax result was driven by IB salaries, which would include bonuses – which is out of Government's control, and should be treated as a pleasant surprise, rather than an intrinsic result of Government policies.

Additionally, income from payroll tax, customs duty, and the Foreign Currency Purchase Tax will rise with inflation (since IB typically increases pay with inflation), creating revenue rises. However, this is not true organic growth of Government revenue streams. So while at first blush, these rises seem to help Government budgets, they reflect pain for people working in the local economy, whose cost of living is increasing. Government expenses will increase with inflation as well.

Mr. Speaker, spending for last year is projected to come in \$70m over budget (5.7%), driven by unbudgeted healthcare subsidies and support for housing. The over-spend was reduced by staff costs coming in \$12m under budget, among other things. We note the increased insurance costs, reminding us that Government is subject to the same cost pressures as regular Bermudians.

Government notes that it will continue to budget for staff increases that it cannot hope to fill in the financial year, explaining that this will create extra funds that can be used elsewhere. We would suggest that this is not, in fact, how budgets are supposed to work. Government should set a realistic budget for staff, and departments and ministries should work within their agreed budget. If unexpected events cause budget overruns, that can be discussed at this time next year. Finally, if Government truly wishes to maintain a contingency amount in the budget, which is not unreasonable, we suggest a separate budget line for that.

Mr. Speaker, we are disappointed to see very little progress in reducing the backlog of audit reports across Government. And, for two successive years the Auditor General has had to provide a Qualified Opinion on our Consolidated Fund – that is, she could not provide a completely clean audit result. And that is because Government has not been able to support its estimates for liabilities for things like asbestos in buildings and underground fuel tanks. In our view, this lack of a clean audit is inconsistent with Bermuda's desired reputation as a jurisdiction. We urge the government to take the necessary actions to receive a clean audit next year.

9.1 **Corporate Income Tax**

Mr. Speaker, the Corporate Income Tax (CIT) is a potentially transformative resource for Bermuda. However, it is no silver bullet and brings its own challenges. We've spoken often of the uncertain nature of the timings and amounts of the CIT, and the uncertain number of taxpayers. This means we must budget conservatively around the CIT. It is far better to be overconservative in our use of CIT funds, only to find we have more than expected, than to craft a budget of promises around high estimates, which then cannot be funded.

Another challenge is that CIT payers will understandably expect more from the Government in terms of services, immigration processing, quality of our infrastructure, and general costs of living and doing business. Will Government deliver? The CIT payers will demand value in Bermuda as a jurisdiction in multiple ways. There is significant execution risk.

Mr. Speaker, a third challenge is that the Government has set unrealistic expectations from the CIT. Through the Sovereign Wealth Fund idea the PLP has, perhaps unwittingly, suggested the CIT will solve all our problems. At the same time Government has made numerous short-term promises relying on the CIT funds, without knowing how those cash flows will perform over the next two years. The Government has already had to make adjustments, resulting in delayed or broken promises, including announcing initiatives this year that won't even happen until next year. We also understand the agreed pay rises have also been delayed in some Government departments.

The One Bermuda Alliance would take a more moderate, transparent, and realistic approach. First, we would craft a budget that works without including the CIT for at least the next two to three years. This would allow us to understand who the CIT taxpayers are, what the CIT income looks like, and develop more realistic and achievable plans for the future.

Our National Debt is currently \$3.3 billion, **Mr. Speaker**. This costs the taxpayers \$128m per year in interest payments alone. To put these numbers in perspective, that means each worker in Bermuda is on average through our taxes, paying \$3,900 of interest every year. That's \$128m per year of Government spending in US dollars that could otherwise be spent directly on programmes and services for Bermudians. Every year, not just one year. Think housing, think healthcare.

In addition, significant portions of our debt were placed with historically low interest rates by the previous Finance Minister – when this debt is replaced, our interest costs will go up. US Treasury rates are as much as 3% points higher than 2020 levels, and global uncertainty around US policies might drive them higher still. Since markets view the price for our debt as a 'spread' on a US-based base rate, that additional 3% could translate to as much as \$100m per year in additional interest costs, depending on timing.

Mr. Speaker, that's why the One Bermuda Alliance repeats its call to ringfence the most significant portions of CIT to pay down our national debt, along with infrastructure and key social support for Bermudians. This would avoid the increased interest costs and make those funds available to help Bermudians every year, year after year.

We support the Government's medium-term plan to repay debt, and would go one step further, setting the CIT funds aside into a dedicated fund, so the public can be confident they will be used for the best results in the medium and long-term. This fund would then make

allocations to the Consolidated Fund, debt, infrastructure, and specific social packages based on a set of bipartisan National Priorities, guided by bipartisan and non-political advisors.

Although this reduces political control over the CIT funds, that is exactly the point – how we use the CIT funds is too important to be subject to short-term political thinking focused on election time.

Our approach is differentiated from the Government's as we would ensure CIT funds work sustainably for Bermuda over the short, medium, and long term – not just until the next election.

Sovereign Wealth Fund

9.2

Mr. Speaker, a key element of many of the Government's statements around the CIT is the establishment of a Sovereign Wealth Fund, funded by CIT revenue. It connotes wealth, obviously, and also plenty – a solution to our financial problems. This is, of course, politically attractive.

However, we have many other uses for the CIT money before setting it aside for such a fund, that would further delay the time before a useful Sovereign Wealth fund is attained. First, we need to set aside CIT funds as a 'revenue stability fund', to help smooth out the volatility of CIT earnings for whatever portion is earmarked for regular Government revenue.

Secondly, we need to pay our \$3.2 billion debt down to a workable amount, perhaps no more than 50% of our annual revenue. If we did not pay down the debt, and instead invested CIT

money into a wealth fund, our bondholders would view that as adding risk. This would increase our borrowing costs

Thirdly, **Mr. Speaker**, we have large unfunded liabilities in our Government pension funds, and part of the solution could include CIT funds as a one-time reset as part of broader reform. There is also the \$270m guarantee for the hospital – we might consider just paying that debt down to reduce total costs.

Finally, we have large amounts of infrastructure that need repairs and replacement, such as roads, bridges, the incinerator, and numerous government buildings.

So, while a wealth fund is a nice idea, it is not likely to impact the lives of any Bermudians for quite some years.

9.3 **Gaming**

Mr. Speaker, after millions of dollars spent, we are very disappointed to see no progress on the development of gaming on the island, and no progress in reforming or eliminating the Gaming Commission. As in most of the other areas of our economy, if we want a better result, we are going to have to change how we do things. We say, get gaming going, or shut it down.

10. Empowering the Bermudian Dream

Mr. Speaker, we've spoken a lot about the general state of Bermuda, its economy, the Government's plans, and its financial performance. And we've provided a few points about what the OBA would do in specific areas, so now we turn to our overall vision for the finances and economy of Bermuda and her people.

10.1 *Philosophy of Empowerment and Growth*

At its heart, our philosophy is that all Bermudians must be empowered to achieve our dreams, and success in whatever ventures we choose. While we want to ensure the appropriate social safety net is in place, we must aim for fewer and fewer Bermudians to need it.

We view creating opportunity for Bermudians in three pillars: local business and economy, tourism, and International Business.

Mr. Speaker, we start with the local economy, where we have the most concerns and which needs the most attention. This makes up all the jobs, services, and businesses that support the other two pillars, as well as other niche businesses that don't fall into them. The important characteristic of the local economy is that it provides a wide range of jobs, including many hands-on, technical jobs that pay well and provide job satisfaction. The small and medium-sized businesses in our local economy are also a path to financial security for many Bermudians.

Ultimately, the local economy is completely driven by the number of people living on the island, the quality of the jobs they have, and the goods and services they consume. It's the same issue underpinning pensions and healthcare. Bermuda must become a place that both takes care of its workers and is also friendly to businesses and investors so they will create projects and hire. These two groups of stakeholders can enjoy a shared success, underpinned by a listening and cooperative Government.

Mr. Speaker, Government must work closely with small and medium-size businesses, not just the larger ones that can catch their ear or have access to a Minister. Importantly, government must not compete with private business. In areas ranging from the Office of the Tax Commissioner, Planning, Immigration, and numerous other departments that businesses work with, businesses need a responsive and friendly Government that provides the required services efficiently. Now that the Public Service has received a pay rise, the public will be looking for the promised increase in morale, performance, and effectiveness from Government departments. While the Public Service is not directly managed by the Ministers, we know that ‘tone comes from the top’, and the Ministers should set an example of the approach and performance that the Bermudian public is looking for in its government services.

Unfortunately the Budget Statement had very little to offer for local businesses, especially small businesses and retail. For example, we hoped to see duty breaks for retailers. Instead, Government is encouraging more overseas purchases by raising the duty-free allowance for individuals, further disadvantaging local business. Success for local business depends on the number of customers – as already discussed, decreasing – and cashflow, where duty breaks can help.

Mr. Speaker, we would continue to grow Bermuda’s portfolio of niche but diversifying businesses, where Bermuda brings a well-understood advantage, and investors have business plans that make sense. Typically, these are brought forward by experts with deep understanding in their areas, rather than consultants touting PowerPoint ideas.

Examples of good ideas that the Government has executed include the Google subsea cable and satellite launching slots. In addition, we support the Government Family Office initiatives, and we would also grow trust businesses, supporting relevant industry sectors in Bermuda that would benefit from serving and working with this business. We’d continue to support FinTech, where there are legitimate business models that are a fit for Bermuda’s regulatory regime – but not the hype-driven or scam-inducing meme-coins and other cash-grab schemes.

Mr. Speaker, we are open to initiatives in the ‘blue’ and ‘green’ economy. But as with all initiatives, we would need to identify clear reasons for investors to want to do projects in Bermuda, with a clearly identified benefit. Typically, these projects make sense for investors because of external factors, such as a requirement to have a certain percent of ‘green’ investment in their portfolio. Given the recent changes in US policy with greatly reduced attention or even antipathy towards “Environmental, Social, and Governance” (ESG) standards, we will have to watch this space carefully. Regardless, success here must be measured by dollars invested in projects on the island, and jobs for Bermudians, not presentations at conferences.

10.2 **Tourism**

Mr. Speaker, a second well-known pillar that creates opportunity for Bermudians is hospitality and tourism. These sectors bring foreign currency into Bermuda, and more importantly, provide a wide range of jobs for Bermudians, and consume a wide range of services in our economy. Tourists provide a good market for many Bermudian entrepreneurs, retailers, and service providers, that we should grow. It's a natural fit for our island's convenient location, beauty, and friendly people. Despite recent headwinds this industry has room to grow again in Bermuda. Our goals here would be to ensure that the Bermuda Tourism Authority is working well, and independently of political interference to market Bermuda effectively. This would include having a good range of industry representation on the BTA board, and accountability for the BTA leadership based on results. We were disappointed to see reductions in the BTA grant, and no mention of how to reform their funding model.

Recent news of a new owner for Elbow Beach is promising, and we would seek out, market to, and work with investors to get other dormant sites open, such as Ariel Sands, or reuse existing brownfield sites.

Mr. Speaker, we'd seek to diversify the industry by getting multiple properties open, with a range of sizes and styles, so we as a country are not dependent on any one specific tourism property or owner. This includes vacation rentals. While some believe that vacation rentals are negatively impacting rental supply, the data indicates that the effect is small at best. And we know that vacation rentals can provide a uniquely Bermudian product that is attractive to many visitors – not just in the heyday of Bermuda's cottage colonies – but also in today's competitive global tourism market where consumers are seeking experiences.

Regarding concessions, **Mr. Speaker**, although we were not supportive of the scope of the concessions and guarantees given to Fairmont Southampton, the updated legislation has now set a new high level for them. The horse has left the stable. We would ensure that tourism concessions are awarded consistently and with accountability for targets such as numbers of Bermudian staff hired, or amounts invested. The goal is a level playing field for all participants in the tourism economy, with concrete results delivered in return for the loss of tax revenue.

10.3 ***International Business***

Mr. Speaker, International Business brings foreign currency into Bermuda and provides high quality, well-paying, often comfortable jobs for Bermudians. Our objective with IB is to continue the growth and success of it in Bermuda. We'd maintain Bermuda's top-ranked regulatory reputation and provide IB with efficient and effective Government services, such as immigration processing and other local infrastructure like good roads.

Mr. Speaker, we would ensure that Bermuda remains an attractive jurisdiction of choice, where IB taxpayers feel their tax funds are being spent responsibly, and which is an attractive location for employees. This includes things like housing and healthcare, which impact everyone. Where useful, we would partner with IB to promote Bermuda as a jurisdiction, and work collaboratively to help promote new sectors to continue to broaden and diversify the scope of IB in Bermuda. And we'd ensure that Bermuda's education system can equip future generations of Bermudians to benefit from IB's success, where those jobs are a good fit with skills and interest.

10.4 ***City of Hamilton and Brownfield Sites, East End***

Mr. Speaker, a key opportunity for Bermuda's economy lies in Hamilton, which is the perfect site for creating the housing that Bermuda needs without further encroaching on the miniscule amounts of open space we have left. While Government has loosened some restrictions for building and development in Hamilton, more should be done. After all, if investors and developers wouldn't want to do projects in Hamilton, where would they?

The City of Hamilton provides an opportunity to build up and create vibrant zones of mixed uses. Many younger people, including guest workers, would welcome the chance to live and work in a vibrant Hamilton with shops and restaurants a few steps from their doors.

Mr. Speaker, the One Bermuda Alliance would work with developers, builders, and designers to identify ways to create different types of housing for different segments of the market. We would also work with them on ways to reduce costs of projects. Government's reduction of duty on construction materials is a step in the right direction, but could go further, and costs need to be addressed at multiple levels, from zoning restrictions and requirements, building codes, construction techniques, and legal and planning overheads.

Hamilton has a unique location in Bermuda, and many natural assets – it's time for us to get it going again.

We shouldn't forget the ends of the island either. St. George's rich history and position as our gateway to the open ocean means we should continue to develop and expand our attractions and services for yachts. As a deep-water port with beautiful views, surely Marginal Wharf can be put to better uses than industrial facilities and boat storage?

10.5 *Immigration*

Mr. Speaker, as we've seen in multiple areas across our economy and finances, a critical underlying issue is the number of people living and working in Bermuda. We should consider it an urgent national priority to make it more attractive for young Bermudians to return home, for Bermudians and people working here to stay here, and for new people to come to Bermuda.

Immigration is understandably a controversial and emotional topic, due to Bermuda's history, the history of individuals and families in Bermuda, actions taken by Governments in the past, and the lack of action by Governments in the past and present. And this has all been overlaid by the cynical manipulation of immigration as a political tool by this current Government, alongside legitimate and important concerns about Bermudian culture, and what being 'Bermudian' really means.

But what we do know is that what we are doing now is not working. Change is required. Let's start by actually carrying out existing immigration policies with fairness, consistency, efficiency, and transparency, so families and businesses have confidence in outcomes and decision-making.

Then let's have a good-faith engagement on what we can do to turn our population around. It's easy for Government to say what they won't do, but we're more interested in hearing what they can and will do to solve this problem.

11. Specific Proposals

Mr. Speaker, we were very disappointed that Government has not scrapped the Sugar Tax. It's well-known that this tax has not achieved its goals, and only increased food prices for Bermudians. It's not too late for Government to get rid of it.

Another tax we would suggest cutting, targeting better, or even eliminating, is the Foreign Currency Purchase Tax, or FCPT. This 1.25% must be paid on all purchases of foreign currency such as US dollars. Since all of our goods are purchased from overseas, this adds 1.25% to the cost of all goods, including essential goods, purchased by Bermudians. While we appreciate this a very efficient tax to collect – the bank does it for the Government – it is also very regressive. That is, the FCPT disproportionately impacts those who earn the least, and pay a higher fraction of their income on necessities.

In general, the One Bermuda Alliance would adjust tax reductions to be targeted to those most in need. This is in contrast to the Government's approach, which gives more dollars back to those who can afford to use the most electricity or drive the most expensive cars.

12. Conclusion

Mr. Speaker,

We've provided ample evidence that shows just how hollow the Government's claims of fairness really are, as businesses and Bermudians in the local economy continue to struggle, and cost of living outstrips whatever small pay increases people are getting. We've shown how Bermuda's biggest challenge is our shrinking and emigrating population, which the Government continues to ignore. We've highlighted the lack of attention to our youth. And we've debunked the Government's financial performance – the parts of it that have been good are riding solely on IB. Meanwhile Government continues to fail to address the key issues that put our IB success at risk: housing, infrastructure, cost of living, transparency, and accountability.

In contrast, we've set out the approach and ideas of the One Bermuda Alliance, so that Bermuda can rise again. So that Bermudians can breathe easy and see and feel opportunity. So that our youth can dream of their future here at home in Bermuda. A Bermuda where the pie grows to feed us all, not a Bermuda where we are fighting over a shrinking one.

And it all comes down to integrity, accountability, and delivering results.



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