



**2018/19 SESSION  
of the  
BERMUDA SENATE  
OFFICIAL HANSARD REPORT**

**March 2019**

*Sittings 7 through 12 of the 2018/19 Session  
(pages 161–460 and INDEX)*

**Sen. The Hon. Joan E. Dillas-Wright, MBE, JP  
President**

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**BERMUDA SENATE****OFFICIAL HANSARD REPORT****14 MARCH 2019****10:02 AM***Sitting Number 7 of the 2018/19 Session*

*[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]*

**The President:** Good morning, Senators. Good morning.

The Senate is now in session.  
Shall we pray?

**PRAYERS**

*[Prayers read by Sen. the Hon. Joan E. Dillas-Wright, President]*

**The President:** Please be seated.

Welcome back from the recess. I hope you all enjoyed the recess, and the time that we had off.

**CONFIRMATION OF MINUTES**

*[Minutes of 19 December 2018]*

**The President:** The second item is the Minutes of 19<sup>th</sup> of December 2018.

Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Madam President, I move that the [Minutes of the meeting of Wednesday, the 19<sup>th</sup> of December 2018](#), be taken as read.

**The President:** Is there any objection to that motion?  
No objection. Carry on, Senator.

**Sen. James S. Jardine:** Madam President, I move that the Minutes [of the meeting] of Wednesday, the 19<sup>th</sup> of December 2018, be confirmed as the correct record of that meeting.

**The President:** Is there any objection to that motion?  
No objection.

The Minutes for the 19<sup>th</sup> of December 2018 are confirmed.

Thank you, Senator Jardine.

*[Motion carried: Minutes of 19<sup>th</sup> December 2018 confirmed.]*

**MESSAGES**

**The Clerk:** No messages, Madam President.

**The President:** Thank you, Clerk.

**REPORTS OF COMMITTEES**

**The President:** There are none.

We have a number of announcements. The first one is the 2018/19 National Economic Report. Senator Campbell, you have the floor.

**ANNOUNCEMENTS****NATIONAL ECONOMIC REPORT 2018/19**

**Sen. Vance Campbell:** Thank you, Madam President. Madam President, I hereby present for the information of the Senate the [National Economic Report](#) of Bermuda for the year 2018 as produced by the Ministry of Finance.

**The President:** Thank you, Senator Campbell.

The second item is the Annual Report of the Bermuda Casino Gaming Commission for the period September 1, 2015 to March 31, 2017.

Senator Campbell, carry on.

**BERMUDA CASINO GAMING COMMISSION REPORT SEPTEMBER 1, 2015 TO MARCH 31, 2017**

**Sen. Vance Campbell:** Thank you, Madam President. Madam President, I hereby present for the information of the Senate [the Annual Report of the Bermuda Casino Gaming Commission](#) for the period from September 1, 2015 to March 31, 2017.

**The President:** Thank you, Senator Campbell.

The third announcement is the Bermuda Tourism Authority 2017 Year in Review.

**BERMUDA TOURISM AUTHORITY 2017 YEAR IN REVIEW**

**Sen. Crystal Caesar:** Good morning. Thank you, Madam President.

**The President:** Good morning.

**Sen. Crystal Caesar:** Madam President, I hereby present for the information of the Senate a report enti-

itled the [Bermuda Tourism Authority 2017 Year in Review](#).

**The President:** Thank you.

**Sen. Crystal Caesar:** I also have the next one, Madam President.

**The President:** Yes. Please carry on, Senator Caesar.

**Sen. Crystal Caesar:** Thank you, Madam President.

#### **BERMUDA AIRPORT AUTHORITY ANNUAL REPORT FOR 2017/2018**

**Sen. Crystal Caesar:** Thank you, Madam President.  
Madam President, I hereby present for the information of the Senate the [Annual Report of the Bermuda Airport Authority](#) for the year ended 31 March 2018.

**The President:** Thank you, Senator Caesar. We have the Annual Report of the Bermuda Airport Authority 2017/18.

**Sen. Crystal Caesar:** I just did that.

**The President:** I beg your pardon. The next one is the 2018 Financial Statements of the Bermuda Housing Trust. Senator Campbell.

#### **BERMUDA HOUSING TRUST FINANCIAL STATEMENTS 2018**

**Sen. Vance Campbell:** Madam President, I hereby present for the information of the Senate the [Financial Statements of the Bermuda Housing Trust](#) as at 31 March 2018.

**The President:** Thank you, Senator Campbell.  
The next one is the Nursing Amendment Rules 2018.  
Senator Hayward.

#### **NURSING AMENDMENT RULES 2018**

**Sen. Jason Hayward:** Madam President, I hereby present for the information of the Senate the draft rules entitled the Nursing Amendment Rules 2018, as made by the Minister of Health under the provision of section 9 of the Nursing and Midwifery Act 1997.

**The President:** Thank you.  
And the Bermuda Educators Council (Exemption) (2018 to 2019 School Year) Amendment Order 2019.

#### **BERMUDA EDUCATORS COUNCIL (EXEMPTION) (2018 TO 2019 SCHOOL YEAR) AMENDMENT ORDER 2019**

**Sen. Jason Hayward:** Madam President, I hereby present for the information of the Senate the draft order entitled, the Bermuda Educators Council (Exemption) (2018 to 2019 School Year) Amendment Order 2019, as made by the Minister responsible for Education acting on the advice of the Exemption Committee and under the provision of section 5 and 20(3) of the Bermuda Educators Council Act 2002.

**The President:** Thank you, Senator Hayward.

#### **BERMUDA DRUG INFORMATION NETWORK ANNUAL REPORT 2018**

**Sen. the Hon. Kathy Lynn Simmons:** Madam President, I hereby present for the information of the Senate the [2018 Annual Report of the Bermuda Drug Information Network](#).

**The President:** Thank you, Senator Simmons, Attorney General.

We move now to Notices of Motion.

#### **NOTICES OF MOTION**

##### **GOOD GOVERNANCE (PROTECTED DISCLOSURES) ORDER 2019**

**Sen. the Hon. Kathy Lynn Simmons:** Madam President, I hereby present for the consideration of the Senate the draft order entitled, the Good Governance (Protected Disclosures) Order 2019, proposed to be made by the Premier under the provisions of section 3(7) of the Good Governance Act 2012. And I give notice that at a later point in the meeting I will move that the said draft order be approved.

**The President:** Thank you, Senator Simmons, Attorney General.

##### **EMPLOYMENT (PROTECTED DISCLOSURES) ORDER 2019**

**Sen. Jason Hayward:** Madam President, I hereby present for the consideration of the Senate the draft order entitled the Employment (Protected Disclosures) Order 2019, proposed to be made by the Minister responsible for Labour Relations under the provisions of section 29A(5) of the Employment Act 2000. And I give notice that at a later point in the meeting I will move that the said draft order be approved.

**The President:** Thank you, Senator Hayward.

## PETITIONS

**The President:** There are none.

## STATEMENTS

**The President:** We have two Statements . . . oh, there is just one. I beg your pardon.

Senator Simmons, Attorney General, you have the floor.

### BERMUDA DRUG INFORMATION NETWORK (BERDIN) ANNUAL REPORT 2018

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

The [2018 Annual Report of the Bermuda Drug Information Network \(BerDIN\)](#) is the seventh major report of the network. The report documents and highlights a time series of drug-related data comparing information for the years 2016 and 2017. It provides a comprehensive tabular representation of the drug situation in Bermuda on the following themes:

- Criminal and Suspicious Activity;
- Imports, Exports and Licencing;
- Training for Intervention Procedures (and we call that TIPS);
- Substance Abuse Treatment and Counselling;
- Drug Screening Surveillance;
- Impaired Driving;
- Health;
- Drug Prevention Programmes;
- Certified Professionals;
- Survey Data; and
- Finance Drug Control.

Madam President, historically, drug use is a difficult and complex phenomenon to monitor. This report serves the purpose of providing a comprehensive overview of the current drug situation in Bermuda using multiple sources and indicators, with the intent of providing insight into the different aspects of the drug problem. By and large, the BerDIN Annual Report monitors and accounts for local drug-related information from approximately 18 agencies and departments that deal with drug-related data including treatment, prevention, interdiction and enforcement agencies.

Madam President, the BerDIN, which is made up of all institutions that collect drug-related information, has a major role in the drug demand and supply reduction efforts in Bermuda. In particular, the members of the BerDIN are:

- 1) Bermuda Hospitals Board (and under that umbrella comes)
  - i. King Edward VII Memorial Hospital
  - ii. Turning Point Substance Abuse Programme
- 2) Bermuda Police Service
- 3) Bermuda Sport Anti-Doping Authority

- 4) Counselling and Life Skills Services
- 5) CADA
- 6) Department of Corrections (and under that banner we have)
  - i. Westgate Correctional Facility
  - ii. Right Living House
- 7) Department of Court Services (and under that banner we have)
  - i. Bermuda Assessment and Referral Centre
  - ii. Drug Treatment Court
- 8) Department of Health (which has)
  - i. Central Government Laboratory
  - ii. Epidemiology and Surveillance
- 9) Department for National Drug Control
  - i. Men's Treatment
  - ii. Research and Policy Unit
  - iii. Women's Treatment Centre
- 10) Financial Intelligence Agency
- 11) HM Customs
- 12) Liquor Licence Authority
- 13) Supreme Court

Madam President, BerDIN is the central source of comprehensive information on drug consumption and drug abuse in Bermuda because of its multidisciplinary approach. In this regard, the Department for National Drug Control (DNDC) collects, analyses, and disseminates reliable, valid, and comparable information using well-established methodologies. By extension, this report provides audiences with an evidence-based picture of the drug phenomenon at the national level. A report such as this may be used as a catalyst for raising awareness of the drug situation, its associated problems, and should guide the development of education, prevention, treatment, and rehabilitation programmes, while improving existing systems.

Madam President, since the last report of the BerDIN in 2017, cannabis and alcohol remain the most widely used drugs on the Island. The good news is that crime continues to decline, notably there has been a decrease over the past year in alcohol and drug-related crimes. Poly drug use remains ever present, especially amongst persons involved in the criminal justice system, who reported using some combination of crack cocaine, opiates, and marijuana.

Madam President, assessments done by the Bermuda Assessment and Referral Centre [BARC] continue to show that opiates, alcohol, heroin, cocaine, and cannabis remained the primary substances of choice amongst the 530 persons who sought treatment services for the past two years. There was also a significant increase in the number of persons who sought treatment for cannabis, 16.3 per cent increase, and alcohol in 2017. Further, many of these persons have met the clinical criteria for dependence or abuse problems related to their use of such substances. When it came to clinical diagnosis, 56 of all clients in 2016 and 67 in 2017 were classified as having "substantial" to "severe" substance abuse dependence.

The majority of persons referred for substance abuse treatment in 2017 were male repeat cases identified themselves as “black,” and were between the age of 31 and 45 years.

Madam President, the drug market is still very much active in Bermuda as persons who sought drug treatment, or have been offenders of the law, have reported that their primary drug of choice remains available and accessible. For two consecutive years, there has been a decrease in criminal trials for offences such as cannabis possession and cocaine possession with intent to supply, as well as for increases in cultivating cannabis. There were less seizures of cash in 2017 from Financial Crimes, under section 50 of the Proceeds of Crime Act 1997, cash seizures and forfeiture being the main categories of seizure with a much less corresponding dollar value than seen in 2016. Other categories include civil recovery orders and confiscations.

Madam President, although there were fewer seizures of synthetic drugs in 2017, the Bermuda Police Service continued to interdict synthetics in addition to seizing a large amount of cannabis edibles and plants during 2017. There were two seizures of synthetic cathinone derivatives, which is a chemical stimulant found in products marketed as bath salts.

For the first time during 2017, the government lab reports that 778.8 grams of cannabis edibles were seized. Law enforcement and the criminal justice system are still, in many ways, not in a position to deal effectively with controlling the drug market, with factors, such as, outdated legislation and the lack of adequate resources to keep up with the ever-changing forms and types of substances and the ability to enforce current laws, continuing to make supply reduction more challenging.

Madam President, with regard to demand reduction activities, in 2017 there were 101 new clients that were evaluated for substance abuse, 82 of which entered one of 6 treatment programs on Island. Funding continues to affect the number of clients enrolled in treatment services and, by extension, a number of persons seeking care were unable to get into treatment, while others waited for longer periods than usual.

Demand and supply reduction agencies remained at level funding throughout 2017, whilst funding for transitional housing for FOCUS was restored. The balance between demand and supply reduction cannot occur unless interdiction agencies have sufficient funds to execute operations, secure necessary equipment, and have available the training and technical assistance for their officers.

Madam President, the year 2017 saw the continued existence of a treatment gap for persons seeking a substance abuse assessment. While a person may go through assessment he or she may not follow through with the recommended level of care, leaving a “treatment gap” between the persons needing and

receiving treatment. An understanding and knowledge of substance users and abusers who are not in care is limited. More information is required on how to assess this specific population to determine its needs.

Madam President, the Department for National Drug Control hosted a meeting on October 18<sup>th</sup>, 2018, to share the compiled data with all of the BerDIN Members and other relevant stakeholders.

Madam President, these are only a few of the highlights from the 2018 BerDIN Annual Report. I encourage you to review this report at your convenience for a more in-depth account. This annual publication is a principal source of information for a wide range of audiences including policymakers and their advisors, professionals and researchers working in drug-related fields, and, more broadly, the media and general public. This is an annual initiative, which presents a yearly overview and update of the drug phenomenon in Bermuda. This report can be considered an essential reference publication for those seeking the latest findings on drugs in Bermuda.

Madam President, as global experience has shown, neither supply reduction nor demand reduction on its own is able to solve the drug problem. For this reason, a more balanced approach in dealing with the pervasive drug problem is a necessity. This includes more serious prevention and treatment efforts, not only in terms of policy, but also in terms of funds dedicated to these purposes to ensure programming meets the needs of the community.

Madam President, drugs continue to jeopardize the health and welfare of people throughout the world, and Bermuda is no exception. Now, more than before, drug misuse and abuse represent a clear threat to the stability and security of Bermuda and to its economic and social development. Drugs have become a deeply ingrained part of our daily lives and prevention cannot occur unless there is change in our social attitudes toward alcohol and drug misuse.

This Government is committed to a healthier and safer Bermuda with an interconnected rebalancing of drug control efforts. With the renewal of the national drug policy, the National Drug Control Master Plan 2019–2023, government will be in a better position to impact the local drug situation.

Thank you, Madam President.

**The President:** We thank you, Senator Kathy Lynn Simmons, Attorney General and Government Leader in the Senate. Moving on to the next item.

## INTRODUCTION OF BILLS

**The President:** There are none.

## FIRST READING OF PUBLIC BILLS

**The President:** The following Public Bills have been received from the Honourable House of Assembly and

are now read for the first time. The titles are, respectively:

- **Mental Health Amendment Act 2019;**
- **Proceeds of Crime Amendment Act 2019;**
- **Foreign Currency Purchase Tax Amendment Act 2019 (Governor's Recommendation Signified);**
- **Financial Services Tax Amendment Act 2019 (Governor's Recommendation Signified);**
- **Hotels (Temporary Customs Duty Relief) Amendment Act 2019 (Governor's Recommendation Signified);**
- **Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 (Governor's Recommendation Signified);**
- **Municipalities Reform Act 2019.**

## FIRST READING OF PRIVATE BILLS

**The President:** There are none.

## QUESTION PERIOD

**The President:** Now we will entertain questions on the Ministerial Statement that was read by Senator Kathy Lynn Simmons. Would any Senator care to ask any questions on that?

No? It was a comprehensive report and Statement, and we do have the BerDIN report that we can refer to.

That brings us to the Orders of the Day.

## ORDERS OF THE DAY

**The President:** There are items to be taken up for consideration by the Senate today. Item 1 is the Second Reading of the Mental Health Amendment Act 2019.

Senator Kathy Lynn Simmons.

## STANDING ORDER 25

**Sen. the Hon. Kathy Lynn Simmons:** Madam President, I move that the provisions of Standing Order 25 be granted so that Senate may now proceed with the Second Reading of the Public Bill entitled Mental Health Amendment Act 2019 and the Proceeds of Crime Amendment Act 2019.

**The President:** Is there any objection to that motion?  
No objection.

*[Motion carried: Standing Order 25 grants leave for Bills to be read a second time on the same day as their first reading in the Senate.]*

**The President:** Senator Hayward, you have the floor.

## BILL SECOND READING

### MENTAL HEALTH AMENDMENT ACT 2019

**Sen. Jason Hayward:** Madam President, I move that the Bill entitled the Mental Health Amendment (No. 2) Act 2018 [*sic*] now be read a second time.

**The Clerk:** [It should be] the 2019 amendment.

**The President:** Did you say 2019?

**Sen. Jason Hayward:** Correct, that the [Mental Health Amendment Act 2019](#) now be read a second time.

**The President:** There is no objection, so you can carry on.

**Sen. Jason Hayward:** Madam President, a primary purpose of the Mental Health Act is to set requirements for the assessment, detention, treatment and rights of people suffering from mental disorder who are at risk of harm to themselves or others. International estimates, such as from the World Health Organization, indicate that one in four people will experience mental health issues in their lifetime. However, only 2 [per cent] to 3 per cent of this group will have an illness that is severe, persistent, and that will require ongoing treatment at times in hospital involuntarily.

Madam President, since the introduction of the Mental Health Act in 1968 advancements in care models and treatment methods has prioritised the significance of social care, patient's rights, and safeguards. However, our legislation has not kept pace with these advancements. This Bill is a first step to bring Bermuda's legislation in line with contemporary methods of care while balancing the need to protect the rights of the individual patients and to ensure public safety.

I first want to acknowledge and thank the previous administration for initiating this important work. I am proud to continue this initiative and I am committed to the bipartisan collaboration that makes it possible for us to achieve meaningful change such as this amendment Bill.

This amendment Bill focuses on key pressing priorities. I have actively pushed to ensure its progress under my leadership as part of my commitment to protecting persons in care and, more specifically, to ensure we are improving the structures in place to



support persons with mental health needs in our community.

Madam President, this Bill focuses on three primary areas to improve treatment options and patient safeguards: establishing community treatment orders; establishing legislative requirements for consent to treatment; and establishing a framework within which mental capacity can be determined.

First, Madam President, the Bill provides a legislative structure to support supervised community treatment in the form of Community Treatment Orders [CTOs].

Community Treatment Orders enable mental health professionals to continue to treat patients granted leave from the hospital for extended periods of time with provisions for certain conditions to be set for patients, such as, attending appointments and the continuation of their medication.

Currently, the Act grants leave that expires after 12 months and it cannot be renewed. A small number of chronic patients that know the system stop taking their medication immediately after the 12-month period lapses only to have their health deteriorate, leading to required detention again, resulting in the so-called “the revolving door syndrome.”

Madam President, the introduction of CTOs will allow these patients to receive appropriate treatment on an ongoing basis at home or in other community settings, which currently is only available through readmission to hospital. Not only is treatment in the community more cost-effective, but it is the best place for true recovery from mental illness.

As with detention under the Act, safeguards must also complement this new authority and the Bill includes mandatory reviews and an appeal mechanism. This treatment option will also rely on BHB’s community teams already in place to support people on CTOs. BHB will monitor these resources to make sure that they are sufficient to meet any growing demand.

Overall, this part of the amendment is a continuation of our commitment to and promotion of community-based care and it is a first step to the larger efforts of reforming our mental health system.

Madam President, secondly, the Bill provides a requirement and framework for consent to treatment in specific cases. The Mental Health Act currently does not require patient consent for treatment authorised under it. In practice, clinicians aim to obtain consent, however, there are no legal safeguards in place for patients who cannot consent or refuse to consent to treatment.

As a result, this Bill introduces requirements for second opinions and consultations based on the severity of the treatment proposed. These provisions apply to persons detained in hospital or who are under a Community Treatment Order.

A key role introduced for consent to treatment is the second [opinion] approved doctor (SOAD).

These doctors will provide a clinical opinion on the patient’s ability to consent and, if the patient is unable to consent or refuses, the SOAD must assess if the treatment is appropriate. The second opinion doctor will be independent of the Bermuda Hospitals Board in order to ensure a fair process for the patient.

Finally, Madam President, the Bill establishes a framework within which mental capacity can be determined. This is an essential [component] to consent to treatment as capacity is required to be able to consent. The capacity framework will be outlined in a newly established Code of Practice and will be based on the United Kingdom’s Mental Capacity Act and associated standards of practice, as consulted on last year.

The framework will define a person lacking capacity, will establish criteria for determining such, and will put safeguards in place to ensure that decisions are made in the best interests of the patient. This Code of Practice will extend beyond the determination of capacity and is a key mechanism to ensure clarity on implementation of the legislation for practitioners with respect to new legislative requirements, as well as existing ones.

Before closing, Madam President, I would like to acknowledge and thank the many people who contributed to making this amendment possible. After multiple attempts for over more than a decade to amend this Act, it was a dedicated group of professionals who were able to finally make it happen. We are all indebted to the Mental Health Act Steering Committee and the Working Group, to the leadership at the Mid-Atlantic Wellness Institute and, in particular, to Dr. Sebastian Henagulph who has provided extensive medical and technical advice to get us to this excellent position. I am absolutely certain that we would not be here without his expert guidance.

In closing, Madam President, this Bill seeks to address some of the major gaps in the Mental Health Act. It regularises some current practices while establishing new options, processes, and criteria that will require staff education and development to ensure successful results.

This Ministry is committed to implementing these changes to improve practice and protect and promote the rights of persons with mental health needs. However, we know that this is only a first step. Our mental health system needs major work to ensure we can find sustainable solutions to provide care and support needed for a healthier Bermuda.

The Ministry of Health and Government are committed to the successful implementation of the Bill and the ongoing work which is required to improve our system.

Thank you, Madam President.

**The President:** Thank you, Senator Hayward.

Would any Senator care to speak on this Bill?

Senator Robinson, you have the floor.

**Sen. Dwayne Robinson:** Thank you, Madam President. Good morning, colleagues.

First thing, I and we on this side really agree with this Bill. We feel like it is a necessary step in modernising the structure in which we support the community of mental health, Madam President. My only question and hope is that in the future we do put in initiatives to support folks with mental health within the workforce and within the working environment. But other than that, I think that this is a legislation that is needed, and it is something that will benefit the community as we have not put as much emphasis on mental health as we should have.

So, all in all, I think it is a very concise Bill and a step in the right direction.

Thank you, Madam President.

**The President:** Thank you, Senator Robinson.

Would any other Senator care to speak? Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Thank you and good morning, Madam President.

**The President:** Good morning.

**Sen. James S. Jardine:** Madam President, I certainly support this Bill. There are a very complex number of changes that have been made and additions that have been added, and we have heard from Senator Hayward the supervisory medical treatment orders and the details contained therein. There were two specific things in this amendment which I wanted to draw to the attention of listeners today, and the first is the amendments to section 65 of the principal Act.

And if I . . . Madam President, could just read out the small amendment which I think is very important—

**The President:** Yes, you may.

**Sen. James S. Jardine:** —and it says: “Where a person (“D”) has, pursuant to this Act, care or custody (whether by virtue of any legal or moral obligation or otherwise) of—(a) a mentally disordered person; or (b) a person who lacks, or who D reasonably believes lacks, mental capacity, it shall be an offence for [that person] to ill-treat or wilfully neglect that person.” And I think that is a very important addition to this particular Act.

And the second which was mentioned briefly by the Senator was the Code of Practice. Madam President, if I could just read the first three lines of that particular Code, and I think this is important again.

**The President:** Yes, you may.

**Sen. James S. Jardine:** “The Minister shall prepare and issue a Code of Practice providing for—” (amongst other things) “(a) the guidance of registered medical practitioners and other health professionals responsible for the care and treatment of patients suffering from mental disorder.”

So, I think this Code of Practice again is particularly important because it will set out certain guidelines by which the Government will assess the appropriate treatment of individuals with mental illness. So, Madam President, I think those two particular clauses are important, and I certainly support this amendment.

Thank you very much, Madam President.

**The President:** Thank you, Senator Jardine.

Would any other Senator care to speak on this Bill?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Madam President.

Senator Hayward, I was hoping just for a bit of clarity on one of the clauses, 48J on page 11. It lays out who is allowed to physically detain and return someone to custody under the CTO, and categories (a) and (b) are clearly people with medical training, (d) could be, but (c) is a police officer. I am just wanting to know if there is any special training above and beyond your standard police training that they would require to be involved in the detainment of people with certain mental conditions?

**The President:** Thank you, Senator.

Would any other Senator care to speak on the Bill? No? Oh, sorry. I thought you were reaching for the microphone.

Senators, I would just like to make a comment myself. I have worked in the mental health field, both as a nurse and a psychiatric nurse, as well as a mental welfare officer. And I have been the administrator and the nursing administrator of MWI when it was St. Brendan's Hospital. And I have had the experience of working in the community, and I also have mental illness in my family.

So, I can tell you that I speak from experience in terms of dealing with individuals who suffer from mental illness. And once their treatment order declined, it ran out, they did not take the medication, and then we had to wait until they again began to show symptoms.

And I myself, as a mental welfare officer, have had to use the police, even though as a mental welfare officer I had the opportunity of taking an individual into the hospital to be treated. Sometimes, if they were so disturbed, you could not do it on your own, and just for the safeguarding of the individual, as well as yourself, you had to obtain the assistance of the police.



So, I welcome greatly this piece of legislation, because I think that it would have made a big difference at the time when I was practicing. And it brings Bermuda in line, actually, with the Mental Health Act in the UK and elsewhere. So, I am verily pleased, Senator Hayward, to see this tabled today and passed because I think it will help all those individuals who work with the mentally ill in Bermuda, both at the hospital and in the community. And I think it will help families too, because now people can be treated in the community. Some of them do not have to be admitted to the hospital if signs and symptoms of their disturbances are recognised early.

So, I am pleased to see this presented today and I want to thank you and all those individuals who were involved in bringing Bermuda's legislation up to the modern times, shall I say.

So, with that, Senator Hayward, if you could answer the questions that have been raised.

**Sen. Jason Hayward:** Madam President, I would like to thank the Senators for their support. I do think that a valid point was made by a fellow Senator regarding us needing to have reasonable accommodation for individuals with mental health in the workforce, and we are currently progressing to get there. But we need to improve our education about mental health as a society as a whole.

There are discriminatory practices that do take place that keep individuals with mental health locked outside of the workforce. In addition to that, when individuals with mental health issues are in the workforce, there is not reasonable accommodation by the employers, and there is a lack of understanding of what individuals need to cope in day-to-day life.

I believe the question that Senator Kempe asked can be best answered by saying that the police actually do not play somewhat of a clinical role but play a supporting role. And the police, being one of the only bodies that have detention authority in our society, all play a critical role in ensuring that they support the mental health professionals that do have the clinical experience with mental health patients.

With that said, Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Yes, do the second reading.

**Sen. Jason Hayward:** Madam President, I move that the Bill be now read a second time.

**The President:** Is there any objection to the second reading?

No objection. Carry on.

#### SUSPENSION OF STANDING ORDER 26

**Sen. Jason Hayward:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion? No objection. Carry on.

*[Motion carried: Standing Order 26 suspended.]*

### BILL

### THIRD READING

#### MENTAL HEALTH AMENDMENT ACT 2019

**Sen. Jason Hayward:** Madam President, I move that the Bill entitled the Mental Health Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to a third reading?

No objections.

**Sen. Jason Hayward:** Madam President, I move that the Bill do now pass.

**The President:** It has been now moved that the Bill entitled the Mental Health Amendment [Act 2019], yes, be passed.

Is there any objection to that motion? No objection. So moved.

Thank you, Senator Hayward.

*[Motion carried: The Mental Health Amendment Act 2019 was read a third time and passed.]*

### ANNOUNCEMENT BY THE PRESIDENT

#### SENATE VISITORS

**The President:** Before we move onto the next order of business, I would just like to acknowledge the presence in the Gallery of the members of the National Anti-Money Laundering Office, Paula Tyndale, the National Coordinator, welcome! Also, Charmaine Smith. And I would also like to acknowledge the presence of [Anthony] Richardson, Parliamentary Counsel. Welcome to you all.

The next item on the agenda is the second reading of the Proceeds of Crime [Amendment Act 2019]. And Senator Simmons, Attorney General . . . it is now the second reading of the Proceeds of Crime Amendment Act, and Senator Simmons, Attorney General, you have the floor.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

Madam President, I move that the Bill entitled the Proceeds of Crime Amendment Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?

No objection.

Carry on, Senator Simmons.

## BILL

### SECOND READING

#### PROCEEDS OF CRIME AMENDMENT ACT 2019

**Sen. the Hon. Kathy Lynn Simmons:** Madam President, I am pleased to introduce to the Senate the [Proceeds of Crime Amendment Act 2019](#), the Bill, to address matters pertinent to Bermuda's compliance with international standards set by the Financial Action Taskforce that we call FATF.

Madam President, the assessment of Bermuda's anti-money laundering and anti-terrorist financing regime began early in 2018, and is now at an advanced stage. This assessment is being conducted by a team drawn from peer jurisdictions and led by the Caribbean Financial Action Taskforce which we call CFATF.

Bermuda now awaits the receipt of the second draft of the Mutual Evaluation Report from the assessment team to be followed by a comprehensive written response by Bermuda. As we await the finalisation of the assessment and the publication of the report, the Bermudian authorities continue to proactively work on strengthening the effectiveness of the regime. The amendments contained in this Bill will support the continued enhancement of Bermuda's AML/ATF regime, particularly in the area of international financial sanctions.

Madam President, during the assessment period, and, indeed, for some time prior to that, Bermudian authorities have worked collaboratively with Government House and the Foreign and Commonwealth Office to enhance needed compliance with the targeted financial sanctions imposed by the United Nations, the UK and the EU in relation to terrorism, terrorism financing, and the financing of proliferation of weapons of mass destruction.

In September 2018, these efforts culminated in a delegation of functions by the Governor to the Minister of Legal Affairs to support more focused domestic attention to these international obligations. Consistent with those efforts, the Government also took the necessary steps in 2018 to amend the AML/ATF legislation to require supervisory authorities to begin to monitor regulated entities to ensure that they are compliant with these international financial sanctions obligations.

Madam President, the Bill amends the Proceeds of Crime (Anti-Money Laundering and Anti-

terrorist Financing Supervision and Enforcement) Act 2008, and the Financial Intelligence Agency Act 2007.

Madam President, the amendments to the Proceeds of Crime (Anti-Money Laundering and Anti-terrorist Financing Supervision and Enforcement) Act 2008 will strengthen the enforcement of international financial sanctions obligations. This will be achieved by empowering supervisory authorities to impose penalties as a consequence for breaches of such obligations. The amendment will apply in relation to a range of penalties which currently exist in the Act, thus ensuring that supervisory authorities will have a variety of penalties to impose to match the nature and seriousness of a specific breach. The international standards require that penalties imposed should be effective, proportionate and dissuasive, and this can be achieved when an array of penalties of different degrees of seriousness are available to be applied.

Madam President, the amendment to the Financial Intelligence Agency Act 2007 is necessary to ensure that the FIA (that is, the Financial Intelligence Agency) can make relevant disclosures to the Minister to whom the Governor has delegated some of his functions in respect of the international financial sanctions. Although at present the FIA can make disclosures to the Minister of Legal Affairs on other matters, the FIA is only empowered to make disclosures about international financial sanction matters to the Governor. The amendment will allow the FIA to also make disclosures to the Minister of Legal Affairs concerning matters germane to her delegated functions for international financial sanctions, and that is me.

Madam President, this legislative initiative is only one part of the work being done by the relevant authorities in Bermuda to ensure that Bermuda is compliant with international financial sanctions and has an effective system for enforcement of these obligations. Other activities being carried out include: 1) the renewed focus of the National Anti-Money Laundering Committee's sanctions working group on the consideration of implementation matters in connection with the statutory responsibilities of supervisory authorities in relation to international financial sanctions and the recent delegation of functions and also 2) the development of an agreed coordination mechanism in relation to international sanctions against the proliferation of weapons of mass destruction to ensure that Bermuda's financial, professional and other business sectors are not misused by foreign actors to evade UN sanctions in this area.

Madam President, Bermuda remains committed to working to achieve full compliance with the international standards and this Bill is another step further in the ongoing journey to achieve this. And I would like to thank the National Anti-Money Laundering team and in particular, the NAMLC coordinator and her team and the drafter, that you mentioned earlier, my Anthony Richardson is there—

*[Laughter]*

**Sen. the Hon. Kathy Lynn Simmons:** —for their continued work in this area, and a good work it is.

**The President:** Thank you, Senator Kathy Lynn Simmons, Attorney General and Government Leader in the Senate.

Would any Senator care to speak on this Bill?  
Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** The Opposition supports this Bill and also would like to thank NAMLC for their continued work.

**The President:** Thank you. Would any other Senator care to speak?

Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Thank you, Madam President.

Madam President, as someone who has been a member of a board responsible for the implementation of AML/ATF laws and regulations for some years and having worked closely with NAMLC, certainly I extend my thanks to them for all their extreme hard work under changing conditions which have resulted in many additional changes and amendments to our various AML/ATF Acts.

Certainly, I support this legislation. I think it is important that Bermuda continue to keep abreast of changes, to continue to refine its AML policies and procedures and laws and regulations so that we can show ourselves to be, should we say, leaders in this particular area on a global basis. I, too, hope that our assessment is a good one. And I look forward to hearing the results of the second round of that.

So, Madam President, just to say that I certainly support this legislation.

Thank you very much.

**The President:** Thank you, Senator Jardine.

Would any other Senator care to speak on this Bill? No?

Then, Senator Kathy Lynn Simmons, it is over to you.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

Thank you, Senators, for your support of this Bill, and of the continuing efforts of the team to ensure that we are able to shine in this area. Senators can expect that we will, in fact, see further legislative initiative as we refine and review the legislation, and as the goalpost sometimes moves, we are, as always, responsive.

So, with that Madam President, I move that the Bill be now read a second time.

**The President:** Is there any objection to the second reading?

No objection.  
Carry on.

### SUSPENSION OF STANDING ORDER 26

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I move that Standing Order 26 be suspended in respect of the Bill.

**The President:** Is there any objection to that motion? No objection.

*[Motion carried: Standing Order 26 suspended.]*

## BILL

### THIRD READING

#### PROCEEDS OF CRIME AMENDMENT ACT 2019

**Sen. the Hon. Kathy Lynn Simmons:** I move that the Bill be read a third time, Madam President.

**The President:** Is there any objection to the third reading?

No objection.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President. I move that the Bill entitled the Proceeds of Crime Amendment Act 2019 do now pass.

**The President:** Is there any objection to that motion?

No objections.  
The Bill is passed.

*[Motion carried: The Proceeds of Crime Amendment Act 2019 was read a third time and passed.]*

**The President:** Thank you, Senator Kathy Lynn Simmons. And I believe you have the next Bill which is a consideration of the draft Order entitled Good Governance.

**Sen. the Hon. Kathy Lynn Simmons:** Senator Campbell.

**The President:** Sorry, Senator Campbell, it is your Bill. You have the floor.

## ORDER

#### GOOD GOVERNANCE (PROTECTED DISCLOSURES) ORDER 2019

**Sen. Vance Campbell:** Thank you, Madam President.

Madam President, the [\[Good Governance \(Protected Disclosures\) Order \[2019\]\]](#) before the Senate relates to protected disclosures. Madam President, this is commonly known as whistle-blower protection.

**The President:** Mm-hmm.

**Sen. Vance Campbell:** Madam President, with your indulgence, I would like to move to the Good Governance Act 2012.

**The President:** You certainly may.

**Sen. Vance Campbell:** Section 3. The title of this section is “Offence of terminating contract with, or withholding payment from, a whistle-blower.”

[Section] 3(1) indicates that “A person commits an offence—(a) if he terminates a contract with another person because that person or any of his officers or employees has made a protected disclosure; or (b) if he withholds any payment due under a contract to another person because that person or any of his officers or employees has made a protected disclosure.”

Section 3(2), Madam President, states, “For the purposes of this section, a person makes a protected disclosure if, in in good faith, he notifies whichever of the listed persons appears to him to be the most appropriate person to notify in the circumstances, that he has reasonable grounds to believe— (a) that another person has committed, is committing, or is about to commit, a criminal offence or breach of any statutory obligation related to that person’s business; or (b) that information tending to show any matter falling within paragraph (a) has been, is being, or is likely to be, altered, erased, destroyed or concealed by any person.”

And [section] 3(3) goes through a list of these listed persons. I will highlight some of them, Madam President, with your permission.

**The President:** Yes, you may. Yes, you certainly can.

**Sen. Vance Campbell:** The person’s employer, manager or supervisor; a police officer; the Collector of Customs; the Chief Fire Officer; the Chief Medical Officer; the Chief Environmental Health Officer; a Safety and Health Officer appointed for the purposes of the administration of the Occupational Safety and Health Act 1982; the Auditor General; the Ombudsman; the Accountant General. And it goes up to [section 3(3)](p) in the list, right down to the Bermuda Health Council, established under section 3 of the Bermuda Health Council Act [2004].

There is a long list of persons in this list, Madam President.

So, the purpose, Madam President of this Order is to amend section [3(3)](f) which states “the Chief Environmental Health Officer of the Department of Environmental Health” and we are looking to correct, first of all, Madam President, the name of the department which should be the Department of Health. Secondly, we are looking to include the director of the department as a person to whom a protected disclosure can be made.

Madam President, the Order also adds the manager of Labour Relations or an inspector designated under section 34 of the Employment Act 2000 as a person to whom a protected disclosure can be made. And by including the manager of Labour Relations or an inspector designated under the Employment Act, persons making protected disclosures, Madam President, may do so without fear of persecution by their employer whilst providing the Labour Relations section with information to effectively investigate all complaints pursuant to the Employment Act 2000, and will likely result in the speedy resolution of employment-related issues.

With that, Madam President, I conclude my presentation. And thank you, Madam President.

**The President:** Senator Campbell—

*[Inaudible interjection]*

**Sen. Vance Campbell:** I am doing Good Governance Act.

**The President:** You had read the employment—

**Sen. Vance Campbell:** That is under the Good Governance Act.

**The President:** Oh, it is under the Good Governance? Okay. Subsection (3). Thank you, Senator Campbell.

Would any Senator care to speak on this Bill? No?

Then, Senator Campbell, you will move the Bill?

**Sen. Vance Campbell:** Madam President, I move that the said draft Order be approved and that the following message be sent to his excellency, the Governor.

**The President:** Is there any objection to that motion?

**The Clerk:** He has got to read it.

**The President:** Then read the motion.

**Sen. Vance Campbell:** “May it please your Excellency:

“The Senate, having had under consideration the draft Order entitled the Good Governance (Pro-

tected Disclosures) Order 2019, proposed to be made by the Premier under the provision section 3(7) of the Good Governance Act 2012, has the honour to inform your Excellency that the Senate has approved the said draft Order.”

**The President:** Is there any objection to the message being sent?

No? Then the message will be sent.

Thank you, Senator Campbell.

*[Motion carried: The Good Governance (Protected Disclosures) Order 2019 was approved.]*

**Sen. Vance Campbell:** Madam President, I did fail to move that Standing Order 71(2) be suspended, so that the Senate may now proceed with consideration of the Good Governance Protected Disclosure Order 2019, so I do apologise for that omission.

**The President:** Thank you, Senator Campbell. I am glad you picked that up. Yes, and thank all Senators for supporting this Bill.

We now move on to item 4 on the Orders of the Day and that is a consideration of the draft Order entitled: The Employment (Protected Disclosures) Order of 2019. Senator Hayward, you have the floor.

### SUSPENSION OF STANDING ORDER 71(2)

**Sen. Jason Hayward:** Madam President, I move that Standing Order 71(2) be suspended so that the Senate may now proceed with consideration of the Employment (Protection Disclosure) Order 2019.

**The President:** Is there any objection to that motion? No objection.

*[Motion carried: Standing Order 71(2) suspended.]*

**The President:** Carry on, Senator Hayward.

## ORDER

### EMPLOYMENT (PROTECTION DISCLOSURE) ORDER 2019

**Sen. Jason Hayward:** Madam President, I must say that the changes that are to be made mirror the changes that were just articulated by Senator [Campbell] regarding the Good Governance Act. But this [\[Employment \(Protection Disclosure\)\] Order \[2019\]](#) is in relation to the Employment Act 2000.

Under the Employment Act 2000, a person who makes a protected disclosure in good faith and on the premise that they have reasonable grounds to believe that his employer, other employee or himself has been directed to commit a criminal offence or breach of a statutory obligation may do so to the listed

persons in the Act, namely, “the person’s employer, manager or supervisor, a police officer; the Collector of Customs; the Chief Fire Officer, as defined in section 2 of the Bermuda Fire and Rescue Service Act 1982; the Chief Medical Officer, as defined in section 2 of the Public Health Act 1949; the Chief Environmental Health Officer of the Department of Environmental Health; a Safety and Health Officer appointed for the purposes of the administration of the Occupational Safety and Health Act 1982; the Auditor General, appointed under section 88 of the Constitution; the Ombudsman, appointed under section 93A of the Constitution.”

Madam President, the Order adds the Manager of Labour Relations or an inspector designated under section 34 of the Act as a person to whom a protected disclosure can be made. By including the Manager of Labour Relations or an inspector designated under the Act, persons making protected disclosures may do so without fear of persecution by their employer while providing the Labour Relations section with information to effectively investigate all complaints pursuant to the Employment Act 2000 and will likely result in a speedy resolution of the employment-related disputes.

Thank you, Madam President.

**The President:** Thank you, Senator Hayward.

Would any Senator care to speak on this Bill? Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Just a correction for the minutes. It was Senator Campbell, not myself, that articulated the first draft Order.

**The President:** Thank you.

Would any other Senator care to speak on this Bill, Employment (Protective Disclosures) Order? No?

Then, Senator Hayward, do you want to move Bill?

**Sen. Jason Hayward:** Madam President, I move that the said draft Order be approved and that the following message be sent to his Excellency, the Governor.

**The President:** Is there any objection to that motion? No objection.

Carry on, Senator Hayward.

**Sen. Jason Hayward:** Madam President.

“May it please your Excellency:

“The Senate, having under consideration the draft Order entitled the Employment (Protection Disclosure) Order 2019, proposed to be made by the Minister responsible for Labour Relations under the provision of section 29A(5) of the Employment Act 2000, has the honour to inform your Excellency that the Senate has approved the said draft Order.”



**The President:** Is there any objection to that motion? No objection. A suitable message will be sent.

Thank you, Senator Hayward.

[Motion carried: *The Employment (Protection Disclosure) Order 2019 was approved.*]

## MOTIONS

**The President:** There are none.

## CONGRATULATORY AND/OR OBITUARY SPEECHES

**The President:** Would any Senator care to speak? Yes?

Senator Kathy Lynn Simmons, you have the floor.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I would like to acknowledge International Women's Day which recently took place and the groups and organisations that have put on events to celebrate women, the accomplishments of women and the aspirations for women as we move forward.

I would also like to acknowledge and thank the women in the department of Child and Family Services. And I always pause when I visit them, because it is astounding to think that in 2019, that we have a majority of women, and that we have two staff members who are male, it just boggles the mind. And I would like to acknowledge their hard work with the children. Most of them have children, and they leave their families every day to come and service our most vulnerable population. And they are to be acknowledged and commended for their fortitude, and the grace and compassion that they bring to their jobs.

I would also like to acknowledge the women parliamentarians, and I would love to see—and *will* see in the very near future—more of us to bring the balance that is necessary to parliamentary proceedings. And I am tongue-in-cheek somewhat, but not really, and I encourage women, generally, to spend the time necessary to contemplate where we are and where we need to go as a demographic that can add so much value to our country as we move forward.

Thank you, Madam President.

**The President:** I would certainly like to support those comments, and to say that there was an absolutely wonderful . . . I don't know if you, those of you who were able to observe, but at the City Hall there was an absolutely wonderful programme that was put on. And I think there were many women who came out, and certainly women who were playing a feature role in Bermuda all spoke. And it was just an excellent pro-

gramme. So, I just iterate and support Madam Attorney General on the comments that she has made.

Would any other Senator care to speak on the motion?

Senator Simmons, Michelle Simmons, you have the floor.

**Sen. Michelle Simmons:** Good morning, Madam President.

I am following the Attorney General, and I am very happy to do so, because I would like to focus on our girls right now. I had the pleasure of attending the annual Thinking Day Service, hosted, of course, by Girlguiding Bermuda. I had not been to one of those services for quite some time, and I was just absolutely astounded by the enthusiasm of the Rainbows, the Brownies, the Guides and the Rangers, who all seemed so happy to be there and not only attending the Thinking Day Service, but also actively participating.

I believe the community is aware now that Girlguiding Bermuda is celebrating its centenary, one hundred years of service to this community. This year—yes—and their focus is on leadership. So, this ties in quite nicely with what the Attorney General has just said.

I would like to share with the community that Girlguiding Bermuda is still very welcoming of young girls, middle girls and also our older girls. The Rainbows are age 5 to 7, the Brownies 7 to 10, Guides 10 to 14, and Rangers 14 to 25. Yes, I am doing a little ad for Girlguiding Bermuda. If you have girls who have any interest, please get in touch. The Island Commissioner is Mrs. Karen Trott. She is doing a fantastic job, and she is well supported by her leaders.

However, of course, they always need more help, and I am going to share that on the back of the programme from the church service, they had a little ad. *How can you have an impact on Girlguiding Bermuda? Make a change. Make a difference. Be an influence. Volunteer today.* So, they are looking for more leaders who will be in leadership positions with our young girls and they do have a website. It is [www.girlguiding.bm](http://www.girlguiding.bm) and there is a phone number 292-0675. If *anyone* in the community is interested in helping Girlguiding Bermuda, here is your opportunity. And remember, please get your girls involved. It is a very healthy, wholesome activity and I am very proud to say I am a former Brownie and Girlguide. Did not get to the Rangers. I had other things on at that time. Thank you, Madam President.

**The President:** Thank you, Senator Michelle Simmons.

Would any other Senator care to speak on the motion to adjourn [*sic*]? Senator Kempe, you have the floor.



**Sen. Nicholas Kempe:** Congrats and obits. Thank you, Madam President.

**The President:** Sorry! Where am I? Oh. On the motion. Sorry . . . Congratulatory. I am trying to hasten things along, and I should not be doing that.

You have the floor.

**Sen. Nicholas Kempe:** So, I guess slightly off topic but following on International Women's Day and in the spirit of the tongue-in-cheek: International Pi Day on 3/14/[2019].

I would like to just congratulate all the youth that get involved in extracurricular activities that expand upon and help foster a sense of numeracy. We see in the paper things from the stock market challenges to small business camps, and I know that YEI (Youth Entrepreneurship Initiative) is getting into the schools which is a great thing, to card counting, and this kind of thing. So, I would just like to congratulate those youth that use their free time to help develop their numeracy skills. It is certainly useful in life.

**The President:** Thank you, senator Kempe.

Would any other Senator care to speak on congratulatory and/or obituary speeches?

Senator Caesar, you have the floor.

**Sen. Crystal Caesar:** Thank you, Madam President. On a slightly sadder note, I would like to express my condolences, and I am sure the entire Senate would like to as well, to the former Member of Parliament and former party leader of the PLP. His father passed recently, Mr. Allen Leroy Bean. I would like to express my heartfelt condolences to his brothers, sisters and numerous other relatives who are remaining and I would like, if it pleases Madam President to associate the Senate.

Thank you.

**The President:** Thank you, Senator Caesar.

Would any other Senator care to speak? Senator Hayward, you have the floor.

**Sen. Jason Hayward:** Madam President, I would like to congratulate Lamont Marshall who is now the Bermuda 15K record holder. He recently broke Mike Watson's 33-year-old national record. Lamont now holds Bermuda's 5K record, the 10K record and the 15K record. He is also the reigning Bermuda Day champ. He is doing excellent things, and I believe he is just getting stronger as a runner.

So, I would like to send congratulations to Lamont Marshall.

**The President:** Thank you, Senator Hayward.

Would any other Senator care to speak? No?

Then [we will] move on to the adjournment.

Senator Kathy Lynn Simmons, Attorney General.

## ADJOURNMENT

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I move that the Senate do now adjourn to . . . I am proposing we adjourn to Monday, March 18 as a departure. But for the purposes of this proceedings, we can discuss it once we finish, yes?

**The President:** There is a motion on the floor, Senators, that the Senate adjourn and meet on Monday the 18<sup>th</sup> to do the general debate.

[Crosstalk]

**Sen. the Hon. Kathy Lynn Simmons:** We can do it all together.

**The President:** It has been suggested by the Attorney General that we do it all together. Is there any . . . as opposed to the 20<sup>th</sup>?

**Sen. the Hon. Kathy Lynn Simmons:** Mm-hmm.

**An Hon. Member:** So, we will not meet on the 20<sup>th</sup>?

**Sen. the Hon. Kathy Lynn Simmons:** We can meet on the 20<sup>th</sup> since the House will have finished its business by then and then we can take up—

**The President:** We can meet on the 20<sup>th</sup>. So, the suggestion is that we meet on Monday, Wednesday and Friday of next week and finish everything. Is that my understanding?

**Sen. the Hon. Kathy Lynn Simmons:** Yes.

**The Clerk:** So, the Bills on Monday will be the ones that have been laid today for first reading?

**Sen. the Hon. Kathy Lynn Simmons:** Absolutely.

**The President:** As well as the general budget debate. Is there any objection to this motion?

**An Hon. Member:** Are we changing the date of the Committee heads debate, or are we just adding another date for . . . ?

**Sen. the Hon. Kathy Lynn Simmons:** We are preparing to meet Monday, Wednesday and Friday of next week and will allot the business that comes down accordingly for those days. And when we get the heads, we will start those on Wednesday, because the House finishes on Friday.

**An Hon. Member:** As opposed to Friday. Right now there is just a question of meeting on Monday the 18<sup>th</sup>?

**Sen. the Hon. Kathy Lynn Simmons:** Mm-hmm. Yes.

**The President:** All right, is there any objection to the Senate meeting on Monday?  
No objection.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you.

**The President:** So, the Senate stands adjourned until Monday.

**An Hon. Member:** We got the motion to adjourn now, then?

**Sen. the Hon. Kathy Lynn Simmons:** I move that we adjourn until Monday, March 18<sup>th</sup>.

**An Hon. Member:** Yes, that is already done. Please just move to adjourn now.

**Sen. the Hon. Kathy Lynn Simmons:** Move to adjourn Senate.

**The President:** Any objection to move to adjourn now and would any Senator want to speak on the motion to adjourn?

No one?

Then, that is it Senators. The Senate stands adjourned until Monday the 18<sup>th</sup> of March. Thank you, Senators.

*[At 11:09 am, the Senate stood adjourned until 10:00 am, Monday, 18 March 2019.]*

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**BERMUDA SENATE****OFFICIAL HANSARD REPORT****18 MARCH 2019****10:02 AM***Sitting Number 8 of the 2018/19 Session*

*[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]*

**The President:** Good morning, Senators. Good morning. The Senate is now in session. Shall we pray?

**PRAYERS**

*[Prayers read by Sen. the Hon. Joan E. Dillas-Wright, President]*

**The President:** Please be seated.

**CONFIRMATION OF MINUTES***[Deferred]*

**The President:** Item 2, Minutes of 14<sup>th</sup> of March 2019. Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Madam President, I move that consideration of the Minutes of the meeting of Thursday, the 14<sup>th</sup> of March 2019, be deferred.

**The President:** Is there any objection to that motion?  
No objection. The Minutes are deferred.  
Thank you, Senator Jardine.

**MESSAGES**

**The Clerk:** No messages, Madam President.

**The President:** Thank you.

**REPORTS OF COMMITTEES**

**The President:** There are none.

**ANNOUNCEMENTS****APOLOGY**

**The President:** I was just going to indicate that the Attorney General, Senator Kathy Lynn-Simmons, is not in Senate today.

Item 6, Notices of Motions. We have two. Senator Caesar, you have the floor.

**NOTICES OF MOTIONS****BERMUDA IMMIGRATION AND PROTECTION  
(LAND-HOLDING CHARGES)  
AMENDMENT REGULATIONS 2019**

**Sen. Crystal Caesar:** Thank you, Madam President.  
Madam President, I hereby present for the consideration of the Senate, draft Regulations entitled, The [Bermuda Immigration and Protection \(Land-Holding Charges\) Amendment Regulations 2019](#), proposed to be made by the Minister responsible for Immigration under the provision of section 102C(1)(a) of the Bermuda Immigration and Protection Act 1956.

And I give notice that at the next day of meeting I will move that the said draft Regulations be approved.

**The President:** Thank you, Senator Caesar.  
And there is a second one, the Government Fees Amendment Regulations 2019.  
Senator Campbell, you have the floor.

**GOVERNMENT FEES AMENDMENT  
REGULATIONS 2019**

**Sen. Vance Campbell:** Good morning, Madam President.

**The President:** Good morning.

**Sen. Vance Campbell:** I hereby present for the consideration of the Senate the draft Regulations entitled the [Government Fees Amendment Regulations 2019](#), proposed to be made by the Minister of Finance under the provisions of section 2 of the Government Fees Act 1965. And I give notice that at the next day of meeting I will move that the said draft Regulations be approved.

**PETITIONS**

**The President:** There are none.

**STATEMENTS**

**The President:** There are none.

## INTRODUCTION OF BILLS

**The President:** There are none.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** And before I move on to the first reading, I would just like to acknowledge the presence in the Gallery of Lt. Col. the Honourable Minister Burch. Welcome.

## FIRST READING OF PUBLIC BILLS

### MISCELLANEOUS TAXES AMENDMENT ACT 2019

#### BERMUDA TOURISM AUTHORITY AMENDMENT ACT 2019

#### PAYROLL TAX AMENDMENT ACT 2019

#### STAMP DUTIES AMENDMENT ACT 2019

#### EXEMPTED PARTNERSHIPS AMENDMENT ACT 2019

**The President:** The following public Bills have been received from the Honourable House of Assembly and are now read for the first time. Their titles are, respectively: Miscellaneous Taxes Amendment Act 2019; Bermuda Tourism Authority Amendment Act 2019; Payroll Tax Amendment Act 2019; Stamp Duties Amendment Act 2019; and the Exempted Partnerships Amendment Act 2019.

## FIRST READING OF PRIVATE BILLS

**The President:** There are none.

## QUESTION PERIOD

**The President:** There are none.

## ORDERS OF THE DAY

**The President:** There is a motion by Senator Campbell.

Senator Campbell, you have the floor.

### SUSPENSION OF STANDING ORDERS 70 and 71(2)

**Sen. Vance Campbell:** Madam President, I move that Standing Orders 70 and 71(2) be suspended so that Senate may now proceed with a motion for a General Economic Debate.

**The President:** Is there any objection to that motion?  
No objection.

*[Motion carried: Standing Orders 70 and 71(2) suspended.]*

**The President:** Carry on, Senator Campbell.

## MOTION

### GENERAL ECONOMIC DEBATE BASED ON GOVERNMENT'S 2019/20 BUDGET STATEMENT AND OPPOSITION REPLY THERETO

**Sen. Vance Campbell:** Madam President, I move that the Senate do now undertake a General Economic Debate based on the [Government's 2019/20 Budget Statement](#) and the [Opposition Reply](#) thereto.

**The President:** Is there any objection to that motion?  
No objection.

Carry on, Senator Campbell.

Just before you do, I would just like to let Senators know that we will not be undertaking the Municipalities [Reform Act] today. That will be on Wednesday.

Carry on, Senator Campbell.

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

**Sen. Vance Campbell:** Thank you, Madam President.

Madam President, the Government's approach to the 2019/20 national budget includes a combination of modest revenue enhancements derived exclusively from the existing tax code, coupled with the freezing of government expenditure at the fiscal 2018/19 spending levels and a small increase in capital expenditures. This fiscally prudent and balanced approach, Madam President, will move us towards a small budget surplus and, consequently, a reduction in net debt.

Madam President, this budget has been achieved following the widest possible consultation. Those groups and people most affected have had the opportunity to express their views on our proposals. From end to end, the people of Bermuda have voiced their concerns, their fears and, most helpfully, their ideas and suggestions.

Madam President, this budget will demonstrate that the Government has listened to those concerns. This budget will also demonstrate the Government's determination to invest in our people. Bermuda cannot simply be cutting-edge in legislation and economic ecosystems. We must present job creators with a population that can meet their business needs.

Madam President, like the economies of many small countries, Bermuda's economy is highly vulnerable to external events, underlining even more the

need for financial and fiscal prudence. With our open economy, a fixed exchange rate regime, high levels of government debt and other potential liabilities, from guarantees and underfunded pension and health care schemes, changes in global financial market sentiments could also have a major impact.

The preparation of the 2019/20 Budget takes into consideration these global and domestic economic conditions. As the Government has limited economic tools available to influence economic activity, we have a responsibility to act prudently and to support sustain-able economic growth.

Madam President, in uncertain times, fiscal rules must accommodate volatility in the funds available for future budgets. Sluggish international growth may continue to limit Bermuda's ability to increase GDP, generate or sustain employment opportunities and increase government revenues to support the provision of services. There is a financing gap between the stimulatory policies that we would like to see in place to protect jobs and the policies that we can finance from revenues. Governments must either borrow funds to bridge this financing gap or [they] must cut spending to accommodate actual revenues. Spending reductions ultimately result in public sector downsizing, which creates weakness in the private sector, as well.

Madam President, over the last decade, Bermuda has experienced recurring budget deficits and a growing national debt, coupled with periods of negative economic growth. Significant attention has been focused on Bermuda's approximately \$2.5 billion of debt, with calls to reduce expenditure and deficits, and, consequently, the debt. The Government is mindful of the effects of the debt burden on the country's fiscal posture and is taking the necessary steps to prudently manage our debt through strategic refinancing and repurchases designed to lower interest costs, extend maturities and reduce debt, while providing the Government with the space to execute its economic growth strategy.

Madam President, due to the uncertainty facing the Bermuda economy, the Government has reconsidered our fiscal strategy for the 2019/20 Budget as laid out in the Pre-Budget Report. We have concluded that it is not prudent to raise an additional \$50.0 million in revenue at this time. Additionally, the Government will suspend the mandatory annual contribution to the Sinking Fund rather than borrow additional monies to make this annual contribution.

Madam President, it is incumbent upon the Government to create the conditions to foster economic growth, which will increase jobs, increase income and raise the standard of living for Bermudians.

Madam President, during last year's Budget Statement, this Government laid out a path for economic growth that relied on a targeted investment by the Government while stimulating the Bermuda economy by reducing barriers for investment.

Last year's increased investments in tourism marketing (via the Bermuda Tourism Authority), increased business marketing (via the Bermuda Business Development Agency), and increased support for entrepreneurs (via the Bermuda Economic Development Corporation) have borne fruit. In 2018, the Bermuda economy witnessed an increase in international company registrations, an increase in local company registrations, an increase in jobs located in Bermuda, an increase in insurance companies setting up in Bermuda, and an increase in tourists visiting Bermuda.

Madam President, despite these positive signs, our economy remains in a fragile state. For instance, the value of retail sales has declined in eight out of the last twelve months. Some of this decrease can be attributed to the expected difference due to the one-off stimulus of 2017's America's Cup. However, we must also recognise that retail sales will continue to be impacted by increased online shopping. Additionally, the increase in interest rates charged by local banks for mortgages and other loans means that many residents have less money to spend in shops, as they are paying more in interest.

Bermuda's interest rates are tied to the US economy. This means that a rate increase put in place to slow the US economy has the effect of slowing the Bermuda economy, which needs stimulus, not slowing. The negative impact of high interest rates must be combated directly.

Madam President, over the last year, the Government has worked to attract new banking institutions to Bermuda. Although we are making progress, Bermudians who are struggling to make ends meet do not have the time to wait for new banks to set up in order to provide competition to existing institutions. Therefore, it is up to this Government to be transformational and to use the public sector to provide the relief.

Madam President, the Government will do two things to reduce the mortgage pressure for hardworking Bermudians. Firstly, the Government will, in conjunction with private sector banks, pilot a mortgage guarantee programme in return for a reduction in interest rates charged to Bermudians for their mortgages. Secondly, the Government will create a government-backed mortgage lender to relieve pressure on public sector employees by providing them with reduced mortgage rates. These two measures, combined with the elimination of taxes on mortgage refinancing, are projected to save \$5,300 a year for the average family carrying a \$500,000 mortgage. That is \$5,300 per year, Madam President, for the average family carrying a \$500,000 mortgage.

Madam President, the economic case is simple: Lower mortgage rates give more Bermudians more disposable income. More disposable income means that families have more money to spend and



invest in the Bermuda economy, which will, in turn, support local businesses.

Madam President, there is a constant refrain in some quarters which speaks about the need to relax our immigration laws even further to boost the population in Bermuda. It is a simplistic argument which wilfully ignores the other economic challenges faced by Bermuda.

Madam President, immigration is not the core issue; economic competitiveness is. Under our current laws, any investor who wishes to come to Bermuda to start a company can stay in Bermuda, apply to become a permanent resident, pass that PRC [permanent resident certificate] status to their spouse and children, and buy property in Bermuda. Madam President, the issue is not whether or not we have the laws to attract investors and job creators to our country. The question that must be answered is why they are choosing to invest in other places.

Madam President, Bermuda's challenge is not solely the need for immigration reform. Bermuda's challenge is the need for fundamental economic reform—reforms that reduce interest rates, reforms that reduce the cost of energy, reforms that reduce the cost of health insurance, and reforms that reduce the cost of doing business in Bermuda. These reforms are necessary to create the better and fairer Bermuda that Bermudians voted for. A more competitive Bermuda economy will create more jobs, which will, in turn, lead to an increase in Bermuda's population as Bermudians return home to fill these new jobs, which is essential for our long-term economic survival.

Madam President, our plan is to build on what we currently do well in financial services and tourism, diversify our economy so that we can attract companies in new industries to our shores, reduce the cost of living and the cost of doing business in Bermuda, and to make our government more efficient, and reduce regulations and red tape to stimulate investment while promoting competition in the Bermuda economy.

Madam President, our economic plan is rooted in the twin pillars that have served the Bermuda economy well—financial services and tourism. Our investments and combined efforts to grow these pillars have been successful, as 2018 saw an increase in incorporations and job growth in both international business and hospitality. While our property and casualty and captive insurance sectors remain stable, we have witnessed significant growth in the long-term insurance sector. Bermuda continues to make strides in attracting more asset managers to our shores, and economic substance presents a unique opportunity to leverage our proximity to the financial centres on the eastern seaboard of the US to attract more asset managers to Bermuda.

In tourism, we will continue to invest more in marketing and product development, while recognising that we must make tourism investment in Bermuda more attractive. That is why the Government is work-

ing with unions and hoteliers to increase efficiency and boost productivity in Bermuda's hospitality industry. In 2019, when regional competition is fierce, friendly people and beautiful beaches are not enough. Reform is necessary to make investing in Bermuda's hotels profitable, which will serve to protect existing jobs, while attracting additional investment leading to new tourism jobs.

Madam President, the Government, in conjunction with the Bermuda Business Development Agency, has a multi-faceted approach to creating new areas of economic activity in Bermuda. Over the last year, tremendous strides have been made in establishing Bermuda as a domicile for technology companies in the emerging areas of FinTech, RegTech, and InsurTech. Five of the ten largest companies in the world are technology companies, Madam President, and for Bermuda to play a role in the future of financial services, we must have a leadership position in FinTech. Our size and high regulatory standards make Bermuda the ideal place for technology companies to develop and test their products in our market before expanding those products to the rest of the world.

However, Madam President, in addition to looking to attract technology companies to Bermuda, our economic diversification strategy has specific focus on aviation and shipping, arbitration, biotech and life sciences, the blue economy, intellectual property, satellites and space, and nearshoring.

Madam President, fundamental economic reform means that we need to reduce the cost of doing business in Bermuda. The costs of energy, health insurance and interest rates directly impact our ability to grow Bermuda's economy.

Madam President, the Government committed in its platform to advance the National Health Plan, which did not advance under the former Government. Over the last 19 months, there has been extensive consultation, and the Government will soon unveil this important economic reform, which will ensure that we are able to provide better coverage for all Bermudians. Madam President, the core of this plan is simple: to reduce the cost of health insurance for citizens, for employers and for seniors. Reduced health insurance rates will mean more money in the pockets of Bermudian families, and that is the goal of this transformational reform.

Madam President, the Regulatory Authority is in the final stages of producing the Integrated Resource Plan, which will be Bermuda's national plan for our Island's future electricity needs. The Government looks forward to the production of this plan, which is an important step towards reducing the cost of electricity.

Madam President, while we reduce the cost of doing business in Bermuda, it is important to invest to make government more efficient so that, as the economy grows, the government is able to provide ser-

vices to more residents in a cost-effective manner. Over the past 15 months, the Government Efficiency Committee, chaired by the Junior Minister of Finance, has worked with government departments to streamline processes, raise additional revenue and identify areas for additional savings.

Madam President, the Government has launched the Public Service Reform initiative to transform Bermuda's public services. The top level of the public service will be reorganised to create a dedicated implementation team, which will focus on the execution of the reform plan that has been developed over the last year.

Madam President, the final pillar of our economic plan is the transformational measures necessary to stimulate investment, which will create jobs by promoting competition in the Bermuda economy, which will lead to reduced costs. Last year, the Government announced changes to allow international law firms to enter the Bermuda market, the modernisation of the 60/40 rule, and the relaxation of height and ownership restrictions for developments in the Northeast Hamilton Empowerment Zone.

Madam President, creating an additional supply of condominiums will only work if there is additional demand for the purchasing of these units. That is the reason why the Government will relax ownership restrictions for these special developments. This is an important change, as we must provide places for money earned in Bermuda to stay in Bermuda and circulate in our economy. The narrow relaxation of these restrictions will put more Bermudians to work in construction projects throughout the city and will create fixed assets that provide ongoing maintenance jobs.

More residents in Northeast Hamilton will provide more customers for local business, which will lead to an increase in economic activity in the empowerment zone. These new developments will also be key to attracting young Bermudians back to Bermuda, as the units will be ideal for singles or couples without children.

To unleash the entrepreneurial spirit of Bermudians, the Government, in conjunction with the Bermuda First Think Tank, will identify and eliminate antiquated regulations that make Bermuda's economy uncompetitive and serve as a barrier for entrepreneurs. Bermuda First has started working with the Ministry of Tourism and Transport to relax complex public service vehicle regulations to provide more flexible options to residents and visitors, while creating additional revenue opportunities for existing taxi and minibus operators.

Madam President, to provide clarity to Bermudian entrepreneurs who are seeking alternative sources of capital in order to promote competition with existing businesses, the Government will publish guidelines for the granting of exemptions from the

60/40 rule, while concurrently simplifying the application process.

Madam President, I would like now to focus briefly on the forecasted financial results for the current 2018/19 fiscal year, as they form the foundation for the 2019/20 Budget.

Madam President, the Government is forecast to earn \$1.079 billion in revenue in 2018/19. This is \$11.9 million, or roughly 1.1 per cent less than the \$1.09 billion in the original estimates and is due mainly to lower-than-expected customs duty, fees from sale of land to non-Bermudians, and miscellaneous receipts. These amounts were partially offset by higher collections in payroll tax, stamp duty and land tax.

The projected 2018/19 operating expenses of the Government is \$932 million, or \$2.8 million (0.3 per cent) higher than the \$929.1 million originally budgeted in 2018/19. This increase was primarily a result of additional subsidy funding for the Bermuda Hospitals Board in relation to dialysis claims. This item was offset partially by decreases in expenditure related to energy, and materials and supplies.

Madam President, included in total operating expenses is the 2.0 per cent salary increase awarded to some public officers. As this amount was unbudgeted, departments have had to find savings from within their current budget allocations.

Madam President, revised capital expenditures for the year are predicted to come in at \$61.7 million, or 0.6 million, 1.0 per cent below the budget of \$62.2 million. Debt service costs for 2018/19 will be in line with the original budget estimate of \$188 million. Given the factors outlined [previously], the revised estimate for the overall deficit is \$102.6 million, \$12.9 million more than projected. This deficit includes the Sinking Fund contribution of \$64.2 million. Excluding the impact of the Sinking Fund contribution, the deficit would have been \$38.3 million, Madam President.

During the 2018/19 fiscal year, the Government executed an international bond transaction for a total of \$620 million. The purpose of this financing was (1) to repay a \$135 million loan facility with Butterfield Bank; (2) to finance a portion of the 2018/19 [deficit]; and (3) to refinance more expensive government bonds. As a result of the transaction, the government has lowered the weighted average rate of interest it pays on the total amount of bonds outstanding from approximately 4.63 per cent to 4.591 per cent, and has reduced its interest expenses by about \$1 million per year.

So, Madam President, it seems as though that downward shift is small, but it amounts to \$1 million per annum in reduction in our interest expense. So it is significant.

Madam President, for the remainder of this fiscal year, the Ministry of Finance will exercise prudent management of funds to ensure that we do not incur any additional borrowing. Therefore, on the 31<sup>st</sup> of March 2019, gross public debt will stand at \$2.68

billion, and net debt will stand at \$2.465 billion. That is, net of the funds in the Sinking Fund, Madam President. This amount is \$35 million below the debt ceiling of \$2.5 billion. The Sinking Fund balance is projected to be approximately \$214.6 million at the end of the 2018/19 financial year.

I will now turn my attention to the details of the budget for the upcoming fiscal year. The highlights of the 2019/20 Budget feature a 0.4 per cent decrease in total expenditure of \$4.3 million from last year's original estimates. Revenues are forecast to rise by 2.6 per cent, or \$28.6 million, and the current account balance, before interest on debt and capital expenditure, is budgeted to be a surplus of \$188.6 million.

The current account balance, after interest, is also budgeted to come in at a surplus in the amount of \$72.1 million. This represents an increase in the current account surplus of \$35.4 million when compared with the 2018/19 Budget on a like-for-like basis. Given the aforementioned, I am pleased to report that this year the Government will report a budget surplus of \$7.14 million.

Madam President, this year's budget, with a current account surplus of \$188.6 million, represents an improvement over the fiscal 2018/19 surplus, with sufficient revenue to cover not only the day-to-day running of government, but also the interest on debt and capital expenditures.

Madam President, the Government does not anticipate any long-term borrowing in this fiscal year, and at 31 March 2020 it is estimated that gross public debt will stand at \$2.5 billion and debt net of the Sinking Fund will be \$2.457 billion once we apply the projected surplus to the Sinking Fund.

Madam President, in keeping with our pledge from last year, we expect that this year we will start reducing our debt. We will continue to reduce expenses where we can, but we will also make the strategic investments needed to stimulate economic growth.

Madam President, as our debt metrics stabilise and we project no new long-term borrowing in the 2019/20 fiscal year, the Government has no immediate plans to raise the country's debt ceiling. Our debt ceiling is currently set at \$2.5 billion, and the Ministry of Finance will exercise prudent management of funds in this year to ensure that we remain below the debt ceiling. During fiscal year 2019/20, certain government private placement notes aggregating \$180 million will mature. The Government will draw from the Sinking Fund to repay these notes. This will reduce our interest costs by \$12.1 million per year and lower our weighted average cost of borrowing from 4.591 per cent to 4.437 per cent.

I will repeat that, Madam President. This will reduce our interest costs by \$12.1 million per year and lower our weighted average cost of borrowing from 4.591 per cent to 4.437 per cent.

Madam President, in order to reduce the deficit and provide for much-needed services, the Gov-

ernment considers it appropriate to strategically increase our revenues.

Madam President, the estimates for 2019/20 shows the government's revenues of \$1.118 billion, which is \$28.6 million, or 2.6 per cent higher than the original estimate for the previous year. Even though we propose for deficit reduction in 2019/20 to come from the revenue side, we recognise that the solution requires fiscal discipline by the Government, where it properly prioritises the country's needs and wants.

Madam President, despite being a possible disincentive to job creation, payroll taxes are a highly effective and reliable way to raise revenue. The yield from payroll tax is estimated at \$466.1 million in 2019/20, or 41.7 per cent of total government revenues.

In the 2018/19 Budget Statement, it was also announced that this Government would encourage local and international companies to create jobs in Bermuda. To this end, the Ministry of Finance worked with key business stakeholders to generate incentives for companies to create and locate additional staff in Bermuda by providing payroll tax relief for new positions created in Bermuda. As has been already announced, in the upcoming budget the Government will promote this relief for exempted companies as part of our Economic Substance Incentives Programme. This programme will provide two-year employer payroll tax concessions for additional jobs created in Bermuda.

Madam President, the retail industry employs nearly 3,500 Bermudians, and the Government is very much aware of the pressure on certain segments in this sector. In an effort to maintain and increase employment levels in this sector, the Government will provide targeted payroll tax relief to specific businesses by providing a concessionary employer payroll tax rate of 7.0 per cent for all retailers whose payroll is above \$500,000 and whose primary sales are in fashion, shoes, jewellery and perfume.

Madam President, entertainment plays a very important role in the culture and development of Bermuda. We have seen a decrease in entertainment over the years and note with concern that our entertainers have very little business, if any, during our off season. Therefore, the Government will provide a concession to all businesses that hire local musicians and entertainers by removing the employer payroll tax for the next three years. The Government believes that this concession will encourage more businesses to hire local entertainers and encourage more Bermudians to become involved in this extremely important industry.

And I might add, Madam President, that we have a huge amount of talent in Bermuda and they are equal to the international entertainment that is brought into the Island. And if you are not going out to see that, you are missing out on something special here.

Madam President, the yield from customs duty is estimated at \$235 million, or 21 per cent of total government revenues. In line with the Health Ministry's consultation paper, and as announced by the Minister of Health in the House of Assembly in March 2018, it is proposed to increase the rate of duty on a limited group of items from 50 per cent to 75 per cent. In a further phase of the implementation of the sugar tax, it is also proposed to extend the scope of items to be captured by this tax. These adjustments will yield an additional \$4 [million] to \$5 million of customs duty.

The duty on cigarettes and tobacco and on beer, wines and spirits will be raised in April 2019 to achieve additional customs revenue of about \$1.5 [million] to \$2.5 million.

The Government will also extend the Hotels (Temporary Customs Duty Relief) Act 1991, and the Restaurants (Temporary Customs Duty Relief) Act 2002, by a further five-year period expiring on the 31<sup>st</sup> of March 2024. These Acts provide a zero rate of customs duty on imported capital goods intended for the renovation and refurbishment of restaurants and hotels, and many properties have benefited from these Acts over the years.

Madam President, in the 2017/18 Budget, the former Government enacted the Financial Services Tax Act 2017. This legislation introduced a financial services tax on insurance premiums (excluding health), money transmissions of a money service business, and bank assets.

Following consultation, the Government will increase the tax on premiums by 1.0 per cent and increase the tax on bank assets from 0.005 per cent to 0.0075 [per cent] of its consolidated gross assets as at the end of a tax period. This will yield an additional \$3.4 million in revenue.

Madam President, following the Pre-Budget consultation, the Government proposes to increase the Foreign Currency Purchase Tax from 1.0 per cent to between 1.25 per cent, generating additional revenue of \$4.1 million.

Madam President, in the 2018/19 Budget Statement, as a temporary measure, land tax rates on commercial properties were increased by 5.0 per cent, raising an additional \$15 million in land tax revenues. This provision will expire on the 30<sup>th</sup> of June 2019, and the legislation provides for the rates to revert back to 7.0 per cent. It is now proposed to increase land tax on commercial properties from 7.0 per cent to 9.5 per cent, and land taxes on tourist properties from 7.0 per cent to 8.0 per cent.

It is also proposed to amend the land tax rate structure for residential properties by amending the taxes for properties as follows: For the ARV [annual rental value] band, zero to \$11,000, the proposed tax rate will drop from 0.8 per cent to zero. For properties \$11,001 to \$22,000, the tax will drop from 1.8 per cent to zero per cent. The next band, \$22,001 to [\$33,000],

the current rate of 3.5 per cent will remain the same, as will the next band, \$33,001 to \$44,000, the 6.5 per cent tax rate will remain the same.

The Government will look to increase the tax rate in the remaining bands. So the \$44,001 to \$90,000 range will see an increase from 12 per cent to 17 per cent. The ARV from \$90,001 to \$120,000, will increase from 25 per cent to 30 per cent. And above the \$120,000 band, there will be an increase of some 47 per cent to 50 per cent, Madam President.

The senior exemption will remain for all properties with an ARV of \$45,500 or less. The total yield for land tax in 2019/20 is projected to be \$85.4 million.

Madam President, following the pre-budget consultation with the real estate division of the Chamber of Commerce, it is proposed to increase stamp duty on all residential and commercial leases. The Government will also be undertaking a comprehensive review of its stamp duty legislation with a view to updating this legislation and eliminating loopholes. In addition, as announced in the Throne Speech, we will eliminate stamp duty on any mortgage refinancing for amounts up to \$750,000.

Madam President, it is proposed to introduce a new tax structure for cruise ships and cruise ship passengers, which will include a passenger departure tax, a cruise passenger visitor fee and a large ship infrastructure tax, with the current cabin passenger tax being repealed. This tax structure will yield \$40.2 million.

Madam President, the statutory period in the Schedule to the Bermuda Immigration and Protection (Land-Holding Charges) Regulations 2007 expires on the 31<sup>st</sup> of March 2019. These regulations reduced licence fees for non-Bermudians' purchase of Bermuda property. The Government proposes to extend the end date of this licence fee reduction period by 24 months, therefore, ending the 31<sup>st</sup> of March 2021. During this period, we will evaluate the effectiveness of this concession on property sales.

Madam President, legislation will be amended to increase company discontinuance fees from \$425 to the current annual government registration fee for the respective company. It is noted that other jurisdictions charge up to three times the current annual registration fees.

Madam President, in the 2018 Pre-Budget Report, we stated: "The Government will ensure that the Office of the Tax Commissioner (OTC) has the resources that it needs to collect taxes that are due." It is one thing to charge; and another thing to collect. "Due to staffing shortages, not all taxes are being collected and adjudicated. The Government has authorised the filling of these long-vacant posts to assist in revenue collection."

As highlighted in the latest Fiscal Responsibility Report, this item has been actioned and has already proven productive in 2018, as previously unpaid stamp duty of almost \$3 million has been collected

and an additional \$4.7 million in uncollected stamp duty has been identified.

Madam President, we have taken further action to resolve this problem by approving the addition of five new temporary staff members for a one-year period. These staff members will be working in the Operations Section of the Office of the Tax Commissioner, with four in the Debt Management Section, and one working closely with the Assistant Tax Commissioner of Operations. These additional resources for tax collection and enforcement should pay for themselves many times over with the additional revenue collected during this period.

Madam President, too much of Tax Commissioner's time and resources are devoted to processing manually filed tax returns. Accordingly, a new filing policy will be implemented on April 1<sup>st</sup>, 2019, for taxpayers of gross annual payrolls in excess of \$500,000 per year. It will be mandatory for taxpayers over that threshold to file electronically, using the E-Tax system, starting with the quarter April, May, June of 2019, which will be payable by the 15<sup>th</sup> of July. Employers who do not adhere to the stipulated e-filing requirements will be subject to penalties.

Over the years, the government has been incurring millions of dollars in credit card charges due to taxpayers using their credit cards to pay their taxes. Effective from April 2019, the government will start to recover these fees by way of a recharge fee for this convenience.

Madam President, the Government has set the overall budget expenditure (as we shift into expenditures), including current account and capital account outlays, and debt service, excluding the Sinking Fund contribution, at \$1.11 billion. The forecast for current, interest and capital account spending in the 2019/20 Budget is \$4.3 million lower than the amount approved in the 2018/19 budget. This reduction was achieved despite the Government's pay awards to public officers for this fiscal year.

Madam President, this level of spending will enable the Government to provide targeted investments to grow and diversify Bermuda's economy, to service our debt, to strengthen infrastructure, educate our children, provide health care and security for our citizens, and assistance to the less fortunate among us. Madam President, there is an ever-increasing demand for government services. However, the Government is mindful of the potential impact that increased operating expenditures can have on the overall fiscal performance. Accordingly, in the 2019/20 Budget, the level of current account spending, excluding debt service, has been frozen to 2018/19 Budget levels.

Madam President, moving forward, this Government will adopt a revised strategy whereby further savings might be effected either by way of increased efficiencies or by making structural reforms in the way in which services are delivered and institutions are

structured. To this end, the Government has established an Efficiency Committee to review the functioning of all government departments and recommend improvements in the efficiency of operations. The Efficiency Committee has highlighted how savings and greater effectiveness can be obtained by the government in the areas of financial assistance, purchasing of materials, inventory management, and handling of staff vacancies. The Efficiency Committee has also emphasised the critical importance of developing a detailed overall strategic plan to guide the spending priorities of the government over the medium to long term.

Madam President, debt service costs for 2019/20 budget are projected at \$116.5 million, which represents interest expense on debt only.

Madam President, the Sinking Fund currently has a balance of \$214 million. During the fiscal year 2019/20, \$180 million of the proceeds in the fund will be used to repay two tranches of maturing private placement notes (as I previously mentioned).

Madam President, the Government will suspend making mandatory contributions to the Sinking Fund. This decision has been made in light of the following factors: (1) apart from the private placement notes referenced above, the next maturity of government debt will occur in 2022; and (2) the interest expense associated with borrowing to fund the mandatory Sinking Fund contributions will be greater than the investment return generated on those funds.

Pretty straight forward, is it not, Madam President?

**The President:** It is.

**Sen. Vance Campbell:** And this is number (3), the Government is forecasting continued operating surpluses, which it intends to contribute to the Sinking Fund or use to make open market purchases of its existing indebtedness.

Madam President, the Government is committed to making sound capital investments which will enhance the country's infrastructure, create jobs, generate growth and improve our quality of life. The capital expenditure component of the 2019/20 Budget is set at \$64.7 million, \$2.5 million higher than the 2018/19 original estimate. The most significant items of capital expenditure in the 2019/20 Budget relate to upgrades to the Mid-Atlantic Wellness Institute (\$4.5 million), school maintenance (\$3.0 million), and roadworks (\$1.5 million). While most of the planned investment is related to construction projects, there is a capital acquisition provision of \$20.6 million for IT developments across government, and new public buses and other vehicles to support public service delivery.

Madam President, as later in the week we are going to be debating individual heads of government, I will conclude my presentation at this point.

Thank you, very much, Madam President.

**The President:** Thank you, Senator Campbell.

Just to remind Senators that the first speaker of Government has an hour and then the Reply of the Government Opposition also has an hour to present. And after five hours . . . everyone else has 45 minutes and when we have reached five hours then that time is reduced to half an hour.

So, the Reply will be for an hour.

Senator Kempe, you have the floor.

### THE OPPOSITION'S REPLY TO THE BUDGET STATEMENT 2019/20

**Sen. Nicholas Kempe:** Thank you, Madam President.

As I read through the Budget Statement, I noticed it started off with a lot of warm and fuzzy prose, and I seemed almost aspirational in nature. As I read through the actual actions and commitments laid out in the Budget, it felt like it was a large political exercise in doublespeak. And time and time again, with the initiatives that I read in the Budget, Madam President, what was actually being proposed seemed diametrically opposed to the lofty ideals and the Lincoln quotes and allusions to past political leaders that the Budget opened up with.

I am going to take a little bit of time, Madam President, to go through and highlight some of these challenges that I found throughout the Budget.

On page 2 it opens with, "we must grow our economy. We must balance our budget and we must reduce our national debt. We must evolve our system of taxation" and we must "reduce the cost of living." So these are all recognised needs in our economy, but this budget, unfortunately, does very little of that starting from growing and stimulating the economy. In fact, the only growth of government revenue budget over the next three years seems to be to increase taxation. The GDP levels for 2018/19 have been revised down to 0.5 per cent to 1.0 per cent. The balancing of the budget is by sacrificing our ability to reduce debt in the future. In fact, the \$180 million being reduced in this upcoming fiscal year is only thanks to a funded Sinking Fund.

So, the fact that we must reduce our national debt seems to be that we are happy to reduce what little is due this year with what is in there, but we are not going to put anything towards paying off future obligations.

On page A-1 of the Budget Book there is a projection out to 2021/22. What is going to be the scary reality when we look at next year's budget is that in 2022/23 there is \$651 million there. Now, as we are massively de-funding our ability to tackle that debt, that will just be kicked down the road and our yearly interest payments will not be touched that much, if at all.

We talked about evolving our system of taxation. But a paragraph later it says that the revenue

enhancements will be derived *exclusively* from the existing tax code. That is not much of an evolution, if any at all. In fact, it is a continuance of the status quo, and in most cases it is simply a worsening of the status quo, as we will get to later in the budget.

We speak about reducing the cost of living, but Government is not leading by example in reducing its own expenditure. And taxes that are extracted from the public are a key driver of cost of living in this country.

There is talk of "manifested resistance," which seems pulled from a conspiracy theory motion to adjourn from the Leader that sits in another place. I am not even going to bother to get into that one.

Collecting what is owed is very useful. Sure. But when we look later at the credit card charges it is actually pushing a burden on, especially, small businesses that need to pay a myriad of government fees across government at lower thresholds of fees. I can understand the desire to remove people paying millions of dollars of payroll tax at a pop on a credit card, because that is quite a large amount of money. But for people just re-licensing a truck or going to pay a farming licence or any other thing being hit with these kinds of credit card fees seems counter-productive to fair taxation.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** While you hesitate there, I would just like to acknowledge the presence of the Junior Minister of Finance, the Honourable Wayne Furbert. We welcome you.

*[General Economic Debate, Opposition's Reply continuing]*

**Sen. Nicholas Kempe:** There is talk of public sector reform and streamlining operations. But, again, in reality, the budget line for the next three years has the exact same spend. So none of these efficiencies, none of these savings, have been passed on to the taxpaying public, Madam President. And when we talk about the fragile economy we are in, now coming on 10 months, if you look at December, which the National Economic Report shows essentially a negative retail sales month as well, we are looking at 10 straight months of declining retail sales.

We are looking at historically low business confidence. We have now, on top of this, been black-listed, which was the one existential threat that this Government needed to avoid. And our economy is looking very fragile right now. And yet, from the first year that Government was in with a spending of \$893 million, to where we are at already with the revised estimates of \$933 million . . . there is a \$39 million increase in spending.



And, of course, that has to be covered by increased taxation. And taxation slows the economy. It is a burden on businesses large and small, although most of the concessions seem to have been for the large ones, so our small business sector is getting squeezed all across the board as they do their business.

We talked about our ageing population, which is the big demographic ticking time bomb that Bermuda has to deal with. And unless we are able to massively grow our working-age population, the maintenance ratios in Bermuda are set to skyrocket in the next 10 years, going from, I think it was something like 17:40 as a maintenance ratio, which means that for every 100 working age individuals there will be 40 people that are not working age . . . and as most of the taxes are extracted from the working age population, that is going to be a huge driver when people decide whether or not they want to set up in Bermuda. If the tax is extracted from a declining workforce with a growing maintenance ratio it is going to become unsustainable, Madam President.

We look at the areas where we actually have some growth in employment in our economy, and it is construction and hotels. Luckily, Madam President, the OBA put in place some mid-term stimuli programmes, such as hotel development and the airport, which is carrying us right now. But the Government must urgently identify and execute on stimulus programmes because, unfortunately, the OBA project will come to an end, and without something else positive on the horizon, it is looking pretty grim, Madam President.

We have seen that employment income has decreased and as businesses feel the squeeze they are unable to keep up. And with new hires they cannot continue to set rates that they would like to see that are more competitive. But we are seeing all the costs that are being passed on to businesses and those effects are pushed all the way through the business model.

Retail sales, as I mentioned, for 2018 are down \$25 million. There seems to be an argument that this is entirely due to increases on mortgage payments. But there is no data produced or provided to support this allegation, just saying this is why. So I would certainly appreciate it if we could get some supporting data on that so that we can have a more coherent argument around this, because it seems to be the only economic programme in this Budget Statement. It entirely circulates around the effect of mortgages on the local economy.

We see that there were some 827 new international companies and partnerships registered in 2018. But the net numbers are not provided, simply the new incorporations. It would certainly be useful if we could see how the companies that came off the register relate to the previous year, and what the net figures are, because if you look at the budgeted fees

for licensing, there appears to be a decline in that. So the one narrative does not seem to support the other.

Again, I have spoken about the effect of business confidence, and even how the 2018 GDP growth estimate has been lowered. And here is the real item that highlights this doublespeak I was speaking to. On page 11, the Minister said, "We have concluded that it is not prudent to raise an additional \$50.0 million in revenue at this time." What he does not say is that from the revised estimates, revenues for 2018/19 and the budgeted for 2019/20, there is \$39 million in increased taxes.

So, when who is not able to follow along with the Estimates of Budget would hear [that], one would think that when the Minister states "We have concluded that it is not prudent to raise an additional \$50.0 million in revenue at this time" that they would not be raising revenue, they would not raising taxes. But they are raising [\$]39 [million].

So, I am hard pressed to see the massive difference between raising \$39 million in taxes versus raising \$50 million in taxes, especially when we are talking about spending the Sinking Fund. So there is no decrease in government spending, we are raising taxes \$39 million on a fragile economy—prior to knowing that were being blacklisted—and we are suspending the Sinking Fund contribution, with some nebulous commitment to dedicate up to 75 per cent of the surplus towards repaying loans or contributing it to the Sinking Fund.

What is going to happen to the other 25 per cent? What is going to happen with any surplus that is achieved this year? They are all very vague, feel-good statements. But when you look at the facts in this budget, Madam President, there is not a lot of beef.

We talk about growing our economy. And here is where we get to some real vague aspirational consultant-type speak when we say that the path for economic growth relied on (and I quote) "targeted investment by the Government while stimulating the Bermuda economy by reducing barriers for investment." But, what are these? What is this "targeted investment"? Where is the reduction for "barriers of investment" coming from? Because from all that I can see, this is a status-quo budget. There are these aspirational goals, but there is no plan. There are no steps set out about how these items are going to be achieved.

They talked about . . . and, again, this is where we get to what, seemingly, is the only real hypothesis for fixing the economy in this Budget Statement. And it speaks about the negative impact of high interest rates that must be combatted directly. And the two components of this plan, Madam President . . . one is that the Government is going to offer guarantees for mortgages that the banks are holding, with the belief, or assumption, that this will drive down the interest rates. Unfortunately, the key ingredient in determining someone's mortgage rate is not how much

collateral the bank holds on it, it is the borrower's ability to repay.

And the worrying thing about this proposal is that it is an open invitation for the banks to move impaired mortgages onto the government's books. And I do not believe that the government presently has in its staff the lending officers to provide the due diligence on all of these new guarantee offers. And I do not see in this budget where those officers will be funded from, where that increase in bodies is coming. We saw in last year's budget that there were some 300-odd employees added to government's payroll. But in this year's budget there are a modest five or six people, which are all going into the tax collections office.

So, I am struggling to understand where government is going to staff up on the expertise to do the vetting on this policy, and how it is actually going to reduce mortgage payments for Bermudians. It looks like it will simply shift a bunch of impaired assets onto government's balance sheet, much to the pleasure of the banks.

The other element of it was direct lending to civil servants only. So we are going to use taxpayer money collected from all of Bermuda, and we are going to give a targeted benefit with those funds exclusively to civil servants. And, again, where is the lending expertise to qualify whom is going to get these loans? How are they going to be vetted? How are their interest rates and the ability to repay going to be assessed?

What is going to happen when the government has an employee who has performance issues, or who loses their job as a civil servant? Will their rates spike? How will government go about seizing or selling the property of the people who cannot meet their obligations? Will there be any political will to have any of the accountability when a loan ceases to perform?

There are a whole lot more questions that are raised by these two seeming flag-ship initiatives from the budget than there are answers actually provided in here. Certainly, without Government being able to explain and justify where the know-how to do the vetting and how these items will be dealt with, I would certainly be extremely hesitant about Government going ahead with those two initiatives.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITORS

**The President:** While you hesitate, I would just like to acknowledge in the Gallery the two MPs, Mr. Christopher Famous, as well, as Mr. Neville Tyrrell. Welcome to you both.

Carry on, Senator Kempe.

*[General Economic Debate, Opposition's Reply continuing]*

**Sen. Nicholas Kempe:** There is a whole lot of talk about reforms to the cost of health insurance, to the cost of doing business. And, again, all of the additional taxes and layers in here do not do anything to reduce the cost of business. The complete resistance by the Cabinet to carry through with the health insurance cost containment measures that were put forward by the OBA gives me little hope that we are actually going to see any cost [reforms] in health care.

There has been some vague suggestion about this two-tiered health insurance pooling, which I certainly have reservations about whether that will actually pass any savings on to Bermuda as a whole. It may pool some of the higher risk demographics the government is covering onto the working Bermudian with a private health care plan. But, again, I certainly would like to see more open public discussion about this before there is any advancement on it.

On page 14, there was, "Bermuda continues to make strides in attracting more asset managers to our shores, and economic substance [presents] a unique opportunity to leverage our proximity to the financial centres on the eastern seaboard . . ." Now, that may have been the case. But, of course, that is on the premise that we would have been deemed compliant with economic substance, which, as we know, is not the case. So that even further downgrades any ability to be optimistic on revenue projections for the Government. And this is why it is most unfortunate, Madam President, that last year the spending was spiked so heavily. The cart was clearly put before the horse and money was spent before the economy was grown.

And now we are in a situation where the Finance Minister has to say, *I do not see how I could reduce costs without having to let people go*. Madam President, he would not be in that position to have to say that today if there were the 318 people, or 312 people, which were included in last year's budget that were not there in 2017/18's actuals. We have boxed Bermuda into a corner. And in order to balance the budget . . . and we have had to forgo a \$60-some million Sinking Fund contribution. In order to balance the budget we have had to raise taxes another \$39 million this year in order to simply balance the books.

This philosophy of spending and then taxing to cover it is completely counter-intuitive to the reality in which Bermuda lives, a reality of a fragile economy. The signals have been there, and they were there well before the presentation of this budget. The debt has been something that was created going back to 2002/03. The most egregious period of debt creation was the 2006 to 2010 era when we were spending almost \$140 million a year on capital expenditure. The year 2008/09 was the most egregious case where \$150 million was budgeted in cap-ex [capital expenditures], but the actuals came in at \$200 million.

And I would like to take a little bit of time, for the listening public who seems more fixated on budg-

eted than they are on actuals. Madam President, any time you are doing an assessment of a business or a company, it is most prudent to use the most accurate information available at any given time. I would not assess the performance of my business based on what I budgeted three years ago, but, rather, what my actuals came in at for that same period. That is how effective future decisions are made and how quality assessments on the past are made. So it is most important that we always use the most accurate information available at any given time.

We talk about the important economic reform that will provide better coverage for Bermudians and reduce the cost of health care for all citizens. Again, this is overly simplistic. I would have liked to have seen a lot more beef on the bone as it relates to that one.

The 60/40 rule has been spoken about for a number of years now in Bermuda. There is almost a standing practice where any application made to the Minister is almost certainly approved. As we move we are past the time when Bermudian capital owned most of the means of production in Bermuda. The telecoms, the banks, all these major utilities are now in the hands of foreign capital. And the fact that the 60/40 rule continues to exist in that sense certainly seems antiquated. So I can agree with the Minister and, before that, the Premier who have both spoken broadly about the 60/40, that we must do something to change, to shift the paradigm as it relates to equity funding.

When you look at business start-ups and small business start-ups especially, the challenge is not with loan funding. So, once you are already established and you need to purchase a vehicle, or you need to purchase a washing machine for your laundromat, you can generally get a loan for that. There is an established record, and you have a debt service history that can justify the giving of that loan.

But when businesses are starting up, generally what they need is equity share capital. That is not a form of financing that the banks generally wish to engage in. And they will struggle to give a loan to a company that has no history. So, finding ways to increase the pool of shareholders able to invest in the local economy, be it small or large business, is certainly a key area we would like to see developed. And rather than give some form of vague or ambiguous support to reforming or updating or modernising the 60/40 rule, the Opposition would like to make the changes quite clear and obvious to everyone in Bermuda, and still give the Minister the discretion to approve on a case-by-case basis.

But we believe that the 60 per cent of the 60/40 rule should be amended to include any resident capital. So, right now it is Bermudians, and the 40 per cent can be non-Bermudian. Whereas, we are suggesting that it be more of a resident/non-resident criteria. This goes towards not only expanding the ability

for wealth created in Bermuda to be invested in Bermuda, as opposed to only having access to, essentially, investment funds overseas and stock markets overseas, but it allows all of that money that is earned here by guest workers to be reinvested into the economy, especially in the form of capital for businesses.

I am unsure what the impetus or what the studies are behind the desire for Government to supply additional condominiums. And it seems to be along this same thread about wanting to get resident capital invested in Bermuda. But it is so restrictive in its nature by saying it is going to be condos, and only in Northeast Hamilton. I highly question the effectiveness of this measure.

So, again, I am struggling to see how that is going to happen. And it is not clear from here who is going to be doing the construction of these condos, whether it will simply be re-zoning so that condos can be built, or whether Government is actually planning on spending money to build the condos and then try to sell them after the fact, which would certainly be, again, I think counter to the position that Government is financially with spending on the condos, spending on the loans and all these kinds of . . . again, spending money we do not have.

We look at the fiscal performance and, again, pretty much everything seems to forecast based on last year's estimates, which I question how we are going to have a sensible conversation about the reality of projections when we have better information already. The Budget Book lists the revised estimates for 2018/19. Obviously we cannot have the actuals yet, because we are still in the fiscal year. But we have the revised estimate. So, when we hear that, *Oh, the Government is going to forecast so much revenue*, and that is 1.1 per cent less than the original estimates, that is not terribly helpful when we have 9 months of performance, 10 months of performance data in, and in fact we have revised estimates provided to us in this report.

Same thing, as I mentioned, with the retail sales earlier. We already know that December is going to be negative, because it is included in the National Economic Report. Why is that data not being shared with Bermuda?

The total operating expenses is spoken about as including 2 per cent increase awarded to "some" public officers. It does not say what that salary increase accounted to. So, again, it makes it quite difficult to ascertain. "Some" public officers, could have been 10 of them. And that could have been a \$50,000 increase. Or, it could have been all of them, which would have been a \$7 million or \$8 million increase. So, it is very hard to understand how much of that \$39 million in increased spend has actually gone to a well-deserved raise at this point. Or is it just being spent on other items?

My reckoning is that a 2.5 per cent increase across all of government would have amounted to

some \$9 million or \$10 million. So, when you look at the \$37 million, or so, in increased spending on wages and salaries, that is about a \$27 million increase on everything else, on all these new hires. So, again, when we are looking at where our tax money is going, we could have completely avoided the \$39 million in increased taxation for 2019/20 if we held the line of headcount and still gave the raise, if we held the line on two other items, for example, such as consultants and travel, which added another \$5 million between them.

Now, I know there was some argument in another place when the Opposition suggested that the Government needed to get on a plane and go fix the blacklist fiasco. And then the Government lamented being criticised for spending more on travel. Well, I note that the increased travel allocation of \$1.4 million was put in this book prior to being blacklisted. So I am not sure how that is justified at all. Either we were planning on it, or we were not. But we just put in an extra \$1.4 million travel for 2019/20 than we had in the actuals for 2017/18.

If we go through the infrastructure fund, it is not really mentioned anywhere. And I have not heard of any projects being announced since it was put in place. But I believe that there are management fees owed, whether or not any projects happen, as opposed to as a percentage of completed projects. So, I would be curious to know what the management fees were for this present fiscal year, and what projects. Maybe I missed it, but I do not believe there have been any projects. And I believe the management fees are going to wipe out any savings from the million dollars per year saved on the refinancing. So, I certainly would like to hear more about that.

The Sinking Fund is projected to be approximately \$2.14 million at the end of 2018/19. As we can see from the Budget Book there is \$180 million in notes due in the 2019/20 fiscal year. So that is going to leave the Sinking Fund pretty close to zero, some \$34 million. The \$7 million projected surplus for 2019/20 appears to not have to be put into the Sinking Fund according to the scheme at the bottom of A-1, although later in the Budget Statement, at page 21, it says that the projected surplus will be applied to the Sinking Fund. So I would like to know what it is, because the Statement and the Book of Estimates contradict [each other].

I would also like to know what is going to happen with the moderate surpluses projected over the next few years. I would like to note there is significantly less than \$65 million, which is what would have been the Sinking Fund contribution, had those targets been met.

Again, we get to page 20 and we see the original estimate for 2018/19 and the original estimate for 2019/20. And it shows a \$7 million projected surplus for 2019/20. I again question why the revised estimate is not used, because the revised estimate will show

that revenues are down some \$10 million, and expenditures up some \$4 million. So, the target was missed by \$14 million so far this year, and yet we are having celebratory press conferences celebrating a projected \$7 million surplus. So, the variance between the estimate and the revised estimate of 2018/19 already exceeds the projected surplus for the upcoming year. So, I am quite baffled as to how the Government can bang the drum with such confidence about having this historic projected surplus—only because the Sinking Fund contribution has been avoided—and this projected surplus is half the amount they are missing so far of the target this year.

Again, the realities of the numbers and the language used by the Government seem in complete dissidence to each other.

I look at the Net Debt of Sinking Fund graph on page 21, and I see that this Finance Minister has repeated the same partisan gains that his predecessors did in last year's budget. And the 2013 number there, which is actually 2012/13, which ended on 31 March 2013, was a budget set and delivered upon by the PLP for 9 of those 12 months—very little to be done about it by the in-coming Government in a December election. And yet, to distance themselves from the blame that they have to do with the creation of the debt, they painted that bar red. So I think that is of note of the otherwise . . .

On page 22 we speak about how our interest costs will go down in the upcoming year. And, yes, that is because we are going to be able to repay \$180 million of our outstanding debt.

Now, not enough people are aware, I think, that the way government debt works is different than a mortgage you pay at home. When you are paying your mortgage payment every month, part of that payment is put towards the principal and part towards interest. Now, it is kind of scaled so that at the beginning of your mortgage you are paying more on interest than principal, and as you go further down the line of the mortgage more is dedicated towards principal. But the way the government's debt is structured, is that the interest is paid only each year, and the notes are due on whatever the expiration is, in terms of 10 years or whatever.

Now, obviously, when we get to the end of the 10-year period or so, if it cannot be repaid, it will simply be refinanced. That is not something that we should expect is going to be difficult to do. But we are somewhat at the whim of the rate of interest at the time. So our yearly interest rate could change from one year to the other if global lending rates change.

The real challenge, Madam President, is if we are not seriously tackling the outstanding notes and paying them off with an aggressive timeline, the amount of money we pay each year to the interest on the debt will never significantly change. We are spending 10 per cent, 11 per cent of every dollar the government collects overseas to fund this interest.

Now, that is money, and it is not a small amount of money, it is over \$100 million. And it looks to be that for the foreseeable future, because there is nothing in this budget that looks to actively pay off the outstanding notes. So we will just be kicking the can down the road for someone else to deal with, for future generations of Bermudians to deal with.

The Minister here, and the spokesperson as well, before, seemed like this was something worthy of congratulations, that the interest costs were reduced by \$12 million a year, this year, because we are paying \$180 million. We are *only able* to pay that \$180 million because the Sinking Fund had been funded by prior administrations. This budget completely dismisses that historical savings discipline. And I can understand the negative carrying cost argument that is put in there, but it also ignores it for the next three years. And there is nothing stated for the years beyond that. So if this is going to be the new normal, and we are going to dedicate 0.8 per cent or 0.5 per cent of our outstanding liabilities toward paying off notes, the interest on debt will not go away for generations.

We will have generations of Bermudians having their taxpayer services being used less effectively towards the services that Bermudians want. Those services are crowded out by the interest on the debt, the interest on the debt that was created when Bermuda was not in a fragile place, when Bermuda's economy was growing year, on year, on year. The government was getting high single-digit to low double-digit raises every year for seven or eight years. And instead of putting that money away and saving, instead of reducing the cost of taxes on Bermudians, the spending increased just as heavily. And it was not just the operational spending, which we could have lived with, but the capital expenditure line item grew by a multiplier.

And that was during a time when our economy was hot. Construction projects were happening in the private sector. So Government came in spending a ton more money than it had historically and competed with the private sector for resources, made it so that the Bermudian workforce could not ever cover all of the projects, made it so that the cost of projects went up, because they are the big player in the room, spending \$150 million, \$200 million a year.

What a prudent Government would have done was save those surpluses for a rainy day, the rainy day that inevitably came in the 2008 to 2013 period when the economy was contracted. If Government had not been up to its neck in debt, those surpluses generated during times of great plenty could have been spent, could have been unleashed on the market. Jobs could have been created without having to go into debt, and without having to get public/private partnerships to fund it. There would have been a cash surplus that Government had that could have been used to finance projects, such as the hospital, such as

the airport, such as Heritage Wharf, or Berkeley. These monies could have been spent when the private sector was hungry for work, when people were struggling for jobs. Instead, it was spent on borrowed money in times of plenty, and it fought with private sector.

So, when Government tries to distance itself, as it has distanced itself with silly little colourings of the graph from its responsibility in this mess, we are left with the excuse of the Great Recession. But, Madam President, it was the decisions during the times of great plenty that caused Bermuda's "Great Recession" to be far worse than anything inherited from its overseas neighbours.

Again, we go back to the book. In the Budget Statement, it says on page 22, "In order to reduce the deficit, and provide for much-needed services, the Government considers it appropriate to strategically increase our [revenues]." I struggle, Madam President, to understand what exactly is strategic about simply increasing the existing tax code. I really do. We have had a number of reports about reforming our tax code, about fairer management of our tax code. But none of it has been heeded. The few items that were included in the Pre-Budget Report were all rolled back, seemingly days before the Budget Statement was released.

So, I struggle to understand what the strategy was with increasing our revenue. It seems there is a hole and it needs to be filled. And the easiest possible way to do it was implemented without much consideration for the knock-on effects.

And again, I am going to quote from the Budget Statement. I know the spokesperson for Finance across from me gave us an abbreviated version of the Budget Statement, and I appreciate that. But this was one of the sections that I noticed he did leave out, but he did mention the paragraph immediately prior.

It says, "Honourable Members will note that this increase is less than the \$50.0 million in revenue increases proposed in the Pre-Budget Report." Now, I have already mentioned that it is actually [\$]39 [million] so that sounds better than it actually is.

But it says, "The Government has evaluated the risks facing the island, in particular the potential EU action to list Bermuda as a 'non-cooperative' tax jurisdiction under the EU Code of Conduct Group. Accordingly the Government has decided that now is not the time to extract an additional \$50.0 [million] from the economy in taxes."

So, at least there is a bit of recognition that increased taxes will hurt, will slow the local economy. Now, the hypocrisy of the doublespeak is what is really frustrating to me, when I see that [\$]39 [million] is being put in anyway, when I hear that the rental tax is being rolled back, but land tax is going up, which is based on what, Madam President? The annual rental

value. So, it is no different than a rental tax, except it is somewhat worse.

Like I said, this budget extends the status quo, but worsens it. A rental tax at least had carveouts considered for people living in their own home. The land tax does not. The land tax also . . . and, again, the spokesperson across from me mentioned that certain rates were going down to zero. What he failed to mention was that a flat fee of \$300 was going in instead. So now someone at the lowest band of land tax that was paying 0.8 per cent per year, or \$88, is now going to pay \$300. So it is all good and well to say, *Don't worry, we're reducing the rate on those that can least afford it in our country; but we are not going to tell you that we are hitting you with a flat fee that is 340 per cent higher.*

At band two, the same thing happens. So, we have these examples of, *We are telling you we are doing something good for you, but don't do the math; don't check our work; don't look to what we are actually doing, because it is worse.*

If we look at the financial services tax, we are saying, *Oh, we are going to make the insurers bear it.* I do not know if they are being too cute, or too naïve, Madam President. But obviously, by telling the insurers they need to carry that cost, it simply becomes another cost of business and it will be passed on through increased premiums. What Government wanted was to remove that line from your bill, Madam President, with your premium that said, *financial services tax of X, this is how much you have to pay to the government.* They want it hidden simply in the premium line and try to score some political points by saying, *We are going to force the big, bad insurers to bear that cost.* Please! That will simply be passed on just as the increases in commercial land tax will, just as the increases in the land tax if you are renting an apartment will. All of these taxes drive up the cost of business.

And this is where Government says they are going to tackle the cost of business, but does not do anything to bring down their own expenditure which needs to be funded by more taxes. They are doing the exact opposite, Madam President. Taxes are a key element to the cost of living.

We look at the economic incentives programme, where it was simply a rehashing of existing policies. We are only seeing payroll tax incentives both in retail and in IB for the largest of employers in our economy. There is nothing in there for the small man.

We look at customs duty, and the sugar tax is going from 50 per cent to 75 per cent, and it is being applied to more items. I cannot find anything in the Budget Book, and I hope an Honourable Member from the other side will elucidate on this fact. I see nothing in there, with all the promises of where that money is going to be spent to subsidise relief for healthy goods and labelling and all that stuff. I do not see those ex-

pense lines in the budget, I do not see them in the grants and contributions, but I do see that the tax is going up yet again.

And, like most taxes, and this was highlighted in the House when it was debated as well, the aspirational goal behind the tax and the actual impacts of ill-thought-out policy can have a chasm in between them. Talk, for example, about the sugar tax. If you go to a coffee shop, sugar in Bermuda is not charged by the packet. It is a bundled cost in the coffee. It is similar to the financial services tax; it simply a cost of business that is built into the pricing of the product.

Now, Madam President, I drink my coffee black. My coffee went up because of the sugar tax. And it did absolutely nothing to curb the gentleman sitting next to me from putting five packets of sugar in his coffee. Why? Because the cost of that increased sugar is not borne by the consumers that consume the most.

If you look at local producers of cookies and baked-sale goods and that kind of thing, they have to buy their sugar from the wholesalers or from the supermarket. They generally do not import their own sugar. So, whatever *ad hoc* last minute carveout reliefs were included whilst this Bill was on the floor of the House, when these obvious logistical omissions were highlighted, the cures that were created on the fly have little recognition of the logistics of shipping, the logistics of the customs declaration, the logistics of how these carveouts would actually be passed on to small business.

We have seen businesses close because they cannot compete, when we have processed goods from overseas not getting hit with the tax, but raw sugar going into production in Bermuda was being hit with the tax. Now, the fact that it is going to broaden in scope next year, I assume will hit everything with sugar in it, be it processed or otherwise. But the damage from ill-thought-out policy was already seen in the one year that it was in place, Madam President.

We spoke about the financial service tax already. The foreign currency purchase tax is something that is only going to affect people who earn . . . well, not only, it will hit other people too, but mainly it will hit people who earn in Bermuda dollars, which are generally Bermudians working in the local economy. Their purchasing power is being directly diminished because of this increase. People that earn in US dollars are not affected by it. That is generally guest workers in international business. So this tax right here to raise a paltry \$4.1 million is somehow being tweaked. And I fail to understand the logic behind it.

It is also going to affect the retail sector that we are giving concessions to two pages prior that has to import everything from overseas providers. So, I really do not understand the logic behind this. We are talking about evolving our tax code, but what we are getting, Madam President, is the status quo—but worse.

Residential and commercial taxes. The increase . . . again, as I said with some of the double-speak here, we say we are not going to do the rental tax, but we are going to increase the land tax. It is a rose by another name—except, unfortunately, it is not a rose, Madam President.

The land tax, when we are playing with commercial land tax, again, for short periods of time, it makes it very difficult for pricing to react on such a short-term scale; it makes contracts difficult to react. So, again, this is just going to hit struggling businesses without much recourse to pass on those costs, which would not help with the cost of living anyway in Bermuda. So, again, the Government should be focusing more on controlling its own spending as opposed to simply taxing a fragile economy where people are struggling to get by and businesses are struggling to survive.

Stimuli? What is the Government going to do to bring new business here? What projects are on the horizon? How are we going to increase our working population? This needs to be the focus, and controlling Government spending.

We have spoken about the land tax. I noticed in this year's Budget Book that the actuals, or the revised estimates for revenue from transfers of land, have gone down. But this upcoming year does not seem to reflect that, despite the fact that land tax is being increased at the higher end. So, there seems to be some dissidence there between where they are looking to get money from and what they are projecting as revenue in the upcoming year.

We are increasing some temporary staff in the OTC [Office of Tax Commissioner] to collect tax. I think that is an excellent idea. When we look at forcing everyone over a certain threshold to pay their payroll tax via wire transfer, and not by credit card, I can support that. But I think that that same threshold should be applied to all government fees. So we say up to a certain quantum of government fee, small businesses and individuals can pay with a credit card. If people do not have the cash right now, but they need to meet government deadlines and do not want to be levied a fine, they should be allowed to pay that tax with a credit card.

There are certain items you do not know the price until you show up and actually find out what services you are getting. Those things you should be allowed to pay with credit card without getting a chargeback from Government, and you having to bear that cost.

No other business in Bermuda is allowed to do that. It is illegal, according to all the credit card agreement fees, but yet, Government wants to put those chargebacks on the credit card holders for government fees. It would be much more sensible, Madam President, if there were a threshold agreed, above which a wire or a cheque needed to be done, but be-

low which a credit card without chargeback is an allowed method.

At the end of the day, if people are paying their fees, that reduces the administrative collection burden.

On a similar note with the low end of the land tax; the Minister suggested that the \$300 was needed because it cost him more to collect it than it does the actual amount of the tax. If that is the case, Madam President, instead of increasing the burden on those that can least afford it, why not simply increase our staffing levels by less and waive the tax? There has got to be a happy medium here between the desire to have a constantly growing government and actually having an efficient collection of revenue and delivery of services.

**The President:** Senator Kempe, you have three minutes left.

**Sen. Nicholas Kempe:** Wonderful, Madam President. Luckily we have a few of these heads in the upcoming week.

There is a lot of talk about efficiency across this Statement, but yet, we are not seeing the savings being passed on to the taxpayer. The Efficiency Committee's report, according to the news, was submitted to the Minister back in September. Why has this report not been made public, as the SAGE Committee [report] was? Why are these efficiency items not being subject to prioritisation by the public in the same fashion as the taxes seem to have been?

The taxes were raised anyway, not because of public feedback on a constructive basis, but because of public feedback on a basis of how much they dislike certain taxes. So again, the savings and the prioritisation of the Efficiency Committee's report, if it were open to the light of public scrutiny and feedback, we might have some better feedback.

Now, Madam President, I have hit the Ministry Highlights, which I will leave for the heads debate, and I will stop talking. Thank you.

**The President:** Thank you, Senator Kempe.

Would any other Senator care to speak?  
Senator Jardine.

**Sen. James S. Jardine:** Thank you, Madam President. I will try to scoot through in my 45 minutes.

**The President:** Yes. You have 45 minutes.

#### **GENERAL ECONOMIC DEBATE BASED ON GOVERNMENT'S 2019/20 BUDGET STATEMENT AND OPPOSITION REPLY THERETO**

**Sen. James S. Jardine:** Madam President, over the last few months, Bermuda has had to plan for and deal with a number of very critical matters, which have in-



cluded such things as the preparation of the CFATF review, which was a very gruelling undertaking, and took up an immense amount of Government's time to prepare for and participate in.

There has also been the very short-notice legislation for economic substance, which, again, the Government has had to deal with at the same time it was dealing with the CFATF review in Bermuda. In addition to that, we have also had to respond to the request, or requirements by the UK Government for creating a beneficial ownership register. And those are just three of the very critical time consuming, people consuming, matters that the Government has had to deal with in addition to all the other things. And I do not think we should forget those three critical issues. And the effect of some of them, for example the Economic Substance Act I'll talk about later on, because they are very key and important issues.

Madam President, much has already been said about the economic situation that Bermuda finds itself in, and, briefly, my own view is that we have a mixed bag of economic statistics. We saw GDP grow by 2.5 per cent in 2017, but for the first three quarters of 2018 there has been zero growth when compared to the same period last year. And the projections, as I understand it, are that they will be flat for 2018. Mind you, the 2017 growth was due, in large part, to the America's Cup, and that was stated in the statistics from the Department of Statistics.

Retail sales, as we know, for the last 10 months of 2018 up to December, are down over the previous period last year. And one can argue that some of that is due to the effects of the America's Cup in 2017, which did not repeat itself in 2018. So I think one does need to be very careful about drawing conclusions when one does not realise what went on in the previous period. Certainly, the major decreases are the most important. Severe decreases have occurred in the apparels industry in 2018, and I know that they are suffering greatly. There is no question about that.

Bermuda's tourism sector continues to show outstanding results. And for 2018 we are seeing visitor arrivals up by almost 11 per cent, when compared to the previous period, which is surprising when you think that we had the America's Cup that gave us a great big boost, but that increase is now being even surpassed in 2018. And I think that shows the value of the America's Cup. It has given us a springboard for increases in tourism moving forward. So that is a positive thing.

According to the preliminary data from the 2018 Employment Survey, the number of filled jobs in Bermuda grew by 144 in 2018, which is a good sign. And this is the third consecutive year we have seen job growth. It is a total of about 454 new jobs over that three-year period. Not a huge increase, but, again, nothing to be sneezed at.

Madam President, if you consider that we have 40,201 filled jobs back in 2008, which was the highest number of filled jobs we have ever had, and you consider where we are now, we have still lost over 6,400 jobs. Half, or 55 per cent, of those losses were Bermudian losses. So we have lost a significant amount of jobs, even considering the increases that we have seen over the last three years. And I did a rough calculation based on the number of job losses, and that works out to something like a loss of payroll tax revenue somewhere between \$54 million and \$65 million a year, which is a substantial number. And if you add to that all the contributions to our health insurance schemes and pension schemes and so on, you can see that that job loss must have a significant effect on our economy.

In summary, Madam President, my own view is that despite some encouraging signs, Bermuda is basically treading water from an economic point of view. We are seeing positive signs in some areas, negative signs in other areas. So, my own view is that we are simply treading water at this particular point in time.

Madam President, I want to first address the issue of the Sinking Fund payments. Looking back over the last number of years, and I have 17 years of budgets tracked, only one time in the past (back in 2010) has the Government ever not paid money into the Sinking Fund. And generally, when I look at the results, I always talk about overall deficit positions. I refer to that, having taken into account payments into the Sinking Fund, because consistently over that 17-year period, except for one year, we have always paid into the Sinking Fund. And additionally, the Fiscal Responsibility Panel in its 2017 report did the same thing. They actually made reference to that fact. They called it the Government's method of establishing an overall deficit.

So, Madam President, had the Government not dispensed with the Sinking Fund payment in 2020, the Budget Statement would have shown a completely different picture with overall deficits trailing past 2022 and 2023. However, I accept the Minister's argument. What is the sense in borrowing money and paying interest on that sum at a higher rate than you are able to earn by putting that money on deposit somewhere? So I accept the Minister's argument for that. And to my mind it makes perfect sense. At the same time, we should not dismiss the discipline of putting money in our Sinking Fund going forward when we have the ability to do so without borrowing money.

So, I just want to put that to bed. I really believe that the Minister's approach to this made absolute sense.

It is also important I think, Madam President, to focus on slippage. And the Fiscal Responsibility Panel talked about this in 2017, and again in 2018. And I just sort of ran the numbers. If you project surpluses from last year's projections, they projected

surpluses for 2020 and 2021, before Sinking Fund repayments (I am trying to compare apples with apples here). There was a surplus projected of \$35.8 million for 2020, and a surplus of \$92.8 million for 2021. If you compare that to the numbers that are in the Budget Book for this year, you can see that there is a slippage of somewhere in the region of about \$92 million from what they were projecting last year to what is being projected this year. And certainly, my own concern is, and certainly shared by the Fiscal Responsibility Panel, that these slippages from what the original projections have been, or were, is not a good thing.

Now, there are sufficient funds in the Sinking Fund to repay the senior notes of \$180 million due next year. However, in fiscal 2023, that is three years from the end of this next year, there are debt repayments totalling \$615 million, with an additional \$600 million due in the following year. That is a total of \$1.5 billion of debt notes repayment to be repaid by March 31<sup>st</sup> 2024.

By my calculations, and, again, I have run the numbers, based on taking 75 per cent of the projected surpluses that appear in the Budget Book for the next X number of years, there will be a significant shortfall of some \$430 million in 2023, and a further shortfall of \$650 million in 2024, to pay off those particular debts. So, the Government is going to have to go and refinance those debts. And, of course, unless a miracle occurs, and maybe we can all hope that happens, interest rates at that time, we do not know what they will be, possibly higher, possibly the same, possibly lower. But there is no question that in 2023 and 2024 we are going to have to refinance two very large debt payments that come due.

So, Madam President, I say all of this to drive home the absolute necessity for the Government to start producing significant surpluses. The amounts projected for 2021 and 2022, in my view, as they say just won't cut the mustard. If we are going to really start to meet our debt obligations as they come due, we have to start to see meaningful surpluses.

And I am reminded by comments from the Fiscal Responsibility Panel in their 2018 Report, and Madam President, if you will let me just quote from that. They said the following:

**The President:** You may.

**Sen. James S. Jardine:** "Experience suggests that financial crises, and the loss of access to external financing, can hit with very little warning, precipitated by domestic economic or political developments or, if a country has pre-existing vulnerabilities . . . Rating agency reports are lagging indicators, moving behind rather than ahead of debt markets, and positive reports and the success of the recent Government bond issue are therefore no guarantee" (and I think this is key) "are therefore no guarantee of continued market

access in the future. Even after the recent financing operation, the Government will need to return to the market at some point, most likely by 2023."

So they see exactly the same thing that I see going forward.

And further, Madam President, if I can read one other paragraph from their report, "the burden of deficit reduction in the immediate future must largely fall on the revenue side."

So they recognise exactly the same thing as the current Government does. They recognise that in the immediate future they must fall on the revenue side. This is appropriate, indeed. And in our 2015 Report we suggested that we suggested it would be appropriate for the Government to aim to increase the revenue to GDP ratio from approximately 16.0 per cent to 18.5 per cent, and then in the long term to 22.0 per cent to 23.0 per cent. Madam President, I have run the calculations. They were running at about 17.5 per cent; so we have a way to go.

So, if we look at the budget this year, one of the things we should bear in mind is what I would call our combined debt and contingent liability position at March 31<sup>st</sup> 2019. And it is about \$6.4 billion. Now, everybody can argue over the numbers, depending on which actuarial report or suggestion you take into account. But it is about \$6.4 billion. And it consists of the following: \$2.46 billion of net consolidated fund debt; approximately \$650 million of contingent liabilities and other related party guarantees; an additional \$1.5 million of unfunded pension, health and other retirement liabilities; and an unfunded amount for the social insurance pension scheme, which is about \$1.8 billion.

Now, again, there is no requirement for the Government to pay on the social insurance. But, certainly, as monies come due they will probably have to find that money from the consolidated fund. So there is no question, Madam President, that the Minister has a very difficult task. And I guess you can say that for the Finance Ministers over the last 10 years. The difficult task is how to balance the budget, how to reduce the country's overall health liability, while, at the same time, providing the impetus and environment in which jobs can grow. It is a pretty tough order. It is not an easy job, no matter who you are.

Now, Madam President, some have scoffed at what I would call the paltry surplus amount before any Sinking Fund payment that the Minister has arrived at for this year's budget. Some argue that the Minister avoided what would have been a deficit of over \$59 million by next year, simply by cancelling the payment on any amount of the Sinking Fund. But, in fairness, Madam President, we are, for the first time in 17 years, showing a small surplus, before any Sinking Fund payment. Now, it is small. And, certainly, when you look over the experience of the last 17 years, which I have calculated . . . sorry, over the last 12 years, there has been a net unfavourable amount of about \$360 million, when you compare what the origi-

nal budgets were to what the revised budgets are in each of those years in that time. That is a \$306 billion slippage from what was originally established to what ended up being the case, and that is an unfavourable variance.

So one can extrapolate from this that there is going to be at least a 15 per cent unfavourable variance in the budget that has been struck this year; the small surplus. But, Madam President, in one year alone there was an 84 per cent slippage, or worsening picture, of some \$110 million. So, it is a guess as to what the ultimate year is going to be. There is no question about that.

But, Madam President, I would suggest, and I have said this before on a number of occasions, that the Public Accounts Committee needs to be far more diligent in their review of the consolidated fund on a regular basis to ensure that the budgets that are set are being properly reviewed on a regular basis, whether that's monthly or quarterly, and compared to the actual results; and that there is some controlled exercise over budgets when they see expenditures are getting close to, or, indeed, exceeding, those amounts that have been budgeted. And the same can apply if we see revenue is missing target. Then there needs to be some adjustment of the actual expenditures as well. It is not simply a case of waiting until the end of the year comes and saying, *Whoops; we missed it by \$100 million*. There needs to be a far more diligent review of the results as we go along.

Madam President, one of the things that we all look about is, *Well, how can we deal with all of this? What things can we do to see our economy improve?* And in my opinion there are really three things. One is a re-evaluation of the decision not to impose certain of the new taxes suggested by the Tax Reform Commission, such as the general services tax, and the withholding tax from managed services. There is no question that the Minister has taken a prudent approach this year by not seeking to bring in those taxes because of the impact that they will have on our businesses.

The second thing is consideration of further meaningful changes to our existing immigration laws and other measures to encourage job creators to come to Bermuda. And I will talk a bit more about that later on. And reducing, by means of process efficiencies and other strategies, the cost associated with running this government and, indeed, the quangos. You have all heard me go on about the quangos in years gone by, and I continue to beat that drum.

So, Madam President, just looking at the revenue side: While the Government in its budget, and we heard again from Senator Kempe . . . in their Budget Book Government tends to compare the original budget with the budget for this year. That might be interesting from a historic perspective, but I am more concerned about the actual results for last year and the budget for this year. And I compare the two so I

can see what's happening. Yes, budgets from the previous year may be interesting, the originals, but the actuals are far more useful, as far as I am concerned, in comparing where we are going.

Now, Madam President, we have heard today we can say that the Government is looking to raise an extra \$39.2 million in revenue from seven major areas. Now, no one likes to pay more taxes. I know I don't. Particularly as I get older, it gets more difficult to pay those taxes. But, frankly, in the short and medium term, the Minister has fewer options available to him. And even in trying to estimate the taxes to be raised in certain areas, he has the spectre of the Economic Substance Act and regulations hanging over his head. So when it comes to trying to guess what revenue you are going to generate from international business which is already here, we do not know what impact the Economic Substance Act will have on this industry. Some of them may stay and grow, some of them may leave. So it is difficult, again, for the Minister to project some of those revenues because of the uncertainties there.

Madam President, I do not have a lot of time to speak on areas I could speak at length about, so I will skip very quickly through some of them in the area of payroll tax.

I was pleased to see some relief for businesses with payrolls above \$500,000. That is something, again, that does not help the small businessman who is going to have to pay increased cost, and will continue to feel the pain that they have in the past.

Land tax. Now, we have heard much already today from Senator Kempe on this question of land tax, whether it is commercial land tax or residential land tax. And again, one could say it is smoke and mirrors because they are deriving revenue from the same source, and that is the ARV, the value of the land, whether it is commercial or residential. And, certainly, for the commercial properties, they have had a hard run of it. Their rate went from 7.0 per cent to 12.0 per cent last year. In the Pre-Budget Report they were going to drop it back down to 8.0 per cent, and then they were going to charge them a 5.0 per cent rental tax. Now, it has gone back up from 7.0 per cent to 9.5 per cent.

I have had some businesses say they don't even know where they are going. Now, they have a clear picture; they are going back up to 9.5 per cent. It is a significant cost for businesses to absorb. Unfortunately, as I said before, the Minister has few sources, has few places to go for revenue. And it is unfortunate, but the commercial businesses in Bermuda are going to have to bear a significant portion of that pain.

In the case of land tax for residential properties, it has increased by varying amounts based on the property's ARV. For example, for a person with an ARV of \$11,000, they will see their land tax increase by \$212 per year, or some 240 per cent. Certainly, they were paying \$88 in the past; they are now going

to have to pay a basic amount of \$300. Madam President, when you look at \$88 a year for garbage collection, police services and all the other services, which this tax is contributing towards, it just seems to me that paying an extra \$18 per month does not sound like a lot of money. Now, it is to some people. But to pay a basic fee of \$300 a year for all of those services—garbage collection, police services, and so on—does not seem unreasonable.

So, while it is a huge percentage for people to bear, when you think about what you are getting for those services, it does not seem unreasonable. Now, obviously, the people at the top end of the ARV schedule, for example, over \$120,000 a year, will be paying an extra \$3,800 a year in taxes. So, they are going after those in the higher ARV bands. There is no question about that.

Other taxes. There have been many increases in other taxes, such as foreign currency purchase tax, financial services tax, customs duty and so on. All of those taxes are inflationary. There is no question about it. Again, as I have said before, the Minister had few places to go to realise revenue. And, at the moment, he needs extra revenue.

Madam President, I would like to move on to expenditures, if I could.

**The President:** Certainly, you may.

**Sen. James S. Jardine:** Madam President, I was disappointed not to see more reduction in current account expenditures for 2020. The lowest year for total current account expenditures since 2008, was in 2018, when they fell to \$893 million. And that is in the Budget Statement. Since then, they have increased back up to \$930 million for 2020, even though this is approximately \$2 million less than the current account expenditure for 2019. So, next year's budget expenditures in the current account expenditures are about \$2 million less than the revised actuals for 2019.

But, Madam President, we should also remember that there has been an attrition of expenditures in recent years as a result of the following: the transfer of tourism to the new BTA in 2015; the transfer of airport operations to Aecon in 2018; the transfer of civil aviation to a new quango in 2017; and the transfer of the Maritime Authority to a new quango in 2017. Now, it is difficult to be precise, Madam President, but I have tracked these changes because in debates in the past we have talked about them. And it appears to me that there is somewhere around \$20 million in expenditures which have simply left the consolidated fund and gone to various quangos. So, now you see it, now you don't see it, because it has moved off of balance sheets, or it is removed off the financial statements of the consolidated fund into financial statements of the quangos. So you need to keep that perspective in mind, because some of those cost re-

ductions over the last four or five years have simply been a transfer of cost to an outside operation.

Salaries, wages and employee benefits. Current account shows \$20 million increase in salaries and wages. That is a 4 per cent increase. While I expected to see some increases as a result of necessary staff increases in the Office of the Tax Commissioner and the Registrar of Companies, this level of increase seems high. For example, we are seeing 111 more people filling positions in the Public Works Department. Why is that? I suspect this significant increase is because there were significant numbers of vacant but funded positions which were never filled in 2019, but which the Government intends to fill in 2020.

Still, I think there needs to be a very careful analysis and control over the filling of all vacant positions going forward. Fill only those positions that are absolutely necessary to be filled, rather than simply filling them because they are actually funded. And I think that is something that needs to be taken into consideration very carefully.

There were also the salary increases on 1 April 2017, of 2.5 per cent, and again 1 April 2018, of a further 2.0 per cent, and all those are contributing to a steady climb in salaries and wages since fiscal 2017. All other expenses, which total \$439 million for 2020, are down by \$21 million over the actual estimated expenses for 2019, principally in the areas of grants and contributions. And that is mainly in the hospital subsidy. There were also some decreases in professional services. However, there were increases in a couple of areas that I want to focus on. One is materials and supplies of \$1.6 million, energy of \$2.8 [million] and transport and travel at \$2.6 [million]. So, while these decreases in other expenses are welcomed, the increases in some of these other areas are particularly concerning.

In particular, I should like to focus on materials and supplies as they are budgeted to reach \$23.4 million in 2020. This is an area that I believe Government need to focus on very carefully and with much detail to make sure that we are buying things in the most efficient manner and that we are not buying too much inventory as well, which is about \$13.5 million on the balance sheet.

There are also the recommendations in the SAGE report on pages 119 to 136 with respect to employees' lump-sum pension retirement, the pension fund, the pension fund for Ministers and ourselves. All of these things were contained in some very detailed recommendations in the SAGE report, many of which have not been acted on, and, if they were acted on, would result in significant reductions in cost, and I am talking cash flow on an annual basis, millions of dollars. Just look on pages 119 to 136 of the SAGE report.

So, Madam President, my own view is that there are still expenses within the current account expenditures which could be reduced.

Madam President, we have heard about the reduction of, or the refinancing of some of our long-term debt. And the Minister is to be commended for doing that. Certainly that was a tactic that was used by the previous Government. And I will talk about the refinancing due later on.

Capital expenditures. There is no question that there is a lot that needs to be done with respect to infrastructure. I am disappointed to see it has climbed back up to almost \$65 million. If you look at last year's Budget Book you will see that they had projected \$60 million for each of the next couple of years, and it has now crept up to \$65 [million]. I would prefer to see us keeping that at around \$60 [million] and, again, use that additional revenue to perhaps be paid into the Sinking Fund to help put money aside for the debts which we are facing going forward.

Now, growing government revenue and generating more jobs, we know that projects, like the St. Regis Hotel, the Hamilton Princess, and the new airport have all generated significant numbers of new jobs. Not just during the construction phase, but after they are finished there will be new jobs for Bermuda. And so, we should recognise the good work done by those projects, and also the America's Cup which helped to generate jobs in Bermuda, and it certainly helped our GDP in 2017.

Additionally, my own view is that the current Government's initiatives in the past year to establish Bermuda as a domicile for technology companies has begun to pay off, with the incorporation of 66 FinTech companies as of the end of February. And now that a New York bank is prepared to service some of these companies we hope to see further developments.

Madam President, I want to pause here for a minute and just say that so often we criticise initiatives for the sake of criticising them. But I think we need to be prepared to give initiatives a chance to take root. And my own view on all of this sort of thing is that we expect to see instant results. Government is working hard on the FinTech initiative. I am aware of some of the bad publicity surrounding certain FinTech operations around the world. We have the BMA, we have the Registrar of Companies, and we have our own financial and legal institutions who all have very stringent AML/ATF regulations and laws which they may follow. So I think we should not be too quick to condemn initiatives just because of some of the bad press that some of these companies have had in other parts of the world. We need to give some of these initiatives a chance to work.

I recognise that Bermuda has a good reputation and we need to be careful about what we do. But we need to allow some of these initiatives to work. So, Madam President, my own point of view I think it is too early to be condemning initiatives which we have not

given a sufficient chance to work. In fact, I called a very good friend of mine in the Cayman Islands who has been there for many years. And he tells me that in the Cayman Islands they are beginning to see a lot of growth in the FinTech industry. And it is something that they have been working on for a while. So, why can't we be successful ourselves? I really do not think we should be condemning things without giving them a chance.

Madam President, one other thing I wanted to say before I continue, and I see I am fast running out of time, was a statement made by the Minister of Finance in last year's Budget Statement. I would just like to quote it again, because I think it is a very important thing we should all focus on.

If you will allow me just to read from that again.

**The President:** Yes, continue.

**Sen. James S. Jardine:** He said, "[W]e must remember that the world in 2018 is not the same as in 1978. We cannot build walls around Bermuda to keep money here; similarly, we cannot reject international investment and expect an island with few natural resources to grow and prosper.

"Mr. Speaker, foreign investment is not the enemy; it is required to sustain our economy and our way of life!

"[W]e cannot afford to stand still while other countries modernise to compete in the new global economy. . . . We must grow, and the only path to growth is via increased investment inside of the Bermuda economy."

And that statement has stayed with me over the last couple of years. And when I looked at this year's Budget Statement, I saw at least a couple of parts of that coming true. And the first is the revision to the 60/40 rule.

And, again, we heard from Senator Kempe this morning his comments about the 60/40 rule, which I agree with. And they seem to be spelled out on page 17 of the Budget Book and that is the Government is going to be publishing guidelines for the grant of these exemptions under the 60/40 rule, and I would like to see, again, more exemptions for that and more investment in Bermuda as we go forward.

On the reducing of interest rates, again, Madam President, we see in the Budget [Statement], and if I can just quote from that—

**The President:** You may.

**Sen. James S. Jardine:** —and they say, on pages 12 and 13, "The Government wishes to pilot a mortgage guarantee programming" (working with the private sector banks) "in return for a reduction in interest rates charged to Bermudians for their mortgages." Have "Government . . . create a government-backed mort-

gage lender to relieve pressure on public sector employees . . .” and “eliminate stamp duty . . .”

Madam President, we have no detailed information as yet as to how this is all going to work. So my comments on this are somewhat preliminary, because we really don't know. But I would very concerned if the Government were to use the government's consolidated fund assets, or indeed those of a quangos, as security for backing any private community mortgages. With a current debt position of \$2.9 million, and all the other liabilities and unfunded pension plans that we have, it just does not seem to be a good move to me.

I also find it unfair that the public sector would be granted reduced mortgage rates while the private sector, who has suffered much in terms of the loss of jobs, wage decreases, taxes on dividends, increased land taxes, both residential and commercial, should be excluded. I cannot support the singling out of the public sector for special treatment, especially since some of the public sector has had pay increases of 2.5 per cent and 2.0 per cent in the last two years.

I agree that interest rates and other bank charges need to be dealt with. They are far too high and, certainly, there are a lot of young people who are finding it almost impossible to buy, if not impossible to buy any properties for themselves. Perhaps the BMA could play a role in setting interest rates, Madam President.

Immigration reform. Much has been said about immigration reform. And we have been waiting anxiously for the report from the Commission. And I would certainly like to see that report myself as soon as possible. I reiterate the comments from the Fiscal Responsibility Panel in their [2018] report, when they said, Madam President, if I may quote it.

**The President:** Yes, you may.

**Sen. James S. Jardine:** “It will be critical to success to adopt an immigration policy and welcoming attitude that encourages qualified and skilled people of working age (including returning Bermudians) to come to the island, whether as employees or to establish new businesses, and to stay.”

And further, on page 29 of their report, “And this fiscal action needs to be complemented with policies to reinvigorate economic growth, including through a decisive change in immigration administrative practices and policies.”

And again, in the Tax Reform Commission's report on page 13, the Commission says this, Madam President, if I may quote.

**The President:** Absolutely.

**Sen. James S. Jardine:** “The Commission is unequivocal in its view that a working alignment between tax, growth and immigration policies is required . . .”

Madam President, I am aware of all of the provisions in section 5 of the Economic Development Act 1968, and also the Immigration and Protection Act which provide for the granting of status of certain job creators in Bermuda, as well as PRC status for certain executives and their children. Also, the new business work permit policy, as well as certain payroll tax exemptions. They are all useful incentives to attracting people to Bermuda. But the question is, Is that enough? Is that enough to truly attract people to Bermuda to form new businesses? Why are companies choosing to go to jurisdictions other than Bermuda?

Is it because of our immigration laws and practices? Is it because we are too expensive? What are the reasons why they are not coming here?

We need to identify those clear reasons and then address them and have a clear path forward to try to attract them here. If we cannot increase our working population to a much higher level than it is now, then we will continue to have no choice but to raise taxes from those who are here and are working, or, indeed, as I would like to see, reduce the cost of running our government.

The Economic Substance Act and opportunities. Madam President, I have talked about that. There has been some chatter about the benefits we could see from that. And, Madam President, again, talking to a friend of mine in the Cayman Islands, Cayman is beginning to see . . . they have seen now a number of companies that are bringing people in to build economic substance to meet the requirements of the Economic Substance Act in the Cayman Islands. There is no reason why we can't be doing exactly the same thing.

Making government more efficient. Madam President, on page 16 of the Budget [Statement], the Minister talks about the need to make the government more efficient. Certainly, the SAGE Commission report has made a lot of suggestions in that area. I have also had the pleasure, Madam President, to serve on the Efficiency Committee since its inception by the Premier over a year ago (a year ago this month, in fact). We have had over 30 meetings. We have produced four lengthy reports, and put forward over 64 specific recommendations, some of which, you heard earlier on, have been implemented already. In fact, one of those recommendations so far has generated over \$6 million in additional stamp revenue from property transactions.

I have been impressed by the candour of some of the people with whom we have met from various government departments and, in many cases, their desire to find more efficient ways in which to perform their work. Indeed, they have also offered many useful suggestions.

So, in conclusion, Madam President (I have about three minutes, so I am just about there)—

**The President:** We can go until 12:30.

**Sen. James S. Jardine:** I can?

**The President:** You can, yes.

**Sen. James S. Jardine:** Well, I have a couple of minutes.

In conclusion, Madam President, this appears to be what I would call a “wait-and-see” or a “treading-water” budget. In other words, let’s make minimal tax increases, except for those that proceed to be able to perhaps pay for those taxes, and see what is happening this year with respect to the creation of more jobs. If little changes over the next year then the Minister is going to have to put forward a much more significant increase in taxes and/or cut some expenditure next year. Small surpluses, in my opinion, will simply not cut the mustard. We need to have more substantial surpluses if we are going to meet the debt repayments that are coming due.

And finally, Madam President, as I have said on several occasions in past budget debates, what I would really like to see, and I know the Auditor General has talked about this; I would like to see combined financial statements which include not only the consolidated fund, but all of the various quangos that are out there. Because those quangos are increasing in number year by year, they have significant assets, and they also have significant liabilities. And it would be extremely useful for us in the legislature and for the public at large to have those combined financial statements so we can see what the true picture is on an Island-wide basis.

Madam President, I say this is a difficult budget for many to accept. There is no question. Certainly those in the residential area are going to be paying more land taxes, those in the commercial area are paying more land taxes; we are going to see costs increasing with all of the other areas where government has increased taxes. But until one of two things happens, we either decrease significantly the cost of running our government and/or we are able to generate more revenue by bringing more people to this Island who will provide the necessary tax base to cover what we need to do in Bermuda, the Minister is going to have no alternative but to increase taxes. We simply cannot return to a situation where we have current account deficits on an annual basis.

So, with those words, Madam President, I will finish. Thank you very much.

**The President:** Thank you. Senator Jardine.

And, with that, Senators, we will break for lunch and we will return at 2:00 pm. Thank you.

**Proceeding suspended at 12:30 pm**

**Proceedings resumed at 2:00 pm**

*[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]*

### **GENERAL ECONOMIC DEBATE BASED ON GOVERNMENT’S 2019/20 BUDGET STATEMENT AND OPPOSITION REPLY THERETO**

*[Continuation thereof]*

**The President:** Senators, it is now two o’clock, and I would like to call the Senate to order.

For the general public, we are now in the General Economic Debate, and I would just like to ask if any Senator would like to speak.

Just to say that Senators will continue to have 45 minutes until five hours of debate has occurred. After that, it will be half an hour. So is there any Senator who would like speak?

Senator Michelle Simmons, you have the floor.

**Sen. Michelle Simmons:** Thank you, Madam President.

Madam President, every country has its challenges when it comes to ensuring that there is an environment in which citizens are able to live securely and safely and in which economic growth can take place. I think that all of us want to see sustainable economic growth in this country because it enables citizens to enjoy a good life. It leads to higher tax revenues, more able-bodied adults will be employed, and they will be contributing to the economy. In addition, there will be less need to spend government revenue on benefits, such as financial assistance, because more people will be working, basically. Therefore, we can affirm that when we have economic growth Government will need to borrow less money in order to meet its commitments.

Currently, there are several indicators that suggest that as a country we will be facing some really challenging times in this coming year. And this is not to sound any huge alarm, but it is meant to help us all realise that there are challenges ahead for Bermuda. They will impact on our way of life. And, therefore, this should be of interest to everyone. But, as I see it, challenges can also lead to opportunities, sometimes unexpected opportunities. So, Madam President, in the time I have, I would like to look at some of the challenges and also to try to see if there are any opportunities for Bermuda in those challenges.

Now, I would be the first one to tell you that I am not an economist. Therefore, I am going to hope that my remarks will help our listening audience to develop an appreciation for these challenges in the way a non-economist has, because I had to come to grips with all of this information.

First of all, Madam President, we all know about the threats from the EU. Senator Jardine and Senator Kempe spoke at length about it this morning.



I am trying not to repeat too much information, but I think it is worth examining this threat again. This is aimed mostly at our international business sector, which is the main pillar of our economy. And it is literally hanging over our heads. I think Senator Jardine used the same expression this morning. The Economic Substance Act 2018, which came into effect in January, was the Bermuda Government's response to the European Union's (the EU's) demand for action against what they see as tax avoiding entities, those are companies that may—*may*—be avoiding paying taxes (according to them) in other jurisdictions, companies lacking physical presence, and also companies lacking employees or revenue-generating activities on Island.

The Economic Substance Act will impact approximately 11,000 companies on the Bermuda Register, according to the Junior Minister of Finance. So our IB companies will have to make adjustments to their operations in order to continue operating in Bermuda. We are hoping that that will be the outcome. We are praying that that will be the outcome. But we have to remember that these companies have options. They choose where they want to operate, where they want to establish their headquarters. The loss of any of these companies will impact the Bermuda Government's revenue in many ways, and will also have a knock-on effect on corporate service providers, such as our law firms and accounting firms, and so on.

Thankfully, Government has had the wisdom to provide some incentives for these companies, such as the two-year employer payroll tax relief scheme for new positions created in Bermuda. And there is also already in effect the new business work permit policy.

As I said earlier, this is a wait-and-see situation. And, I will add, I wrote these remarks before we learned that we had been blacklisted by the EU. According to a March 12 Reuters news agency article, and this I may quote, Madam President?

**The President:** You certainly may, Senator Simmons.

**Sen. Michelle Simmons:** "Blacklisted states face reputational damages and stricter controls on transactions with the EU, although no sanctions have yet been agreed by EU states."

We have been assured by the Premier and by the Minister of Finance that we are now compliant. But the only real proof we will have of that, the only real guarantee we will have is when we are removed from the EU blacklist. And we are hoping that will happen as soon as possible.

Madam President, according to the 2018 National Economic Report of Bermuda, on page 1, and if I may read this as well—

**The President:** You certainly may, Senator Simmons.

**Sen. Michelle Simmons:** "[I]nternational business contributed the greatest amount to the Bermuda economy in 2017. This sector provided \$1.6[7] billion in total output or 26.7 per cent of total GDP, which was a less than 1.0 per cent increase when compared with 2016." So that is how significant international business is to our economy.

The report continues, and if I can quote this piece as well, ". . . 2017 marked the sixth consecutive year that the value added by the international business sector increased." So over a six-year period there have been successive increases. This part of our economy must be safeguarded. And I am imploring the Government to do all in its power to ensure that whatever codes of conduct we need to enact, are enacted. And that any other changes to tax regimes in other countries that might impact us are carefully scrutinised. So that is one of our challenges, Madam President.

Another challenge that I want to look at, and I do not know if anyone . . . maybe Senator Kempe mentioned our ageing population this morning. I am not going to declare a personal interest, but . . . I do have one.

[Laughter]

**Sen. Michelle Simmons:** Generally, there is an assumption which we can all make. If people are living longer, they are healthier. Some people would agree; and some people might not. In Bermuda, according to page 27 of the 2016 Population and Housing Census Report . . . Madam President, may I quote?

**The President:** Yes, you may, Senator.

**Sen. Michelle Simmons:** "[S]eniors (65 years and over) had the largest percentage point increase (+3) whereas 15 to 29 year olds had the largest percentage point decline (-2). Nearly half of the population was 45 years or older compared with 44% in 2010." Also, "the three youngest age groups had percentage point declines whereas the two oldest age groups had percentage point increases, indicating an ageing population. These demographic changes are occurring as a result of a reduction in fertility rates and greater longevity due to improvements in life expectancy."

And I am sure some of the nay-sayers are saying, *Life expectancy has improved for people who are sicker? Is that true?* Sometimes it is all about perception. But the figures tell us the true story.

"In 2016" (according to the census) "there were 7 centenarians," seven people who were 100 years and older. How many people did we know 50 years ago who were over the age of 100? I didn't know any. Now I know quite a few. That was up from six in 2010.

If these demographic shifts continue, they will impact on Bermuda's economy and society. Looking

ahead, we will have fewer tax payers to pensioners. So those providing revenue to government will have declined in number, while those receiving pensions will have increased. This is why in some countries they are encouraging higher fertility through post-natal polices and others are encouraging higher immigration. We come back to the issue of immigration.

There are some persons in Bermuda who are strongly advocating for higher immigration. There may be some pluses, but there are also issues associated with increasing immigration, especially since right now the Bermuda economy does not have sufficient jobs to employ more people who may be immigrating into the country. So there are many policies which need to be reviewed in tandem in order for us to consider whether these two strategies—and I am going back to the higher fertility and also higher immigration—should be things that we should consider.

Senator Jardine mentioned this morning that we are all anxiously awaiting sight of the reports from the committee that has been working on immigration reform. And I would hope that very soon that report would come into the public domain, because this is not an issue that we should sit on. I am not suggesting at this point that I am totally in favour of us bringing large numbers of people into Bermuda through immigration. But we do have to consider whether we need to reform our immigration policies to look toward having some increase in immigration.

There are also other measures which we can consider that may impact in a positive way as we see our population ageing. For example, why don't we make it possible for people to retire at different ages, depending on their personal circumstances and preferences, their physical and mental alertness, their health, their ability to continue to work, and so on? I don't know if there has been enough consideration given to changing the age of retirement, and there may be work going on that I am just not aware of. Included in this would also be the possibility of people who may not want to continue working full time continuing to work on a part time basis. All these scenarios would mean that there would be more people in the workforce beyond the age of 65 who would be contributing to government's tax base.

Hand in hand with any change to the retirement age would be the need to reform our pension structures. We should implement policies designed to ensure that ageing is healthy for as many people as possible so that people can remain healthy longer. Therefore, we need to encourage strategies that encourage a healthier diet, more exercise, both physical and mental exercise, better occupational health practices and better preventative medical intervention during youth and middle-age. And I am coming to that in a bit more detail in a minute.

In my humble opinion, the average retirement age should rise with the average life expectancy. And

I do not think that is something that we have considered.

Madam President, a third challenge for the country is that we are still facing horrendous increases in medical costs with no real decline in sight. We have made our system of health care unsustainable. Every country in the world is struggling with this. But care has to be taken to ensure that everyone within this society has equitable access to an agreed basic level of affordable health care. This is a moral imperative that is also recognised by the United Nations.

Here in Bermuda a lot of people believe that we have overuse problems, especially when it comes to diagnostic imaging. But I also believe that we have underuse problems, since there are some people in Bermuda who have no medical insurance and, therefore, cannot seek medical attention for conditions in the early stages.

Now, what do I mean? According to page 42 of the 2016 Population and Housing Census Report, and may I quote, Madam President?

**The President:** Certainly you may.

**Sen. Michelle Simmons:** Eight per cent of our population is without health insurance. I will repeat: 8 per cent of our population has no health insurance coverage—an increase of 3 percentage points since 2010.

This represents 5,341 people. That is up from 3,233 persons without health insurance in 2010. I am very concerned that the 45- to 64-year age group had the highest number of uninsured persons. That was 1,541, while following closely behind was (and I don't know if you can guess, Madam President) the 15- to 29-year-age group. They had 1,286 uninsured. So, we have the bottom end, or the lower end, the younger end, and we have those who are becoming seniors.

Furthermore, Madam President, it is worth noting that 36 per cent of those without health insurance are employed. Thirty-six per cent, who have no health insurance are actually working, while the remaining 64 per cent are divided evenly between unemployed and economically inactive. And I assume that those who are economically inactive have jobs, but they may be in the hotel industry where their employment is seasonal, or they are self-employed, but they do not have any business at that time. I am assuming that is what it means.

That is why I suggest, Madam President, that we actually have an underuse problem, because when conditions can be diagnosed and treated at an early stage, it is more likely that people will recover from those ailments. Whereas, if they are only diagnosed when the illness is quite advanced, the chances of a full recovery are slim. Therefore, I am very, very happy to see that Government is planning to advance the National Health Plan and to reform the way in which medical health coverage is provided to Ber-

muda residents. That, in my opinion, is something that needs to be advanced quickly.

Clearly, the cost of medical health care is beyond the grasp of too many residents. And the caring, compassionate Government will find a way of reducing the cost of health insurance for its people.

Madam President, I have two more challenges. The fourth one that I want to mention is that Government needs additional revenue. We all know that. And they need that additional revenue, in my opinion, to be able to reduce the huge deficit that this country is carrying. I believe that Government has made an effort to keep the reins held very tightly on spending. But, unfortunately, there is still the deficit out there that we need to reduce. As we all know, our gross public debt stands at \$2.68 billion as at March 31 2019, and the net debt at \$2.465 billion. That is why it is so important for us to diversify our economy.

Government is taking steps to try to diversify the economy by establishing an effective regulatory structure within which FinTech companies can operate. (Those are the financial technology companies, for people listening in.) FinTech has real potential in Bermuda. I see it in this way. And the Government's creation of a digital asset business regulatory framework in 2018 has already attracted a number of start-ups.

Just like Senator Jardine, I think we should look towards this with encouragement. We should not dismiss it. We should not try to throw hurdles in Government's path, because at some point I think we are all going to realise that this may be the next pillar of our economy that will help to sustain us all. It has been reported already that 66 FinTech companies have incorporated and are already registered in Bermuda, Madam President. Unfortunately, with the collapse of the dollar value of various cryptocurrencies last year, that cooled off some of the global enthusiasm for Initial Coin Offerings, or ICOs.

Unfortunately, our local banks have not responded in a positive way. They, in fact, have refused to have anything to do with FinTech companies. And so I think Government has very wisely gone out and found a way around that block by bringing Signature Bank on board. They are the first bank to launch a New York regulator approved blockchain based platform (I am reading that, Madam President), for managing money transfers between clients. So, basically, this is the bank that is happy to deal with FinTech companies.

We believe that if this sector of our economy can grow there will be more jobs and there will be opportunities for Bermudians, both Bermudians here in Bermuda at present, and also some of our Bermudians who are living overseas because they could not find gainful employment here.

And the last challenge that I want to draw our attention to, Madam President, is declining retail sales. Consumer spending drives our economy. When

people have money in their pockets, when they feel confident about the economy, they spend. They make major purchases. They will spend on things that they enjoy. They spend. But when they do not feel confident, and their financial future is not looking very positive, they hold off making purchases.

There are a number of factors impacting on retail sales. One of them is employment income. As reported on page 2, again, of the [2018] National Economic Report of Bermuda, "Employment income supports personal consumption and is estimated to have decreased by 0.6 per cent for the first three quarters of 2018 compared with the same period in 2017."

And, Madam President, if I can just continue to quote from the report, "For the 12-month period ending September 2018, total employment income was \$3.40 billion, some \$1.3 million less than the 12-month period ending September 2017."

The report continues on page 3. "In the first three quarters of 2018, employment income fell by 0.6 per cent, which appears to have had a negative effect on retail sales as consumers had less disposal income."

As Senator Jardine said earlier, of course we need to factor in the impact of America's Cup in 2017, which would make comparisons of 2018 figures a little skewed because America's Cup would have driven everything upwards. Nevertheless, retail sales, which fell for a seventh consecutive month in September 2018, are suggesting that the average consumer is not feeling very confident about the economy.

Another factor affecting retail sales is our rate of inflation. According to the Consumer Price Index for 2018, the rate of inflation stands at 1.4 per cent. That is for the average annual rate. And that is causing people to pay more. Thankfully, though, it is well below 2.4 per cent, which is the CPI in the US, and 3.3 per cent in the UK. However, the greatest contributor to the rate of inflation in 2018, Madam President, was increases in the cost of health and personal care (We keep going back to health.), especially health insurance premiums.

A third factor affecting retail sales is the rate of employment. Unemployment was still high at the end of 2018, standing at 6 per cent, although it had decreased from where it was in 2017, when it stood at 7 per cent. Government's efforts to reduce health insurance rates by transformational reform, to reduce the cost of energy, to bring down the interest rates on mortgages, to create a living wage will surely have a positive impact on the wellbeing of the average Bermuda consumer. All those things put together will impact on how much money the average consumer will have in his or her pocket to spend.

Madam President, one other item in my opinion has had a huge impact on retail sales. And that is the absence of a regular cruise ship presence in Hamilton. I know that for a variety of reasons, including the size of the new cruise ships. The fact that there have

been environmental studies in Hamilton Harbour, in St. George's, the new Kings Wharf was created in Dockyard, and all of that is wonderful. But still, the absence of regular cruise ship visitors in Hamilton is having a huge impact on retail sales. So I am asking Government if there is anything that can be done to bring cruise ships back into the capital on a regular basis.

Madam President, those are some of our challenges. And in the few minutes I have left, I would just like to take a look at our economy looking ahead to the future.

**The President:** You still have 12 minutes left.

**Sen. Michelle Simmons:** Thank you.

We use gross domestic profit, GDP, as a measure of the market value of all goods and services produced by a nation's economy in a given year. GDP per capita gives us some idea of the degree of comfort the average person has. To some degree, it is a measure of the standard of living (and I am using that very loosely), and the degree of prosperity the average person will feel. The 2018 National Economic Report of Bermuda, says on page 1, may I quote, Madam President.

**The President:** You certainly may.

**Sen. Michelle Simmons:** "[T]he Bermuda economy grew by 2.9 per cent . . ." making 2017 "the fifth consecutive year that the economy has grown in nominal terms . . . When adjusted for inflation, . . . real GDP increased by 2.5 per cent."

The increase in GDP for 2017 was largely driven by a significant increase of 17.9 per cent in the hotel and restaurant sector, "growth of 3.8 per cent in the real estate and renting activities sector, and a 15.8 per cent [increase] in the . . . community, social and personal services sector."

Madam President, the GDP growth estimate for 2018 is only between 0.5 per cent and 1.0 per cent. That is down from the 2.5 per cent of 2017. So that is suggesting to me that the average income for an average family in Bermuda will also probably decrease. Yet, the Bermuda taxpayer is being asked to pay more in land tax from what will most likely be a smaller family income.

Now, I realise that the Minister of Finance did not have many places to go to find additional revenue. And his choice was probably quite limited to a few taxes that he could increase slightly. But I just want to indicate that for some people, especially those who are towards the lower level in terms of employment income, the increase in land tax for them is quite significant, if they own their own home, or, indeed, if their landlords choose to pass on the increase in land tax to them. Thankfully, however, the Minister of Finance

has not moved forward with any other major tax increases, except for the final step in the sugar tax.

Even though that is something that people are still talking about and are still concerned about, I still support the Government in its efforts to promote healthy living. But I am expecting to hear more about the programmes that will be rolled out to support the healthy living concept. There is a significant amount of revenue that will be collected as a result of the sugar tax, and there must be programmes put in place to support this concept of healthy living.

The main bright spot in the economic outlook so far is our rebounding tourism industry. Many of the figures have already been put out there in the public domain. I am not going to rehash them, but I do want to say that tourism offers grounds for optimism in 2019/20. Because as we look at 2018's statistics, we see that there have been five consecutive years of growth in total visitor numbers. And that is significant. Ultimately, 2018 turned out to be a record-breaking year for the number of visitor arrivals, even beyond what we had during 2017, which was the year of the America's Cup. So, I believe that tourism provides us all with reasonable hope, hope that the growth we have seen will continue.

We also can take a lot of hope from the fact that there has been significant growth in vacation rentals. And that has helped to boost the market and to attract younger visitors. But I also feel that the vacation rental industry is bringing our visitors into closer contact with locals, with Bermudians, with people who know this country, and know it well, and can help to make our visitors' experience even more meaningful. So, I see growth in vacation rentals as a very, very positive thing all around.

While far from its 1980s heyday, we also look at the significant increase in annual air arrivals. In 2017, for example, Madam President, the industry . . . I am sorry, I have missed something there. I am going to skip that.

I am going to just pass on to wind up my remarks, Madam President, and say that in 2009 there were 36,549 people working in Bermuda. In 2018, Madam President, there were 34,612, nearly 6 per cent of the Island's jobs disappeared. I do not have stats on how many Bermudians actually emigrated to other countries in search of a better living environment where they could provide for their families, but I feel very strongly that it would be in the best interests of Bermuda to engage with Bermudians who have left Bermuda seeking opportunities elsewhere, and see what can be done to bring them back home. Of course, with those efforts must also be a sizeable investment in creating jobs in Bermuda so that those people have employment to come back to. Our future would look a lot brighter if we could bring Bermudians home.

Madam President, another point that has been made in the budget that I would just like to reit-

erate, and Senator Jardine mentioned it this morning, and I would like to piggyback on that, is about the 60/40 rule (I think it was Senator Jardine). Last year I mentioned it because I really believe that the only way we can encourage people to invest in Bermuda—and that is not just investments from overseas, but it is investments from within—is to encourage Government to look at revising the 60/40 rule, revising it down so that Bermudian ownership is reduced to less than 60 per cent. And I have noticed in the Budget Statement that the Minister of Finance intends to produce guidelines for granting exemptions to the 60/40 rule. But that sounds like it is more of an exemption, as opposed to something that would be a hard and fast rule. And I am wondering if we should have the hard and fast change in the 60/40 rule so that all those who meet certain criteria can go ahead and invest.

Madam President, there are many things that I am sure we will be discussing when we get to the estimates. But I would like to add, before I conclude, that I am very, very happy to see that efforts have already begun to collect all the taxes that have been uncollected for many years. For too many years! And with the filling of vacant posts and the hiring of temporary staff for the Office of the Tax Commissioner, I believe that we will see millions of dollars come into government's coffers where they should have been all these years.

Finally, Madam President, Bermuda is perched on a pinnacle right now. And the future, especially with the blacklisting by the EU is somewhat uncertain. We cannot sit and wait for opportunities to come to us. We have to act to diversify our economy and seek opportunities to move forward with a higher degree of urgency.

Thank you, Madam President, and fellow Senators for listening.

**The President:** Thank you, Senator Michelle Simmons.

Would any other Senator care to speak?  
Senator Caesar, you have the floor.

**Sen. Crystal Caesar:** Thank you, Madam President.

Madam President, during the general economic debate for the upcoming year for the budget, I listened to some constituents and I have talked to friends as well with regard to how they feel about this budget. And I must say that what has come to me is that it is fair. They would not want to be in the Finance Minister's position, quite frankly, because it is a difficult job. You have to balance bringing revenue into Bermuda and stimulating economic activity.

Oftentimes we hear different sentiments or phrases thrown out to sort of throw the people of Bermuda off. And that is a political strategy. There are terms used which can be quite negative, like "massively grown debt" or "shifting initiatives." I just wrote down some of the terms that I heard this morning. And

they are quite all-inclusive terms, as opposed to being exactly what they are. So, it tends to give people a dampening feeling of what is actually happening and what the Government is trying to do.

With that said, there are some statements that were made earlier today which I feel need to be . . . or facts that were not factual, quite frankly. And I need to set the record straight. I am specifically speaking about what has happened in the past year in comparing the previous Government and this Government, and things that have been said and/or instituted and done.

There was a claim that there were some 300 new workers in government. And it confused me and quite a few of my colleagues as to where that figure came from.

**Sen. Nicholas Kempe:** Madam President.

**The President:** Senator Kempe.

**Sen. Nicholas Kempe:** I would be happy to clarify some of the Government's estimates of regiment.

**The President:** You needed to have asked for a point of order, or—

**Sen. Nicholas Kempe:** Sorry. Point of order.

**The President:** —clarification.

**Sen. Nicholas Kempe:** Point of clarification.

The Member is inferring that the figure of—

**The President:** The decision would be from myself as to whether or not it would be granted.

**Sen. Nicholas Kempe:** Noted.

**The President:** Carry on, Senator Caesar.

Sorry about that.

**Sen. Crystal Caesar:** Thank you, Madam President. No problem.

If I could finish my point I think maybe the Senator would be clear on what it is I am trying to get at.

As I was saying, the OBA Government budgeted for 5,017 government employees in the 2017/18 year. The PLP budgeted for 5,082. And that is a difference of actually 65 employees, and not 318 as claimed, as we have heard.

Additionally, Madam President, the previous Government budgeted for \$475 million in salaries in 2017/18. The PLP Government budgeted for \$478 million, which is actually a difference of \$3 million. And it has been said, however, that there was a difference of \$36 million. I am not quite sure where the math came from, but if you look at the facts, you can see

that \$478 million, minus \$475 million is \$3 million. So that is actually a far cry from \$36 million. Maybe the decimal point was moved in their calculation. I'm not sure.

In addition, Madam President, there were questions about consultancy rates as it pertains to the PLP Government. So let's be clear, the OBA's budgeted for \$17 million in 2017/18 and the PLP budgeted for \$15 million. And that is an actual decrease. So it is not an increase. I think it has been reported that the PLP has an increase of \$3.2 million. So I think when we are saying things we actually need to be factual about what has actually happened, because the public does listen to us and they expect for us to be clear on the things that we are saying and information that we are giving.

When I think about the budget there could be many other things that we could go back and forth about as it pertains to was this number right, or was that number right. But I would actually like to highlight some positives that have happened in the past year so that people do not forget, so that the listening public does not forget. And one of those things is actually what has happened in tourism. My fellow colleagues have also highlighted that it was a record year last year, in spite of having a large international event that happened the previous year, which was the America's Cup.

It was a record year for Bermuda, 2018. Leisure air arrival spending was up 66.9 per cent versus 2015. To me, that is quite significant. That is over 50.0 per cent. Oftentimes we hear anecdotally that people are not spending money in Bermuda. But they clearly did in 2018. I think that bodes well for how visitors are feeling about Bermuda and what the Island has to offer.

In addition, leisure air arrivals were up 45.7 per cent versus 2015, so, again, almost 50.0 per cent. I think that is significant. That is something that I think we need to ensure that we are heralding. We keep hearing that tourism is in a decline, and those sorts of things. But the fact of the matter is that it is not. We need to embrace and hold up the tourism industry. We want people to understand and know that we are excited about this new national tourism plan. I was in attendance when it was released, and there are some great things that the Bermuda Tourism Authority, its staff and locals, are doing as it pertains to the reinvigoration of tourism in Bermuda.

In addition, I would like to also speak to . . . oftentimes we hear about how different elements of the budget will affect businesses. And I think, often, the individual man wants to know, *Well, how does this affect me? How will this affect my pocket at the end of the day? How will I be able to sustain my life?* So there are some things that sort of jumped out at me that I wanted to highlight and say and indicate to the listening public that will definitely affect the average man, not just businesses.

We hear oftentimes about the blacklist, and we hear about FinTech, and we hear about all these things that on a day to day basis the average man is like, *Well, how does that affect me right now . . . here and now? These things are important, yes; but how does this affect me right now?* And I think there are some things that I can highlight from the budget that people can feel like we are listening, that we do have them in mind.

One of those things, Madam President, is taxation. We keep hearing about taxation, we are taxing people and, in particular, businesses. But one [way] that we are going to relieve taxation for the average man is [by] eliminating the stamp duty on mortgages up to \$750,000. So, if someone is interested in buying a house . . . we want people to invest in Bermuda. We want to see more dollars being used in the economy. That is a huge incentive to consider, *Maybe now my family and I can have a piece of the rock; maybe now we can look at purchasing*, because stamp duty can be quite sizeable depending, obviously, on the size of the property. But this will incentivise those who fall into that category to maybe consider taking on a mortgage, putting more into our economy.

In addition to that, there is going to be elimination of taxes on mortgages which will be refinanced. And that is mortgages up to \$500,000. Nonetheless, anyone who is finding themselves within a difficult situation having had maybe a higher mortgage, or a mortgage increase because of interest rates, any refinancing of that mortgage will not be taxed. And I think that cannot be stressed enough, because that is what is going to affect an average individual who is finding that they are having to put a little extra towards the mortgage and maybe not towards groceries or towards an activity for their children to develop.

So these are the decisions that everyday people have to make. And I think something like that, although it has been heralded and talked about much, these are things that we need to think about and consider for an average person.

In addition, and I think the public has probably seen (it has not been talked about much, or I have not heard it talked about much) the pilot programme that the Government will be entering into with private sector banks. And that is a guarantee programme. And it is in return for a reduction in interest rates charged to Bermudians for their mortgages. So again, it is affecting people and home ownership. So again, that is the average person. *How will I be able to own a home?* And the Government has taken that into consideration.

The retail industry in Bermuda employs 3,500 Bermudians. That's a lot; quite a few people. And you have heard retail sales are going down. And we know a lot of that has to do with online shopping, et cetera. But our Government has seen fit to provide a payroll tax relief for employers whose payroll tax is above \$500,000. So basically, those employees and em-

ployers will find some relief. So that is less money coming out of a person's paycheque. Again, *How is that going to affect me? How does that affect my every day . . .* and then maybe you can have that extra loaf of bread—which we all know is ridiculously priced. But nonetheless, maybe you can get that extra something for your children to put in their lunchbox because at the end of the day it is not being taken out for payroll tax.

Senator Simmons did speak about, and she took my thunder on this, but with regard to the modernisation of the 60/40 rule—

### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Madam President, point of order.

The Member may be inadvertently misleading the Senate. The Budget Statement refers to *employer* side payroll tax discount; not *employee* side. So I am not sure how employees are going to receive more money in their paycheque.

**Sen. Crystal Caesar:** Thank you, Senator Kempe.

As I was speaking about the 60/40 rule, there will be modernisation of that particular rule as it pertains to business ownership in Bermuda.

The Government is trying to be transformational with regard to incentivising businesses to be in Bermuda, and trying to lure other forms of economic activity. In using the relaxation and exemption of the 60/40 rule, the Government is trying to encourage additional people to set up businesses, to partner with Bermudians, locals, as it pertains to whatever business ideas they have. They are trying to diversify the economy. And using this particular exemption for certain businesses will actually help anyone who has an idea and maybe they find themselves underemployed, maybe they do not have a job as it pertains right now, but they have a business idea. Basically, the exemption in the 60/40 rule would allow additional Bermudians and others to live and work in Bermuda and will hopefully stimulate the economy.

In another place it has been mentioned that the national health plan will be released by the Minister of Health. And the view of that particular health plan will be the reduction of health insurance costs for Bermudians. We all know that health insurance in Bermuda is astronomical. And we find that it seems to be increasing year after year after year. With the ageing population, with the number of illnesses that we tend to see increasing in Bermuda, obviously our health costs are going to continue to rise. But what this Government is trying to do in helping the average person and how it is going to affect their pocket, is that the national health plan will assist with reduction of health costs. So if health costs are coming down, again, people will have more at the end of the day to spend on other things and stimulate the economy.

Another thing that sort of jumped out at me, which has not really been spoken much about again, is the payroll tax relief for businesses hiring local musicians. Having been somewhat of an artist back in my younger days, it actually is quite . . .

Senator Simmons is laughing at me. I guess because of the age difference. But nonetheless, I am not as young as I look, Senator Simmons, but thank you for that.

This particular area, believe it or not, is something that is going to have a knock-on effect in Bermuda's economy. If we have more local musicians who practice their craft, more businesses hiring them, then obviously there is going to be payroll tax relief, more people . . . we know that tourists want to see more local artists. We are trying to encourage that. So these are things that are going to stimulate . . . and maybe we can get back to the 1980's heyday when we had a number of different local bands and artists and people who are able to display their talents. So, again, this is something that is going to affect the average person.

I no longer do it. But I was a dancer. And at one point, I was . . . When the *Nordic Prince*, I think it was called (I am not sure if anybody remembers that cruise ship on Front Street). There were times when I and my dance school actually went down and were invited to dance on the ship. So again, I think one of the young ladies who did that was able to then go off, get some experience (having been spotted), come back, and she now has a dance school in Bermuda.

So, these are little things that, in spite of what people think, they can actually affect the culture of an island. And so, giving a business some sort of tax relief that hires musicians, gives exposure to these artists and, eventually, who knows? Bermuda will continue to grow in its artistry being recognised overseas.

In addition to trying to stimulate our economy and get people to come back to Bermuda again, one of my fellow Senators said, there has to be something that is going to entice young Bermudians, those who have left and those who are presently in university overseas. What will entice them to come back to Bermuda, to invest and keep money here, and spend and stimulate our economy? One of those things that has been mentioned is the relaxation of height and ownership restrictions for development in the North Hamilton economic empowerment zone, basically, being able to develop condominiums and/or other forms of home ownership in that area will again attract, hopefully, young people to come back.

I know when I came back from university, I found it (how can I say it?) difficult to become an adult (if that makes sense) in Bermuda. And I will tell you why. When I was living and working in the US after university, I was able to have my own studio apartment, my own ability to be independent. I think what a lot of our young people feel is that if they come back to Bermuda they will not be able to have their own



space. I anticipate that with this type of relaxation of height and ownership restriction that people will be able to build condominiums and townhouses that will attract young people who want to live and work and thrive in Hamilton. And they will feel, *You know what? I can do this on my own. I can come into Bermuda and feel like an independent young adult.*

Well, I had to move back in with my mom. Not that that is a bad thing, but having lived and worked overseas, it makes one feel a level of independence, a level of growth. And so, I think that something like this cannot be stressed enough, that it actually does help stimulate our economy. Because young people coming back, living in a high rise in Hamilton City, spending money in Hamilton, contributing to the economy outside of their parents' home . . . you know, basically also becoming a contributing member of society, again, these all have knock-on effects. And so, I am hoping that this will be something that will entice young Bermudians to come back to Bermuda, to live, to work and to thrive.

In addition, within the entrepreneurial spirit, there are some antiquated regulations that we are planning to streamline that young people and/or entrepreneurs will take advantage of so that their economic or entrepreneurial dreams can be realised. And so, again this will help to stimulate the economy. I have met quite a few young people who have quite a few ideas as it pertains to technology. Having businesses, a lot of them are a lot more tech-savvy and would like to be able to use those skills.

So, streamlining and eliminating some of the regulations that many people have to endure in trying to become entrepreneurs, will help again to stimulate the economy, help us to become more of an entrepreneurial-type minded society where we are helping one another. That person has a business, and that person has a business . . . sort of having our own little economies of scale, if that makes any sense.

So, these are things that I think the average person wants to hear: *How is this going to affect me on an average day? How am I going to feed myself? How am I going to feed my family? How are young families going to feel like they are included and thought about during this budget?* And I definitely feel that some of those things that I have highlighted can, and will, show young people, entrepreneurs, smaller businesses that the Government does have you in mind. We are thinking about you. We do consider your contribution to our economic activity and stability important, as well.

So, with that, Madam President, I think that I will conclude. But again, I just want to say that if we are going to put out facts as it pertains to what the present Government is doing and compare it to what other Governments have done, it should be factual. We need to be careful with what it is that we are telling our people as to what has happened. And we need to also give people hope. Continuously giving

people a negative spin on what this budget is trying to do actually does not bode well for the country. People listen to what we say. People care about what we say and how we say it.

And so, I wanted to just highlight some of the things that I think that some of my friends and I have talked about, some of the things that they did not hear that maybe, if someone can relate to them and speak about it, it may be that, at the end of the day, they will see that this Government has listened. This budget does actually speak to what you will be able to benefit from at the end of the day.

So, thank you, Madam President.

**The President:** Thank you, Senator Caesar.

Would any other Senator care to speak on the general budget?

Senator Robinson, you have the floor.

**Sen. Dwayne Robinson:** Good afternoon, Madam President.

**The President:** Good afternoon to you.

**Sen. Dwayne Robinson:** So, most things have been touched on by my fellow Senators. But I really just want to reiterate a question here. And that is, Where is the beef? That is what my colleagues asked earlier.

I have read the Budget Statement. And to me, it is a budget statement of intentions—intentions to do, intentions to fix. But there has not been any sort of concrete plan or stimulus plan throughout it. It has been a whole lot of, *This is what we intend to do. This is what we want to do.* And what I am looking for is, How? You know, we are looking at things that sound great. And I am all about Bermudians being supported in mortgages and other things. But we need to figure out how the cash-strapped Government is supposed to come up with these sorts of funds to do so. And exactly how is that system supposed to work? So, to me, it comes back to that one initial question: Where is the beef?

So, the 2019/20 Budget Statement has three lines of text under the head of Growing Our Economy—three line of text. It does not seem to me that that is a priority. And it should be. You need more than three lines of text to justify saying Growing Our Economy. You cannot just throw a heading into a Budget Statement and expect it to stick, Madam President.

We need to know what comes next. The PLP speaks on reducing the cost of business. And this is something that resonates with me, Madam President, as a young person who is trying to break into entrepreneurial [work]. The main issue that hits most of our businesses is that we are competing in an economy with a shrinking customer base. So, until we see concise plans to increase this customer base, businesses will still suffer regardless of whatever tax break you

might give them, or however you wish to streamline registering businesses.

The fundamental issue is that if you have businesses being registered, and they are competing for a customer base that is shrinking, they will continue to suffer and continue to struggle to break even or increase their revenues. So, to me, that is what I was looking for, a concise plan as to how we are going to reform and get more able-bodied people on the Island and to bring our people back so that businesses can stop trying to claw over one another and the private sector can stop being so constrained. If we have more bodies and a bigger customer base, [there is] more money for everybody.

So, when I heard that affordable housing was supposed to be the sole incentive to bring young people back or to bring Bermudians back home . . . when you talk to the average Bermudians, and especially those of my age group who are leaving or planning to go, their main thing is that they do not want to be here to pick up the bill. They do not want to continue to be paying for a generation that has passed, Madam President. They see opportunity to go overseas and to make something of themselves, and they take it. And they realise that they can go to other places and receive benefits and incentives that Bermuda cannot provide at the moment, Madam President.

And I thoroughly believe that this is something that we must address if we wish for Bermudians to return home. There needs to be that reassurance that if I start a business here, or if I am purchasing homes here or property or anything like that, as a young person, if that is my aspiration, then I will not be strapped in the next two, three, four years with an increased tax burden because of a Government that is refusing to reduce its own spending and is seeking to take the easy way out and put the tax burden on its people.

There are a lot of positives within the Budget Statement that many of my colleagues have reiterated and supported. But I find myself to be a bit of a pessimist. I like to know how something is going to happen. And I know that a lot of people who question us on the street, and a lot of people who listen to what we say, always have that in the back of their head, that they have heard promises made before, that they have heard things tossed out, and then they do not come to fruition because there was no concrete plan for it. It is easy to say, *Well, this is this and this and that*. But we need to know exactly how that is going to happen, Madam President.

And we have the same foginess with the taxes, notably the sugar tax, where we have earmarked percentages that are not really disclosed, and it is being quoted to be funding a lot of initiatives and funding a few things and the BEDC for vertical farms. But yet, we still have not seen or heard, or at least I have not, what are these specific amounts? What percentages are being divvied up to each initiative and if

these percentages are included in this Budget Statement?

I am not going to spend too much time reiterating what has already been said. But I would like to read a quote from Winston Churchill, if you will let me.

**The President:** Yes. By all means, you can, Senator Robinson.

**Sen. Dwayne Robinson:** "I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle."

It just simply does not work.

And as much as we like to put lipstick on a pig and say, *Well, these taxes, what affects the everyday man, what affects businesses*, at the end of the day, the everyday man, the everyday Bermudian, man and woman, is looking for how these increased taxes benefit their lives, Madam President. *How is what I am paying into for the sugar tax, now I am paying more for a chocolate bar or a cereal box, which is going to be coming out soon . . . But yet, I still am paying almost \$16 for grapes?*

It is things like that that allude to the double-speak that my colleague spoke of earlier, when you have something that was brought out as a health initiative that is now being used and quoted as an increased revenue tax. So, if it is there for a health initiative, should the thought process not be to lower, you would hope, payments on these [other, healthy] products? You would hope that people would not be discentivised to buy them or to avert them. But all that is happening really is that they have factored in that people will continue to buy these things. And they have not followed up with any health initiatives, have not followed up with any plans. And this has been my issue and my overarching issue with this entire budget—no follow-up and no substance, Madam President.

So, with that, I am not going to spend too much time. I will close my remarks.

Thank you, Madam President.

**The President:** Thank you, Senator Robinson.

Would any other Senator care to speak on the Budget?

Senator Hayward, you have the floor.

**Sen. Jason Hayward:** Good afternoon, Madam President.

**The President:** Good afternoon to you.

**Sen. Jason Hayward:** Good afternoon to Senators and listening audience.

Madam President, I spent over a decade in the Department of Statistics producing economic and national account statistics. I sent out the surveys for the retail sales index. I have compiled the numbers. I wrote the report. And then, after we write the report

we then disseminate it to the public, and then we monitor the feedback around, you know, the buzz that your press release is generating. And if it is in the public domain, and it is what people are talking about, you feel proud. Because a lot of times with statistics, you wonder if anybody actually even reads some of the publications that you produce.

But in all of my years, I have never heard so much emphasis placed around the retail sales index. The retail sales index is one of many economic indicators. It should never be used in isolation to highlight the well-being of our economy, the strength of our economy, whether or not there is disposable income within our households. There are many factors. And Senator Simmons spoke about some, but there are hundreds of factors as to why the retail sales index fluctuates.

Many would know, even when car sales and the cost factor is not doing well in retail sales, it is always cyclical in that particular area. And then you look at the model of cars. There are people driving around in \$18,000 Renaults now that were not available two years ago. They were just hitting the market last year. People were always into buying SUV's and things of that nature. And so, I just want us to be mindful that when we try to use the economic indicator in isolation, that it is important for us to look at the big picture.

The emphasis is always on GDP when we look at the performance of our economy. That lets us know whether we are in recession or not. You cannot determine whether your country is in recession based on the retail sales index. And when I look at our GDP numbers, what we actually see is an increase in GDP. Two consecutive quarters of a declining GDP indicates that we are heading into a recession. Our GDP numbers do not indicate that we are in a recession. Yes, it may be relatively static, which would support Senator Jardine's notion that we are treading water. But our head is certainly not under water. And our head has been under water for some time.

But the Minister of Finance prior to the OBA, before the last Minister of Finance under the OBA's Government, his assertions then were that he brought us back from the brink. If he brought us back from the brink, it is certainly an indication that our head was above the water then when he left, and our head is above the water now.

In tourism, we had another record-breaking year, Madam President—record-breaking. We had more tourists on our shores last year than any time in our history. We should be proud of those successes. That should be something that is actually encouraging! You know why? Because tourism translates into jobs. More tourists on our shores translates into jobs, not a huge amount of additional value-added that contributes to our GDP, but certainly it does bode well for employment. And when we look at our employment, employment in 2018 was actually up, another positive sign! Employment in 2018 was up.

Some would want you to believe that the employment in the Island is solely due to government hiring. That is not the reality. Much of the growth, and this is reading from the National Economic Report, Madam President. Much of the growth was fuelled by an increase in jobs in the construction and hotels sector, which added, respectively, 131 and 105 posts. That is where the increase in employment is generated, not in the public service.

I know it would suit some if jobs in the public service were cut because, yes, it would support reducing expenditure levels. It would support our having greater operational surpluses. But when persons are then cut from employment in the public service, where do they go? And it is fine unless that is your aunt, uncle, cousin, brother or sister whom we are referring to. But we cannot have these cyclical arguments in terms of, *Let's cut jobs today*, and then tomorrow complain when our services are understaffed. We are going to have a sensible approach in terms of reeling in government expenditure. This whole reason why an efficiency committee is in place is to explore this very aspect of our operations. Doing a proper analysis is the sensible way forward.

What is not the sensible way forward is threatening public servants, *You will lose jobs*. And then tell those public servants they have to give up a day's pay per month. And then at the end of that agreement, try to continue with taking the money from public servants. What is not the best approach, moving forward, is to have a prolonged hiring freeze where funded vacant posts remain vacant and money allocated to those posts is then used for other operational initiatives while the employees who remain in those posts have to do more on a daily basis because they are understaffed. It is a reality. We demand services from the government. But do we not connect the dots that there are human beings who provide those services, Madam President?

We need to be sensible with our arguments. Yes, it serves for a dollars-and-cents argument in our economic and budgetary debates. But those are people's lives and livelihoods that we are referring to when we say, *Cut the public service*.

Even Bob Richards was wise enough to say, *It makes no sense to cut public sector jobs*. I wish that the current Shadow of Finance would take that same way of thinking.

**Sen. Nicholas Kempe:** Point of order, Madam President.

**The President:** Senator Kempe, what is your point of order?

#### POINT OF ORDER

*[Misleading]*

**Sen. Nicholas Kempe:** The Minister, or the spokesperson, perhaps inadvertently, is misleading the Senate. I did not say that jobs should be cut. I said that the 2017/18 levels should have been maintained instead of increased by some 300 odd jobs, as per the Budget Book.

**The President:** Senator Kempe.

Senator Hayward, you carry on.

**Sen. Jason Hayward:** Madam President, we should all be pleased that the unemployment rate in this country fell. The unemployment rate held at 7 per cent for over a decade. It is now falling to 6 per cent. That is momentum in the right direction.

We like to harp on overall employment income falling, yes. But there is a beauty in all this. Because Bermudian unemployment decreased from 8 per cent to 6 per cent—8 per cent to 6 per cent. In our recent history, we have not seen our employment numbers trending in this direction. And we should all be proud of that. And as long as we have continued construction activity, as long as we have continued high levels of tourism, employment will always be needed in our hotel and restaurant industries and our construction industries.

Public administration, there are certain areas of government today that are still significantly understaffed. And so, you should expect that hiring within the public service continues. The retail sector, which is struggling based on the retail sales index that we like to use, their employment is also up. Employment in the retail sector is up, and we know whom the retail sector employs—Bermudians. This bodes well for the country. Some who were unemployed last year are currently now employed this year. You ask them if their lives are changing for the better, and they would have a much more optimistic outlook on life than what we have heard this morning.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Senator Hayward, as you hesitate, I would just like the Senate to acknowledge the presence of the Minister of National Security. The Honourable Wayne Caines is in the Gallery.

Welcome to the Senate.

Carry on, Senator Hayward.

*[General Economic Debate continuing]*

**Sen. Jason Hayward:** Madam President, as the cost of operations across the Island increases, there is a need for Government to increase its revenue. With a population that is not growing, it means that the current population has to pay more in taxes. Taxes are nothing new. Madam President, the former One Ber-

muda Alliance Government increased taxes by \$185 million during their tenure. They increased taxes in a recessionary period. These are all things we were told this morning that are detrimental to our economy, something that we cannot do. Bob pulled us back from the brink by—

**The President:** The Honourable Member.

**Sen. Jason Hayward:** Sorry. The Honourable Minister of Finance, Bob Richards, brought us back from the brink by increasing taxes during a recession. And now we are told that that is an unwise thing to do.

Why? Because the PLP Government is doing it?

Madam President, the PLP asked the Tax Reform Committee to explore additional tax options. But that was not the only body that has been on this Island to explore our tax options. The former Government engaged CARTAC [Caribbean Regional Technical Assistance Centre]. And CARTAC explored our revenue collection, and they actually produced a report, however, the report was never shared openly with the public. But the main objective of that report was to review how the Government could increase tax revenues. You do not ask for an economic study to be done on your tax strategy if you do not want to change that tax strategy or if you do not want to draw more taxes from the economy.

There are a few things happening here. Number one, we recognise that there are inequalities in terms of the way in which, and who, is taxed in this country. The Fiscal Responsibility Panel said that there is an undue burden on the workers of this country, where they believe that the wealthy citizens of this country, who have the ability to pay more . . . there is an opportunity to draw more taxes from those individuals.

We have not even maximised the capacity that we can receive in taxes from our current population, particularly our wealthy population, without saying we should increase or expand immigration so that we have more people to tax. Madam President, what this Government planned with its budget was fiscal discipline. What you saw were modest tax increases. Modest tax increases, Madam President.

We heard the talk about the Sinking Fund and how the Government is not paying into the Sinking Fund. We have people who do not want to accept that this is the first balanced budget in 16 years. But the reality is that it is the fact. The reality, Madam President, is that we were using our credit card to withdraw money, and then taking that money and putting it in a bank account. You are still left with 19 per cent interest on your credit card payment. And when you put that money in your bank account, it only receives roughly around 1 per cent.

It makes absolutely no sense. But it is a deviation from the past, so it is sinister. It is a change. If

we can admit that it does not make sense, then we should be satisfied that we do not have to continue with it. The Minister of Finance has said on numerous occasions that when there are operating surpluses, those surpluses will be placed in the Sinking Fund. So, the Sinking Fund is not being abandoned. But certainly, what we were doing did not make much sense, and we are moving forward with a new approach.

**Sen. Nicholas Kempe:** Point of order, Madam President.

**The President:** Senator Kempe, what is your point of order?

### POINT OF ORDER

*[Misleading]*

**Sen. Nicholas Kempe:** The Member may be inadvertently misleading the Senate. The Budget Book, on page A-1, says that up to 75 per cent of surpluses will be dedicated to the Sinking Fund, not the entirety.

**The President:** Senator Hayward, carry on.

**Sen. Jason Hayward:** Which leads to my next puppet, Madam President, and that is, Who cares? Who cares about the Sinking Fund contributions? Who cares about the debt level? Who cares about government revenues and expenditure? How many young Bermudians are walking around discussing these things on a daily basis? How many older Bermudians are walking around discussing these things on a daily basis?

I am not saying that these things are not important. And it is important for us, as the Government. But the average person cares about their income, their disposable income. They care about whether or not they will have employment. They care about their housing, where they are going to live and how much it will cost them. They care about health care, whether it remains accessible and affordable.

They care whether or not they will be able to acquire education and the skills that are needed to assist them with navigating this rough world. They care about their personal security, and if we are making any headway on gang violence in this country. Those are the things that individuals care about, generally, Madam President. Those are the conversations or the dimensions of well-being that their conversations are centred around. And there is where the party is currently anchored.

This is where the party is anchored, Madam President, on building a better Bermuda, Bermuda through funding initiatives and putting policies in place that improve those dimensions of well-being for individuals.

And so, when we look at jobs, you will see that the Government in its budget brief said we are

moving forward with further implementations of the Workforce Development Plan, a plan that will put the necessary system in place that will connect the gaps between individuals and jobs, and jobs and individuals. That will not only provide them with the skill sets that are required, but also the wraparound services that are required. When we talk about housing, Madam President, you would see a deliberate effort to try to make housing more affordable by putting policies and initiatives in place around mortgages, plans to build additional residential dwellings, because as you increase supply, the price within the overall market begins to decrease.

Madam President, people want to know whether or not they will have access to health care, which is affordable and quality. And that is what the National Health Plan aims to do. The changes that are being made in the area of health will be deliberate. They will be deliberate to the extent that it will make some feel uncomfortable. Madam President, you should note that the Bermuda Health Council put out their annual health financing statistics. You have more people in Bermuda, this year over last year, who, as a result of out-of-pocket payments, are receiving donations to fund their health care.

Fewer and fewer Bermudians are insured. More and more Bermudians are working; fewer and fewer Bermudians are insured. Working Bermudians being uninsured is becoming more normal. When we look at where the expenditures went, in what categories it went up, there were increases to doctors and increases to insurance companies for administrative fees. It is concerning. A full \$722 million is spent annually on health care in this country. And health care is still not accessible and affordable to all. And so, the Ministry of Finance and Ministry of Health are currently working on a number of health care options that will, undoubtedly, reduce the overall cost of health care in this society. There already have been plans for revenue restrictions at the hospital that will have a positive knock-on effect for persons looking for affordable and accessible health care.

When we look at education, it is a concern. The dual-enrolment programme in our high schools is a success. And our high school students do not have to pay for that college-level education. The Government put increased funding of roughly around \$300,000 to the financial aid programme at the Bermuda College. Over 500 Bermudians took advantage of that programme! Five hundred Bermudians, Madam President. The money went on education, and people are getting educated.

Madam President, in this budget, you find the college promise where, when students maintain or attain a certain level of GPA, they will have their college tuition paid for by this Government. When one asks, *How is the Government looking out for my well-being?* I can point to these specific initiatives, Madam

President, which are all funded for out of this budget, as to how their well-being is improving.

When we look at personal security, there have been additional resources put in place to combat gang activity in this country. There are programmes in place throughout a number of our primary school systems, the G.R.E.A.T. programme, which is a gang-reduction initiative that takes place in our schools, is having positive effects. Restorative circles, which are taking place in our high schools, which are forcing some of our young men to sit down and have conversations with their counterparts about their differences, forcing them to clear up some of the misunderstandings that they may have, which led to tension between the two parties. And we have seen where the Minister of National Security has left those meetings with individuals saying, *You know what? From this day forward, it is over.*

We see the Gang Reduction Coordinator, who has been out and about in this community, who takes calls at any hour in the morning to ensure that there is a better environment. We cannot take these initiatives lightly. But these initiatives are all funded out of this budget.

So, Madam President, when the average Bermudian asks, *How did this budget improve my life?* I can provide them examples where we are trying to improve their income. I can provide them with examples in terms of how we are trying to ensure that they get jobs, where their employability skills increase, where housing options increase, where health care is looking to become accessible and affordable to all. I can give them practical examples, Madam President. And that should never be removed from our dialogue, the human-centred and the human-focused. And that is where the Progressive Labour Party's policies and funding are actually rooted.

And when we get into the budget heads that will be debated, you will hear more and more about these programmes that I have discussed, in dept.

Thank you, Madam President.

**The President:** Thank you, Senator Hayward.

Would any other Senator care to speak?

Senator Jones, you have the floor.

**Sen. Marcus Jones:** Good afternoon, Madam President.

**The President:** Good afternoon.

**Sen. Marcus Jones:** Good afternoon, fellow Senators. Good afternoon to our listening audience.

It is my distinct pleasure to throw my hat in the ring and contribute to this debate. Earlier in the morning, we were entertained, informed, educated by the Senators to my right, Senator Kempe and Senator Jardine. They were able to produce numbers that really broke down the economic state of Bermuda. For

those of us who are accountants, for those of us who consider ourselves economists, who get excited about numbers like I do . . . and I came prepared to throw out my numbers, as well. But I really felt it was going to be overkill if I came behind these two gentlemen with more numbers, so I switched out from what I was going to do.

And then the Senator across from me, Senator Hayward, he brought up some numbers that I think need a little bit more explanation, a little bit more perspective just so the public gets an even balance of these numbers. And we all know that numbers . . . you can do lots of numbers. In the accounting business, you can make the numbers look like what you want them to look like. You can fiddle with the balance sheet. You can switch from side to side (within GAAP rules, of course). But you can delay certain expenses. You capitalise some expenses that should have been expenses. You can capitalise it to make it look better on the financial statements.

So, I would like to think that as I am coming into this debate I am going to bring some level of understanding to some of the numbers that were cited by my counterpart, Senator Hayward.

Now, he raised the question of why, all of a sudden, are people so interested in the retail sales figures? Well, for a place like Bermuda, retail sales figures are very important. It is a very strong indicator of the economic health of this country. So, I am not going to belittle or devalue the importance of retail sales that have been decreasing for 10 months in a row. You just cannot close your eyes. You just cannot ignore those numbers. You just cannot put them to the side and say that they are not important, because they are.

Now, it is not our mark against anyone. It is not personal. Numbers are impersonal. They tell you a story. I walk into a room. The thermometer says 75–80 degrees. That thermometer does not have an attitude. It is just telling you what the temperature is. And you need to do something about it.

So, when we looked at those retail sales going down 10 months in a row . . . And we applaud the fact that retail workers and employment are rising. It makes me pause and say, *Wait a minute. The health of retail sales is going down? But I have got an uptick in retail jobs? Something is going to happen in the future, and I need to make preparations for it,* Madam President. So, when we cite retail sales, it is not us trying to be the bad guys. It is us just trying to put a flag up and say, *This is an indicator that the recession is actually getting traction. We, as a people, need to get ahead of the curve.*

So, a lot of times, when we put up the flag to say, *Danger! Danger!*, there are people who feel that we are trying to be killjoys. *You are trying to depress us.* So, the first surplus budget in 17 years? You know what? I applaud that. I do. It is reason for us to be hopeful because that is telling me, that is giving me a

sign that this PLP Government is making an effort to turn the tide around.

This PLP Government has earned a reputation of being a tax-and-spend party. How do we know that? The figures tell us that. So, when I see a budget like this, it gives me hope. It gives me hope that this PLP Government has finally heard the cries of its people, of its business leaders, of its economists: *We have got to stop this train from going into a wreck, and start looking at turning the tide of an expense that is getting out of hand.* So, I think the country should be hopeful.

The Senator mentioned that the former Minister, the Honourable Bob Richards, brought us back from the brink. And it did not sound like he was being warm and fuzzy about what he did. But if you look at history, if you look at the situation that the OBA Government walked into at that time, the country was spiralling out of control. In the years between 2008 and 2012, the national debt had doubled—more than doubled. There was a cry even before 2008 that the economy was heated up. We needed to rein it in. Inflation was sky-high. We needed to rein it in. But during that time, the public sector was challenging the private sector in all of its development and all of its spending. And so, by the time that this Government was in a place of, shall we say, grave danger, there was a change in Government.

And the new OBA Government had to look under the hood. And what they found was not too good. So, please excuse us if on this side of the House our applause for a change in direction financially is muted. It is there. I know I am encouraged.

You know, people stop me on the road and they say to me, *Senator Jones, this country is bankrupt, isn't it?* I say, *No, it's not. No, it's not.* If a country can pay its debt, service its interest payments, has assets, can levy taxes, it is not bankrupt. This country is not bankrupt. And there are folks within our community who would try and use those scare tactics to say, *This PLP Government is going to take us into bankruptcy.* No, they are not.

Now, are we on a sticky wicket, sort of like St. George's on the second day of Cup Match last year? Yes. We are on a sticky wicket.

It is just after lunch. Bermuda is playing in the second inning, second day of Cup Match. We have got five wickets down. We are on a sticky wicket. Our national debt tells us that. Ten months of retail sales going down tells us that. An airport development that is going to grind to a halt in about 18 months tells us that. Hotels that are in construction right now that are giving jobs to our people . . . we know that is going to come to a halt. So, yes. In the cricket vernacular, Bermuda is on a sticky wicket.

But we have got five batsmen still in the pavilion. One of those batsmen is good tourist numbers. One of those batsmen is a good regulatory system. One of those batsmen is the people in this country.

So, when I have got those types of batsmen sitting in my pavilion, Madam President, I am not afraid. I still have hope. But I have hope with caution. And that is what we are doing on this side of the House. We are saying, *PLP Government, you are showing us signs of fiscal discipline. You are showing us signs of financial competence.* Here is a way that you could take it even a step further.

My counterpart, Senator Hayward, was talking about the tourism numbers. And he said in this country, we should be happy about them. And I am happy about those tourism numbers! It is the best numbers that this country has had in how-many-years. It is a reason for us to celebrate! And we have to ask, why? Why are those numbers so good? Well, because we did some wise things. We took the Government's hands off of it and allowed those people in the know in tourism to do what they do best. That was markedly left out of the narrative that an independent body was put in place to push these numbers.

So, I am just trying to bring the whole story to the table, Madam President, so that we can understand the things that we need to do to be a successful country.

Now, it was stated also that employment numbers were up. Absolutely! By the Government's own Budget Statement, the number was 144. That is reason to be hopeful. It is. But then I read that of those 144, 131 of those jobs were in the construction business, well, let us look. Just veer your eyes to the East. That is the airport, that is the hotels down in the East, and that is good. Our people are working! But that will have a time frame to it. So, what we are saying over on this side is, *Guys, we need stimulus. We desperately need stimulus.* Because when this cycle of jobs comes to an end, our people need to be working.

Cut public service. Control your spending. When a government is still functioning at a rate [that it was] when it was at full employment and providing those same services of a population at its peak, when its population is down, that is a problem. In 2007/08, Bermuda was percolating at a very high level, Madam President. We had over 40,000 jobs. I often, in my tours, told my clients that Bermuda enjoys over-employment. Now, that was back in 2006, 2007, 2008. And I could, with a straight face, say that.

Now, my American clients, they never could understand that. I mean, unemployment is natural to them. And so, I would explain to them, *No, we are fully employed.* In fact, we were at a place where we could leave, quit our job on Friday, knowing that we are going to have another job on Monday. Well, you had better not do that today.

So, the Government is plodding along as if we have full employment, by having services and lack of efficiencies. Now, unemployment. Senator Hayward quite rightly stated that unemployment is down amongst Bermudians, from 8 per cent to 6 per cent.



Now, in those unemployment numbers, how much do we factor in the masses of people who have left this country? How does that factor into those unemployment numbers?

My Senator stated that the OBA Government increased taxes during the time of recession. Yes. Correct. Those numbers are correct. But what the OBA Government was able to show is that they could walk and chew gum at the same time, which is, they increased taxes, yes. But also, they introduced creative ideas, innovative ideas to bring a stimulus to the economy. It is difficult—it is difficult to manage an economy like Bermuda today. Very difficult. In the hotel business in Bermuda, during the summer months between June and September, Donald Duck can manage a hotel. But it takes another type of manager in those months between October and February, Madam President. You have got to tighten that belt. You have got to be creative. You have got to find ways.

I remember, as a general manager, I always felt pressured to make sure that I kept my hotels full so my people would not be laid off. And they would say, *Mr. Jones, how are we going to do this winter?* And I would say, *I'm working hard for you.* Because I knew that they still had to pay their rents, they still had to pay the electricity bill. They still had to pay out while being laid off. So, yes, you are absolutely right. The OBA Government did raise taxes during a recession. But they were able to stimulate the economy at the same time and were able to reduce the budget deficits during those years when they were the Government.

Senator Hayward talked about the undue burden on the working population. And I thought about it. And he is right. When we look at our economy and the things that the working population has to pay for, there is a burden that has got to be carried. But let us not forget those who are paying the higher rate of land tax that was raised from 47 per cent to 50 per cent. Do you not think that they carry some of the burden, a lion's share of the burden, as well? How will those who are on the higher rate of pay . . . He said, *Oh, they should be paying more.* Yes, and they are. Their rate for payroll tax is higher, Madam President.

So, I think it is a far more equitable thing to say that everybody is sharing the burden of a country that is \$2.5 billion in debt. It affects all of us. So, we should not divide and conquer the rich from the poor, the black from the white, from the privileged to the underprivileged. We are all in this boat together! We are. And that is what we should focus on. That is what we should rally the troops so that we can all feel like we are a part, as opposed to dividing. *You have this. You have . . .* No, we are all in this together.

The point was made, and quite rightly, again Senator Hayward was absolutely right. The ambitions of this Government are to put operating surplus into the Sinking Fund. Senator Kempe did correct to some degree the sentiments that were made. In the Budget

Book, it was spoken that up to 75 per cent of the budget surplus will be contributed to the Sinking Fund. I think, for me, what will make that go down better is if the Government committed that 100 per cent of the surplus will be paid into the Sinking Fund.

And when I read the 75 per cent, that is not a guarantee. That was optional. That was being advised. That was being suggested. But if you want to convince me that you are focused in on decreasing that debt, you would commit to 100 per cent. In fact, I think we need to sincerely consider zero-based budgeting, where no, we are not borrowing money to put into the Sinking Fund. I will say this, and I will say this grudgingly. I am jealous that I did not think of it myself.

*[Laughter]*

**Sen. Marcus Jones:** Brilliant!

Why are we borrowing money to put into a Sinking Fund?

When I read it, I said, *Oh, my gracious! What are we doing?* I wished I would have thought of it. But I did not. There were others who were smarter than me, Madam President. But there is a little caveat on that. That is a one-time thing; brilliant for one year. But does that reveal a practice that is now being abandoned, that in its essence was a good practice? Let us save until a rainy day. Good, our grandparents told us all the time. As much money as you have, make sure that you put some money away when you need it, because there is going to come a day when you are going to need it.

So, one part of me, I guess it is the accountant side of me, says, *Brilliant!* If I am a CFO in a company and I am able to make that earning bottom line look great, and my shareholders are excited because it is tied into those dividends, they are happy. But if I am the CEO, and in this case, if I am the Premier, I am thinking to myself, *That's wonderful for this year. But how about next year? I'm not going to have anything in the kitty for a rainy day.* I am not getting used to the habit, if this becomes a practice from now on, of putting money aside to ensure that we discipline ourselves to put money towards this debt.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITORS

**The President:** While you hesitate, can I just, Senators, acknowledge the presence in the Gallery of the Minister of Labour, Community Affairs and Sports, the Honourable Lovitta Foggo, JP, MP; as well as the Junior Minister Wayne Furbert; and MP Kim Swan.

Welcome to you all.

Carry on, Senator Jones.

*[General Economic Debate continuing]*

**Sen. Marcus Jones:** And we as legislators, we have an obligation to show the next generation how to be responsible, how to live within your means. That needs to be the mantra of this Government, that we commit to living within our means, that we commit to saving for a rainy day. We are not just living for today. We have got a future generation coming behind us. And we have got to model in front of them disciplined budgeting. It is painful in times like these.

If it was me, I would insist that every Bermudian child has the ability to go to Bermuda College for free. I think that should be part of the Bermudian dream. But guess what, ladies and gentlemen? We cannot afford it. We cannot afford it. And we do not want to continue in this vein too much longer.

The Senator mentioned about houses [being] more affordable, how the Government is doing everything within its power to make sure that their accommodations can be affordable. And one of the ideas was the mortgage guarantee. Great idea, makes you feel really good. But have we thought this through? How much money is that going to take, to guarantee?

And is it discriminatory? We are setting it up for the civil servants. Well, how about the private sector? Most of the workers within government have not had to face the fear of losing a job. Try working out here in the private sector, when your job is on the line in an economy like this. So, they have job security. Last year, they had a 2.5 per cent increase, and I think they have earned it. I think they deserve it. But when the Government is looking to give a handout to its citizens, let us not be discriminatory in our hand-out. Let us see and find ways where we can spread the wealth to as much of the population as possible.

Senator Hayward mentioned about the Bermuda Health Council. And he cited the concerns that there are so many people in this country who are uninsured, cannot afford to pay for their health benefits, their health premiums. He cited that there was \$722 million spent on health care. But people still cannot afford it. And health care factors very large on one's cost of living. It is a big-ticket item. Now, we all know the story. We know what this country went through with the Bermuda Health Council when they did all they could to make sure that the cost of certain services stayed down, stayed in the control.

And what we found was, once the PLP Government came into power, realised that there was one business within the private sector that felt like they had been disadvantaged by the efforts of the Bermuda Health Council to control costs, the Government felt compelled to assist and help this private entity, who felt like their fees were undermined. That sent a very telling message to the community.

Now, we have just heard recently how there is a company in this country that sells baked goods that require sugar. And it was stated that they went out of business because they could not afford the tax that was charged on their sugar products, Madam Presi-

dent. Maybe the Government should help that company out. Because their tax increase on sugar products put that company in a bad way. So, we send a message as a Government when we enact policies like that to do one thing for one private company, and the others are left out.

So, Madam President, I just wanted to cite a few of those things that were mentioned by the Senator to add a little bit of context to the numbers that were stated. The thing about a budget is that a budget demonstrates the values, the priorities of the person who drafted that budget. It is very easy to see the important things in a family budget, your personal budget or in a government's budget.

Now, let me focus for the few minutes that I have left on a couple of highlighted points of the Government's Budget Statement, which I think is worthy of at least a mention. As I said earlier, there were Senators here who really threw out those numbers. And I am going to be light on numbers.

Cost of living—I think that is very, very important. It is high on our priority list. As a Legislature, as a Government and as an Opposition party, we need to be working together to find a way in which we can figure out this living wage, which was very lightly—was not mentioned much in the Throne Speech. It has not been talked about very much by the Government at this point. But we need to find ways to lighten the load on Mr. and Mrs. Bermuda by finding ways to reduce the costs. I have talked about the mortgage guarantee. I talked about the health care costs. We talked a little bit . . . And that sugar tax went from 50 per cent to 75 per cent. Wow! That is a big jump.

And, of course, the landowners, the land tax. Again, when a government sets policy, they are not only actually making a money call, an economic decision that affects people's purses. But they are also sending a message. So, if I am saying to the population, *I'm going to give you, and I'm going to implement a rental unit tax*, and I pull it back and say, *You know what? We were thinking about the people. So, we're not going to levy you that tax*. But right behind it, you come with a land tax that increases the low end from \$88 to \$300, it sends the wrong message! It is like a sleight of hand. If you are going to do it, be transparent, explain yourself fully and do it.

But this is catch-and-release. You know, as a kid, you go fishing. You catch a fish and you throw it back in. Well, that fish was traumatised when you pulled it out of the water. And now you threw it back in there. Well, to some degree, that is what we did, or that surely what was done to the residents. There was a lot of uproar in the community about this rental tax. And people were getting concerned, and people were getting alarmed. And then it was pulled back. And then this land tax was pushed in.

I recognise the fact that this Government is jammed up. It has to find ways to support its programmes, to support its services without letting people

go. It is a challenge for anybody. And that is where stimulus comes in. That is where diversity of an economy becomes very important.

Now, I have often heard, and we have heard on the airways, we see it in the newsprint, the fact that the OBA wants to bring all of these people to Bermuda. Where are they going to find jobs? Why are they going to bring all of these people? They are just going to be sitting around trying to find jobs just like Bermudians. Well, here is the question: Which came first, the chicken or the egg? Do we have the right incentives in place to attract the job creators, to attract the foreign investors who will bring industry to Bermuda? And then the people will come behind them. That is what we are saying.

We have to maintain, or better still, gain back our competitive advantage. If you look at one of our competitors to the south of us, Cayman Islands, they have certain caveats in their package to invite foreign investment that we in Bermuda need to get our heads in the game and compete like we once did before. They have some advantages that we would do well to not just emulate, but do better than.

When a foreign investor is coming into a jurisdiction like Bermuda, they have got a couple of questions that they are going to ask. They are going to ask, How expensive is it to do business? They are going to ask the question, Can I buy property? Do I have to rent? How fast can work permits get processed? Another big question is, What are the chances of being a permanent citizen of that country?

At some point, we are going to have to admit that the population size in this country is tied to the hip to any economic plan. So, our immigration reform is integral to any economic plan that is going to put us in a good position.

A couple of sessions ago, I shared with this House, with this Chamber and with the wider audience the Marcus and Steven economy of marbles. And just to refresh your memory and to lighten up this tight debate just a little bit, if I can refresh your memories. As a kid, my brother and I had a marble economy. And in that economy, starting out, it was just he and I. He was a better marble player than I was, so more times than not, he was able to win more marbles from me, Madam President.

What we found was, in order to give more chance for the lesser-skilled marble player to at least be able to gain marbles for himself, we thought that we would widen the pool. And so, we reached out to different neighbourhoods to find willing participants in our marble economy. And we were able to increase the number of marbles, because we went outside of our household, which was just my brother and I, to the neighbourhoods around us.

One part of that story I failed to disclose to you, and that was the majority of those willing participants whom we were able to convince to be a part of that marble game were children of the Canadian and

American forces. They were not familiar with the game of marbles. So, what we would do is, we would give them a couple of marbles, teach them how to play, then tell them they had to go and find their own marbles and come back and play for real.

But they were not originally from this country. We brought them in. We played marbles. And we were able to fleece them. And the unskilled marble player, myself, was able to gain marbles.

But the day came when one of them came and said, *My dad has been called to go somewhere else*. They had to leave. They were sad; I was sad. But they did not know the tear in my eye was because I was not going to get any more marbles from them. But because they left, it affected my pool of marbles. And later on, we became babysitters for those Canadian kids, those Canadian families. So, we diversified our economy. We went from marbles to actually getting money. We were able to babysit and make money from them.

But the point is that we were able to generate income. We were able to stimulate our economy of marbles by pulling from a source outside of the familiar surroundings. We were able to bring in some foreign players who were able to add to our economy—just like we have to do as a country.

I hear the word *xenophobic* being used falsely in this country. I read the blogs. I hear it bandied around. Bermudians have been labelled as xenophobic. I will say to you unequivocally that nothing can be further from the truth. If one could go back in time, most especially when the Canadians and the Americans were here and when tourism was booming, Bermudians went out of their way to be welcoming to foreigners. So, I am offended when people call us xenophobic.

The reason why Bermudians, I believe, can be misunderstood to be xenophobic is that they are fearful. You walk on a jobsite as a carpenter, and you see a different nationality doing your job. What is it going to make you feel like, Madam President? You are going to be put out. You are going to feel angst. You are going to feel resentful, because you have got to feed your children. And someone else from a different country is doing the job that you can do.

So, when I say that we need to implement an immigration reform to put a package together that will be inviting to the foreign investors, I am not saying to displace Bermudians and their jobs. I am saying, bring in foreign workers who can do the jobs that Bermudians cannot do, or are not quite trained-up to do. Let them come in here. Let them find a place, especially the job creators, so that we can stimulate this economy so that we can widen this tax base.

Over 40,000 jobs in 2007 and 2008! We are now plugging along at 33,000. Surely, surely, we can make up some of those numbers by making coming to Bermuda attractive.

Now, I was telling you about the jurisdiction to our south, the Cayman Islands, which can be considered a tax-neutral jurisdiction. All that they get deducted from their pay are health premiums and pension—no payroll tax, no income tax. They pay no duty on import goods. In their Immigration Department, they can turn around a work permit in five days.

That is what you call rolling out the red carpet for foreign investment. Can we in Bermuda do that? Absolutely! We have the ability. We just have to have the will. We have to be willing to put aside our fear. *Oh, those foreigners! They are going to come and take our jobs!* No, they are not! They are going to add to what we already have.

You know, graphs and statistics tell us that when those jobs left from Bermuda, when those foreign workers left, the thought was, *Okay, Bermudians will just fill those jobs.* Well, no. As many foreign worker jobs were lost, local jobs were lost, too. So, you can throw that theory out the window. So, we on this side strongly believe that immigration reform is an integral part of our economic plan, going forward.

Now, the Premier has stated, and he is probably right, that he feels that his Government has earned the trust of the people by a mandate of 25 to 11. (Is that the number? No one is answering me over there.) So, they have earned the mandate to lead the charge of immigration reform.

So, I say to you on this side, *Lead us! Take the bull by the horns and show us the way!* Now, you may change the name of it from Pathways to Citizenship to Economic Stimulus Through Immigration Reform, whatever way you want to put it. But you have got to get it right, and you have got to do it soon. Quick, fast, and in a hurry, because Cayman Islands is taking our lunch! If we are going to get into this game, let us be serious. And we are not in this game to draw. We are in this game to win.

And so, we need to take off all of the restrictions, all of the limitations. Make sure that we value the status of our home-grown Bermudians, absolutely. But we have got to open up just a little bit more so that we can be attractive for that foreign investment.

**The President:** Senator Jones, you have two minutes.

**Sen. Marcus Jones:** Thank you, Madam President.

**The President:** Do you have final words?

**Sen. Marcus Jones:** And on that note, Madam President, I leave you with this thought. This budget has left me hopeful.

There is a word of scripture that says, *Can a leopard change its spots?* Well, I believe the leopard can change its spots, and I believe that this PLP Government, in its attempt to stimulate the economy, in its

attempt to generate surplus budgets, they are going to have to reflect the budget that they did this year and take it a step further and look forward, be forward-thinking. How am I going to sustain surplus budgets? How am I going to be sure that I am putting money away so it can go towards this debt? How can I put a plan in place that can tell this country, in 10 years we are going to be at this debt level where we will be able to breathe again, where we will be able to function like we did in the past?

So, Madam President, I finish my talk with hope. And that is where I left the country here today.

Thank you.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Thank you, thank you, Senator Jones.

And before I call on the next speaker, I would just like to acknowledge the presence of the Deputy Premier, Minister of Home Affairs, the Honourable Walter Roban in the gallery. Welcome, sir.

Would any other Senator care to speak?

Senator Richardson, you have the floor.

*[General Economic Debate continuing]*

**Sen. Anthony Richardson:** Good afternoon.

**The President:** And you have 45 minutes.

**Sen. Anthony Richardson:** Sure.

Good afternoon, Madam President, fellow Senators, and listening audience.

I am going to try my best not to smile as I go through this, but I do want to thank Senator Jones for his rather enlightening comments.

I, too, came with a thought [to] not talk about people, as opposed to numbers, and I am going to try my best to do just that. But I will say that in listening to Senator Jones, in particular, . . . to use, I guess, the local vernacular, I believe he threw his party under the bus in terms of the general narrative, [which] seemed to be that the Finance Minister's decision to forego the contribution to the Sinking Fund was not well received. And you have characterised it as you should have, as being a brilliant move.

As I go forward with my other comments, I will show you how actually in making that decision the Minister of Finance has actually saved Bermuda, I think it is about \$1.6 million. And, before I go on, also, Senator Robinson asked earlier, "Where's the beef?" And I will also go back a few sessions, because your "beef" that you are asking for is actually in the budget, yet again, in terms of you previously stated that you are one of those young persons that was looking to find accommodations, and if this process comes to fruition, you will be one of those young people that will

benefit by being able to buy a condominium-type accommodation in the city that meets your personal circumstances.

To go back, I will do, really, what Senator Caesar referred to earlier. And that is try to speak to the comments that I received from members of the public. And I will start by just, I guess in a summary way, asking, What are we doing? What is this whole process? And the process, of course, is for the Government to sit down and to try to estimate as best as it can what it anticipates as being the amount of revenue that can be generated from the local economy in the next 12 months, and, thereafter, figure out what will be spent, what could be spent, what can be spent, and those things. And it will be interesting if the average person or average family does the exact same thing. Because I would hazard a guess that very, very, very, very, very few families take the time to sit down and think about the fact that, *Ok, fine. My weekly, monthly, or annual income is going to be X. My expenses are Y. What am I going to do with either the surplus, or to make up the shortfall?*

It is a very revealing process, notwithstanding, whether you have a surplus or a shortfall, because at that stage you have an idea as to what you must do. Do you have excess to spend, or do you have a shortfall to make up, and, therefore, have to make some additional sacrifices? And, so, that is what we are doing today. We are talking about what the Government is doing, obviously, on a national level.

And I will also add before I forward, again, from [Senator] Marcus Jones, that I know he made some comments just now in terms of the Cayman Islands. And at all times when we speak about these things it is about context. And I would offer that many Caymanians would complain that, based upon the Cayman Island's immigration policies, they as Caymanians are now the minority of the workforce. Now, I am not sure if you are advocating to Bermuda to get to a status whereby Bermudians themselves are the minority within the workforce.

And so, my comments are actually going to focus on two areas primarily. And some of it is repetitive, and I apologise for that, but I think it is necessary because, again, of what has been developed into some degree as the narrative.

In preparing for this, I did look at the National Economic Report of Bermuda that was given out to all of us. And I looked at the GDP as many have, using the nominal rates. And it shows that Bermuda's GDP is approximately \$6.3 billion.

And then the natural thing was to look and see, well, what are the major components of the national economy? And we find that, for international business it is about \$1.7 billion, which is 27 per cent. The next, actually, is \$1 billion for real estate and renting, and that is about 16 per cent. And the next one is \$737,000, which is 12 per cent, which is financial intermediation. And it helped me to focus on the fact

that lending and lending rates, and debt, and all those things, are important for us individually, and for the country, nationally. And then that took my focus to the whole discussion, going back to what many persons have said already about the national debt.

We always bend around the idea that the national debt is or is not. The national debt is actually unique, from a government perspective in terms of . . . it is actually what is defined by the Loans Act. And so, it does not take into consideration the entirety of the debt, as Senator Jardine referred to earlier about all the guarantees the Government has given and whatever. So, if looked at that in its entirety, right, the Government debt would be more than we think it is. But, in terms of the defined national debt, it is (give or take) \$2.4 billion, being the actual debt outstanding less whatever amount is in the Sinking Fund.

And then on an annual basis what Government is supposed to do, is put aside 2.5 per cent of the then outstanding debt. And that is why we are bending around this year the fact that Government would have, under other circumstances, put aside approximately \$60 million into the Sinking Fund, but has chosen not to do so, for good reason. And I will explain to you in a minute why that decision was wise, and why it is estimated that, by doing so, the Minister of Finance has saved the Island about \$1.6 million that would have otherwise been paid.

I say that because it is roughly estimated that the current amount that is earned on the Sinking Fund is a little less than 2.0 per cent. And I will call it 2.0 per cent. But the actual average cost of borrowing is more likely 4.6 per cent. And what I have used, just for argument's sake, is that that is a differential of about 2.5 per cent. And so, to use the example that Senator Hayward used earlier, we would have used our credit card to borrow some money at 4.6 per cent, and then put it in the bank at 2.0 per cent. Clearly, that makes no sense. And at \$60 million, that would cost about \$1.6 million of interest per year. And so, on that basis alone, it clearly made a lot of sense for what the Minister of Finance did in terms of, let's not borrow money in order to put it in the bank and effectively earn a negative return.

The other point that I wanted to make, which is also being bandied around, is in terms of the potential impact of the Government providing guarantees. It has been said in this space and in the other place (as we call it euphemistically) by persons who I am surprised because I believe they should know better, that your level of collateral does impact your interest rates.

If you think that makes no sense . . . well here is an example as to why it does make sense. If two people go to the bank to borrow, let's say, a million dollars, and they make the same exact money, everything is the same except one person has collateral and the other person does not, the banks are clearly going to be more prepared to lend to the person with collateral than the person without, all things being

equal. Clearly, it allows for the bank to have some additional security. Because what the banks will do, of course—

**Sen. Nicholas Kempe:** Point of clarification.

**The President:** Do you accept it?

**Sen. Anthony Richardson:** Sure, I will accept it for now.

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Are we referring to general loans or mortgages in this example?

**Sen. Anthony Richardson:** Actually, it does not matter. Whether you are going for a general loan, for example, consumer loan or a mortgage, it is not going to matter. The collateral definitely does play a part.

And I should have . . . I want to declare an interest, but I advise that in a different time of my life, I suppose, I was involved in the lending aspect at one of the local banks. But even before that, from my background, just from what I know, it is true that if you go to somewhere to borrow money, all things being equal, if one person has collateral [and the] other person does not, then, clearly, the person with collateral will get the advantage and should actually get a lesser loan rate.

To give a more concrete example, potentially, which is also, I guess, sensitive for Bermuda right now, would be the Morgan's Point Development. Everybody knows full well that there were some challenges in terms of obtaining financing for that project. And it was not until the Government stepped in and provided collateral that the developers were able to obtain financing. So, if anybody in this locale or in the other place would speak again in terms of collateral not making a difference, then, clearly, they are being intentionally obstinate, because, again, collateral does make a big difference.

And so, that then [leads] to Senator Hayward's comment earlier, in that: Yes, the Government's announced plan . . . and, yes, I accept that the details have to be given to us so that we can actually better understand how it is going to work out, in that, if they do offer a mortgage guarantee programme, then any of the potential recipients will benefit. It does not follow that the Government has to take on board lending specialists. What the Government would have to do is provide to whatever lending institution proof of the quality of the collateral that is being offered. The lending institution should be charged with the responsibility for underwriting the actual mortgage application, because they would still be taking the initial risk in terms of approving the mortgage.

Similarly, when it comes to Government's announced plan, and I believe it is intended to be on a

pilot basis to provide some sort of opportunity to be a lender, clearly, people would be concerned about that. And you have already heard the narrative that is being developed in the public space. But in the context of being transformative, it actually makes a huge amount of sense. And the reason is, if you take any household expenditure, unless they have a house that is mortgage-free, then the biggest monthly expenditure is going to be either their rent or their mortgage payment. And so, it then follows that if anything can be done to reduce that expenditure that family will have more money to spend. And the commentary, I believe in the Budget Statement, spoke to an average mortgage of \$500,000, and if that is the example, that is fine. But if you can reduce that by 1 per cent, that is going to give you . . . the example they gave is \$5,300 per year as a reduction.

I take Senator Kempe's point that we may need to get more information so that we can understand what is the true average residential mortgage that is being held by Bermudian families. And then we can speak more definitively to what the impact would be of the 1 per cent reduction in mortgage rates.

But it also stands to reason (which we all know, right?) that in Bermuda there is a fundamental problem. If you have \$1 million that you deposit into the bank, you are probably going to get interest of 1 per cent, maybe a few basis points higher or lower, but let's say 1 per cent. And the reverse is that if you go borrow that \$1 million dollars, you are going to pay probably more than 6 per cent, which is a differential of 5 per cent. That cannot be sustained. That cannot be reasonable. And any adjustment to that would have a significant impact on the monthly discretionary income of all families.

And if a family has even a \$1,000 per month extra to spend the chances are they will spend a portion of that, which will then boost the economy. They may spend it on going out to dinner. They may spend it on their children. They may spend it on leisure activities. Whatever they spend it on doesn't matter. But if they spend it locally, or if they save it, it is all going to have a benefit for Bermuda. So, certainly, there should be significant encouragement to the Government if they are able to provide the necessary details and put in place either of those perspectives for mortgage guarantees or mortgage lending, if that then does decrease the amount of interest rates for the average home owner.

My comment earlier in terms of the real estate and renting factor providing up to \$1 billion in the local economy means that there would be a significant impact, even for the overall economy, if you could reduce the rates by 1 per cent for both commercial lending and residential lending. That would be a huge impact if we accept that the \$1 billion is what is being contributed to the economy.

Before I move off the whole idea of lending and borrowing and rates and that piece, I want to re-

peat what was repeated in (as we say) the other place, which goes back to Senator Jones, in that the initial intention for the Sinking Fund was that it will be funded by current account surpluses. It was never intended for the Sinking Fund to be funded by borrowing money to put into the Sinking Fund. And so, from the inception, if I read this correctly, going back to the 1993/94 fiscal year when the Sinking Fund was established, the comments, in part, if I may read, Madam President?

**The President:** Yes, you certainly may.

**Sen. Anthony Richardson:** Is that: "Mr. Speaker, going a step further, legislation will be introduced in this session to establish a Sinking Fund into which regular contributions financed from current account balances will have to be made."

So, that was the initial intention.

Secondly, we sometimes refer to the private sector as being the most expert in managing the economy or giving us advice as to some things that we should do. And when it comes to their budget process they do a similar thing. As I said earlier, I worked at a bank. And I still remember this clearly, whereby, they would say, *Okay, fine, this year we want to increase income by X*. And then you figure out what charges can you increase that will cause the least angst among the consumers but still meet the bank's target?

And it is quite interesting, because one of the social media complaints of recent, was (I won't name the bank, but those who know will know) that one of the local banks actually put out a notice of increased fees. And guess what? Their increases will range from a low of 6 per cent (and, as they say, *Wait for it, wait for it*), to a high of 300 per cent!

So, depending upon which institution you use, you will be paying rates that are increased between 6 per cent and 300 per cent. It is going to be interesting to see if there are any more complaints or comments about this. And obviously if there are complaints, what can be done?

And that leads me to my other comment in terms of the Government has been advocating increased competition to allow for price decreases because, in terms of impact in prices in Bermuda, the introduction of price controls is deemed to be ineffective, inefficient, and a non-starter, effectively. So, what do you do instead? You have to make sure that there are choices. Senator Robinson mentioned this earlier. If I sell grapes at, say, \$16, and Senator Campbell can also provide grapes, and does at, let's say \$10, they may not even be the same exact quality, to be honest. However, you as the consumer have a choice. It is Anthony at \$16 or Senator Hayward at \$10? You choose.

And I forget who said it earlier in terms of . . . I believe you said it. I am sorry I keep referring to Sena-

tor Hayward, but I believe he said earlier that there are now some Renaults on offer at \$16,000. You can go and buy one if you choose. And at the higher end, there are some other vehicles available that may run you \$70,000 plus. Others may be \$50,000 plus, or \$40,000, and the whole nine yards. And so, the idea is [that] you have a choice. And so I think the Government needs to be applauded for whatever it does to improve the choices that are available to consumers because that is what will probably drive down prices.

And so, we should be heralding the recent announcement that there will be another bank coming to the Island. Yes, it has been earmarked to service the . . . well they said the FinTech Industry, but let's say the tech industry in terms of the digital economy, which would be a huge positive. And, I know that I was asked before as to whether or not I would suggest that other banks be introduced to Bermuda that will be full-service banks. And my honest answer is, yes. If that is what it takes to drive down even just lending rates, then, by all means, yes. Because we need to make sure that we are paying reasonable fees for services that are being rendered. And that also goes for the listening community, especially, that you can now transfer a mortgage from lender A to lender B and not pay stamp duty, which is actually a huge savings when you think about the cost of buying a house.

But to be effective, we now need to encourage competition amongst the banks. And similarly (I will say this indirectly when it comes to the insurance companies), at this stage I am not aware of any significant variances in prices for insurance companies. And so, if your house is valued at X, your house insurance is going to be almost the same no matter which carrier you go to. They do compete based upon service. But it would be interesting to find a way whereby there is much more price competition in Bermuda in terms of those things which are almost unavoidable. Everyone may know that, certainly, if you have a mortgage, the bank will require that you have home insurance for that house. And then, you go around and shop around and find one. Unfortunately, there is not that much price competition. So basically, the price is going to be within the same range.

And I will say this while I am talking to that. It is interesting to figure out what is the base that the insurance companies are using for building costs. Because, as you all know, at one stage in Bermuda, the building rates were quoted as being per square foot, and they became more than \$250 per square foot to build. I am not sure what they are now, but it will be interesting to see whether the insurance companies have actually reduced their basis for calculating their premiums or not to reflect what is now the reduced building rate.

And I see some frowns and some shakes of heads. But I don't know. And it is going to be interesting for me, or others who are listening right now, to go

and find out what they quoting as being the basis for your home insurance.

So, Madam President, what I next want to address is what I will almost refer to as the elephant in the room, because when it is mentioned we always hear lots of negativity. And that is the FinTech.

Everybody is afraid of FinTech. And a lot of times what happens is the Government is heavily criticised for any discussions around FinTech. Very often, the immediate reference is to some of, what I want to call, the drama that has occurred in the FinTech space. And with that what we tend to do is characterise the entire industry based upon some of those rogue applicants.

What I want to do in that regard . . . and I may be revealing my age a little bit. And I will say that I am not the youngest person in this room, nor am I the oldest. But when I came back from school and I was doing my training as an auditor . . . it was a wonderful experience, in my mind, because you go out, and within a one-week or two-week period you go from company to company to company and you learn. You have to get there and within that time period learn the personnel, learn the systems, learn the business they're doing, do your work and get out.

One of those opportunities was around 1986, 1987, maybe (somewhere between 1985 and 1987, for sure), when I had the opportunity to audit one of the new insurance companies. (Well, I guess it doesn't matter if I call the name, anyway.) And there was a person in charge. His name was Mr. Cox. And that was the first exposure I had to the idea of someone living in the US, but, effectively, commuting to Bermuda. They would arrive on Monday morning and leave on Friday afternoon. So basically, they would fly back and forth.

But I am saying that because that was at a very new stage, or was new stage, for insurance in Bermuda. And I vividly recall the office getting excited when the phone call came in from the bank that said, *Guess what? A premium of \$75,000 had been received* (or \$50,000, or \$125,000). It was entered into a spreadsheet. And that was because the business model was that in order to get insurance, you had to be a shareholder. And so, they were excited when they received the premium.

And then, from the accounting side (going back into history again), when they used to calculate the loss reserves they still used the basic, basic spreadsheet. You run it out this year and the whole nine yards. I am saying that because at that stage there was a lot of reticence about what this meant or did not mean for Bermuda's economy. One well known CFO at that stage actually went to the bank to borrow some money. He was the CFO of one of these major companies. The bank was so unsure that they denied him the mortgage.

We all know now how significant the insurance sector (which is generally referred to as the IB

sector) is in Bermuda. And so that grew from that stage to, *Okay, well, I am not really sure everybody is celebrating, right?* To it being the leading pillar of the economy today.

Why did I say all that? Simply because I am young enough, or old enough, to remember the infancy of the insurances into Bermuda. That company, by the way, went from renting a small space in Craig Ap-pin House to building one of the largest office buildings in Bermuda, very well-regarded, leading internationally. And so, my point is that when it comes to FinTech, as Senator Jardine referred earlier, we need to be more bold yet cautious and step into it, and allow Bermuda to develop as best we can to a stage whereby FinTech can be the industry, or an industry, of the future.

Now, why I am saying this also is because the Government, from an economic perspective, are looking forward and has pledged I believe a total of \$100,000 to allow interested persons to register and enrol in FinTech-type introductory courses to allow more people to become more aware of what this means and for them to be potentially in a position to be employed when these companies come. And earlier it was said that there were already 66 companies registered in the FinTech space. And it could FinTech, InsurTech, and the rest of these techs, but in this whole space.

And part of my commentary, also, is to encourage those in the community to take personal responsibility to become aware of these things, because, yes, it requires personal sacrifice. And to be an example, I enrolled. And, yes, it means on Thursdays, or Tuesdays, or Saturdays, or whatever, you are going to go this class and learn stuff, and whatever. But you know what? That is what it takes to allow us to be prepared for the future.

I go back to my earlier time also. I used to teach accounting at Bermuda College some time ago. And I was always amazed that policemen in particular, and most of them non-Bermudians, to be honest, would come to those classes. And I would ask, *Well, why?* And their idea was because they knew that within the police service they could serve for a period of time and they could retire as early as age fifty-five. They were preparing for the future. And now, when they retire they get these jobs. And we complain, but it is preparing for the future. And I am saying this because it is necessary for us to say to Bermudians, *Get ready, get ready, get ready.*

What is in my mind also is that yesterday (I think it was) I drove to St. George's. I haven't been down there for a while, and I drove around by the new hotel and yes, guess what? It is coming out of the ground. The metal beams and things are mostly in place. I am saying that because that means that this hotel will ultimately provide jobs also. And I know that they have a particular brand. So, Bermudians, make yourselves available for those options as they come



around. As a St. Georgian, what you would *not* want to do is have the place finish off, require people and then employ persons that are not in the neighbourhood, because they are simply not available, not prepared, rather. So, it is time for us to prepare ourselves. Take advantage of the opportunities as they arise.

One of the hindrances also in the whole FinTech space has been the fact that there is resistance by the existing banks to facilitate the banking of the proceeds from these companies. And we understand that because, clearly, Bermuda has to maintain its existing reputation. That is actually one of our strengths in comparison to (as you said, Senator Jones, earlier) the Cayman Islands and the rest. We are actually recognised as being in a better regulatory environment than many of our competitors.

And even in the instance of this, I want to call it a temporary setback around economic substance, yes, it is a major deal. But subject to us being able to sort out the current challenges, the information that I have been made aware of is that Bermuda . . . because they are going to make sure that all jurisdictions have similar legislation, you are not going to be able to go to one jurisdiction versus the other. Each jurisdiction is going to require other attributes to be seen to be to the better locale.

Bermuda, of course, has natural beauty on its side, but we also have the regulatory environment. And I say that because it is a significant advantage to Bermuda to be seen to operate as a blue-chip jurisdiction. It is very, very important, and we should not lose sight of that. And I also caution while I am speaking that the European listing should not ever drop to the point of being a political football. Never. Because Bermuda is a locale that we all benefit from, or none of us benefit from. So, it is not an issue in terms of *let's make international negative commentary about that*.

And I say that also because I had the opportunity to attend the Chamber breakfast that followed from the budget announcement. And I would say that to a point that the Minister of Finance was very well received. And one of the commentators made the same point that we have to get on the same page when we are discussing Bermuda in the international arena. And obviously, given where we are now in terms of social media and how instant messages are, it is no game for us to try to score local political points when we realise what is happening on the international stage. It is absolutely inexcusable that we would do that.

Now yes, we have differences between ourselves. And, you know, that is part of the political process. But we have to be very, very mindful of where we are when it comes to comments that may impact us internationally.

And so, Madam President, for me, I trust that as we move from today's debate discussion into fur-

ther consideration of the actual budget that, yes, we are able to be constructive. I trust that we are able to hear the explanation from the Government side and then to receive substantive questions from the Opposition in a manner by which we are able to receive the questions and provide information, because in the absence of doing so, we are doing a disservice to the general public.

And my final comment, Madam President, would be that I find that this national budget process is quite rigorous. And again, I would encourage individual family members to try that same process at home. Sit down and see if you can write down what your weekly or monthly income is, and then compare that to your expenses and go through the exact same thing. *What can I adjust? Where can I trim to make sure that I can either live within my means, or I can proactively be aware of where I am going to be short and make plans or do whatever I have to do to be able to overcome that challenge, whether I have to borrow money, whatever I have to do.*

But it is better to do it in advance than it is to do it at the last minute and suddenly you find yourself a bit jammed up. And, of course, everybody be aware of these not so small, but these charges that you may be charged when you use banking services.

And I do know, I will say this last thing, because one of the hiccups that have occurred with banking is that when you do an online transaction for some of those banks they charge you a fee. And in my experience from a business side what is happening is I receive a payment, and it is in this case six dollars less. The question becomes who should pay for it. Do I pay for it or do I tell you as my customer, *Listen, you must now pay the extra six because that is what I am being charged.* My personal decision has been that it is the cost of doing business. But over the course of a year, it does add up, and really that is what Government is trying to do with these charge-backs for credit card use.

And in that regard, I was surprised to find out that, yes, there are businesses that use credit cards for major payments to avail themselves of the benefit of credit card uses, primarily frequent flyer miles. And so, yes, it certainly makes sense, and as Senator Kempe talked about earlier today, that Government might set, you know, limits, I guess, above which you cannot do certain things. That is Government being practical and increasing its efficiency and, thereby, decreasing the cost of running government, which is what we are all trying to get at.

So we cannot have it both ways. We cannot say, *Okay, fine, Government be efficient*, and then Government tries to do some things that are efficient and then they complain. We cannot have it both ways.

And so, with those comments, Madam President, I say thank you.

**The President:** Thank you, Senator Richardson.

Senator Campbell, it is over to you to reply to questions and move us to the end.

**Sen. Vance Campbell:** Thank you, Madam President. It has been a long, long session.

**The President:** Mm-hmm.

**Sen. Vance Campbell:** But I would like to thank Senators for their contribution. I sat here thinking, *How am I going to wrap this up? Should I make it short? Should I address some of these things that have come up?* And I decided I am going to address those things that have come up, because they keep coming up. Hopefully, they will not come up anymore.

The first one I would like to deal with is this notion that the PLP is a tax-and-spend Government. I will address that by looking at the OBA's history in their four and a half years in Government.

First, during their time in office they increased taxation, as was mentioned by Senator Hayward, to the tune of \$185 million. That is a 21.4 per cent increase in taxes. It was also their plan to increase revenue, you know, by \$1.146 billion by the 2019/20 budget, which we are sitting at now. And this was mentioned in their last budget in office, the 2017/18 budget that they produced. So, that plan to increase their revenue to that amount was through taxation. And that is borne out by the fact that they did engage CARTAC to do that report that was mentioned earlier. So, I will not go into the details of that. But the sole purpose of that report was to increase tax revenues.

We had an increase in vehicle licence fees of 3 per cent in 2013. The cost of bus passes rose. Payroll tax, land tax on commercial buildings, corporate services tax, customs duty on fuel, airport departure tax and other miscellaneous taxes increased in 2015/16. We had payroll tax again in 2016/17. Customs duty on fuel, tobacco and alcohol, and the implementation of a biennial review of government fees. That was 2016/17. We had more taxes in 2017/18, Madam President. So, they try and distinguish between a PLP Government by saying, *Well, we put in place incentives*. So, that is okay if there are incentives, Madam President.

The airport. Yes, we have Bermudians working down there, and they will continue to work for maybe another year and a half. Then what? We have lost control. Control of a major asset was transferred along with 100 per cent of the revenue. It is anticipated, Madam President, for 30 years [there will be] hundreds of millions of dollars lost to the government's coffers.

We had the America's Cup. Yes, short-term stimulant to the economy. We now have I believe it is about 9 acres that cost us \$33 plus million that sits vacant. There was no plan on how it was going to be used post America's Cup, and there was no plan as to how we were going to pay for it. In fact, I correct my-

self. Right now, it is being used as a temporary storage for the work that is going on at Kings Wharf, but basically no plan for how to use a \$33 million asset after the America's Cup.

If we look at the hotel development in St. George's, the developer is also acting as the general contractor, which means that both of the jobs go to their workers. And they were given, my numbers that I have heard, other numbers that I have heard, and I stand to be corrected, somewhere between 70 and 100 carte blanche work permits. So, Madam President—

**Sen. Nicholas Kempe:** Point of order, Madam President.

**The President:** What is your point of order, Senator Kempe?

### POINT OF ORDER

**Sen. Nicholas Kempe:** The speaker must cite his sources.

**The President:** Senator Campbell?

**Sen. Vance Campbell:** Madam President, it is clear there are many people working on the site that have been brought in by the developer/general contractor. The money that they earn on that site does not stay in Bermuda; it does not circulate in this economy. I will concede to the fact that, yes, Bermudians are getting some employment on that site. And hopefully, hopefully, will get some employment after the hotel is finished. But if you look around Bermuda and you look into the hospitality industry, fewer and fewer familiar faces can be seen.

We have heard . . . and if you go back to the time that the OBA was in power, you wouldn't . . . we heard earlier today of people buying expensive luxury cars. You would not want to drive your car on the road. It would be scratched up because of the overgrowth of vegetation alongside our roads. You could not walk on the road without risking your life because you had to walk out in the centre of the lane to get around the vegetation.

What is the picture that this gave to what was supposed to be a first-class business destination, looking like a third world country? Garbage piling up, not being picked up for two and three days, because of decisions made by the previous administration.

Buses beat up; private vehicles beat up by vegetation, overhanging trees. Buses not running, because of, again, decisions made to cut positions. Actually, they would fund them and then use the money. . . not fill them, and then use the money elsewhere. That sounds like a tax-and-spend government to me.

And in my upbringing, you know, the elders that I looked up to, they had some sayings that are quite simple.

**POINT OF ORDER**

*[Misleading]*

**Sen. Nicholas Kempe:** Point of order, Madam President. The member may be inadvertently misleading the Senate. Current account expenditure on the OBA decreased over the five-year-period.

**The President:** Carry on, Senator.

**Sen. Vance Campbell:** Madam President, it is a fact that our trash collection was an issue. It is a fact that our buses were breaking down, and there were numerous, countless cancellations of bus routes every day. That is a fact, Madam President.

Going back to what I was saying, elders used to have a saying: If it looks like a duck, if it walks like a duck, if it quacks like a duck, it is a duck.

**An Hon. Member:** It's a duck.

**Sen. Vance Campbell:** So, the PLP is supposedly a tax-and-spend government. You cannot dispute that our roads . . . you can drive that luxury vehicle on our roads today, Madam President. You cannot dispute that the money this Government has spent has improved the collection of the trash that we put out every week. And, I might add, at a lower cost due to the reduction in overtime.

It is a fact that the bus cancellation situation has improved. Is it where we want it to be? No, but it has improved under this PLP Government. It is a fact that we have students who are able to go to Bermuda College as a result of money spent by this Government, who were previously unable. And we talked about preparing our workforce to meet the challenges and the needs of our new economy. That is what this Government has been doing with the money of the people.

With that said, Madam President, I am going to just recap the themes of the budget. The Government has a plan, a fiscal plan. Some around this table, Madam President, may not like that plan, but it does not mean we do not have one. The budget is rooted in fiscal discipline and prudence, modest tax increases, current account frozen at 2018/19 levels, small increase in capital funding, Madam President.

First balanced budget in 16 years. Reduction in net debt. No expectations of increase in the debt ceiling. The Sinking Fund contribution suspended rather than borrow \$67 million at 4.591 per cent and earn 1.9 per cent on that \$67 million. No increase in interest expense, allowing for funding for other priorities.

The Government has tried to be fair and balanced, taking into consideration the situation that we must face as we try to reduce the deficit.

The Government has put in place an efficiency committee. We have heard that, but yet Senators around the table, Madam President, still say, *Where are the attempts to control costs?* Efficiency committee. We explained what their role and their charge is, but yet we still have, *Where are the attempts to control costs?*

This Government is taking care of our people, reducing the cost of living, providing mortgage relief. Healthcare reform is coming. Tackling electricity costs . . . that is a big one; that is a challenge. As I mentioned earlier, increased investment in education.

With that, Madam President, we have talked about sharing the tax burden. This Government has attempted to do that. We have been transparent for the third time, second time, this administration. The only time we have had a pre-budget process is under the PLP Government and we will continue to do that. And we are looking to grow our economy for all Bermudians. We also spoke of the Government doing its part through that efficiency committee. So, to say that the Government has not checked spending is not accurate.

So, with that, Madam President I conclude my comments on the budget, the general economic debate.

**The President:** Thank you, Senator Campbell and senators.

This concludes the general budget debate and on Wednesday we will move into the estimates and expenditures of the ministerial and departmental budgets. Thank you all for your input today. It has been quite a good budget, and I think the public should be well pleased with all the comments that you have made.

We will now move on to the second Order of the Day, which is the second reading of the Foreign Currency Purchase Tax Amendment Act 2019, Governor's recommendation signified.

Senator Campbell, this will give you a chance to catch us up and move us on this second reading.

Thank you.

**BILL**

**SECOND READING**

**FOREIGN CURRENCY PURCHASE  
TAX AMENDMENT ACT 2019**

**Sen. Vance Campbell:** Thank you, Madam President.

Madam President, the Bill now before the Senate is the [Foreign Currency Purchase Tax Amendment Act 2019](#). The purpose of the Bill is to

amend the first schedule of the Foreign Currency Purchase Tax Act 1975, which I shall refer to as the Act.

Madam President, the Act provides that tax is to be paid by or on behalf of persons who purchase foreign currency from banks and similar financial institutions. The rate of the tax is set out in the first Schedule to the Act and the current rate is 1.0 per cent. The last time the rate was increased was in 2010 when it was raised from 0.5 per cent to the current rate of 1.0 per cent.

Madam President, the kinds of transactions that are caught by the Act include purchase of foreign currency for travel overseas, purchases of imported goods and services by traders, and also purchases by consumers through catalogues and/or by way of the Internet. Persons will also notice the charge when they pay on or pay off their credit card balances. Madam President, the Act does provide for exemptions from the tax on certain transactions. The list of exempted transactions is set out in the second Schedule to the Act.

For the convenience of the Senate and those who may be listening, I shall recite those transactions that are exempt from the tax. Madam President, a transaction by any of the following bodies is free of the tax, namely: the government, the Bermuda Monetary Authority, the Bermuda Housing Corporation, the Bermuda Hospital Board, the Bermuda Tourism Authority, the Bermuda Deposit Insurance Corporation, a bank, a deposit company, a credit union, a trust company.

Madam President, in addition to the entities just mentioned, remittances of premium income by local insurance companies or non-resident insurance undertakings and pension contributions by a local pension fund are not subject to the tax.

Madam President, the main purpose of the Bill is to raise additional revenue. Indeed, while the community would prefer that taxes not be increased, it is important that all parties assist in the road to fiscal consolidation driven by a sense of shared sacrifice.

There is no question that the demand for government services is increasing, along with the pressing requirement to reduce the deficit. The proposed change in this rate will assist in providing some additional revenue that is required to satisfy the expanding public needs of our community and reduce the deficit.

Madam President, in the case of the proposed increase in Foreign Currency Purchase Tax, the overall impact on the cost of imported goods and services is an increase of 0.25 per cent. Madam President, the yield from the tax in 2019/20 is anticipated to be approximately \$26.1 million.

With those comments, Madam President, I conclude my remarks.

**The President:** Thank you, Senator Campbell. Would any Senator care to speak on this Bill?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Madam President.

I have a couple of questions and comments on the statement from the spokesperson from Finance.

The first premise was that there is an increased need for government services. But we have heard from other Members today, and also from reports that have been put out that we have a decreased and a decreasing population. So, I am wondering how these two states of mind are compatible.

When we look at this Foreign Currency Purchase Tax, there were a lot of exemptions, namely, trust companies, insurance companies, government. So, who does it affect, Madam President? It affects people that earn Bermuda dollars and people that consume goods in Bermuda, which means it has a disproportionate effect on people working in the local economy, mainly Bermudians, and it has a disproportionate effect on retail, and people that dedicate a higher percentage of their disposable income to consumption, which is generally people that are at the lower end of the economic scale.

So, this tax seems completely unnecessary, and it targets (according to the aspirations on page 1 of the budget) the wrong sectors of our economy. It is not an evolution of taxation; it is a worsening of the status quo.

Another item is that by increasing the cost on the foreign currency purchase tax, one of the unintended consequences I fear we are going to find is that businesses that service companies that earn in US dollars, namely, in international business, will now have crossed a threshold by which it makes sense to run two accounts to receive payment for the goods and services, one in US dollars and one in Bermuda dollars. And by doing that they will be able to do their purchases overseas, or even pay employees if they wish to in US dollars, and that will lessen the projected increase in collection from this change in the tax.

When we look at it, it is a relatively paltry amount at the end of the day. The Senator mentioned that it is \$21 million, but we are really talking about an increase of \$4.1 million. So, it is not a huge number in the large scale of things. It is less than the projected surplus for the year, and I question the logic of doing this increase at all, quite frankly.

Thank you, Madam President.

**The President:** Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

No?

Then, Senator Campbell—

**Sen. Vance Campbell:** Madam President, we have heard the Senator use “paltry sum” a number of times today. A dollar is built one penny at a time. The Government had the option to go higher in many of the

areas that they increased tax, but they chose to go with modest increases. If we would have gone high, we would have been criticised for it not being a paltry sum. We go with a modest tax increase, we are criticised for it being paltry. I would take \$4 million over the status quo in our attempt to meet a balanced budget.

I have no other comments, Madam President.

**The President:** Will you do your second reading then?

**Sen. Vance Campbell:** I move that the Bill entitled the Foreign Currency Purchase Tax Amendment Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?

No objection.

Go ahead Senator Campbell.

*[Motion carried: The Foreign Currency Purchase Tax Amendment Act 2019 was given a second reading.]*

### SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?

No objection.

Carry on.

*[Motion carried: Standing Order 26 suspended.]*

## BILL

### THIRD READING

#### FOREIGN CURRENCY PURCHASE TAX AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Foreign Currency Purchase Tax Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.

Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Foreign Currency Purchase Tax Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection. The Bill is passed.

Thank you, Senator Campbell.

*[Motion carried: The Foreign Currency Purchase Tax Amendment Act 2019 was given a third reading and passed.]*

**The President:** Moving on to the third item on the Order Paper, and that is the second reading of the Financial Service Tax Amendment Act 2019, Governor's recommendation signified. And Senator Campbell, I believe that is your Bill as well.

**Sen. Vance Campbell:** That is correct, Madam President.

**The President:** You have the floor.

## BILL

### SECOND READING

#### FINANCIAL SERVICES TAX AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the [Financial Services Tax Amendment Act 2019](#), be now read a second time.

**The President:** Is there any objection to that motion?

No objection.

Carry on Senator Campbell.

**Sen. Vance Campbell:** Madam President, the Government wishes the Senate to give consideration to the Bill entitled Financial Services Tax Amendment Act 2019.

This Bill provides for a revenue raising measure in support of Government's 2019/20 budget, but it also exempts insurance policies taken out by government from the tax. In the 2017/18 budget, in an effort to broaden the tax base, the former Government enacted the Financial Services Tax Act 2017. This legislation introduced a Financial Services Tax on insurance premiums, excluding health, money transmissions of a money service business and bank assets.

Madam President, when applied to banks, the tax was calculated at 0.005 per cent of the assets. The tax, as applied to local insurance companies, was a tax on gross premiums earned, excluding premiums from health insurance. The rate of tax was set at 2.5 per cent of non-health related gross premiums. Finally, the rate of tax for the money service business was 1.0 per cent on their aggregate outgoing transmission volume. When the former Government introduced the Financial Services Tax, this tax was an obligation of the respective financial institutions, and it was up to the company if they passed this tax on to their customers or not.

In 2018/19 it is estimated that government will collect a total of \$8.6 million from this tax, broken down as follows:

- \$4.1 million from bank service tax;
- \$4.0 million from insurance service tax; and
- \$0.5 million from money service business tax.

Senators will recall that the Tax Reform Commission (TRC) recommended increases of Financial Services Tax on bank assets and insurance premiums. The exact recommendations were as follows: The bank fee, Madam President, to be increased by [0.0075 per cent], or 75 basis points. The fee on insurance premiums to be doubled from 2.5 per cent to 5.0 per cent. This increase will be the obligation of the insurer, as recommended by the Tax Reform Commission.

Madam President, following consultation, the Government will increase the tax on premiums by 1 per cent, and increase the tax on bank assets from 0.005 per cent to 0.0075 per cent of its consolidated gross assets as at the end of a tax period. The Financial Services Tax increases will be on the same terms as the existing Financial Services Tax remittances introduced by the former Government. This will yield an estimated additional \$3.4 million in revenue.

Madam President, the Bill will also exempt insurance policies taken out by government, as it is pointless for government to be increasing its insurance costs due to its own taxes. Currently, government incurs \$8.9 million in insurance costs, so this will save approximately \$311,500 at the increased rates.

With that, Madam President, I conclude my remarks on this Bill.

**The President:** Would any other Senators like to speak on this Bill?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Madam President.

I touched on this briefly during the general economic debate, but the piece in this Tax amendment Act that I find quite cynical is the raising of tax and then the belief that this can be obligated to be assumed by the insurer, bank, or whoever was passing it on and simply listing it as a line item on the final invoice. This tax will continue to be passed on. It just will not be listed as a separate line item on the premium.

We will see fees and premiums and other things go up to recover the cost of this raised tax. And, as I said before, an increase in tax is an increase in cost of living.

I find it amusing that not even the Government believes that the insurers will bear the cost of this bill; otherwise they would not have needed to write a carveout for government policies from the insurance companies. They know that this tax will be passed on and will not be borne by the insurance companies.

Otherwise they would not have felt the need to write a carveout for policies that they receive from the insurance companies themselves.

**The President:** Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

No?

Senator Campbell.

**Sen. Vance Campbell:** Madam President, in my brief I said, "When the former Government introduced the Financial Services Tax, this tax was an obligation of the respective financial institutions, and it was up to the company if they passed this tax on to their customers or not."

I then stated, Madam President, "The Financial Services Tax increases will be on the same terms as the existing Financial Services Tax remittances introduced by the former Government."

So, that is pretty obvious to me, Madam President.

Madam President, I move that the Bill entitled the Financial Services Tax Amendment Act 2019, be now read a second time.

**The President:** Is there any objection to that motion?

No objection.

Go ahead Senator Campbell.

*[Motion carried: The Financial Services Tax Amendment Act 2019 was given a second reading.]*

## SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?

No objection.

Carry on.

*[Motion carried: Standing Order 26 suspended.]*

## BILL

### THIRD READING

#### FINANCIAL SERVICES TAX AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Financial Services Tax Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.

Carry on, Senator Campbell.



**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Financial Services Tax Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection. The Bill is passed.

Thank you, Senator Campbell.

*[Motion carried: The Financial Services Tax Amendment Act 2019 was given a third reading and passed.]*

**The President:** We now move on to the next item, which is the second reading of the Hotel (Temporary Customs Duty Relief) Amendment Act 2019.

Senator Campbell, that is your Bill as well. We've kept you busy today.

**Sen. Vance Campbell:** Yes, Madam President.

## BILL

### SECOND READING

#### HOTEL (TEMPORARY CUSTOMS DUTY RELIEF) AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the [Hotel \(Temporary Customs Duty Relief\) Amendment Act 2019](#), be now read a second time.

**The President:** Is there any objection to that motion?

No objection.

Carry on Senator Campbell.

**Sen. Vance Campbell:** Madam President, this Bill proposes to extend the Hotels (Temporary Customs Duty Relief) Act 1991 by a further five-year period, expiring on March 31<sup>st</sup>, 2024. The Act provides a zero rate of customs duty on capital goods to be used in a capital investment scheme a hotel. Qualifying goods are listed in the Appendix of Public Notice 26, Customs Duty Relief, Hotels (Temporary Customs Duty Relief) Act 1991. The items included in the list of goods are intended for the renovation and refurbishment of hotels and guest houses.

The duty relief for hotel redevelopment is easy to obtain. Any hotelier may claim duty relief by making a customs declaration, a BCD, in respect of qualifying goods and specifying CPC 4509 in box 16 on that form. A copy of the relevant hotel licence should accompany the customs declaration. Detailed declaration guidance is easily accessible on the government portal.

Madam President, many properties have benefited from the concessions that are due to expire on March 31<sup>st</sup>, 2019. Since the last extension of the Act

in 2014, the hotel sector in Bermuda has benefited by receiving approximately \$12.7 million in duty relief on the renovation and refurbishment of their facilities.

Madam President, 2018 turned out to be another record-breaking year for the number of visitor arrivals when cruise, air and yacht figures are combined, with air arrivals growing by 4.6 per cent. Despite this success, hotel occupancy for the full year increased by only 1.1 per cent over 2017, to 63.7 per cent. There is no doubt that every hotel with a licence relies on this concession. This includes new hotel development prior to any order under the former Hotels Concession Act, or the now Tourism Investment Act.

Madam President, upgrades are vital to maintain standards and the hotel licensing regulations and are monitored through compliance inspections twice a year. This concession helps hotels to comply with these regulations.

Madam President, hoteliers have made it very clear to Government that they require this assistance to successfully navigate through these times. This extension to the customs duty relief will allow industry to be better prepared for any challenges that lie ahead.

To Bermuda's great fortune, the hoteliers are generally committed to maintaining staffing levels wherever possible, while continuing to offer first-class service and amenities to the guests of their establishments. The extension of duty relief will encourage the properties to continue to upgrade and provide the greatest quality experience possible to both visitors and residents alike.

Madam President, Government is equally committed to supporting the industry as it provides a diverse range of jobs to a wide cross section of Bermudians.

Thank you, Madam President.

**The President:** Would any Senator care to speak on this Bill?

Senator Jones, you have the floor.

**Sen. Marcus Jones:** Thank you, Madam President.

As I am looking at this amendment the thought and question has come to me that (and I don't know if the Junior Minister will be able to enlighten the Senate) . . . does the Government have any intention with this amendment of opening up an opportunity for the fastest growing category of tourism unit in the country now, the Airbnb and vacation rental units? I agree with this amendment. I think it should be extended, but there is still a category within our tourism product that I feel one can consider this being extended to that category as well.

**The President:** Thank you, Senator Jones.

Would any other Senator care to speak on this Bill?

No?

Senator Campbell, you have the floor.

**Sen. Vance Campbell:** Madam President, I do not have the answer for that question at this time, but I will endeavour to get it for Senator Jones.

**The President:** Thank you, Senator Campbell. Carry on.

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled Hotel (Temporary Customs Duty Relief) Amendment Act 2019, be now read a second time.

**The President:** Is there any objection to the second reading?

No objection.  
Carry on.

*[Motion carried: The Hotel (Temporary Customs Duty Relief) Amendment Act 2019 was given a second reading.]*

#### SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on.

*[Motion carried: Standing Order 26 suspended.]*

### BILL

#### THIRD READING

##### HOTEL (TEMPORARY CUSTOMS DUTY RELIEF) AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Hotel (Temporary Customs Duty Relief) Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.  
Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Hotel (Temporary Customs Duty Relief) Amendment Act 2019 do now pass.

Is there any objection to that motion?  
No objection. The Bill is passed.

Thank you, Senator Campbell.

*[Motion carried: The Hotel (Temporary Customs Duty Relief) Amendment Act 2019 was given a third reading and passed.]*

**The President:** We will now move onto the next item on the Order Paper, which is the second reading of the Restaurant (Temporary Customs Duty Relief) Amendment Act 2019.

Senator Campbell, it is your Bill, so you have the floor.

### BILL

#### SECOND READING

##### RESTAURANTS (TEMPORARY CUSTOMS DUTY RELIEF) AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the [Restaurants \(Temporary Customs Duty Relief\) Amendment Act 2019](#), be now read a second time.

**The President:** Is there any objection to the second reading?

No objection.  
Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, this Bill proposes to extend the Restaurants (Temporary Customs Duty Relief) Act 2002 by a further five-year period, expiring on March 31<sup>st</sup>, 2024. The Act provides for a zero rate of customs duty on imported capital goods intended for the renovation and refurbishment of restaurants.

Madam President, many properties have benefited from the concessions that are due to expire on 31<sup>st</sup> March 2019. Madam President, Government is committed to upgrading this country's tourism product in our continuing efforts to revitalise the tourist industry. The restaurant industry is viewed as an essential component in this Government's quest to provide a first-class experience for our Island's visitors. It is vital that Bermuda's restaurants achieve and maintain the highest standards possible.

Madam President, of significance is that many smaller mom-and-pop restaurants have taken advantage of this concession. The concession is easy to obtain. A restaurateur may apply in writing to the Minister of Finance for a scheme to be approved in respect of his/her restaurant. The application should include a description and plan of the capital investment scheme, along with an itemised list of the capital goods to be used in the execution of the scheme.

Once approved, the restaurateur may claim duty relief by making a customs declaration in respect of qualifying goods and specifying CPC 4517 in box



16 on that form. A copy of the Minister's approval letter should accompany the customs declaration. Again, detailed declaration guidance is easily accessible on the government portal.

Madam President, since the last extension of the Act in 2014, the restaurant sector in Bermuda has benefited by receiving approximately \$2.2 million in duty relief on the renovation and refurbishment of their facilities.

Madam President, like the hotels, most restaurants are committed to upgrading their facilities to the highest standards possible, and those that have already reached high standards are determined to maintain them. To reach their goals in the prevailing economic climate, a number of restaurants will be in greater need of this assistance than in the past. Over the next five years the customs duty concession will be of immense benefit to the restaurants in Bermuda.

Madam President, Government is equally committed to supporting the restaurant industry as it is with supporting hotels.

Thank you, Madam President.

**The President:** Thank you, Senator Campbell.

Would any Senator care to speak on this Bill?  
Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Madam President.

The OBA recognises the value in the Restaurant and Hotels (Temporary Concession Duty Relief) to ensure that we can maintain a tourism jurisdiction with modern amenities and we recognise that the duty relief given has a multiplier effect on the amount reinvested into the properties and construction jobs and all these wonderful things that keep us as a luxury jurisdiction with a curve.

Thank you.

**The President:** Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

No?

Then, Senator Campbell.

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled Restaurants (Temporary Customs Duty Relief) Amendment Act 2019, be now read a second time.

**The President:** Is there any objection to that motion?

No objection.

Carry on.

*[Motion carried: The Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 was given a second reading.]*

## SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?

No objection.

Carry on, Senator Campbell.

*[Motion carried: Standing Order 26 suspended.]*

## BILL

### THIRD READING

#### RESTAURANTS (TEMPORARY CUSTOMS DUTY RELIEF) AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.

Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection. The Bill is passed.

Thank you, Senator Campbell.

**Sen. Vance Campbell:** Thank you, Madam President.

*[Motion carried: The Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 was given a third reading and passed.]*

**The President:** Item 6, was the second reading of the Municipalities Reform Act 2019. Senators, we know that, for the listening public, this Bill will be taken up on Wednesday.

We now move on to item 14, Motions.

## MOTIONS

**The President:** There are none.

Item 16, Congratulatory and/or Obituary Speeches.

## CONGRATULATORY AND/OR OBITUARY SPEECHES

**The President:** Would any Senator care to speak?

**Sen. Vance Campbell:** I have a real quick one, Madam President.

*[Laughter]*

**The President:** Senator Campbell.

**Sen. Vance Campbell:** I have to do it—

**The President:** Senator Campbell, this is your day, so—

**Sen. Vance Campbell:** I have to do it—

*[Laughter]*

**The President:** Carry on.

## BERMUDA'S SPECIAL OLYMPIANS

**Sen. Vance Campbell:** And, hopefully, everyone agrees that it was necessary to do this.

Madam President, I would like to congratulate our Special Olympians.

*[Desk thumping]*

**Sen. Vance Campbell:** They are doing Bermuda proud. Equestrian, Eden Wollery, who is the youngest member of Bermuda's 13-strong contingent, at age 14, won the silver medal competing in the Level CS English Working Trials at the Al Forsan Arena on Saturday. Carlton Thompson, not to be outdone, he is the most senior person on the Island's team at 51, secured a bronze medal in the singles bowling competition.

We had bowlers Tiannai Lowe and Wayne Smith, and runners, Danielle Gibbons, Damon Emery, Kris Trott and Kirk Dill who also did the Island proud after placing in their respective disciplines.

I just want to shout out to the athletes who are scheduled to compete today, that is, Del-Che Landy, Solay Thomas, Gibbons, again, and Woollery who will try for her second medal.

Thank you, Madam President.

**The President:** Thank you, Senator Campbell. And it has been . . . all Senators around the table agree with you and certainly congratulate our athletes.

Would any other Senator care to speak on the Congratulatory and/or Obituary Speeches?

No?

Then the adjournment. Senator Caesar, you are the Government Leader in the Senate today, so it is over to you for the adjournment.

## ADJOURNMENT

**Sen. Crystal Caesar:** Thank you, Madam President.

I now move that the Senate adjourn until Wednesday, March 20<sup>th</sup>, 2019.

**The President:** Thank you.

Would any Senator care to speak on the motion to adjourn?

No?

With that, the Senate stands adjourned until Wednesday, the 20<sup>th</sup> of March. Thank you.

*[At 5:52 pm, the Senate stood adjourned until 10:00 am, Wednesday, 20 March 2019]*

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**BERMUDA SENATE****OFFICIAL HANSARD REPORT  
20 MARCH 2019  
10:01 AM***Sitting Number 9 of the 2018/19 Session*

*[Hon. Joan E. Dillas-Wright, President, presiding]*

**The President:** Good morning, Senators.  
The Senate is now in session.  
Shall we pray?

**PRAYERS**

*[Prayers read by Hon. Joan E. Dillas-Wright, President]*

**CONFIRMATION OF MINUTES**

*[Deferred]*

**The President:** Item 2, the Minutes of the 14<sup>th</sup> and the 18<sup>th</sup> of March 2019.

**Sen. James S. Jardine:** Madam President.

**The President:** Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Madam President, I move that consideration of the Minutes of the meetings of Thursday, the 14<sup>th</sup> of March 2019, and Monday, the 18<sup>th</sup> of March 2019, be deferred.

**The President:** Is there any objection to that motion?  
No objection. The Minutes are [deferred].  
Thank you, Senator Jardine.

**MESSAGES****APPROPRIATION ACT 2019****ESTIMATES OF REVENUE  
AND EXPENDITURE FOR 2019/20**

**The President:** Item 3, Messages.  
Clerk.

**The Clerk:** Yes, Madam President. We have a message from the Honourable House of Assembly. The message reads: "To the Honourable the President and Members of the Senate: The House of Assembly has the honour to forward herewith the undernoted Bills for the concurrence of your House: The Appropriation Act 2019. Copies of the Estimates of Revenue and Expenditure for 2019/20 are also forwarded for the information of your House."

And it is signed Honourable Dennis P. Lister, JC, MP, Speaker, and dated March 18, 2019.

**The President:** Thank you, Mr. Somner.

**REPORTS OF COMMITTEES**

**The President:** There are none.

**ANNOUNCEMENTS**

**The President:** There are none.

**NOTICES OF MOTION**

**The President:** There are none.

**PETITIONS**

**The President:** There are none.

**STATEMENTS**

**The President:** There are none.

**INTRODUCTION OF BILLS**

**The President:** There are none.

**FIRST READING OF PUBLIC BILLS**

**The President:** Item 10, the First Reading of Public Bills.

**FIRST READINGS****APPROPRIATION ACT 2019****LAND TAX AMENDMENT ACT 2019****DENTAL PRACTITIONERS AMENDMENT ACT 2019**

**The President:** The following Public Bills have been received from the Honourable House of Assembly and are now read for the first time. Their titles are, respectively: the Appropriation Act 2019, the Governor's recommendation signified; the Land Tax Amendment Act

2019, the Governor's recommendation signified; and the Dental Practitioners Amendment Act 2019.

## FIRST READING OF PRIVATE BILLS

**The President:** There are none.

## QUESTIONS PERIOD

**The President:** There are none.

## ORDERS OF THE DAY

**The President:** The Orders of the Day are that the Senate will undertake debate on the 2019/20 budget estimates with the second reading of the Appropriation Act 2019. And I will ask Senator Campbell.

**Sen. Vance Campbell:** Madam President, I move that the provisions of Standing Order 25 be granted so that the Senate may now proceed with the second reading of the Public Bill entitled the Appropriation Act 2019.

**The President:** Is there any objection to that motion?  
No objection.

## BILL

### SECOND READING

#### APPROPRIATION ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Public Bill entitled the Appropriation Act 2019 be now read a second time, together with consideration of the Estimates of Revenue and Expenditure for the fiscal year 2019/20.

**The President:** Is there any objection to that motion?  
No objection.

**Sen. Vance Campbell:** Madam President, I move that the Senate do now resolve itself into a Committee of the whole for further consideration of the Appropriation Act 2019, together with the Estimates of Revenue and Expenditure for the fiscal year 2019/20.

**The President:** Thank you, Senator Campbell.  
And I will ask Senator Jardine to take the Chair.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** And before I do, can I just recognise Permanent Secretary Marva O'Brien, Legal Affairs, and the Controller, in the Gallery. Thank you.

## Senate in Committee at 10:06 am

[*Sen. James S. Jardine, Chairman*]

## COMMITTEE OF SUPPLY

### ESTIMATES OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR 2019/20

**The Chairman:** Senators, the Senate is now in Committee of the whole for further consideration of the Appropriation Act 2019, together with the Estimates of Revenue and Expenditure for the year 2019/20.

There is a schedule, which has been circulated to all Senators, which sets out the business for the day in Committee. And the first Ministry up for debate this morning is the Ministry of Legal Affairs. There are two hours allotted to this debate, and we will be considering Heads 87, 4 and 23.

Now, I believe Senator . . . are you taking this debate?

**Sen. Anthony Richardson:** To start, yes.

**The Chairman:** Thank you. Yes, on behalf of the Senator, the Attorney General, who has had to leave the Senate temporarily for the moment.

So, Senator, if you would please continue and present the Heads 87, 4 and 23, please.

**Sen. Anthony Richardson:** Good morning, Mr. Chairman, fellow Senators and members of the listening audience.

**The Chairman:** Good morning.

## MINISTRY OF LEGAL AFFAIRS

**Sen. Anthony Richardson:** I move that the Committee do now take under consideration Head 87, Ministry of Legal Affairs Headquarters; Head 4, Attorney General's Chambers; and Head 23, Child and Family Services.

### HEAD 87—HEADQUARTERS

**Sen. Anthony Richardson:** Mr. Chairman, the Ministry of Legal Affairs is charged with the responsibility of upholding the Constitution and the legal system of Bermuda.

The Ministry's mission statement, department objectives and current account expenditures are found on page B-80 of the Budget Book. Its mission is as follows: *to provide the fair administration of and access to justice whilst strengthening and promoting the well-being and protection of children, adults and families through the rehabilitation, prevention and treatment services.*

The department objectives of the Ministry Headquarters are to advance Government policy initiatives under the direction of the Minister of Legal Affairs; to ensure the Government's legislative framework is updated and current with policy directives; and to effect synergies amongst Ministry departments to ensure that overall policy objectives are met.

Mr. Chairman, the departments that come under the umbrella of the Ministry are as follows:

- Legal Affairs Headquarters;
- Judiciary;
- Attorney General's Chambers;
- Department of Court Services;
- Department of Public Prosecutions;
- Department of Child and Family Services; and
- Department of National Drug Control.

### Current Expenditure

**Sen. Anthony Richardson:** Mr. Chairman, the Ministry's budget commences on page B-79 of the Approved Estimates of Revenue and Expenditure for the year 2019/20 in the Budget Book.

A budget ceiling of \$49,071,000 was allocated to the entire Ministry for the 2019/20 fiscal year. This amount represents \$1,167,000, or 2 per cent, increase from the current 2018/19 fiscal year. A comprehensive analysis of the Ministry's expenditure was undertaken to strike a balance between optimising spending limits without compromising the efficient delivery of services.

And, Mr. Chairman, we will now return to Madam Attorney General.

**The Chairman:** Thank you, Senator.

Senator, Attorney General Kathy Simmons, will now continue with the presentation of Heads 87, 4 and 23.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman, and thank you, colleague, for stepping in.

The 2 per cent overall annual budgetary increase can be accounted for as follows:

- the transfer of the Mirrors Programme of \$906,000;
- \$2,000 increase in minor overhead costs for the department;
- \$250,000 increase in salaries due to the rise in pay scales approved by the Joint Grading Panel for the Judicial Department;
- \$200,000 transfer to the Department of Child and Family Services from the Ministry of Health for a grant given to Teen Haven; and
- a net reduction in overhead expenses for the Department of Public Prosecutions and the Department of Court Services in the amount of \$191,000.

The breakdown is detailed on page B-79 of the Budget Book. It is recorded that costs have been cut in two aforementioned departments, to be reallocated based on the needs of the Ministry.

Mr. Chairman, the full-time equivalents, or FTEs, starting for the Ministry of Legal Affairs increased from 303 to 315 from 2018/19 to 2019/20, as a result of the following: one additional FTE for a pupil in headquarters; six FTEs as a result of the transfer of the Mirrors Programme to Legal Affairs; three FTEs under the Legal Aid scheme as a result of the new Legal Aid model (i.e., a Legal Aid counsel, a paralegal and a junior Legal Aid counsel); one FTE under the Judicial Department, who will be responsible for the Criminal Injuries Compensation Board and Liquor Licensing; and one FTE under Child and Family Services.

The Government is committed to ensuring that there is government efficiency and value for money. We have already begun to see where legal and investment is trending towards reduced costs and overall savings. Investing in our future lawyers promises to pay dividends for the future of our Chambers and the domestic quality of the legal fraternity. The Criminal Injuries Compensation Board undertakes a vital function with respect to reducing the impact of violent crime, and Mirrors' work is to develop our youth to prevent such crimes in the first instance.

Of the \$49,071,000 allocated to the Ministry, particular allocations are as follows:

- Ministry Headquarters, \$6,627,000;
- Judicial Department, \$8,723,000;
- Attorney General's Chambers, \$5,308,000;
- Department of Court Services, \$4,658,000;
- Department of Public Prosecutions, \$3,329,000;
- Department of Child and Family Services, \$15,915,000; and
- Department of National Drug Control, \$4,511,000.

### Revenue

**Sen. the Hon. Kathy Lynn Simmons:** Under the head of Revenue, the only departments under the Ministry's portfolio that have a mandate to generate revenue are the Judicial Department and the Department of Child and Family Services. Their combined revenue is projected to be \$10,403,000. This amounts to \$1,405,000 more than the 2018/19 original estimates.

And let me just digress for a minute and advise Senators that, in the Budget Book, in the Difference column, that is the difference between the original estimate from 2018/19, Mr. Chairman, and the estimate for the 2019/20, shown in amount and percentage, just to make that clear because that was a question that arose in the House.

**The Chairman:** Yes. Thank you, Senator.

### Current Account Expenditure

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, the Current Account Expenditure estimates for Head 87, the Ministry of Legal Affairs Headquarters, begins at page B-80 of the Budget Book. A total of \$6,627,000 has been allocated to the Ministry Headquarters. This represents an increase of \$909,000, or 16 per cent, from the 2018/19 original estimates. The increase is mainly due to the budget allocation of \$906,000 for the Mirrors Programme. It will be transferred to the Ministry commencing on April 1, 2019, and is not reflected in the original estimates for 2018/19.

In addition, resources were diverted to increase funding for the services that will be performed by the Litigation Guardians, net of a small decrease in the funds allocated to other overhead costs within the Ministry. Legal services costs have also decreased due to the effects of the reform of the Legal Aid model.

### Salaries

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, of the \$6,627,000 allocated to Ministry Headquarters, \$2,355,000, or 36 per cent, of the budgeted amount represents the allocation for salaries. This includes salaries for Ministry Headquarters, the Legal Aid Office, the Financial Sanctions Implementation Unit (which is new) and the Mirrors Programme. And the specific details are as follows:

- \$724,000 for Ministry Headquarters;
- \$829,000 for the Legal Aid Office;
- \$324,000 for the Financial Sanctions Implementation Unit; and
- \$478,000 for the Mirrors Programme.

### Professional Services

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, \$1,866,000, or 28 per cent of Ministry Headquarters' Budget, is allocated to Professional Services. Budgeting is for external legal counsel retained by the Legal Aid Office of \$660,000. Also included in the Professional Services allocation is a budget of \$554,000 for the Justice Protection Programme. This programme continues to produce excellent dividends for Bermuda by contributing to the successful prosecution and conviction of criminals. Also included in professional services is funding allocated for Litigation Guardians in the amount of \$242,000, to ensure the independent representation of children during court proceedings. Further funding in the amount of \$105,000 has been provided towards public relations, through a communications officer on behalf of the Ministry. Funding in

the amount of \$143,000 will enable the Mirrors Programme to avail itself of required consultants.

Communication Expenses, found on page B-81, in the amount of \$65,000, consists of telephone expenses for various sections under Ministry Headquarters, which are Administration, Legal Aid, the Sanctions Unit and the Mirrors Programme. A total of \$98,000, also found on page B-81, mainly relates to transporting 22 senior school students overseas for camps under the Mirrors Programme, rather than hosting the camps locally. This change is a more cost-effective way of providing services while building youth leadership skills. It also allows the students to interact with overseas students and acclimatise to a college campus-like experience.

Mr. Chairman, the Ministry of Legal Affairs Headquarters is furthermore functionally subdivided into six fiscally identifiable programmes, as follows:

- 97000, Administration;
- 97010, Financial Intelligence Agency, which is a grantee;
- 97030, Legal Aid;
- 97070, Justice Protection;
- 97080, Financial Sanctions Implementation Unit; and
- centre 97090, the Mirrors Programme.

I will proceed to address them individually, as follows:

### Administration—97000

**Sen. the Hon. Kathy Lynn Simmons:** This programme provides for the administrative costs associated with the Ministry Headquarters, to which \$1,338,000 has been allocated. This represents an increase of \$389,000, or 41 per cent, from the 2018/19 original estimates. The increase is mainly due to the funding allocated for Litigation Guardian fees of \$242,000, and one communications officer budgeted, as I mentioned previously, for \$105,000.

This communication officer is a political consultant whose services consist of developing materials, including but not limited to writing and editing speeches, greetings, press releases, press statements and fact sheets; coordinating with the Department of Communications to support the Minister's (my) development in preparation and delivery of information; liaising with local media and communications industry to advise on the best use of traditional, non-traditional and new media to reach identified targeted audiences; developing and implementing strategies for media queries, communication planning and service delivery in compliance with established policies and procedures.

Mr. Chairman, included in the Administration cost centre are salaries and related costs for Ministry Headquarters. Administrative support for the Minister and Permanent Secretary is provided by one seconded executive assistant and one administrative assis-

tant. Policy formulation for Ministry legislative initiatives and project management is provided by a policy analyst. Fiscal and financial control is provided by a Ministry Comptroller, who is in the Chamber today, our very talented and diligent Ms. Onika Mendes.

Mr. Chairman, Ministry Headquarters intends to continue to focus on the codification and efficient delivery of Throne Speech initiatives. Our Ministry's most recent commitments include the vital role to be played in realising the medicinal and economic benefits of medical cannabis, modernising Bermuda's liquor licensing regime to meet the challenges confronting us, and needed court reform to address the pressing social challenges of settling family law disputes.

Moving from limited decriminalisation of cannabis to laying the framework of a medical cannabis industry entails overcoming many hurdles. Mr. Chairman, our Government is responsive to the increasing numbers of medical professionals embracing the science surrounding cannabis, and its positive impact on pain relief and the management of chronic medical conditions. The Ministry is progressing with advancing the regime whereby licensed medical practitioners are permitted to prescribe medicinal cannabis to aid in the treatment of such conditions.

In its 2017 platform, Mr. Chairman, the Government promised to "allow licensed practitioners to prescribe their patients medicinal cannabis to address legitimate health issues and establish a regime for domestic medicinal cannabis production." The Government has already delivered on a platform promise that targeted removing the criminal offence for simple possession by any person who held seven grams or less of cannabis. In this 2019/20 budget year, the Ministry intends to advance from limited decriminalisation of cannabis to also establish a robust licensing regime that will create a comprehensive framework that embraces the science of cannabis use for medicinal purposes.

Mr. Chairman, Legal Aid reform has moved into the implementation phase, where we are already experiencing projected cost-savings results, to be enhanced with further implementation. This is the outcome of our commitment to minimising outsourcing legal services where feasible. And we reap the benefits of handling matters in-house with added staff; that pays dividends as compared to the considerably costlier option of outsourcing, as was blindly committed to in the past.

Liquor licensing reform is well underway to strike the right balance between the commercial benefits of selling alcohol and responsible consumption. Our current liquor licensing regime is as cumbersome and dated as should be expected for having been originally fashioned in 1974, which is almost 45 years ago, Mr. Chairman. Accordingly, in keeping with Government's commitment, legislation is well underway, and actually was tabled recently in the House, to modernise the mechanisms and the process by which

liquor licences are granted. This will also expand classes of licences, enhance enforcement and provide a balanced approach that promotes health and safety to the community, while supporting businesses and our tourism product.

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

Mr. Chairman, having passed sex offender legislation to protect society, and especially our children, work continues apace to coordinate stakeholders and to implement the sex offender registration and notification system. The work of the Joint Select Committee was carefully considered to ensure a bipartisan approach to the measures ultimately implemented. As a result, we now have a comprehensive registration, rehabilitation, monitoring and reporting system under the auspices of an Offender Risk Management Team with this primary mandate. The aim is to ensure that all necessary steps are taken for offenders to be reformed, once incarcerated, and appropriately monitored and supervised upon release. Appropriate notices will be provided to victims and the public to prevent re-offending, with particular regard to the safety of our children.

Mr. Chairman, the Ministry's commitment to providing opportunities to train Bermuda's next generation of lawyers continues apace. Our pupillage programme provides pupils with an opportunity to work under the supervision of a designated barrister known as a "pupil master." The pupil is thereby provided with training and experience within a number of different areas within the Ministry. This includes the Department of Public Prosecutions and Legal Aid Department, where they gain criminal law experience; the Civil Advisory section of the Attorney General's Chambers, where they gain experience in civil litigation and advice; and the Drafting Section of the Attorney General's Chambers, where they are taught the process of how the law is made.

In 2018, Mr. Chairman, four pupils were selected to participate in the programme, and it is anticipated that each will be given the opportunity to become proficient in an array of legal disciplines. The pupils have been placed on a rotation schedule and have been given the opportunity to assist with files, attend court and gain experience with the type of work for which the pupil master has responsibility, in addi-



tion to working with any other persons within the Ministry whom the pupil master may assign the pupil to.

Throughout the pupillage period, the pupils work under close monitoring and supervision of their pupil masters. They are provided with the required assistance and the opportunity to discuss complex legal matters to ensure that their pupillage is progressing appropriately and that it meets, if not exceeds, the requirements of the Bermuda Bar Association Pupillage Guidelines. Those guidelines require that a number of practice areas are covered during the pupillage, such as legal research, problem analysis and fact investigation, planning and conduct of a matter, and file and practice management.

The programme is proceeding efficiently, and it is anticipated that a positive pupillage experience will continue to endear pupils to recommend others to pursue a legal career within the Ministry, thereby offering preferential opportunity to recruit new talent.

Finally, child support arrears enforcement remains a challenging priority relating to unifying the Family Court to fully marshal mediation and case management to resolving family [law] disputes. Resources will be deployed to implement a Unified Family Court and Mediation Centre [UFCMC] to better assist families in crisis and decrease dependency on an adversarial system. The stress of litigation will be further offset by streamlined case management to further minimise protracted disputes in family matters. The intended single registry office promotes better trained professionals at every level. This restorative justice approach is long overdue to assist children and families faced with the daunting challenges of resolving disputes without damaging the social bonds that they depend upon.

In 2019/20, the Ministry of Legal Affairs, as described in the 2018 Throne Speech, will progress the Unified Family Court and Mediation Centre to provide coordinated services to those who have family-related matters within the judicial system. Restorative justice will be fully integrated to progress cases involving children and families in a fair, efficient, and cost-effective manner. It is anticipated that this platform will assist to empower families through appropriate skills development activities and sound case management practices to resolve disputes.

### Legal Aid—97030

**Sen. the Hon. Kathy Lynn Simmons:** The Legal Aid Office, Mr. Chairman, is our next category. And that is under 97030. Mr. Chairman, the purpose of the Legal Aid Office is to ensure that legal advice and representation is readily available to those who need it most, and who, because of limited financial means, would otherwise be unable to secure access to justice. The mission statement of the office is *to provide high-quality legal representation to those who qualify for assistance under the Legal Aid Act 1980*. The office

aims to achieve this by providing qualified clients with accessible and professional legal services in a timely and efficient manner.

Mr. Chairman, the Legal Aid scheme, which is administered by the Legal Aid Committee under the authority of the Legal Aid Act 1980, is allocated for 2019/20 a total of \$1,684,000, which is a 19 per cent, or \$389,000, decrease from the 2018/19 original estimate allocation. The decrease in the budgetary needs from 2018/19 is primarily attributable to less funding being allocated to Legal Services. This results from in-house Legal Aid counsel taking conduct of many cases that would otherwise have been allocated to outside counsel at a higher cost per case. The private bar still retains a role in the operation of the Legal Aid scheme, but the implementation of public policy-based cost controls has reduced this area of expenditure.

Of the 2019/20 allocation, \$829,000, or 49 per cent, represents salaries for the administrative and management staff. Of the budget, \$660,000, or 39 per cent, represents costs allocated for legal services. The remaining \$195,000, or 12 per cent, represents administrative expenses, other than salaries, for the Legal Aid Office.

Mr. Chairman, the Legal Aid Office has focused primarily on increased operational control over client litigation and administrative efficiency. The reduction of expenditure, where possible, has been a primary concern, but not at the expense of a reduction in the quality of legal services.

The largest area of expenditure within the Legal Aid budget remains legal fees, which is in keeping with historical trends. The office was able to contain spending within its budget in 2018/19 through prudent management, coupled with the cost reduction and budget control initiatives outlined in the previous budget. The transition to the reformed Legal Aid model commenced in June 2018 and continues underway. To date, one of three legal counsel has been employed to decrease previously outsourced work. And the counsel who is actually leading the office at present is Charles Richardson, who is doing a sterling job and is very good at revising the policy in order to continue to achieve our cost-reduction.

Although full staff is not yet in place, from the period June 1<sup>st</sup>, 2018, to December 31<sup>st</sup>, 2018, legal fees paid to external counsel amounted to \$996,000. This compares to the annual average cost for the immediately preceding two-year period of over \$1 million. It is anticipated that costs will continue to trend downward in tandem with full implementation of the reformed model.

### Legal Services

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, under the category of Legal Services, between the period 1<sup>st</sup> of April 2018 and 31<sup>st</sup> of August 2018, the Legal Aid Office managed a combined total of 105

new matters: 13 domestic matters, 7 matrimonial matters, 30 civil matters, and 55 criminal matters.

The Legal Aid Office continues to maintain a general roster of counsel from private practice, who provide legal services to persons granted Legal Aid Certificates, notwithstanding that in-house counsel also absorb a percentage of the caseload. For the period from April 1<sup>st</sup>, 2018 to January 31<sup>st</sup>, 2019, there were 80 counsel, including two Queen's Counsel, representing 40 law firms, who were listed on the Legal Aid roster. The Legal Aid Office does not keep statistics on the nationality of counsel; however, the majority are Bermudians. To get on the roster or list, counsel must write a letter to the Legal Aid Committee requesting to be added to the roster, and include their qualifications. The current initiative to reform the Legal Aid service delivery model will

1. increase sustainability;
2. provide employment and training opportunities for Bermudian counsel;
3. improve succession planning; and lastly,
4. significantly reduce expenditure on legal fees, which has historically been an area of budget overspend.

The Legal Aid Office continues to be a major stakeholder in the specialist court programmes such as the Drug Court and Mental Health Treatment Court, providing defence counsel for these courts. In addition to the traditional rosters of counsel participating in the Legal Aid scheme and duty counsel managed and maintained by this office, small rosters are also in place for these specialist courts. If in-house counsel are not available, private practice counsel who are competent in these areas will be utilised.

The Legal Aid Office also produced a comprehensive Legal Aid Policies and Procedures Guidelines document relevant to these courts, which was released to the members of the Bermuda Bar Association for circulation to its members in July of 2018. This provides a useful reference guide to counsel who currently participate in those courts and those who may wish to join. The Bar has also included a designated Legal Aid section on its website, for ease of access.

### Output Measures

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to output measures, the Legal Aid Office retains the ability to process applications for legal aid certificates within 14 working days. However, achieving this objective is dependent on whether applicants have submitted the required information in a timely manner. One of the primary areas of delay was a lack of information from applicants as to the precise nature of the assistance that they were seeking. We have modified the application process to address this concern. A supplemental form to the Legal Aid application was developed to gather more information from the

applicant on the nature of the dispute. This has allowed the committee to better assess the application in determining if the individual qualifies for the grant of legal aid.

The Legal Aid Office continues to process applications for Temporary Certificates, commonly known as emergency certificates, within three working days. This is feasible once all relevant financial information is submitted at the time of application. The applications for emergency certificates can be approved, provided that they are capped below a certain amount and are ratified by the committee within 28 days.

Mr. Chairman, at present the Legal Aid Office comprises three administrative posts and three legal posts. The three administrative posts are the office manager, accounts assistant and an administrative assistant. The three legal posts are the senior legal aid counsel, a paralegal and a law pupil. In the coming months, more staff will be added to this complement, consisting of two more counsel, bringing the eventual number to three. These three counsel will attend court and represent clients at a reduced cost to the public purse, since they will be on salary, as opposed to drawing an hourly fee rate. We expect to see appreciable savings by using this model.

With regard to training and development, Mr. Chairman, the Legal Aid Office has as one of its primary objectives to be focused not only on present service provision, but also development of the quality of the advocates who appear in court on behalf of our clients. To this end, the research and library facilities at the Legal Aid Office are being revamped. This is necessary to support the litigation that will now be carried on out of that office, because for the first time Legal Aid counsel will not simply be managing the scheme on an administrative level, but they will also have conduct of serious cases in Supreme Court, such as murders and firearms matters. This broadening of the scope of the work done by the Legal Aid counsel will provide ripe opportunities for rapid growth and the acquisition of valuable experience.

There will eventually be two junior counsel who will work under the guidance of the senior Legal Aid counsel. Training on the office's case management system, Legal Files, was also recently conducted for all staff to develop their competency on the system, as well as to keep them abreast of updates. The Legal Files system is the database that we use to track client information, case disposition, classification and cost of each case that we have conduct of.

The diversity of work in the Legal Aid Office makes it an attractive option for pupils, law students and summer students. It is integral to facilitating the Ministry's thrust to train and retain competent and qualified Bermudians. At present, there is a roster which allows pupils to spend time working in all of the relevant government legal environments, on rotation (which was mentioned earlier), at the end of which they will be able to draw on a wide base of knowledge

and eventually choose a specialisation area and settle into practice.

With regard to other initiatives of that office, Mr. Chairman, amendments to the Legal Aid legislation will be considered during the upcoming fiscal year with respect to the calculation of disposable income and to take into account the cost of living increases. This will be coupled with the implementation of clear guidelines on the categories of cases that will qualify for coverage, those categories themselves being a reflection of a balance between the principles of access to justice on the one hand and reasonable use of public funds on the other.

An agreement between the Bermuda Bar Association and the Legal Aid Office, Mr. Chairman, is in place to ensure that counsel participating in the scheme will be trained to have a full understanding of the Legal Aid policies, procedures and general expectations of counsel undertaking legal matters. Existing counsel who wish to undertake legal work must attend one mandatory continuing education training session per year, hosted by the Bar Association, in order to remain on the Legal Aid Roster. Additionally, those counsel who undertake a certain amount of Legal Aid work per year are granted a discount on the fees payable for their practicing certificates.

#### **Justice Protection Programme—97070**

**Sen. the Hon. Kathy Lynn Simmons:** And now, Mr. Chairman, I will move on to item 97070, which is the Justice Protection Programme. Mr. Chairman, the Justice Protection Programme has been allocated a budget of \$554,000 for fiscal year 2019/20, which is \$3,000 more than the prior 2018/19 year's original estimate.

This programme is operated pursuant to the Justice Protection Act 2010 and provides protection for witnesses who support the prosecution process and meet the legislative requirements for entry into the programme. The success of this legislative initiative is apparent from the increase in successful prosecutions, particularly those that are gang-related and involve violent offenders, similar to within other jurisdictions.

## **ANNOUNCEMENT BY THE CHAIRMAN**

### **SENATE VISITOR**

**The Chairman:** Thank you very much. Thank you very much, Madam Attorney General.

If I can just interrupt for a minute, the Senate would like to acknowledge the presence of MP Michael Scott in the Senate today.

Welcome. Very pleased to see you.

Thank you very much, Madam Attorney General. You may continue.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman. I will move on now to the Financial Sanctions Implementation Unit.

*[Committee of Supply, continuing]*

#### **Financial Sanctions Implementation Unit—97080**

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, the Financial Sanctions Implementation Unit [FSIU] is a new unit established subsequent to the transfer of the Office of NAMLC to the Ministry of Finance. Of the 2019/20 allocation, \$324,000, or 95 per cent, represents salaries for administration. The remaining \$16,000, or 5 per cent, represents overhead costs for setting up the new unit.

The FSIU, which is what we call the unit, was formally established in September of 2018. The history of this unit dates back quite some time. The current and previous administrations have discussed the importance of the establishment of the unit, as the country was preparing for the onsite Mutual Evaluation by the Caribbean Financial Action Task Force, a regional body that is linked with the Financial Action Task Force. And Senators have heard about these task forces for some time. The unit oversees the implementation and the close monitoring of financial sanctions in Bermuda, and also advises the Minister of Legal Affairs of wider matters relating to anti-money laundering and the financing of terrorism.

Mr. Chairman, the Governor is the competent authority in Bermuda responsible for the implementation of financial sanctions. His powers are set out in the various Overseas Territories Orders that are in force in Bermuda, pursuant to the International Sanctions Act 2003 and the International Sanctions Regulations 2013. The Governor, by way of the International Sanctions (Delegation of Governor's Powers) Notice 2018, transferred certain functions to the Attorney General and Minister of Legal Affairs, which took effect on the 25<sup>th</sup> of September 2018.

Mr. Chairman, it must be noted that the United Kingdom retains overall responsibility for the external affairs of Bermuda, and that the special responsibility of the Governor for external affairs and defence under section 62 of the Constitution of Bermuda is in no way affected by the delegation. In particular, under the said Orders, the Minister of Legal Affairs has the power to:

- (a) obtain evidence and information by taking such steps as considered appropriate to cooperate with any international investigation relating to the funds, economic resources or financial transactions of a designated person;
- (b) issue and revoke licences, with the consent of the Secretary of State, and may grant a licence authorising an activity that would otherwise be prohibited under the said Orders, and such licence can be varied or revoked by

the Minister at any time with the consent of the Secretary of State;

- (c) serve as a reporting depository to whom a relevant institution reports or informs if it credits a frozen account pursuant to an Order;
- (d) authorise persons with power to search and investigate suspected ships/aircrafts/vehicles; and finally,
- (e) specify, by regulations, in the currency of the territory, the amount which is to be taken as equivalent to sums expressed in sterling in the relevant Order.

Mr. Chairman, the FSIU provides support to the Attorney General and Minister of Legal Affairs in carrying out the functions that have been delegated by the Governor.

The FSIU also provides the necessary infrastructure to effectively implement targeted financial sanctions, as well as provides support to the Minister in respect of statutory functions regarding implementation of the government's anti-money laundering initiatives.

### Output Measures

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to the output measures for the FSIU, the unit ensures that the sanctions measures webpage of the government portal is updated with regard to additions or de-listings for the various sanction regimes. Thus, upon notification from HM Treasury's Office, the FSIU updates the webpage within 24 hours and also notifies supervisors to immediately advise their supervised entities. In addition, the FSIU will be engaging in outreach to relevant government ministries and departments, as well as with industry, to increase awareness and provide information regarding obligations under Bermuda's sanctions regime and the role of the FSIU in implementing targeted financial sanctions.

Mr. Chairman, the FSIU is also keeping a watching brief on Brexit and, should the need arise, will work with the UK authorities and operational partners to ensure that Bermuda's sanctions regime is functioning effectively and efficiently. Post Brexit, the UK will establish its own regime for implementing sanctions imposed by the United Nations and UK's domestic sanctions. European Union sanctions will roll over into UK law under the Sanctions and Anti-Money Laundering Act 2018.

Drafting has been ongoing by the Foreign and Commonwealth Office to bring relevant sanctions in force in the UK currently into force post Brexit.

It should be noted, Mr. Chairman, that if the UK leaves the EU with a deal, there will be a transition period. And during such period, the UK will continue to implement sanctions under the EU sanctions regime. The transition period could potentially be between one and two years and would be noted in the deal. Should

the UK leave the EU without a deal, the statutory instruments already drafted under the Sanctions and Anti-Money Laundering Act 2018 and tabled in the UK Parliament will come into force once the UK exits the EU. Where sanctions regimes have not yet been tabled under that legislation, the European Union (Withdrawal) Act 2018 allows the UK to impose sanctions under EU law until drafting and tabling of the UK legislation has occurred.

The EU Withdrawal Act also allows OTs (or Overseas Territories) to continue to impose sanctions under EU laws as set out in the various Overseas Territories' Auditing Council with sanction regimes until the UK has implemented OT orders to bring sanctions regimes into force under the Act. (It gets to be complex.) Once the UK implements the new OT orders, Bermuda will bring such orders into force under the International Sanctions Regulations 2013.

Mr. Chairman, currently the FSIU comprises a responsible head, and recruitment is underway to fill the position of legal counsel. Administrative support is provided by headquarters as needed. The head, who is Ms. Renee Foggo, is responsible for implementing targeted financial sanctions including the following: bringing relevant Overseas Territories Orders in Council into force in Bermuda; reviewing licence applications in respect of the various sanction regimes; liaising with Government House and UK authorities on sanction matters; and assisting headquarters with Bermuda's mutual evaluation process.

During the period, the head has been assisted by Legal Aid counsel who was seconded to the legal counsel post from the Attorney General's Chambers.

With regard to Training and Development, the FSIU benefited from training from Her Majesty's Treasury Office of Financial Sanctions Implementation (and we call it OFSI) in July of 2018. The OFSI team members conducted a two-day training session on financial sanctions implementation that provided instructive information and practical exercises on dealing with financial sanctions implementation.

Further, the head attended meetings at the OFSI in January 2019 and met with OFSI's director and heads of the various units in order to gain more insight into the effective implementation of targeted financial sanctions. In addition, OFSI will be conducting meetings with the UK's Overseas Territories in Miami in March. And I believe Ms. Foggo has just returned from those meetings. And the FSIU will attend and lead a session on the implementation of targeted financial sanctions and share Bermuda's experience in respect of having certain functions delegated from the Governor to the Minister.

And I will say at this juncture that the Deputy Governor has been instrumental in working with us to ensure that the training takes place. And we are grateful to her in that regard.

### Mirrors Programme—97090

**Sen. the Hon. Kathy Lynn Simmons:** I will move on now, Mr. Chairman, to 97090, which is the Mirrors Programme. Mr. Chairman, the Mirrors Programme is newly transferred to the Ministry of Legal Affairs as a result of the Cabinet shuffle. Of its 2019/20 budget, \$906,000 has been allocated. Of this, \$478,000, or 53 per cent, represents salaries for administration. The remaining \$428,000, or 47 per cent, represents overhead costs.

This programme is focused on socio-emotional skills development, performance coaching and personal transformation for middle and senior school students, with an emphasis on innovative learning strategies and leadership skills. Mirrors Programmes are based on creating a deep and lasting transformation in the lives of participants so that they can reach their fullest potential. The long-term objective is to make better learners and build a resilient community of young adults who have positive life outcomes in education, employment and lawfulness.

There will be a reduction in the number of students served, from 36 senior school students to 22 for the 2019/20 financial year, and the shift in traveling overseas to a university setting for the camp services versus hosting the residential camp locally. This change is a more cost-effective way of providing services whilst building students' leadership skills, allowing them to interact with overseas students and have a college campus life experience. And I mentioned that earlier. The limited venues locally and the rising cost for conference and housing services would not be sustainable in the long term.

Mr. Chairman, the Mirrors Alumni and Friends Association will support the Mirrors Programme to launch the PeerForward, [formerly known as] College Summit programme, for 2019/20, with a grant from Skyport. PeerForward mobilises students to create a college-going culture in their high school.

The PeerForward method guides more students to college by tapping the peer resources in high schools. It is informed and validated by research on the key actions essential for postsecondary degree attainment. PeerForward trains, deploys and coaches a team of Peer Leaders, who are charged with boosting college preparation and enrolment across their entire school. They mobilise friends and classmates to realise their true college and career potential.

Mr. Chairman, the budget allocation for grants for fiscal 2019/20 is found at page C-16 of the Approved Estimates of Revenue and Expenditure for year 2019/20. And for this period, a grant will be provided to the Financial Intelligence Agency [FIA].

In continuance of Government's efforts to combat money laundering and terrorist financing, the FIA was established under the Financial Intelligence Agency Act 2007. The FIA is the independent agency authorised to receive, gather, store, analyse and dis-

seminate information relating to suspected money laundering and financing of terrorism, which is received in the form of a suspicious activity report. The FIA is empowered to disseminate such information to the Bermuda Police Service and to Foreign Intelligence Authorities.

Mr. Chairman, \$1,805,000 was allocated for fiscal 2019/20, an amount that has remained the same as fiscal year 2018/19. This represents the total amount allocated for grants provided by headquarters under cost centre 97010. The statutory mandate of the FIA dictates that the agency must report its quarterly expenditure and provide an annual audited report to the Minister of Legal Affairs.

### Capital Expenditure Estimates

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, the budget allocation for Capital Expenditures is found at page C-9 of the Estimates of Revenue and Expenditure. The Ministry has been allocated a total of \$260,000 for fiscal year 2019/20. Of this, \$249,000 is allocated for video conferencing. The remaining \$11,000 is intended to be used to purchase fully depreciated assets with no residual value for departments under the Ministry. Finally, Mr. Chairman, it is anticipated that the Ministry of Legal Affairs Headquarters' budget allocations for 2019/20, as detailed, will enable the Ministry to successfully fulfil its mandate, with careful monitoring and the continuing exercise of financial prudence.

That completes Head 87, Mr. Chairman.

**The Chairman:** Thank you, Madam Attorney General.

If you would like to proceed to the next head, which according to our schedule is Head 4.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman. And Head 4—

**The Chairman:** Is the Attorney General's Chambers.

**Sen. the Hon. Kathy Lynn Simmons:** The Attorney General's Chambers.

### HEAD 4—ATTORNEY GENERAL'S CHAMBERS

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, the mission statement, department objectives and current account estimates for the Attorney General's Chambers, Head 4, begin on page B-93 of the Budget Book.

Mr. Chairman, as legal advisors to Government, the Attorney General's Chambers is committed to providing high-quality legal advice and litigation services and to drafting sound legislation, ever mindful of the need to protect the public interest and to safeguard and preserve the fundamental rights and freedoms enshrined in our Constitution. In doing so, we

also pledge to uphold the traditions of equity, fairness and justice inherent in the legal profession, whilst simultaneously remaining on the cutting edge of legal trends and technologies to ensure that we are abreast of, and in accord with, global trends.

Mr. Chairman, with regard to expenditure, a total of \$5,308,000 has been allocated for Chambers. This represents a decrease of \$1,000, or 0.0 per cent, from 2018/19.

Mr. Chairman, the Attorney General's Chambers' objectives are as follows:

1. to provide quality legal services to the Government of Bermuda;
2. to advise all government ministries, departments and entities on the law applicable to their operational requirements;
3. to draft legislation as required to implement the Government's legislative agenda, to maintain Bermuda's legislative database, and to support law reform;
4. to draft contracts, international instruments for mutual tax information exchange, conveyances and other documents required for public purposes, and to provide advice on Private Bills; and finally,
5. to conduct litigation in the civil courts of Bermuda on behalf of the Government of Bermuda.

Mr. Chairman, the Attorney General's Chambers is functionally divided into six programmes accounted for as follows: Administration, under 14010, and I will deal with that first. Administration provides administrative support to the Attorney General, Solicitor General and Crown Counsel. This cost centre provides salaries for an office manager, a receptionist, a records management clerk and an administrative assistant for Accounts.

It also supports the purchasing of office supplies that are common to all sections of the department. The modest year-over-year increase is due to anticipated changes in the salary grading funds allocated for an administrative post and an increase in funding for the repair and maintenance of office equipment.

Under cost centre 14020, which is Advisory, Mr. Chairman, that section is responsible for providing quality legal advice to all government departments, and to conduct litigation matters brought by or against the government. Additionally, Advisory is responsible for recovering debts owed to the government.

This cost centre provides salaries for one Solicitor General, one Deputy Solicitor General, two Senior Crown Counsel, six Crown Counsel, three administrative assistants, and one pupil. The increase is due to the additional costs for consultant services.

Under cost centre 14030, which is Legislative Drafting, Mr. Chairman, that section advises regarding proposals to introduce or amend legislation, drafts primary and subordinate legislation for all government

departments, and provides advice and support to Ministers in the House of Assembly and Senate as their respective legislation progresses. Mr. Chairman, this section also provides advice to Ministers and the Governor on legal and constitutional issues and on matters of parliamentary procedure.

The salaries provided for in this cost centre include those of the Chief Parliamentary Counsel, Deputy Chief Parliamentary Counsel, five Parliamentary Counsel, two Assistant Parliamentary Counsel, a legislative database manager, a legislative editor, a legislative administrator, and a legislative database administrator. The year-over-year budgetary decrease is due to the reallocation of funding from salaries to consultant services, which resulted in annual savings of \$46,000.

Under cost centre 14040, which is Revised Laws of Bermuda, this cost centre supports the consolidation, periodic revision and publication of the laws of Bermuda. It is responsible for providing Members of both Houses of the Legislature, businesses, lawyers and the general public with access to the revised statutes and regulations of Bermuda. It also supports the ongoing consolidation of primary and subordinate legislation. The year-over-year decrease is due to anticipated savings from other cost centres within the Ministry to support the software maintenance for the Pro-Law system.

I now move on, Mr. Chairman, to cost centre 14050, which is Debt Collection. And, Mr. Chairman, the Debt Enforcement Unit within the Attorney General's Chambers was established by the Government to assist the Department of Social Insurance and the Office of the Tax Commissioner within the Ministry of Finance with the recovery of unpaid Social Insurance contributions, payroll tax, land tax, and other taxes owed to the Government when instructed to do so by the said department.

Often, the departments have payment plans in place with debtors as an alternative to initiating actions against them. The cost centre provides salaries for one Crown Counsel, one Junior Crown Counsel and an administrator.

Under cost centre 14060, which is our Law Library, Mr. Chairman, this programme provides for the cost of maintaining the Law Library in the Attorney General's Chambers, which includes the purchase of books and periodicals, and the provision of access to leading online legal information sources such as Lexis/Nexis and Westlaw.

The modest increase reflects the increased cost of prescriptions—*subscriptions*. (Good gracious!)

[Laughter]

**The Chairman:** We wish for that, Madam Attorney General.

### Capital Acquisitions

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, under Capital Acquisitions, the budget allocation for Capital Expenditures is found at page C-9 of the Estimates of Revenue and Expenditure. The Attorney General's Chambers has been allocated a total of \$5,000 for fiscal year 2019/20.

More funding has been given to Chambers for capital acquisitions. This funding is intended to purchase furniture and computers to replace fully depreciated assets with no residual value.

### Output Measures

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to output measures, during the 2018 calendar year, 69 Acts were enacted and 155 statutory instruments made.

In addition to the annual budget legislation and amendments relating to anti-money laundering and anti-terrorist financing in preparation for the CFATF on-site assessment in September, there were a number of new and amending Acts to give effect to the Government's legislative agenda on topics including initial coin offerings, digital asset business, economic substance, family mediation, psychological practitioners, allied health professions and evidence (which is our audio visual link legislation).

The Bermuda Laws website, which contains all of Bermuda's current laws and subordinate legislation, is updated in real time from within Chambers, and we are continuing to make improvements to the site. Since November 2018, as a part of the *e-Gazette* project, statutory instruments (or BRs) are now gazetted by publication on the website, which clearly indicates the operational date.

Over the past budget year, we received 15 mutual legal assistance requests, which is an increase of four in the number of requests in the previous year. Notwithstanding this increase, the number of days for us to respond has remained constant. The Criminal Justice (International Co-operation) (Bermuda) Act 1994 provides for fees to be charged when the cost of the assistance will be in excess of \$500.

Requesting jurisdictions have been required to cover costs in matters where the fees were determined to be excessive.

**The Chairman:** Madam Attorney General, if I could just interrupt for a moment.

**Sen. the Hon. Kathy Lynn Simmons:** Yes.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITOR

**The Chairman:** The Senate would like to acknowledge the presence in this Senate this morning of the Minister of Home Affairs, the Honourable Walter Roban.

Welcome, sir.

Please continue, Madam Attorney General.

*[Committee of Supply, continuing]*

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman.

Under staffing, there are currently three vacant posts within the Civil Advisory and Litigation Sections of the Attorney General's Chambers, namely, one Deputy Solicitor General, one Crown Counsel and one administrative assistant. The vacant post for the Deputy Solicitor General will remain unfunded for the budget year 2019/20.

The current staffing levels of the Civil Advisory Section are one Solicitor General, one Deputy Solicitor General, two Senior Crown Counsel, six Crown Counsel, two administrative assistants and one paralegal to the Solicitor General. There have been no staffing changes in the Debt Enforcement Unit.

Mr. Chairman, with regard to the Drafting Section of Chambers, there are currently no vacancies. There are seven Parliamentary Counsel, including the Chief and Deputy Chief; one consultant Parliamentary Counsel; and two Assistant Parliamentary Counsel. In addition to these dedicated lawyers, who are responsible for drafting all Government Bills and statutory instruments, the section is fortunate to have an excellent administrative team comprising four persons, each of whom plays a vital part in the timely production, publication and consolidation of legislation.

### Training and Development

**Sen. the Hon. Kathy Lynn Simmons:** With regard to training and development, Mr. Chairman, the Attorney General's Chambers includes within its mandate the development of its professional and administrative staff. Members of the Civil Advisory and Administrative Sections of Chambers attended training and personal development courses offered by the Department of Human Resources. Members of the Advisory Section also provided in-house presentations on advisory and litigation matters.

The Permanent Secretary for the Ministry of Legal Affairs, Ms. Marva O'Brien, who is in the Chambers, and the Solicitor General, Melvin Douglas, attended a plenary session of the Caribbean Financial Action Task Force (CFATF) in Barbados in November 2018. CFATF is an organisation of states and territories in the Caribbean that have agreed to implement common countermeasures against money laundering, and is a regional organisation that is associated with the Financial Action Task Force [FATF]. These members of the Ministry attended various sessions, includ-

ing the observation of activities surrounding the mutual evaluation process of the Cayman Islands' current risk assessment and the level of effectiveness of the Cayman Islands' AML/CFT system. The plenary sessions provided valuable technical guidance as Bermuda prepares for an international evaluation process of its anti-money laundering/anti-terrorist financing regime.

Mr. Chairman, a Crown Counsel attended the International Hague Conference on International Child Abduction in October 2018, in Kingston, Jamaica. This professional development will assist with his responsibilities on behalf of the Attorney General under the International Child Abduction Act 1998.

The Chief Parliamentary Counsel and one of the Assistant Parliamentary Counsel attended a conference of the Commonwealth Association of Legislative Counsel for Drafters from the UK, Crown Dependencies and Overseas Territories, in Jersey, in September 2018, regarding legislative challenges of Brexit—quite useful. On his return, the CPC [Chief Parliamentary Counsel] gave a presentation to the Drafting Team to share knowledge acquired at the conference.

Members of the Drafting Section also attended, Mr. Chairman, training, management and personal development courses offered by the Department of Human Resources. One of the Assistant Parliamentary Counsel continues work toward obtaining a drafting diploma offered online by the University of Athabasca in Canada. The other Assistant Parliamentary Counsel will start the course in short order. Members of the Drafting Team take turns in giving in-house monthly presentations, which are quite useful, and lead roundtable discussions on drafting matters.

**The Chairman:** Madam Attorney General, if I could just interrupt for a second.

And just as a time check, we are halfway through the allocated time of two hours. So, there is one hour remaining for the debate, just as a time check.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman.

**The Chairman:** Please continue.

### Initiatives for the Upcoming Year

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to initiatives in the upcoming year, under the Advisory Section, principal focus will continue to be on the development of Bermudians in Chambers, particularly in using senior counsel to assist junior counsel and pupils with advice and guidance on advisory and litigation matters. The Advisory Section intends to fill the vacant post of Crown Counsel and the post of administrative assistant in the forthcoming fis-

cal year. Mr. Chairman, improving the personal development of staff will remain paramount by providing them the opportunity to attend training courses offered by the Department of Human Resources.

The Advisory Section will continue to review contracts for the various ministries and departments to aid the same in making better decisions in contract negotiations. We will review the assignment of specific counsel to provide advisory and litigation representation to ministries and departments, seek to improve our case management system to reduce our demand for paper resources, and provide more in-house presentations by counsel on a variety of legal topics.

With regard to the Legislative Drafting Section, Staff and Training, Mr. Chairman, the principal focus will continue to be on the development of Bermudians in legislative drafting. Experienced drafters, including the Consultant Parliamentary Counsel, will continue to mentor the Assistant Parliamentary Counsel so that they will be able to draft independently.

And finally, Mr. Chairman, with regard to our Legislative Information Management System, or the LIMS system, the legislation is produced quickly and accurately using LIMS, which is customised to our Bermuda drafting style. This, combined with the important role of the legislative editor, has kept the number of errors and inconsistencies found in legislation during House and Senate debates to a minimum, thereby expediting the legislative process. The maintenance of LIMS is through a Canadian vendor, who provides timely professional assistance whenever necessary and regularly updates our software with the latest versions and technical support.

Mr. Chairman, it is intended to continue to improve our database and to post new laws within a week of enactment on the Bermuda Laws Online website [[www.bermudalaws.bm](http://www.bermudalaws.bm)], which is hosted locally by Fireminds [Technology Solutions]. Consolidation, which is the incorporation of amendments into existing laws, is more time consuming, since the amendments are checked by the drafters as well as the legislative database manager.

The goal is to continue to complete the process within one month of the enactment of the amending legislation, which was achieved in the last few years. Subject to resolving all outstanding technical and security issues, Mr. Chairman, with the assistance of the Information and Digital Technology Office, it is anticipated that legislation will be introduced in 2019 to declare this electronic version to be the official law of Bermuda.

And that concludes that head, Mr. Chairman.

**The Chairman:** Thank you, Madam Attorney General.

And we will move on to the final head, which is Head 23, Child and Family Services. And that can be found on page B-96 in the blue Budget Book.



## HEAD 23—DEPARTMENT OF CHILD AND FAMILY SERVICES

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman.

Mr. Chairman, the Department of Child and Family Services is responsible for promoting and protecting the best interests of children, adolescents, adults and families in order to enhance their social functioning and their quality of life. The department provides day care services; care and protection services for children; residential and home-based services for families; and assessment, intervention and counselling services for children, adolescents and families.

Mr. Chairman, the current account estimates for Head 23, the Department of Child and Family Services, as stated, begins at page B-96 of the estimates book. A total of \$15,915,000 has been allocated to Head 23 for 2019/20. This represents an increase of \$200,000, or a 1 per cent change, from the original budget for 2018/19.

The Department of Child and Family Services continues to focus on developing an integrated service that allows children, adolescents and families to receive services that are appropriate and coordinated, thus meeting the needs of families and assisting them with the diverse challenges they face. These challenges include, but are not limited to, lack of parenting, social and life skills, the ability to maintain housing, secure employment, effective budgeting, the abuse of substances, involvement in antisocial behaviour, cognitive deficits, educational challenges, mental health issues and anger management, which all contribute to these diverse challenges that are now seemingly exacerbated by the challenging economic times that families are facing.

The Department of Child and Family Services, Mr. Chairman, is charged with the responsibility of promoting and protecting the best interests and social well-being of children, adolescents, adults and families. Mr. Chairman, in order to meet these responsibilities, the department operates four programmes:

- Programme 2301—Services to Children and Young Persons;
- Programme 2302—Services to Individuals and Families;
- Programme 2303—Residential Treatment Services; and
- Programme 2304—Administration.

Mr. Chairman, in the fiscal year 2018/19, the Department of Child and Family Services continued with its efforts of providing a seamless continuum of services to children and families, by examining and redeploying resources to meet changing programme and client needs. These changes continue to be implemented, based on a performance quality improvement focus that is consistent with best practice standards. These standards are defined by accreditation

requirements, Mr. Chairman, in the area of human service provision.

### Structured Decision-Making Tool

**Sen. the Hon. Kathy Lynn Simmons:** Service improvements have been achieved by the department implementing a strategy that begins with the enhancement of a Structured Decision-Making Tool designed specifically for Bermuda, giving account to our social and cultural norms. This tool utilises a comprehensive assessment that ensures that clients receive the appropriate service from the appropriate agency. This process reduces referral duplication, closes previously identified gaps in service delivery, and increases overall effectiveness and efficiency of programmes. Utilisation of this tool has resulted in an improved, comprehensive service delivery system that has increased response time to initial referrals. It enhances appropriate prioritising of referrals according to risks, and it ensures that the highest risks are addressed first, resulting in better responses and positive outcomes for clients.

Mr. Chairman, the Department of Child and Family Services business units are discussed by programme, as follows:

### Programme 2301—Services to Children and Young Persons

**Sen. the Hon. Kathy Lynn Simmons:** As regards programme 2301, Services to Children and Young Persons, on page B-96, the Happy Valley Child Care Centre is covered under this programme. The estimate for the fiscal year 2019/20 is \$1,038,000. The output measures for the Happy Valley Child Care programme are found on page B-99 of the estimates book.

For business unit 33010, there is a budget allocation of \$1,038,000 for fiscal year 2019/20. This represents an increase of \$120,000, or 13 per cent, from 2018/19. This increase is a direct result of staff increments. We continue to contain expenditure within budget allocated for 2019/20. The feeding programme, the clothing programme and the enrichment programme will have been curtailed so as to minimise the impact on the wraparound services provided to high-risk children referred for care and a head start, at the Happy Valley Child Care Centre.

The Happy Valley Child Care Centre, the only government-operated child care centre, provides high-quality child care for children from three months to four years of age and accommodates a maximum of 40 children. Most of the children are from the Pembroke, Devonshire and Warwick areas, but the centre also has an intake of children from other parts of the Island. Mr. Chairman, Government has mandated that priority be given to children referred by helping agencies such as the Department of Child and Family Ser-

vices, Teen Services, Financial Assistance, Department of Health, and the Child Development Programme. These agencies, along with families experiencing various challenges, account for 60 per cent of the child care centre's intake.

Mr. Chairman, Happy Valley Child Care Centre's monthly fee is \$400 for all children enrolled. If a child is in the care of the Department of Child and Family Services, they do not qualify for the Child Day Care Allowance, and as such, their costs are absorbed by the department.

During the fiscal year 2017/18, the amount of fees collected was \$192,000. It is important to note that the cost per child is higher than the fees currently paid by the parents. This is because the Happy Valley Child Care Centre, which is a first-class facility—and I have been there, and it is absolutely wonderful—is specifically designed to meet the comprehensive needs of young children. It provides an extensive curriculum of high academic standards, with trained teachers who are continuously involved in their professional growth and development. It offers enrichment programmes that encourage parental involvement and growth development to strengthen family functioning and improve child development.

Comprehensive services offered at the Happy Valley Child Care Centre include an intervention programme; a full nutritional programme that provides morning snack, lunch and afternoon snack, which is monitored and approved by the Health Department's Public Health Nutritionist; mandatory parenting classes and involvement; movement; computer activities; reading and writing, science and maths; community service; field trips; riding; gardening; tennis and swimming classes; along with other curriculum activities which are offered at the child care centre to assist in the overall development of the children.

In July of 2018, a class of 16 children graduated from the programme and were well prepared for attending preschool, with two of the graduates reading at the emergent level, which is very impressive. Happy Valley Child Care Centre consistently utilises child assessment outcomes for classroom planning and individual intervention lesson activities. The High Scope Curriculum and Assessment Tool reflected outstanding results that validate Happy Valley Child Care Centre's commitment to an inclusive learning model. The results for infants, toddlers and preschoolers mapped steady improvement in all areas of developmental growth.

Mr. Chairman, Happy Valley Child Care Centre received re-accreditation with no conditions from the Bermuda National Standards Committee for 2018, and it will be up for their third re-accreditation in 2020. As a part of the accreditation PQI [Performance Quality Improvement] System process, DCFS is required to obtain feedback from clients on a quarterly basis. There is still an increased demand for child care placement at the Happy Valley Child Care Centre. A

full 150 applications were received for the 2018/19 period, with the centre being able to enrol only 20 new students, which is unfortunate because the programme is excellent. During the last school year, four students withdrew, two relocated to the UK, one benefitted from the pilot preschool programme at Warwick Preschool, and one transferred to a private nursery. The inability to accommodate increasing demands, coupled with the need of care for special needs children, remain ongoing challenges facing the Happy Valley Child Care Centre.

Mr. Chairman, fathers and mothers are actively involved in parenting classes, school programme activities, parent/teacher conferences and social interaction opportunities with their children. Grandparents and extended family members have been positively involved in the centre's programme, as well.

Happy Valley Child Care Centre continues to uphold its commitment to partnering with community resources. In collaboration with the Child Development Programme [CDP], two-year-old assessments are conducted at the centre; intervention services and parenting classes are also provided by CDP onsite.

Happy Valley Child Care Centre continues to serve as an internship site for the Bermuda College students enrolled in the Child Care Certificate Programme, as well as a community service site for public and private schools. A broad range of community activity involvement designed for children's enrichment learning includes giving out food to the elderly; visiting senior care centres; visiting Dolphin Quest and historical sites across the Island; and hosting its annual "Week of The Young Child" mini fair, which invites neighbouring nurseries and preschools in celebration of young children. This event is greatly supported by the centre's alumni, parents, family and the community.

Community resources that support children's learning onsite are presentations from Sun Smart, Dental Care from the Government Health Department, as well as Fire and Police Services. Support services for speech occupational therapy and physical therapy are also provided by the Government Department of Health and the Child Development Programme.

Mr. Chairman, Happy Valley Child Care Centre is being housed in an older building that is in need of constant maintenance and repair. We would like to thank the Department of Works and Engineering for their commitment and supportive services in addressing the maintenance needs of the centre throughout the year. Happy Valley Child Care Centre endeavours to maintain a first-class facility, while educating children in a safe, healthy and caring environment.

Mr. Chairman, on behalf of my team in the Government, I would like to thank all of the staff at Happy Valley Child Care Centre, their active Parent Teacher Association, their volunteers and community partners for their continued dedication to Bermuda's most valuable resources—our children.

### Programme 2302—Services to Individuals and Families

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to [programme] 2302, which is Services to Individuals and Families, which begins on page B-96, the activities covered in that programme are Intake, Assessment, Investigation, Family Preservation (formerly known as Family Services), Foster Care, and Counselling and Life Skills (formerly known as the Bermuda Youth Counselling Services). The estimate for these activities for the fiscal year 2019/20 is \$5,961,000. This represents a \$64,000, or 1 per cent, increase compared to the 2018/19 budget allocation.

Mr. Chairman, the Intake, Assessment and Investigation Unit provides first response and protective services to the children of Bermuda. This is achieved with the use of our Structured Decision-Making Tool which was referenced earlier. This tool, when used in this area, provides guidance to the social worker, indicating the appropriate response time to initiate having sight of a child, begin the investigation and arrange any related services required. The output measures for this unit can be located on page B-99 of the estimates book.

Mr. Chairman, the Intake and Assessment Team provides care and protective services to the children of Bermuda. This is achieved through three specialised units, the Screening, Investigations, and Assessments Teams, with a total of 15 staff. The output measures for Intake and Assessments can be found on page B-99 of the estimates book.

Mr. Chairman, the Investigation Team received 1,139 new referrals on children. This was a slight decrease from 2017, when 1,222 new referrals were screened by the Department of Child and Family Services. The shift to one central screening system continues to have a significant impact on the number of new cases that are processed for investigative or assessment services within the department. All screenings are reviewed to ensure that workers make contact in the designated time frames, while providing immediate feedback to the referrer. This service is reviewed quarterly to ensure that best practice standards are maintained. This team also received re-accreditation in October of 2018.

Mr. Chairman, the Investigation Team completed 100 per cent of the screening assessments in the stipulated time frames. Of the total number of cases screened, 917 were assessed as needing investigation or assessment services. Of the cases, 222 did not meet the threshold for child protection and were therefore screened out and referred to other services within the community.

Mr. Chairman, referrals were received for the following types of abuse:

- Neglect, 465;
- Sexual Abuse, 244;
- Physical Abuse, 200;

- Behaviour Problems, 100;
- Emotional Abuse, 84; and
- Other Services, 46.

Mr. Chairman, the Investigation Team continues to see an increase in the number of children referred for child-on-child (124 cases) sexual abuse or sexualised behaviour. These account for 51 per cent of the total number of sexual abuse referrals. Children exposed to domestic violence have consistently accounted for the highest number of neglect referrals for the past five years. In 2018, the department received 209 referrals for children who were exposed to family violence. This accounts for 45 per cent of the neglect referrals for 2018. The vast majority of the referrals are received from the police (291) and the schools (336).

Mr. Chairman, of the 917 who were screened in for investigation and services, 528 have been closed or transferred within the department for additional supportive services. To assist with a better understanding of the investigation procedure, the process includes the following activities:

- The referral is prioritised, based on the nature of the report, and can require a 24-hour, 5-day or 10-day response.
- The screening process will determine if police involvement is needed.
- Records are checked to determine if the case is already known to the department.
- An investigation plan is developed.
- The child is interviewed.
- The parent or guardian, immediate family members and other collateral resources are interviewed, when applicable.
- Witnesses are interviewed by the police.
- Medical and other assessment reports are obtained.
- The child's immediate safety is assessed for all in-home abuse cases.
- A secondary interview may be required, based on the information that is gathered.
- A determination is made if the report is verified (substantiated, suspected, inconclusive or unsubstantiated).
- The department conducts face-to-face contacts, based on the level of risk.
- An outcome letter is provided to the mandated reporter and the parent or guardian.

The investigation process has two main purposes, Mr. Chairman, firstly, to gather as much relevant, factual information as possible; and secondly, to assess [and] determine if there are immediate services needs of the child and the family. This may include DCFS providing ongoing interventions from other teams or community partners. This procedure is irrespective of the referral being [done by] a DCFS worker or someone who is in the community.

Mr. Chairman, the Intake Section continues to work cooperatively with the families whom they are investigating and assessing. When investigations are required on new and open cases to the department, a safety assessment and plan must be completed on all in the home. The goal of the safety assessment is to ensure that the children are safe and that the parent or guardian has agreed on a plan.

The primary objective is for the department and the family to work together without seeking a court order. As a result, the investigation social workers completed 589 safety assessments. This form of engagement with parents allows the department to ensure that the children are safe, while promoting and preserving the integrity of the family. Risk assessments are completed before a case is transferred or closed, and the team completed 552. The number of safety assessments completed increased significantly, from 432 in 2017.

Mr. Chairman, the Assessment Team is required to complete comprehensive assessments on children who are experiencing issues ranging from substance abuse to cognitive challenges. The team administered 257 assessments and completed 55 reports that provided parents, social workers and other professionals with clear recommendations for intervention and support services for each child and their family. The Assessment Team provides in-service presentations within the department and in the community.

Mr. Chairman, the Foster Care Section of the Department of Child and Family Services is responsible for providing alternative living arrangements for children under the age of 18 who are in need of out-of-home placement. The team was responsible for a total of 88 children, their birth parents and foster families during the last budget year. This represents a numerical increase by eight, foster children, birth families and foster families from the year prior.

During the last budget year, the Foster Care Programme has serviced a total of 11 therapeutic foster children. The children in this category have a variety of physical, cognitive, emotional and behavioural challenges. Therapeutic foster parents are compensated at a higher rate than traditional foster parents. They sign contracts that outline the levels of care expected, based on the children's needs.

Mr. Chairman, at the end of 2018, a total of one child was reunified with their birth parents. Six youth reached the age of 18 and aged-out of the foster care system, but continued to reside with their foster families. So, they aged out of the formal system. Three foster youth were transferred to the Psycho-Educational Programme during the year.

Mr. Chairman, the Foster Care Coordinator recruited four new foster parents this year, which is wonderful news. As the community changes, it has become increasingly difficult to recruit foster parents. Despite the challenges, the foster parents who are

being recruited are of a high calibre and are willing to work in partnership with Foster Care. But we remain hard-pressed still to have open and suitable available placements for emergencies and hard-to-care-for children. So, that remains an ongoing concern.

Mr. Chairman, in May 2018, Foster Parent Awareness Month, the Foster Care Team arranged a tea to honour all foster parents. And each foster parent was presented with a gift and a certificate. The keynote speaker was a former foster child, Janita Perinchief. She discussed the importance of foster parents, and her former foster parents were present for the presentation. The department received numerous positive comments about this event from foster parents. And it is important, Mr. Chairman, that we continue to honour them for the good work that they do for our children.

Mr. Chairman, the department would like to acknowledge the foster parents of Bermuda, our unsung heroes, who provide loving, stable homes to children who have experienced significant trauma as a result of abuse and/or neglect. Every day, they make a foster child's life better by their numerous acts of care and kindness.

Also, the department would like to acknowledge the Foster Parent Association, who work in partnership with the foster care team to support foster parents and provide the funds to enable foster children to participate in educational trips, attend specialised recreational programmes and to resource laptops for school.

Mr. Chairman, Counselling and Life Skills Services [CLSS] have a mission *to advance and promote the emotional well-being of youth up to 18 years of age and their families*. CLSS offers services that strengthen the knowledge, skills, positive experiences and support systems of individuals and families to make healthy life choices. Individual and family issues include, but are not limited to, family and relationship dynamics, co-parenting, grief and loss, communication, trauma, and adolescent substance use.

In order to best serve the needs of clients, CLSS counsellors work collaboratively with them to complete specific assessments or screening tools to measure progress, and treatment planning that is geared towards positive growth and development. CLSS continues to align services and practices with the DCFS's strategic plan. The aim of the restructuring of services is to offer a more client-focused and efficient mode of service delivery. DCFS requires that all referrals be made through the DCFS's Intake Section. The referrals are screened and assessed to determine the needs of the individual child and their family.

Mr. Chairman, to meet Council on Accreditation standards, quarterly Performance Quality Improvement meetings occurred during this year to review programme data and client trends; perform file audits; collect client, staff and stakeholder feedback;

and perform staff development. We continue to align services and practices so that they are consistent with the department's strategic plan.

Mr. Chairman, CLSS facilitated Substance Education Groups at CedarBridge Academy and Whitney Institute. In addition to the groups, CLSS team members provided presentations to several community organisations.

The Department of Child and Family Services' establishment of centralised intake and assessment allows for a more coordinated assessment of client needs and integrated service delivery. The total number of clients for 2018 was 187, [being] 105 youth and 82 parents who received counselling services.

Mr. Chairman, new referrals for the year totalled 77. The highest number of male referrals was in the 15- to 18-year-old age group, totalling 17. Among females, the 10- to 14-year-old and the 15- to 18-year-old categories were the highest, with 11. It is important to note that clients or families present with multi-problem issues such as high-risk behaviours, adolescent substance misuse, parent/child relational issues, parental relationship issues, trauma and emotional/behavioural issues. Family and emotional/behavioural issues are the leading trend.

Mr. Chairman, we continue to receive domestic violence referrals; 30 parents and 20 children were referred in 2018. Services for domestic violence involve specialised services for the batterer and the victim; hence, clients are referred to community agencies for services. CLSS provided counselling to some children who witnessed domestic violence, but this has highlighted a continued training need for this section and other sections working with children who witness domestic violence. CLSS also provides assistance with co-parenting services and support to children of divorce.

Mr. Chairman, I will move on to programme 2303, which is Residential Treatment Services, at page B-96. These services include the Brangman Home, the Oleander Cottage, the Youth Development Centre, and Administration. For this programme, there is a budget allocation of \$7,173,000, and this represents a 2 per cent, or \$170,000, decrease from the 2018/19 budget allocation.

Mr. Chairman, Residential Treatment Services provides a continuum of intervention services to children between the ages of 12 and 18 years. These are adolescents who are deemed to be at risk in the community and requiring care and protection in a safe and structured environment. All children placed in this service are on Care Orders and as such become the responsibility of the Director of Child and Family Services.

Mr. Chairman, the Residential Treatment Services [RTS] programme provides 24-hour services. The young ladies are located at the Brangman Home, while the young men are receiving temporary services at Oleander Cottage.

The Youth Development Centre is currently closed due to extensive renovations, and it is being fully upgraded to meet the needs of the children and safety standards as outlined by our accrediting body. This has been an extensive process, as the building was found to be in need of more renovation than initially thought. As a result, the decision was made to do a complete and major renovation to the building, replacing the windows with shatterproof glass, new air-conditioning systems to replace any window units, new security and fire alarm systems, which will include upgrades to the camera systems to protect both children and staff and to assist in any investigations, should the need arise. Mr. Chairman, when operational, it is utilised to provide one-to-one and special management of residents, based on their needs as indicated by ongoing evaluation, and if they are placed in Care of the Director as a result of criminal behaviours.

Brangman Home, Mr. Chairman, has also had renovations recently; however, recent rains have exposed some weaknesses in the roof and this is being addressed. And this has caused us to replace furnishings inside that were damaged. The repairs will also bring two of the bedrooms back online, as they were impacted by mould, mildew and water damage. A recent survey of the security and alarm systems has shown the need for upgrades and additional cameras, and this is also being addressed.

**The Chairman:** Just another time check. We have 26 minutes left in the debate.

**Sen. the Hon. Kathy Lynn Simmons:** Okay. Thank you, Mr. Chairman. I will press on as quickly as my voice allows.

**The Chairman:** Thank you.

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, the inclusion of family is a key component of the service provision. When this is not possible, alternative community-based relationships and resources are used to develop an appropriate plan.

The programme at Residential Treatment Services also includes the monitoring of clients on transition in preparation for family reunification. The goal is to have children transition within 12 months of placement or to implement an individual plan that may include independent living, depending on age and family circumstances.

Mr. Chairman, during the 2018/19 budget year, Residential Treatment Services provided community-based services to children on transition in the community, as well as those eligible for discharge. This has resulted in a more seamless response to clients and families.

Residential Treatment Services offers group living, individual and group counselling, family as-

assessments and interventions, parent groups (as needed), vocational and educational planning, and life skills development. Aftercare and interagency interaction services are based on the individual needs of the adolescent.

Mr. Chairman, Residential Treatment Services remained within estimated costs for the 2018/19 budget year. However, we have been faced with many challenges related to the number of children receiving services, the bed space available, and the emotional and behavioural challenges they present. As a result, we have received provisional accreditation status until we can address the current state of the physical plant and bed space.

The administrative responsibilities associated with accreditation dictate that we continue to maintain a four-year strategic plan and the breaking down of that plan into achievable annual goals. These annual goals, Mr. Chairman, are ongoing objectives and include the expected outcomes for the programme. The quality of ongoing service is evaluated by a Performance Quality Improvement system (PQI—you heard me mention that earlier). The PQI consistently reviews data related to the profiles of clients and the ongoing evaluation of the services provided. This process is designed to ensure that RTS is responding to the client needs and is consistent with best practice standards.

Mr. Chairman, the fiscal budget for 2019/20 continues to reflect the department's commitment to ongoing quality improvement, based on sound statistical data and empirical research. In 2018/19, client data again indicated that the majority of children requiring this service had family relationship issues and childhood trauma. Due to trauma-induced behaviours with residents, RTS continues to utilise therapeutic and family components of the programme, maintaining its partnership with Cornell University as they continue to provide RTS staff with Therapeutic Crisis Intervention (TCI) and Children and Residential Environments (C.A.R.E.) training. Both TCI and C.A.R.E. training curriculums are based on empirical research and provide a foundational philosophy and tangible behavioural management skill set for staff to provide effective care for all children and families who experience crisis in their lives.

Mr. Chairman, RTS provided in-house services with 20 adolescents in 2018. This total included nine males and eleven females. Client services included case management of children, as indicated by individual assessments and service plans. Interventions included cottage programmes, transition, family reunification and aftercare.

Mr. Chairman, our client profiles for 2018/19 indicated that 100 per cent of adolescents involved in the services had family relationship issues; the majority of children, both male and female, had experienced childhood trauma, including abandonment, abuse, grief and domestic violence. These data demonstrate

the wide range of specialist services required for dealing effectively with the children and families in need of our services.

Mr. Chairman, with a continued focus on the best interests of the child, in the 2019/20 budget year RTS will engage in a restructuring exercise as we anticipate working even closer with other agencies and community resources to streamline services and to maximise the use of existing resources.

To give some statistical data of the client base we are experiencing within RTS, the data from 2018 highlight trauma as a prominent factor for the young people placed in RTS. Of the components featured in the trauma category, neglect, attachment difficulties and abandonment represent the most profound challenges—89 per cent of clients experienced neglect, and 84 per cent experienced attachment difficulties that have adversely affected their ability to engage in healthy interpersonal relationships.

One hundred per cent of all children at RTS have parent/child challenges. Seventy-four per cent of the client population experienced mood disturbances or disorders. Forty-seven per cent display learning challenges. Mental illness/cognitive challenges are evidenced across 63 per cent of parents of children in the RTS programme. Fifty-three per cent are substance dependent. Domestic violence among the adults has been witnessed by 40 per cent of the residents and has likely contributed to their trauma. One hundred per cent received psychiatric or psychological interventions for the year. For 37 per cent of the residents, housing difficulties represent a barrier to discharge. Eight of the twenty residents at RTS have been identified as long-term, as they have no plausible family reunification plan.

Mr. Chairman, over the previous year, Residential Treatment Services has successfully met . . . and if you will bear with me, I think it is important to give this information so that Senators and the community have a snapshot of what we are dealing with, and allocations—

**The Chairman:** Please continue.

**Sen. the Hon. Kathy Lynn Simmons:** —that were made. Thank you, Mr. Chairman.

Over the previous year, Residential Treatment Services has successfully met the majority of the planned outcomes and outputs seen on pages B-100 and B-101 of the Budget Book. Statistical data and the performance quality improvement process have been consistently used to monitor quality and to determine changes needed to improve the service provided. The 2019/20 budget is designed to continue providing resources that allow this programme to provide a quality service to children and families.

Mr. Chairman, the Department of Child and Family Services Family Preservation Team operates under a sound case management and assessment

model, which comprehensively assesses the family's and child's needs and develops service plans with the family and child and stakeholders to maximise intervention and positive outcomes for the families. The ultimate goal is to reduce or eliminate the circumstances in the family that have been, or are, causing abuse or risk of abuse (whether it is emotional and/or physical abuse) to the child and to maintain the child or children in the home environment.

In order to achieve this goal, Family Preservation Services of DCFS requires its social workers and social work assistants to manage cases in compliance with both Family Preservation standards and in accordance with the policies and procedures of the department, Structured Decision-Making (SDM) assessment, reassessment and service planning processes. This report will highlight the performance of the Family Preservation Team and the client outcomes for the calendar year January through December 2018. The report will also highlight some of the objectives of the Annual Plan for 2019.

Mr. Chairman, the DCFS Family Preservation Team receives cases from the DCFS Intake Team and from DCFS out-of-home services (such as Foster Care, Psycho-Ed or Residential Treatment Services). Family Preservation is tasked with providing ongoing intervention to monitor and ensure the safety of children at risk of abuse or neglect, assist families to improve family functioning, increase child well-being, reduce the need for placement in out-of-home care, and to enable children in out-of-home care to return safely to their families.

Mr. Chairman, Family Preservation Services are provided to clients of the Department of Child and Family Services either through consent of the parents or under the authority of a Family Court Order. If child safety is an assessed concern by the Intake investigators, Family Preservation Services are mandated.

Mr. Chairman, upon consent, Family Preservation Services are also provided to a young person transitioning from the care of the director at the age of 18. The purpose of this service is to reduce the likelihood of future harm and to provide support and assistance to the young person as the Family Preservation workers are required by SDM protocol to increase contact with families, based on the family's level of assessment risk. In simplest terms, high risk requires once-weekly minimum face-to-face contact, moderate risk requires twice-monthly minimum face-to-face contact, and low risk requires once-monthly minimum face-to-face contact. All levels of risk also require collateral contacts.

**The Chairman:** We only have 15 minutes left for them to ask questions. So, maybe you could just wrap it up to give them an opportunity to ask a few questions if that is possible. But I do not want to force you either. It is your decision. We finish at six minutes after twelve. It is eight minutes to twelve now. I will leave that in

your hands. I just want to give them some time to ask a few questions.

**Sen. the Hon. Kathy Lynn Simmons:** Sure. I will continue on.

Mr. Chairman, the approval by Cabinet of the reorganisation of DCFS and the concurrent approval to recruit has begun to show its benefits, with the department beginning to allocate staffing resources accordingly. Once completed, this will allow DCFS to accommodate the increased need for Child Protection Investigation, Family Preservation and Foster Care Services through best practice standards, and reducing the impact of increasing caseload overload on staffing resources. The consequence of inadequate staffing resources in child welfare can have catastrophic consequences on the child and family.

Caseload management has improved during 2018, as caseload numbers have slightly decreased; however, the complexity of cases and risk levels have been high. Thus, the job of the Family Preservation worker remains a very intensive and complex enterprise. Mr. Chairman, Management Services' job description reviews were completed in the third quarter of 2018, thus allowing recruitment to bring DCFS staffing to 100 per cent in alignment with the approved reorganisation. It is the department's goal to have recruitment into vacant positions completed by the beginning of the second quarter of 2019.

Mr. Chairman, the data below are an overview of the statistical outputs and outcomes for the Family Preservation Team for the year 2018. And this is also found on page B-100 of the Budget Book.

**The Chairman:** Allow some time for questions.

**Sen. the Hon. Kathy Lynn Simmons:** Yes. And Mr. Chairman is asking me to allow some time for questions. And I am challenged because I have some very good information here about Psycho-Ed, which I definitely want to get into . . .

**The Chairman:** I would appreciate allowing some time for questions. I know it is a very large brief. But we have only two hours allocated for this particular section. So, it is in your hands, Madam Attorney General, but I would appreciate allowing some time for other Senators to ask questions.

**Sen. the Hon. Kathy Lynn Simmons:** Okay. How much time do we have, Mr. Chairman?

**The Chairman:** I have precisely 12 minutes left for the whole debate on these heads.

**Sen. the Hon. Kathy Lynn Simmons:** Okay. I will pass over Family Intervention. I will keep reading, Mr. Chairman.

In 2018, DCFS made concerted efforts to increase the skills of its front-line family intervention workers in engaging and meeting the needs of the clients we serve through the introduction of the Homebuilders Core Curriculum. The training is designed to introduce the team to the Homebuilders programme philosophy, programme structure and the treatment practice that is fundamental to delivering high-quality Homebuilders Family Preservation and Reunification Services. And there were several skills that were obtained, which I will not read at this time.

*[Pause]*

**Sen. the Hon. Kathy Lynn Simmons:** It is hard to cherry-pick for this one.

Mr. Chairman, the activity covered in programme 2304, Administration, is at page B-96. The estimate for this programme for the fiscal year 2018/19 was \$1,557,000. The estimate for 2019/20 is \$1,743,000, which reflects a \$186,000, or 12 per cent, increase. Mr. Chairman, the Administration Section of the department is responsible for the general supervision of the agencies within the department. All staff development and training are delivered through this section, and as previously highlighted, training in all sections of the department has been purposefully aligned with the overarching goal of providing a comprehensive, seamless continuum of services that meets the complex needs of our client population.

Mr. Chairman, the Administration Section is responsible for reviewing all policies and procedures and making the necessary recommendations that will expand the capacity, scope and quality of our social service delivery system. Given the current fiscal restraints, coupled with the increase in demand for more specialised and therapeutic services, the Administration Section continues to review of all its resources to ensure that they meet client needs.

In this budget year, Mr. Chairman, the Administration Section will finalise the implementation of its approved re-organisation structure and strategic plan, complete recruitment so that the department is fully staffed, and look for continued opportunities of performance quality improvement. They will continue with modernising the department's strategy of providing comprehensive assessments of all referrals so that clients receive the appropriate service from the appropriate agency, thereby reducing referrals and enhancing outcomes, and thus ensuring that each section maintains their accreditation standards.

Mr. Chairman, and this is the piece that I wanted to make sure I highlighted today. With regard to the Psycho-Educational Programme—and it is important that I read this, because questions always arise. And I am hopeful that, colleagues, in getting this information, this will be answering questions that you may have wanted to put, because the brief is very comprehensive. In regard to the Psycho-Educational

Programme, during the course of the 2018/19 budget year, a total of 20 clients were serviced overseas in therapeutic placements for a complexity of issues identified across the Diagnostic and Statistical Manual of Mental Disorders (DSM) V Criteria of Mental Disorders. The purpose of the DSM V is to provide clear descriptions of diagnostic categories in order to enable clinicians to diagnose and treat people with various mental health disorders. Each client received an assessment from local service providers that determined an individualised treatment plan and intensive interventions, according to the diagnostic categories defined by the DSM V.

Mr. Chairman, the Psycho-Ed Committee, in the best interests of the child, utilises an overseas service provider that specialises primarily in providing clinical and comprehensive assessments at a university hospital. The implementation of such an assessment is utilised to assist the Department of Child and Family Services in obtaining a clear and comprehensive understanding of the needs of the referred Psycho-Ed clients without an identified diagnosis, or those who did not engage at all with local service providers. The comprehensive overseas assessment assisted in the development of a dynamic, individualised treatment plan that has facilitated the most appropriate match of local community resources or an overseas therapeutic placement that will meet the client's specific need.

All children and parents involved in the Psycho-Educational Programme are informed of all aspects of the programme before being placed. The court also speaks with the child and confirms with the parents that they fully understand what is involved, the location of the programme, as well as the expected length of stay. Parents who are able to travel are assisted, in many cases, by either the department or the programme their child is attending to visit for parent weekend, which includes onsite family therapy sessions.

Mr. Chairman, a total of six Psycho-Ed clients were approved for an overseas placement at the University of Neuro-Psychiatric Institute for a comprehensive overseas assessment. The Comprehensive Assessment and Treatment (CAT) Programme at the University of Neuropsychiatric Institute, located in Utah, offered our clients a four- to six-week comprehensive clinical evaluation in a safe and secure environment. The multidisciplinary treatment team assessed psychiatric and medical conditions, and provided behavioural and educational assessments, psychological testing, therapy, and when necessary, addressed chemical dependency issues.

The programme included psychiatric evaluations provided by board-certified Child and Adolescent Psychiatrists with diagnostic expertise in major depression, bipolar, schizophrenia, ADHD, reactive attachment, autistic spectrum disorders, and substance abuse. The CAT programme conducted full psycho-



logical and neuropsychological testing and therapy provided by PhD psychologists. Most importantly, CAT utilised a collaborative approach constructed by a complete multidisciplinary team consisting of child psychiatrists, paediatricians, psychologists, nurses, licensed clinical social workers, recreational therapists, art therapists, music therapists and education specialists. And I highlight these points because these are therapies that are not often [offered] here in Bermuda for our children.

Mr. Chairman, two Psycho-Ed clients who completed the CAT programme were recommended for treatment in an overseas therapeutic placement that matched the determined diagnoses and other treatment recommendations.

**The Chairman:** Can I give them five minutes for questions?

**Sen. the Hon. Kathy Lynn Simmons:** No. I have to finish this.

Mr. Chairman, the current data revealed that, of the 20 children receiving treatment, 85 per cent were male and 15 per cent were female. Clients presented significant problems in various DSM V multi-axial classifications. These data are identical to the data collected in previous budget years. Also identical was that all Psycho-Ed clients had Axis V diagnoses categorised as psychosocial and environmental problems. A psychosocial or environmental problem was defined in terms of a negative life event, an environmental deficiency . . .

And I draw your attention to this because these were the problems identified earlier that we are finding which are leading children to have to avail themselves of the Psycho-Ed services, so this is in fact a serious problem in our community. As I was saying, a psychosocial or environmental problem was defined in terms of a negative life event, an environmental deficiency, a familial or other interpersonal stress, an inadequacy of social support or other problem relating to the context in which a person's difficulties developed.

And this is very important. Mr. Chairman, notably, 12 male Psycho-Ed clients serviced overseas, who were diagnosed as conduct disorder, involved in antisocial and criminal behaviours in the community, had GAF scores (which are global assessment of functioning scores) ranging from 48 to 51, with a mean of 50. These data correlate directly with the definitions (that I have not had a chance to read), hence demanding that the Department of Child and Family Services provide specific intensive clinical treatment for a longer period of time, as well as an intensive local family support plan.

Mr. Chairman, the Ministry of Education continues to lack resources and is not equipped to service clients who are conduct disorder or high risk in the community. Consequently, applications are made to

the Psycho-Ed Committee requesting an overseas placement for a young person who is not able to be serviced in a traditional school environment. And this is important to note: A total of 22 Psycho-Ed clients, 100 per cent, received alternative education due to huge educational gaps prior to being enrolled in an overseas therapeutic placement. The Ministry of Education has had an increased demand to continue to seek alternate educational placements with local vendors in the community prior to referring a child to Psycho-Ed for services overseas.

Large demands continue to be placed on the Department of Child and Family Services as a result of the Education Ministry's lack of resources and the overall inability to service children in a traditional school setting. Without the High Risk Intervention Team [THRIT], the Department of Child and Family Services lacks an adequate response to the increase in referrals for this group. Where skill sets and resources allow, family and educational assessments and school support are provided by our Assessment, Counselling and Life Skills Teams and our residential care officers. Also, there has been no relief in the time spent preparing court documents to support care and supervision orders. Consequently, client contact time continues to decline due to the demands of the Family Court process, guidelines and overall expectations.

To date, there are 10 clients overseas, eight males and two females, and two Psycho-Ed referrals pending a review by the Psycho-Ed Committee. They range in age from 12, which is very young, to 18 years old, with the median age being 15 years old. We are often questioned on the value of the programmes to the taxpayer—and, yes, they are costly—but we must consider the value of our children. And if we deem them to be paramount, we must continue to provide those professionals who are charged with their care and protection, the resources and tools needed to do what is in their best interests.

And, Mr. Chairman, I will close at this time. I would like to thank the staff within the Department of Child and Family Services for their dedication to providing effective services to those families requiring the array of services which they provide, and to remind colleagues that this month is, in fact, the month to celebrate social workers. Thank you, Mr. Chairman.

**The Chairman:** Thank you, Madam Attorney General.

We have precisely 30 seconds left. What I was going to suggest is that those who have questions or comments on this, please feel free to address them to the Attorney General after Senate has retired for lunch so that you do have an opportunity to ask your questions. And I would remind Senators that the heads and the time limits are chosen by the Opposition. And it is up to the Government Senators who are presenting to determine their length of time that they speak. So, the times are set. The heads are set. And we have to work within those parameters.

So, with those few words, Madam Attorney General, I would ask that you move your heads.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman.

I move that Heads 87, 4 and 23 be approved.

**The Chairman:** Are there any objections?

No objections.

So moved.

*[Motion carried: The Ministry of Legal Affairs, Heads 87, 4 and 23 were approved.]*

**The Chairman:** If we could now move on to the next Order of Business for the day, which is under the Ministry of Tourism and Transport. And again, two hours has been allocated for this debate. And we will be considering Heads 48 and 35. And that will be the Ministry of Tourism and Transport Headquarters, Public Transportation. We will put Head 48 first. And I understand that Senator Caesar will be presenting?

**Sen. Crystal Caesar:** Yes. That is correct, Mr. Chairman.

**The Chairman:** Senator Caesar, you have the floor.

**Sen. Crystal Caesar:** Thank you, Mr. Chairman.

I move that the Committee do now undertake Head 48, Ministry of Tourism and Transport Headquarters.

**The Chairman:** Please continue.

## MINISTRY OF TOURISM AND TRANSPORT

### HEAD 48—HEADQUARTERS

**Sen. Crystal Caesar:** Thank you.

Mr. Chairman, the budget appropriation for the entire Ministry totals \$88,496,079, as found on page B-194 of the Estimates of Revenue and Expenditure for year 2019/20. The departments which come under the Ministry include:

- Ministry Headquarters (HQ)—Head 48;
- Marine & Ports Services (M&P)—Head 30;
- Transport Control (TCD)—Head 34; and
- Public Transportation (DPT)—Head 35.

In addition, the Ministry of Tourism and Transport maintains oversight of the Bermuda Civil Aviation Authority, the Bermuda Shipping and Maritime Authority, the Bermuda Airport Authority and the Bermuda Tourism Authority.

Mr. Chairman, it is the Ministry Headquarters which is responsible for tourism and aviation matters. And those are found on pages B-195 to B-198 of the

Estimates of Revenue and Expenditure for the year 2019/20.

Mr. Chairman, the mission of this head is to *develop effective transportation policy and provide transportation systems that meet the needs of Bermuda's residents and visitors. To provide oversight and financial support to the Bermuda Tourism Authority and the Bermuda Airport Authority, and guidance to Authorities with responsibility for civil aviation and maritime affairs.*

Mr. Chairman, the Ministry of Tourism and Transport Headquarters, Head 48, includes three business units: Administration, the Transportation Planning Team, and the Regulatory and Policy/Hotel Administration section.

### Expenditure Overview

**Sen. Crystal Caesar:** Mr. Chairman, the total current expenditure for the Tourism and Transport Ministry's Headquarters is estimated to be \$39,475,159 for the fiscal year 2019/20. This represents an increase of \$25,080,606, or 174 per cent, over the prior year's budget of \$14,479,553. This increase is due to the November 2018 ministerial reorganisation that returned the responsibilities for Tourism to the Ministry, resulting in the addition of the Bermuda Tourism Authority and related grants.

The reorganisation also saw the departure from the Ministry of responsibility for the Department of Energy, which included oversight of broadcasting and telecommunications, and the Bermuda Regulatory Authority and its associated budget of \$783,169.

The Headquarters budget includes funding for the three business units mentioned previously, as well as the Current Account Operational/Expenditure Grants and Contributions, as seen in the Ministry of Tourism and Transport Headquarters, Subjective Analysis of Current Account Estimates, Grants and Contributions, budget line located on page B-196, and Schedule 1, Grants and Contributions on page C-18 of the Budget Book—which is inclusive of the Bermuda Airport Authority grant in the amount of \$13,300,000 and the Bermuda Tourism Authority grant in the amount of \$22,500,000.

For the fiscal year 2019/20, the Ministry Headquarters' Budget also includes grants and contributions for entities such as the World Triathlon Series, in the amount of \$2,070,470, which is year three of a five-year commitment, and JetBlue in the amount of \$60,000, which is year three of a three-year Cooperative Marketing Agreement.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITOR

**The Chairman:** Senator, if I could just interrupt for a moment.

I just want to acknowledge the presence in the Senate this morning of the Minister of Tourism and Transport, the Honourable Zane De Silva.

Welcome, sir.

Please continue, Senator.

*[Committee of Supply, continuing]*

**Sen. Crystal Caesar:** Thank you, Mr. Chairman.

I will move on to Head 48's cost centre 58000, which is Administration. The Administration section within the Ministry of Tourism and Transport Headquarters will have a budget of \$38,960,785. The majority of this allocation comprises the two authorities' grants, about which I will provide more information later in this brief.

For now, I will move onto the Transportation Planning Team, and that is at cost centre 58010. Mr. Chairman, the Transportation Planning team within the Ministry of Tourism and Transport Headquarters is allocated a budget of \$140,660 and can be found on page B-195 of the Budget Book. The Transportation Planning Team oversees cruise ship operational, regulatory and legislative matters. Together with the Bermuda Tourism Authority, the Transport Planning Section sets the cruise ship strategy, which has a strong focus on increasing cruise ship passenger spending and attracting a mix of cruise brands that can visit the Royal Naval Dockyard, as well as the City of Hamilton and the Town of St. George's.

Mr. Chairman, the Transportation Planning Team spearheads the logistical support for various government departments, on Island stakeholders, hoteliers and cruise ship partners to ensure the efficient integration of transportation services to meet expectations in Bermuda. Planning initiatives for this year include, but are not limited to:

1. Meeting regularly with transport operators to plan for the 2019 season;
2. Stakeholder consultation and communication regarding the cruise ship schedule and high impact areas such as ground transportation and services required during one-day and weekend cruise ship calls;
3. Implementing a revised plan for traffic coordination of taxis, minibuses and public buses at Horseshoe Bay Beach, where over 5,000 visitors can be found on any given day during the cruise ship season, to be executed by the Department of Parks, with TCD Traffic Officers assisting when necessary;
4. Identifying the correct number of minibuses to meet resident and visitor demand, particularly for those persons with special needs requiring heavy wheelchair accessible transport options;
5. Working with the Department of Parks to increase the presence of lifeguards earlier and later in the season, especially at Horseshoe Bay Beach;
6. Working with the Department of Works and Engineering to arrange much-needed shading at the

Horseshoe Bay Beach General Transportation Area for visitors and transport operators;

7. Working with the Department of Marine & Port Services to identify and implement supplemental ferry service to accommodate an extended cruise ship season and an increase in cruise ship passenger arrivals, and with the Department of Public Transportation to organise ground support staff to help with passenger queuing and pass validation in the Royal Naval Dockyard;

8. Ensuring that the Bermuda Visitor Services Centres in Dockyard are open when a cruise ship arrives alongside;

9. Championing the need for public transportation services to implement a digital fare media system alongside a public transportation trip-planning app with real-time information on the status of buses and ferries in time for the 2020 cruise ship season; and finally,

10. Advocating for bow-loading capabilities for public ferries at Hunter's Wharf in St. George's by 2020 so that persons who use wheelchairs can travel to and from Dockyard to St. George's by ferry.

Mr. Chairman, I would like to update you now on cruise ship activity. In 2018, Bermuda received 171 cruise ship calls, bringing 484,339 passengers to our shores. In 2019, a total of 194 cruise ship calls are expected with an estimated 545,000 cruise ship passengers. This represents an increase of 23 calls and approximately 60,000 passengers, compared with 2018.

Mr. Chairman, cruise passenger on Island spending is also expected to increase significantly in 2019, to \$123,000,000, an increase of \$12,900,000 over the \$110,100,000 spent by cruise ship passengers in 2018.

The Government of Bermuda is also expecting an increase in cruise ship tax revenue, from \$24,100,000 in 2018 to \$32,300,000 in 2019. This increase—a portion of which will go to the Bermuda Tourism Authority, with the remainder destined for the Consolidated Fund—is attributed to a restructuring of the cruise ship and cruise passenger taxes, which had not been uplifted in over 13 years.

Cruise ship and cruise passenger taxes in effect from 1 April 2019 are outlined as follows:

1. Cabin tax will be repealed.
2. Passenger departure tax will remain the same for ships berthing in, or at anchor and tendering to, the Town of St. George's and the City of Hamilton, at \$20 per person per 24-hour period, or any part thereof, to a maximum of \$60.
3. There will be an increase of \$5 to \$25 per person for passenger departure tax for each 24-hour period, or any part thereof, to a maximum of \$75 per person per call, for ships berthing in Dockyard or at anchor and tendering to Dockyard.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITOR

**The Chairman:** Senator Caesar, if I could just interrupt for a moment and acknowledge the presence of the Permanent Secretary for Tourism and Transport, Aideen Ratteray Pryse, to the Senate.

Welcome.

Please continue, Senator Caesar.

[Committee of Supply, continuing]

**Sen. Crystal Caesar:** Thank you.

Continuing on with cruise ship and cruise passenger taxes in effect from April 1<sup>st</sup>:

4. We will introduce a \$22 per person tax, called the large ship infrastructure tax, for passengers sailing on vessels with a gross tonnage exceeding 149,000 tons, or exceeding 1,120 feet in length or exceeding 4,000 passengers—whichever is applicable. There are two ships identified in the 2019 cruise ship schedule that fit these criteria. They are Royal Caribbean's *Anthem of the Seas* and the Norwegian Cruise Lines' *Norwegian Escape*. The large ship infrastructure tax revenue will be used to help fund infrastructure improvements.
5. There will be a new cruise ship passenger fee of \$16 per person to fund destination marketing and on Island product and experience development by the Bermuda Tourism Authority. This fee will be paid directly to the BTA, and as a result, the Government will be able to reduce its annual grant to the Authority.

Simply stated, Mr. Chairman, the cabin tax of \$14 per cabin per day is replaced with the flat fee of \$16 per person for the new BTA cruise ship passenger fee. Government's passenger departure tax increases by \$5 per person per 24-hours for ships berthing in Dockyard. And for passengers travelling on the larger ships, an additional tax of \$22 per person is being levied to help fund cruise ship infrastructure projects.

Mr. Chairman, government taxes from cruise ship passengers and the BTA cruise passenger fee combined will generate an estimated \$40,200,000 in revenue between 1 April and 31 October 2019. This is an estimated increase of \$16 million in taxes and fees over the 2018 cabin tax and passenger departure tax revenue. The cruise ship strategy to extend the cruise ship season and incentivise cruise ship calls to Bermuda in the off-peak season will remain. Therefore, neither the government taxes nor the BTA cruise passenger fee will be charged between the 1<sup>st</sup> of November and the 31<sup>st</sup> of March.

Mr. Chairman, it will come as no surprise that the cruise lines really do enjoy calling into Bermuda

and that Bermuda remains a profitable destination for one-, two- and three-day calls. The Transport Planning and BTA teams have been tracking the economic value of the cruise ship business to Bermuda more closely in recent years. With an increased emphasis on onboard activities, it is documented that Bermuda vendors have suffered as a result. However, the cruise ship passengers do add vibrancy to all ports and contribute an average spend of \$227 per person per visit on transportation, meals, retail shopping and tours. The best retail months are reported to be May, June, July and early August when younger cruise passengers travel with their families.

Mr. Chairman, I would like to share with you what cruise business actually means to Bermuda. We have estimated that \$178,700,000 will be circulating in the Bermuda economy by the end of the 2019 cruise ship season. This includes passenger spending of \$110.1 million, crew spending of \$5.5 million, Government taxes are \$31.8 million, BTA passenger fee are \$7.82 million, and the cruise line disbursement expenses of \$10 million paid to on Island vendors via the cruise lines' port agent during each call.

Mr. Chairman, the season for contracted cruise ships starts on Sunday, 14<sup>th</sup> of April, with regular calls running through Sunday, 17<sup>th</sup> of November. It includes the *Grandeur of the Seas*, with 18 calls; the *Anthem of Seas*, with 24 calls; the *Norwegian Escape*, with 27 calls, the *Norwegian Gem* (which replaces the *Norwegian Dawn*), with 22 calls, and the *Celebrity Summit*, with 17 calls. In addition, Mr. Chairman, Norwegian's *Regent Seven Seas* and *Oceania* brand ships will continue to make 12 contract calls to St. George's between Friday, 5<sup>th</sup> of April, and Monday, the 18<sup>th</sup> November. The City of Hamilton will receive 15 calls between 5<sup>th</sup> of April and 24<sup>th</sup> of December in 2019.

Carnival cruise ships will make 20 occasional calls, which is an increase of seven calls in 2018. The Disney *Magic* will return, with five occasional calls between 27<sup>th</sup> of September and 25<sup>th</sup> of October. Two Holland America Cruise Line ships will visit Bermuda this year. They are . . . (I practiced this last night, which obviously did not work)—

[Laughter]

**Sen. Crystal Caesar:** —the *Zuiderdam* and the *Rotterdam*.

Bermuda will also host five inaugural cruise ship calls in 2019:

- MS NCL *Pearl*, April 20–21;
- MS NCL *Jade*, April 25–26;
- MS *Celebrity Edge*, April 30–May 1;
- MS *Adventure of the Seas*, May 19; and
- MS *Spirit of Discovery*, December 31–January 1.

Mr. Chairman, the Transportation Planning Team has identified 11 dates when Bermuda will ex-

perience a significant number of cruise ship passengers in port at the same time. These dates have been highlighted with industry stakeholders as peak transport challenge days, and early preparation is underway. The cruise ship schedule can be downloaded from the Marine & Ports website at [www.marineandports.bm](http://www.marineandports.bm), and it is updated regularly.

### **Regulatory and Policy/Hotel Administration**

**Sen. Crystal Caesar:** Mr. Chairman, the third business unit in the Headquarters, Head 48, is Regulatory and Policy/Hotel Administration, and that cost centre is 58020. The Regulatory and Policy/Hotel Administration unit has been allocated a budget of \$373,714 and is found on page B-195 of the estimates of revenue and expenditure.

The variance between the 2019/20 budget and revised budget for 2018/19 is nil. As noted earlier, this section was transferred to the Ministry of Tourism and Transport from the former Ministry of Economic Development and Tourism, in November last year.

Mr. Chairman, the unit is responsible for the inspection and licensing of properties listed on the hotel inventory. As of May 1<sup>st</sup>, 2018, there were 41 operating licensed properties, including four large resort hotels; 10 small hotels; four cottage colonies; three clubs; seven large cottages, suites and apartments; six small cottages, suites and apartments; two inns; four bed and breakfasts (not to be confused with Airbnb); and one “floatel,” which is the boat known as *The Venetian*, which is sometimes used as a hotel.

The unit jointly administers the new Vacation Rentals Act 2018 with the Consumer Affairs Department, in conjunction with Ministry of Home Affairs. Unlike the process of inspecting and licensing properties listed on the hotel inventory, vacation rental proprietors are required to complete a self-check application form before being issued a vacation rental certificate or a vacation rental (rent control) certificate.

Mr. Chairman, the Vacation Rentals Act 2018 amended the definition of a “hotel,” per section 1 of the Hotels (Licensing and Control) Act 1969, to mean a place which provides sleeping accommodation for 10 or more guests (which increased from six or more guests). As such, a vacation rental [unit] is one that provides sleeping accommodation for nine or fewer guests. Those proprietors are required to register and secure a vacation rental certificate, as previously mentioned, issued either by the Minister responsible for tourism or by the Minister responsible for rent control.

Recent research unveiled that there are at least 662 properties posted on various platforms as vacation rental properties, including, but not limited to, Airbnb, Bermuda Rentals, and Vacation Rentals by Owner [VRBO]. These properties offer sleeping accommodation to nine or fewer guests. Our research

also unveiled that there are 44 properties posted on various platforms which can provide for 10 or more guests and which are *not* on our hotel inventory list. The Regulatory and Policy Unit is addressing the compliance issue, meeting with each property owner individually, and expects these properties to be listed as hotels by the end of the upcoming financial year.

Mr. Chairman, the unit is also responsible for the administration of the Lotteries Act 1944 on behalf of the Secretary to the Cabinet. So far, in the current financial year, 42 raffle permits and 24 business permits have been issued under this Act.

Mr. Chairman, the Regulatory and Policy Unit also administers the Tourism Investment Act 2017 (the successor to the Hotels Concession Act 2000), which became operative on the 10<sup>th</sup> of November 2017. The Tourism Investment Act 2017 revoked 14 inactive or spent Hotels Concession Orders, leaving eight active Hotels Concession Orders in place.

Mr. Chairman, the Tourism Investment Act provides relief, depending on the level of investment in the property, as follows: for a new hotel for a period not exceeding 10 years; a refurbished hotel for a period not exceeding five years; a new restaurant for a period not exceeding three years; an existing restaurant for a period of one year, and an attraction for a period of one year. Members will recall that the very first Tourism Investment Order was recently approved by the legislature for the Bermudiana Beach Resort.

**The Chairman:** Senator Caesar, if I could just interrupt you and say that it is time for the Senate to rise for lunch.

**Sen. Crystal Caesar:** Okay.

**The Chairman:** It is now 12:30. And we will reconvene—

**An Hon. Senator:** Do you have just a couple of minutes left?

**The Chairman:** No.

**Sen. Crystal Caesar:** It is more than a couple.

**The Chairman:** Yes, she has got more than a couple there. I can see that.

So, we will rise for lunch now and return at 2:15 this afternoon.

Senate is adjourned.

**Proceedings suspended at 12:30 pm**

**Proceedings resumed at 2:00 pm**

[Sen. James S. Jardine, Chairman]

## COMMITTEE OF SUPPLY

### ESTIMATES OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR 2019/20

#### MINISTRY OF TOURISM AND TRANSPORT

##### HEAD 48—MINISTRY HEADQUARTERS

*[Continuation thereof]*

**The Chairman:** Good afternoon, Senators, and listening public.

When we broke for lunch we were reading through Head 48, which is the Ministry of Tourism and Transport Headquarters. Senator Caesar was busy reading through that head, so I would like to continue. We have 38 minutes remaining on this particular head. Senator Caesar, you have the floor.

**Sen. Crystal Caesar:** Thank you, Mr. Chairman.

Mr. Chairman, I will continue speaking about the manpower in the Ministry of Tourism and Transport Headquarters.

##### Manpower

**Sen. Crystal Caesar:** [The Ministry of Tourism and Transport Headquarters] employs nine full-time equivalent employees under the following cost centres: 58000, four persons, the permanent secretary, ministry comptroller, an accountant administrative officer, and an executive assistant; 58010 has one employee, the transportation coordinator; [and] 58020, has four persons, the senior manager for tourism regulation and policy, two compliance officers, and an administrative assistant.

Compensation is not included in overtime and is estimated at \$939,139, or 0.02 per cent of the budget.

##### Revenue

**Sen. Crystal Caesar:** It is anticipated that in 2019/20, the Ministry Headquarters will generate approximately \$16,653,000 in revenue from the following sources:

- Bermuda Civil Aviation Authority, \$16 million;
- cruise ship casino licences, \$615,000; and
- hotel licence fees, \$38,000.

This revenue estimate represents a decrease of approximately 55 per cent, again, primarily the result of the November 2018 ministerial realignment, which shifted the revenue attained from the Regulatory Authority of Bermuda (approximately \$17,950,400) to the Ministry of Home Affairs.

Also contributing to the decrease in the estimated revenue at the Ministry Headquarters is the

decline in revenue receipts from the Bermuda Civil Aviation Authority (BCAA), estimated to be \$16 million, in 2019/20. The decline represents a 19 per cent decrease over the prior year's revenue estimate of \$19,850,000.

The decline in revenue is attributed to two changes put in place effective April 1, 2018. First, the BCAA changed its revenue recognition policy to defer revenue for Certificates of Airworthiness, Continuing Aircraft Management Organisations certificates, and Aircraft Maintenance Organisations certificates, which are generally issued 60 to 90 days before their date of validity.

Second, BCAA effected an internal change in accounting practice to improve the accuracy of the calculation of deferred revenue for these certificates. These changes will better reflect the actual revenues earned in each period without the need for cumbersome revenue deferral calculations, and will ensure airworthiness revenue recognition is consistent.

Mr. Chairman, I would now like to discuss the year ahead with respect to the two authorities that receive grants from the public purse. First, starting with the Bermuda Tourism Authority.

##### Bermuda Tourism Authority's 2019/20 Budget Highlights

**Sen. Crystal Caesar:** Mr. Chairman, the Bermuda Tourism Authority, or BTA, was established with a mission not only to promote Bermuda as a destination, but also to be a catalyst of economic development and to ensure the social and economic enhancement of Bermuda through the expansion of tourism.

Mr. Chairman, in 2018, following hundreds of stakeholder interviews, working with groups and public input, the National Tourism Plan (or NTP) was released. The objective of the NTP is to build a multi-year roadmap of our aspirational future for tourism and its effects on the Island as a whole. The vision of Bermuda's having a growing and balanced tourism business by 2025 is underpinned by the opportunities within the seven strategic pillars of the plan.

##### National Tourism Plan's Strategic Pillars

**Sen. Crystal Caesar:** Those strategic pillars are:

- Awareness and Relevance;
- Greener;
- Infrastructure;
- Local Involvement;
- Innovation;
- Teams and Groups; and
- Year-round.

It is purposeful that these strategic pillars spell "AGILITY." We must be focused, passionate and agile to build on recent growth. The BTA will work with its

partners and stakeholders in order to achieve the aims of the National Tourism Plan.

Mr. Chairman, the introduction of the new vacation rental property fee in 2018 and the proposed cruise ship passenger fee announced in the budget, both payable to the BTA, has enabled the Government to reduce the grant to the BTA from \$26 million in 2018/19 to \$22.5 million in 2019/20, without compromising the ability of the BTA to deliver on its objectives. The current account expenditure can be seen in the Ministry of Tourism and Transport Headquarters, Subjective Analysis of Current Account Estimates, Grants and Contributions, budget lines located on pages B-196 and C-18 of the Budget Book.

The BTA will continue with the successful strategy of investing the funds available in integrated marketing campaigns designed to generate in-year demand for Bermuda as a destination. The majority of the investment will be concentrated in key markets and include out of home, television, digital marketing and events. The BTA will also move forward with the sports strategy and seek opportunities for marketing partnerships with a high return on investment to bring major events to the Island.

Mr. Chairman, tourism represents Bermuda's best opportunity to create inclusive economic growth that benefits Bermudian homeowners, workers, and entrepreneurs. The BTA is proud of its track record of success over the last three years and is committed to further growth of the tourism economy.

Moving on to the Bermuda Airport Authority.

### **Bermuda Airport Authority's 2019/20 Budget Highlights**

**Sen. Crystal Caesar:** Mr. Chairman, the second Authority which receives a grant from the Government is the Bermuda Airport Authority [BAA].

The BAA is nearing the end of its [second] year as a quango under the Ministry of Tourism and Transport. The current account expenditure can be seen in the Ministry of Tourism and Transport Headquarters, Subjective Analysis of Current Account Estimates, Grants and Contributions, budget lines located on pages B-196 and C-18 of the Budget Book.

### **Mandate or Mission**

**Sen. Crystal Caesar:** The mission of the Bermuda Airport Authority delivers a range of essential air navigation services, also known as retained government services, at the L. F. Wade International Airport, including air traffic control, ground electronics, and Bermuda weather and aeronautical information services. As the owner of the airport, on behalf of the Government of Bermuda, the Authority also oversees the performance of the airport developer, Bermuda Skyport Corporation Limited, and its 30-year concession to operate, maintain, and redevelop the new air-

port, scheduled for completion in the summer of 2020. The Airport Authority also regulates airport fees and charges.

Recently, the Airport Authority's inaugural annual report, including audited financial statements for 2017/18, was laid in the House, thus fulfilling this statutory requirement.

### **Expenditure Overview**

**Sen. Crystal Caesar:** Mr. Chairman, the total Ministry of Tourism and Transport operational expenditures grant to the Bermuda Airport Authority will be \$13.3 million for 2019/20. It remains unchanged from the Airport Authority's operational expenditures grant provided in 2018/19. Increases in budgeted finance and administration costs have been offset by reduced airport oversight services costs, as a result of the [Authority's] strategic initiative to insource a major overseas vendor's services, effective 1<sup>st</sup> of April 2019. The same, mostly Bermudian, professional workforce will now provide essential air navigation services as direct employees of the Airport Authority.

Mr. Chairman, the Bermuda Airport Authority 2019/20 capital budget of \$2.5 million, as seen on page C-18 of the Budget Book, cost centre 75342, represents the same level of planned capital expenditure as 2018/19. Major capital projects scheduled for 2019/20 include completion of the aforementioned weather radar system installation.

Mr. Chairman, the Airport Authority currently employs 12 full-time equivalents (or FTEs), headed by a Bermudian CEO, who reports to a board of directors. The Authority's FTEs will grow to 46 in fiscal year 2019/20 when it insources the air navigation services currently provided by an overseas vendor, upon expiry of the three-year service agreement.

Mr. Chairman, that concludes the brief on the Ministry of Tourism and Transport Headquarters, [Head] 48. I would like to take this opportunity to applaud the hard work and professionalism of the staff of the Ministry of Tourism and Transport Headquarters. Also, I would like to thank the staff and boards of the Airport, BTA, Civil Aviation, and Shipping and Maritime Authorities, who diligently carry out their tasks with efficiency and care.

**The Chairman:** Thank you, very much, Senator Caesar. We have 27 minutes remaining for a debate on this head.

Would any Senator wish to speak on this head?

Senator, you have the floor.

**Sen. Marcus Jones:** Thank you, Mr. Chairman.

Good afternoon to my Senate colleagues. Good afternoon to the listening audience.

I am pleased for the opportunity to be able to contribute to this portion of the budget, Head 48, the



Ministry of Tourism and Transport. The country has been very much treated to an Authority that has been able to roll up their sleeves and be able to produce numbers for this country that we have not seen in years. We are anxiously awaiting the upcoming season with a bumper crop of cruise passengers coming to our shores. We see by the numbers that we are expecting 194 cruise calls, 545,000 cruise passengers, which represents 60,000 more visitors than 2018. We, on this side of the aisle, are very much looking forward to this; but we also have our concerns. One of those concerns is the ability to handle the extra numbers. If we look into cost centre 58010, we see that that particular cost line has . . .

**The Chairman:** That is on page B-195?

**Sen. Marcus Jones:** Yes, sorry, page B-195.

It has a cost of \$141,000 and that represents the majority of one full-time employee. A question that I would have for the Government is, Is this one full-time employee in this position sufficient enough to organise a group to plan for taking care the numbers of people who are going to be coming into Dockyard? We know that on any given day when two cruise ships are in port, there are a number of things that are going on up there in Dockyard and it can get fairly hectic.

We understand that, yes, she is . . . and I am assuming that this person . . . we believe her name has been mentioned to the public, she being the coordinator of the transportation that is required. We know that at Horseshoe [Bay] Beach it can be very busy there as well. I will declare my interest as a partner in a minibus enterprise. Many times over the last summer we saw the numbers there at Horseshoe [Bay] Beach get very cumbersome. And the question arises, Who is controlling and who is planning and making sure that we can handle the numbers?

So my question would be, Can we find out who amongst the stakeholders are part of her team that is actually pulling together the plans to coordinate the transportation? Is the Taxi Association involved? The Minibus Association? TCD? WEDCO? I believe that can be very helpful. We want to make sure that all the relevant stakeholders involved in the planning stages are there.

Also, in cost centre 4802, there are four full-time employees. We know that there are two hotel inspectors, there is one administrative assistant, and then, I believe, there is one position for a senior manager. Now, I wonder if that position is actually filled. We know that once the numbers of hotel licence properties dropped . . . and because the bulk of the work in the Department of Tourism was moved over to the BTA, there was also a question of how that particular department should be reorganised. I am just curious, is that position a substantive position? Is it filled? Or is it just left vacant and monies and funding are set aside for that?

Let's look at the hotel inspectors. Most of us can remember the heyday of tourism back in the late 1980s and early 1990s, when we had over 100 licenced properties that these hotel inspectors had to ensure were at a certain standard. Of course, as we can remember, back then there were the larger hotels, like Elbow Beach and Sonesta/Wyndham, so now, with fewer properties . . . and I see by the numbers here there are 41 licenced hotel properties that these inspectors are—

**The Chairman:** Can you reference the page in the Budget [Book], or are you referring to some other information?

**Sen. Marcus Jones:** Well, I am referring to . . . actually, I am still on line item 58020—

**The Chairman:** Okay.

**Sen. Marcus Jones:** —because I am talking about the positions there of hotel inspectors. And that would be right on that line. Yes?

**The Chairman:** Yes.

**Sen. Marcus Jones:** So with less capacity, I would have a couple of questions.

Is there a capacity for this department to be able to spread their wings and actually do a little bit of inspections of Airbnb properties? Now, we recognise that we do not want to overregulate that part of the tourism, that new product that is coming on board. But there is also a need for us to be able to maintain the "Bermuda standard." We understand that every Airbnb property that requires to be, shall we say, able to have their property in the Airbnb system has to have a self . . . (what is it?) a self-check application form done. My question would be, Does anyone verify that self-check application form?

We know that from time to time, especially if our locals are not used to the hotel industry, they may not be fully aware of what is required for an accommodation for a tourist. They may not be able to provide everything that is required. They may inadvertently submit a self-check application form that is not complete. And the question is, Is there a way that we verify the information to ensure that the self-check application is in fact accurate and correct?

Now, we always think about any new product in Bermuda, especially within the tourism industry, and we always need to be considering what is best not only for one arm of an industry, but also what is good for the entire country. Now, we understand that last year there were 662 vacation rental units that were online. The year before that it was 510. And that 510 represented a 96 per cent increase in the number of vacation rental units that were online. The question comes to me, especially now when we are finding that



a number of one- and two-bedroom apartments are off the market, and it sounds like some of our people are having a hard time finding those categories of apartments. So my question would be, Is there a way that the rent control group can decipher and determine if this particular part of the market is now being oversaturated and leaving a scant number of apartments, one- and two-bedroom apartments, available for our permanent residents?

We know that [in] times gone by certain areas in Bermuda were zoned "tourism." And we now know that Airbnb products can be anywhere on the Island. So, in the interests of sustainable development, the question would be, Have we ascertained that we have not gone too far and opened the floodgates too wide where more attention is placed on properties for the Airbnb product, as opposed to our own permanent residents?

Now, one very important part of the Government's budget is the performance measures. One of the things that . . . and again, we are still on line 58020, which is the regulatory and policy hotel administration. One of the things that the hotel inspectors do is they take on all the complaints that may be coming from the hotel sector. So my question would be, Have there been many complaints in regard to vacation rental guests? As this is a fairly new product, the question begs to be asked, Are we having complaints about the vacation rental units?

Also, if we go back to page B-194 . . . I'm sorry, wrong page. If we go to page B-196, we are looking at the expenditures. And on the fourth line down we have Travel Expense. Now, the actual number for 2017/18 was \$46,000. And then for 2018/19, the original budget was 122. And then in 2019/20 the amount budgeted is for \$104,000. Now, I would be curious to know what type of travel the Policy and Regulatory staff members will be doing. My experience and knowledge tell me that those particular staff members will not be required to do that amount of travel, to the tune of \$104,000. So, can we get some information on the travel movements of members of staff of the Admin and Policy?

So we are definitely pleased with the numbers, but we are also equally concerned that we have sufficient staffing, that we have sufficient measures in place, to be able to handle the barrage of visitors that will be coming, especially through our cruise ship port. And so we always have to look again at the numbers of staffing that we have to ensure that we can cover it adequately.

And, Mr. Chairman, I believe at this time I will finish. Thank you, sir.

**The Chairman:** Thank you, Senator Jones.

Would any other Senator wish to debate this head?

Senator Simmons, you have the floor.

**Sen. Michelle Simmons:** I just have a few questions, Mr. Chairman.

First of all, on page B-196, and I am looking at the Revenue Summary, line item 81082, Civil Aviation Receipts. It has been mentioned in the brief that the amount of \$16 million, which has been budgeted for the upcoming year 2019/20, is our portion of a revenue share, and that that figure has seen a decline because of a change in accounting practices. First of all, the revenue share is shared with what other entity? That is my first question. And it may be something that is well known. I am just not clear about where the rest of that share goes. I would like to get some idea of what proportion we receive.

Another question I have (and I am going to limit myself to asking questions because I know time is very short), on page B-195, I am going to that Transportation Planning Team that Senator Jones has been speaking about. I have a different concept, I think, from Senator Jones about the purpose of that transportation planning person or team. I would just like some clarification about whether there is scope in that position for whoever is there to be also looking at increasing the cruise ship presence in Hamilton. I mentioned it yesterday in the general economic debate, and I think that even with 15 cruise ship calls planned for Hamilton in this upcoming financial year, I just wondered if part of the responsibility of that post was also in trying to do something about increasing the number of cruise ships that will be calling in Hamilton.

Okay. Some of questions I had were answered in the brief, and I am going to stop there. Thank you, Mr. Chairman.

**The Chairman:** Thank you, Senator Michelle Simmons.

Would any other Senator wish to speak to this head?

If not, then I think Senator Caesar, you have some questions to answer. Would you like to proceed with those?

**Sen. Crystal Caesar:** Yes. Thank you, Mr. Chairman.

Mr. Chairman, the question was around whether there was sufficient organisation and planning for passengers in Dockyard, particularly around the cruise ships. The individual who coordinates the taxis, buses, et cetera, is able to call on additional buses and/or taxis if necessary. TCD and/or Parks is actually looking at hiring additional traffic officers, particularly, for the Horseshoe Bay Beach Park, that can be quite a bottleneck at summertime, and when there is quite a few cruise ships in. So there is a plan to staff that up so that there are sufficient traffic officers to keep things moving.

And Cabinet will shortly be considering the option of having WEDCO and Skyport hiring their own traffic officers as well. So there is a plan in place to

assist with the bottlenecks and/or additional movement that is required for our visitors in particular areas of congestion.

There was an additional question about the four positions within the hotel section. All positions are actually filled. The senior management post, in particular, was mentioned and that position has been filled. So I can confirm that.

Vacation rentals, as it stands right now, are self-inspected (for lack of a better term). That section can have . . . if, for instance, if there is a complaint, there is the scope to do an inspection, if required. But at this time it is light-touch regulation and it is self-inspected. We trust that our people are maintaining their properties such that they would for any other regular tenant. So, as it stands right now, they are self-inspected. But there is the ability for inspections if so required.

There was a question, Mr. Chairman, with regard to vacation rentals and the number of units that may be coming offline, which are available for our locals and/or just our residents to take advantage of. Any units that are under rent control, Mr. Chairman, can only be vacation rentals for one year. So they go back into the pool for regular rentals. So, if a person decides that they want to continue for a following year, they have to reregister. So the pool is continuously restocked. But there is scope to be tracking the number of units. And that is part of the reason why there was the registration required, so that we could track to see exactly how many properties are out there, how many are on the market and available for residents to use.

Another question was around complaints, again as it pertains to vacation rentals. As I mentioned earlier, there is the ability to track because now that vacation rentals have to be registered there is the ability for one to follow up with a respective body, either the BTA or Rent Control, if there is a complaint. So, they are compiling . . . it is a new area. I think it was September of last year, only 2018, where it was mandatory for vacation rentals to actually be registered. So that number, I am hoping . . . I think we would all hope that the number of complaints is very low. But, again, it is still very new and any complaints are being compiled as we speak, if necessary. So we do have that ability.

The travel budget that was mentioned of \$104,000 is actually not specifically for the hotel unit. It is actually for the entire Ministry. So I think there may have been a bit of misunderstanding as to what that number represented, but it is for the entire Ministry and not just the hotel unit.

If you would just give me one minute to look at my notes, please.

**The Chairman:** That's all right.

**Sen. Crystal Caesar:** Okay. Mr. Chairman, there was a question around the BCAA and their revenue share. I can share that the BCAA is self-supporting. The revenue share is after any expenses and any reasonable reserves, and any residual is provided to the government. I certainly hope that answers the question that was posed.

In addition, the Transportation [Planning] Team, the question was, Can a person look at increasing ship calls in Hamilton? The person who is in charge of that particular portion of tourism is a part of a team who decides on cruise ship strategy and is headed by the Minister. The challenge is that ships are getting larger and, unfortunately, the dock in Hamilton may not necessarily be able to take even smaller ships as it stands right now, because ships are more advanced and need more up-to-date docking facilities, et cetera.

So, it is being considered, but it is a challenge because of the types of ships that we now have on the market. A lot of the older ships that would have been more suitable are probably being phased out of use, as it stands right now.

I am just going to make sure that I have gotten all of the questions.

*[Pause]*

**Sen. Crystal Caesar:** Mr. Chairman, I believe that I have touched all of the questions that were proposed and I trust that if my colleagues have any additional questions, that they feel have not been sufficiently answered that they would be able to pose it to the Ministry and technical officers outside of this debate.

But at this time, I would like to move that Head 45—

**Some Hon. Members:** Head 48.

**Sen. Crystal Caesar:** I'm sorry. Yes, Head 48, Tourism and Transport, be approved at this time.

**The Chairman:** Is there any objection?

No objection.

So moved.

Thank you, Senator Caesar.

*[Motion carried: The Ministry of Tourism and Transport, Head 48, Headquarters, was approved.]*

**The Chairman:** I believe you are also in charge of presenting the next head, which is Head 35.

**Sen. Crystal Caesar:** I am, yes.

**The Chairman:** Again, we have one hour allocated for this. Head 35 is Public Transportation, and that can be found on page B-208.

## HEAD 35—DEPARTMENT OF PUBLIC TRANSPORTATION

**Sen. Crystal Caesar:** Just bear with me, please.

Mr. Chairman, I move that the Committee do now undertake consideration Head 35, Public Transportation.

**The Chairman:** Please continue, Senator Caesar.

**Sen. Crystal Caesar:** Thank you.

Mr. Chairman, the Transport Division of the Ministry of Tourism and Transport, specifically the Department of Public Transportation is Head 35, and it is found on page B-208 through B-212 of the Estimates of Revenue and Expenditure of the year 2019/20.

Mr. Chairman, the total expenditure on page B-208 of the Budget Book is estimated to be \$22,367,621 which represents an increase of \$752,621, or approximately 3 per cent over the 2018/19 budget. The increase has been funded within the established cash limit through the reduction of the Bermuda Tourism Authority grant with additional funding being primarily put towards the following key areas:

- Overtime. While cost savings are expected with the implementation of the new bus schedule, overtime within the department has been traditionally under-budgeted. On balance, overtime continues to be an element of the public transport services, particularly as it relates to bus operations and the repairs and maintenance.
- Diesel. Increasing fuel costs.
- Inventory. The consumable and permanent parts and supplies necessary to refit, repair and maintain the aged bus fleet.
- Training for continuing development of operations and maintenance personnel.
- Consultants. Overseas consultants have been key in supporting the bus service and its fleet of vehicles given the unique nature of the business.

Mr. Chairman, the Department of Public Transportation has three business units: Transportation, Maintenance, and Administration. The budget breakdown is as follows:

- Programme 3501—Transportation:
  - Auxiliary Buses, cost centre 45000, \$137,991;
  - Bus Operations, cost centre 45010, \$10,627,520.
- [Programme 3502—Maintenance:]
  - Repair Services, cost centre 45090, \$5,624,428;
  - Inventory and Management, cost centre 45115, \$2,179,761.
- Programme 3503—Administration:
  - Cost centre 45120, \$2,904,020;

- Management Support, cost centre 45200, \$893,900.

Auxiliary Bus Services, otherwise known as the sightseeing and charters office. This small team is also responsible for coordinating all unrostered work on the public schedule and providing daily service updates. The current expenditure for Auxiliary Bus Services, cost centre 45000, is estimated to be \$137,991 for the 2019/20 [fiscal year] and represents a 9 per cent decrease versus the prior year's budget due to the removal of acting and overtime pay from this section. Note again, this year, the department will not have sufficient buses to provide sightseeing tours.

Bus Operations. Mr. Chairman, the current scheduled public bus service operates 18 hours per day, 7 days a week. The current expenditure for Bus Operations, cost centre 45010, is estimated at \$10,627,520 for the 2019/20 [fiscal] year. This represents an increase of approximately \$260,707, or approximately 3 per cent over the 2018/19 budget. The increase is primarily due to the funding of an overtime budget. While it is anticipated that the new schedule will sharply reduce overtime expenditure below previous levels, overtime is part of the existing bus schedule and traditionally it has not been budgeted at the appropriate levels.

Maintenance and Repair Servicing. Mr. Chairman, the Department of Public Transportation employs a team of professionals in Repair Servicing to repair and maintain the fleet of public buses, support vehicles and equipment. The current expenditure for Repair Servicing, cost centre 45090, is estimated to be \$5,624,428 for 2019/20, which is similar to the \$5,697,000 allocated in [2018]/19. This represents a difference of 0.01 per cent compared to the previous year.

Inventory Management. Parts for vehicles and equipment are procured, stored, controlled and issued by the stores section which falls under Inventory Management. The current expenditure for Inventory Management, cost centre 45115, is estimated to be \$2,179,761 for 2019/[20] and represents an increase of approximately \$120,000, or 6 per cent over the prior year's budget. The uplift is primarily due to funds provided for the purchase of engine parts to be used for the repair and maintenance of the aged bus fleet.

Administration. The Administration section is primarily responsible for developing department strategy, policy and procedures ensuring that the people, processes, and resources are available to deliver a quality public bus service. The expenditure for Administration, cost centre 45120, is estimated to be \$2,904,020 and represents an increase of approximately \$444,000, or 18 per cent over the 2018/19 budget. The additional funding is set aside to re-establish the assistant director technical position, resolve occupational safety and health issues, and provide for inventory-related duty and fleet management services.

Management Support. The Management Support team is responsible for selling and processing bus and ferry fares and providing administrative services for accounts, procurement, and human resources. The expenditure for Management Support is estimated to be \$893,900 for 2019/20, which is an approximate increase of \$14,000, or 2 per cent compared to the budget of 2018/19. This small adjustment supports overtime required for the sale and administration of fare media revenue.

Mr. Chairman, it is anticipated that in 2019/20 the Department of Public Transportation will generate approximately \$7,400,000 in revenue (found on page B-209 of the Budget Book). This will be attained primarily from fees charged for the provision of fare media, that is, bus tickets, passes, and tokens.

Capital Expenditure. Mr. Chairman, the capital acquisition estimate for the department, as seen on page C-12 of the Budget Book, totals \$1,519,861 and is primarily for the acquisition of new buses. A total of four new buses were delivered in 2018 and a further eight buses are contracted for delivery in 2019. In January 2019, the Government issued an RFI [Request for Information] for new buses and will use this information to develop a procurement strategy for continued replenishment of the aged bus fleet.

Manpower. Mr. Chairman, the total complement of full-time equivalents (or FTEs) in the new 2019/20 fiscal year is 232, as reported on page B-210 of the Budget Book. This represents a decrease of four positions, or approximately a 2 per cent decrease as compared to fiscal 2018/19. The breakdown of the FTEs by each section is as follows:

- The number of full-time equivalents for the cost centre 45000, Auxiliary Bus Services, is two, which does not differ from the amount in 2018/19.
- Bus Operations, cost centre 45010, has 157 full-time equivalents. This represents a decrease of five as compared to fiscal 2018/19 and it equates to a reduction of four vacant bus operator posts and one sightseeing coordinator.
- For cost centre 45090, Repair Servicing, the number of 50 full-time equivalents is unchanged from 2018/19.
- Inventory Management, cost centre 45115, has been allocated four full-time equivalents, also unchanged from 2018/19.
- The number of FTEs for cost centre 45120, Administration, is five, an increase of one, reflecting the intended reestablishment of the assistant director, technical, to oversee capital development and asset management activities.
- Management Support, cost centre 45200, has 14 full-time equivalents, unchanged from 2018/19.

Major policy changes. Mr. Chairman, the department is addressing the issue of daily cancellations by implementing a new bus schedule that reduces the daily peak bus requirement from 88 buses down to 50. Sightseeing and charter services were suspended for 2017/18 and 2018/19 fiscal years. This will remain as previously noted, subject to replenishment of the public bus fleet where the focus is on reliable delivery of the bus schedule and the school bus services.

In the interest of energy efficiency and the environment, the Ministry has entered into a Memorandum of Understanding with Rocky Mountain Institute to assess the feasibility of introducing electric buses for Bermuda.

Mr. Chairman, the department is committed to moving Bermuda with a quality public bus service. To achieve this, the department will implement initiatives that restore dependability, improve access to fares and service information, re-establish the bus fleet availability, and improve the passenger experience.

The aforementioned new bus schedule will be in place for the start of the 2019/20 fiscal year and continue for up to 18 months. The reduced schedule will allow for a dependable service by eliminating service cancellations due to the shortage of buses while the aged bus fleet is replenished.

Four new buses were delivered in fiscal year 2018/19. The 14 buses procured in 2009 have to be refurbished to gain approximately five more years of operation. Eight new buses have been contracted and will be delivered in 2019. An RFP will be issued in 2019 for the procurement of the next generation of buses in the continuing effort to reduce the average age of the fleet.

The department seeks to re-establish the position of assistant director, technical, to provide technical leadership and enhance asset management. Continuing investment will be made in training, development, and recruitment of technicians and trades responsible for fleet maintenance. The department will retire buses that are no longer economically viable and focus its resources on maintenance and repair of the remaining fleet. Supporting facilities and work processes will be enhanced to improve efficiency and fleet readiness.

Passenger experience. The department aspires to be Bermuda's preferred transportation solution. To achieve this, the department will focus on improving the passenger experience, both in person and through technology. The Ambassador Training Programme will continue in 2019 for all front-line representatives. The advancement of products, such as the electronic fare media and real time passenger information, will improve access to the public bus service and provide for a frictionless travel experience.

With respect to fare media improvements, the aim is to source the best solution for an integrated digital ticketing fare media payment system for public buses and ferries. The Ministry published an RFI in

late 2018 and will be following up with an RFP in the new financial year.

I would like to take this opportunity to recognise and thank the staff of the Department of Public Transportation for their hard work. The department has faced challenges in the past few years and I would like to express mine and my colleagues' sincere appreciation for their efforts.

This concludes, Mr. Chairman, the Estimates of Revenue and Expenditure for the 2019/20 year for the Ministry of Tourism and Transport, Head 35.

**The Chairman:** Thank you, Senator Caesar.

Would any Senator wish to speak to this head?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Senator Jardine.

I would just like to ask a few questions about the performance measures. I noticed that cancellations have been a recurring challenge for the public bus schedule. I would like to know why the performance measures have been discontinued from last year and this year when they were tracked in 2017/18? I will ask a question, and then another after the answer, if possible.

**The Chairman:** I think it would be good if you could just keep asking your questions and then she can respond at one time with all of the answers.

**Sen. Nicholas Kempe:** Okay.

**The Chairman:** Do you have those, Senator Kempe?

**Sen. Nicholas Kempe:** Yes.

And a similar measure, during the Statement there was a point about the average age of the fleet and that performance measure has also been discontinued. So I would just like to know how we are tracking these critical measures—they were flagged as critical in the Statement—if we are reducing or eliminating the KPIs [Key Performance Indicators]?

On the Professional Services line, I notice that that has a significant increase, and I would appreciate it if you could expand on where that has come from.

And with the passes revenue, I notice last year it was projected to be \$3.7 million, but the revised estimate has come in even lower than the . . . so the original budget last year expected a million dollars more in revenue than the actuals in 2017/18. The revised estimates are showing them even lower than the actuals in 2017/18. What is it that is driving the justification of budgeting for \$3.2 million for the upcoming year?

**The Chairman:** Thank you, Senator Kempe.

Would any other Senator wish to speak on this head?

Senator Michelle Simmons, you have the floor.

**Sen. Michelle Simmons:** Thank you, Mr. Chairman. Just a couple of questions.

First of all, in the performance measures, and I believe . . . well, we are on page B-211. It is the measure under business unit 45120, Administration. And I am going to read it. *Complete customer service training for front-line staff.* And I note that 50 per cent was the revised forecast for 2018/19, and then 50 per cent again is the target outcome for 2019/20. I wondered if that was the Ambassador's Training Programme that was mentioned in the brief. And also, why only 50 per cent? Does it mean that 50 per cent have been trained and now this is the final 50 per cent? Or, have there been some difficulties in providing the training for all of those who require it?

And then, on page B-209, in the subjective analysis of current account estimates, I am looking at Equipment, and in brackets "[Minor Capital]." And while it is not a huge amount, i.e., \$67,000 has been budgeted for this year, for the upcoming year, I wondered why it had increased so significantly from the previous year and exactly what is covered in that item.

Senator Kempe has touched on Professional Services. I have the same question. And that is all I have right now. Thank you.

**The Chairman:** Thank you, Senator Simmons.

Would any other Senator wish to address this head?

Senator Jones, you have the floor.

**Sen. Marcus Jones:** Thank you, Mr. Chairman.

I am looking at cost centre 3501, which is on page B-208. Just a few words before I ask a few questions.

We all understand that the public transportation service that our government provides is the lifeblood of the working population. We know that they rely very heavily on the consistency, on the efficient, safe delivery of, not only them as the working population trying to make a living for themselves and their families, but also they are expecting to have service that is going to get their children to school on time. They are looking to make sure that the tourists who are coming to our shores are being taken care of by getting around the Island efficiently, without having to wait too long.

It was interesting. I came into the city from Somerset two mornings this week, and it was raining. So we know, generally, when it is raining heavily people tend to drive their cars in as opposed to getting on a public transportation, or even on the ferries. But what I found interesting was that despite the fact that under normal circumstances when Bermuda was flying at 40,000 jobs and the city was full of people trying to get there to go to work, if I left at home at eight

o'clock, I would not be able to get into the city before 9:30. But, whether that is a good thing or a bad thing or not, I was still able to get to the city of Hamilton within 45 minutes. So that is telling me a number of things. Number one, there are less people working; that is clear. But then I have to ask myself the question, are more people traveling on the public transportation because owning and driving a car is too expensive, so they have had to change their lifestyles and start to use public transportation more? Which puts a greater burden on our bus system to take care of our population.

Now, one of the things that I have taken note of . . . I am still on page B-208, cost centre 3501, looking at line item 45000. Now that line item there, the expense for 2018/19 was \$151,000. And then the budgeted amount that is put out there for 2019/20 is \$138,000. That is a decrease of \$13,000. Now, we have been made to understand that part of the plan is for fewer tours for our public buses to be actually conducting. But I would submit to you that now is probably the time that we need to rethink that. If up until this time we have been struggling to maintain buses that are working, if we have so many cancellations (for whatever reason, whether it is insufficient operators, whether the buses are not operable), we need to have a second look at whether the government-provided bus transportation is justified in getting involved and continuing with the tour business.

I would suggest to you that to make up for the shortfall by the government considering subcontracting all the bus tour business to the number of minibuses companies that are here, I think it can do two things. It can free up buses to ensure that we have sufficient to cover the normal routes, but it will also stoke up the entrepreneurial revenue-driven business for our private sector.

Having spent a lot of my days in Dockyard, I was able to see for myself that for long stretches of time during the day up there in Dockyard, you may have ten, a dozen big-size minibuses that are sitting on the side of the road waiting for their turn to take people to the beach, looking to see if they can get tours. And if, for example, all the tours that were offered in Dockyard were able to be given to them, we would be able to keep the tourists happy without putting an extra strain on our fleet as it stands today.

Another thing I recognised up there was that it was not an uncommon thing to see long lines of tourists standing at the bus stop waiting to go to the beach. Again, you have a dozen minibuses sitting there empty, the guy is waiting to see, *What can I do next?* Again, if there were a way of having those minibuses once there was a long line-up . . . some way in which those minibuses could step in and sort of fill the gap for the public buses, pick up the tourists and be able to take them to the beach. We understand, though, that there is a separate special fee if the minibus takes you right down to Horseshoe Beach; that is

one price. But the public transportation bus only drops you to the top of the hill for a different price (a little bit less). But I say that I would rather have a bus full and make a couple of dollars less and keep moving, than to be standing and sitting there waiting for business.

So, I guess what I am saying is, what the PTB department should consider doing, and we recognise from the Minister's Statement that those tour buses can generate somewhere in the tune of between \$1 million and \$2 million a year, we understand that. But for one quick moment, let's look at the challenges that the buses have with cancellations.

I decided to go online and have a look at how the Public Transportation Board lets its citizens know that buses are going to be cancelled. So I was able to get online and I looked on *Bernews*. And keep in mind, we have just had an announcement that the new schedules are now on board, and that there should be less downtime, so we are looking with much hope, in that sense. But I was able to get online and I looked at March the 11<sup>th</sup>, a Monday, and there were eight cancelled buses in the morning, 24 cancelled buses in the evening. Tuesday, March the 12<sup>th</sup>, there were 15 cancelled buses in the morning, 34 cancelled buses in the evening. Wednesday, there were 10 runs cancelled in the morning, and 18 runs cancelled in the afternoon.

So in a three-day period there were . . . let's see, my quick math tells me, 32 plus 49, plus 28, you are almost at 80 cancellations in a three-day period. So, my point is, that becomes an issue and a challenge when we are trying to fill up and supply the transportation that is required for our citizens.

What I also noted is that some of those bus routes were in the time that workers are trying to get to work. So, you are a worker, you want to be consistently getting to work on time; you want to be productive, your boss expects you to be there on time. And if that was the case for you in those three days, there is a chance that you, working on, possibly, a blue-collar worker's salary that cannot afford to catch a taxi, then you are jammed up. So the point I am trying to make is that by spreading the wealth, by allowing the private sector to be involved in the transporting of its citizens, you then free up the bus to be easily utilised for the routes that need to be covered.

Now, let's look at the full-time employment page, which is B-210, which is the employee numbers, the full-time equivalents. Now, we see that in 2017/18 the actual number . . . and we are looking at cost centre 45010, which is the Bus Operations (which is actually the bus operators). We find that in 2017/18 the actual numbers were 149. And then we find that it was budgeted for some extra buses for 2018/19, which was 162, which actually came in 160. So we see there that even with the extra bus operators that have been hired, and we understand that overtime was also utilised, our buses were still not able to operate in an efficient manner.

And we see there the estimated number of bus operators for 2019/20 is 157. So salaries increased by \$1 million, but efficiency was still lost. And that is why I know that my colleague, Senator Kempe, mentioned the performance measures, which it is very important to keep on top of the performance levels of our buses and them maintaining the routes that they are supposed to take. So, like my colleague, I was concerned about *reduce the number of cancelled trips due to operator deployment per week to 10*. That was one of the standards of the performance measures. And in 2017/18, that number was 19. And I just read out to you almost 80 cancelled routes last week. And now that particular measurement is being discontinued.

I just want to reiterate the question that Senator Kempe asked, Why is that justified in not having that?

Now, let's look at, again, page B-210. The repair and maintenance staff. That is line item 45090. In 2017/18 the numbers were at 36. The budgeted numbers for repair and servicing staff were increased by 14 to 50. That number continues right into the estimate for the upcoming year 2019/20. So, we had an increase in bus operators to the tune of 13. We had 14 additional staff members for repair service for the buses, and our efficiency level went down. That is very concerning. And that is why we need to ensure that our performance measures are something that are put ever before our staff.

Now, we recognise that to a large degree they have been struggling with buses breaking down and with a schedule that was overtaxing. And so we can appreciate that the Minister has tried his best to put together a schedule (he and the union) that will answer the questions of efficiency.

Now, I am a little bit concerned that this schedule that has been devised and made active is only going to be good for 18 months. I would like to think that the decision-makers, both in the Government and the unions, would be working even now to make sure that there is no interruption in that schedule. That by the time 18 months have come and gone, that we will have an efficient bus schedule that is going to satisfy visitors and locals alike.

Now, we find that in . . . I don't have it before me. That Schedule C . . . bear with me . . . I'm looking—

**The Chairman:** You are looking for C-12.

**Sen. Marcus Jones:** C-12, Capital Acquisitions?

**The Chairman:** Yes. C-12.

**Sen. Marcus Jones:** Here we are. Thank you, Mr. Chairman, for your vigilance.

The line item there under Public Transportation is 76293, which is the buses. So we understand, I

believe, that four buses have arrived. Can we get a total number? The spokesmen for Transport may have given the numbers, but I am going to ask her if she can give it to us again, the number of buses that were actually delivered?

*[Inaudible interjection]*

**Sen. Marcus Jones:** Four? Thank you, Senator Richardson.

So there were four buses that arrived in 2018/19, in that year. And then I am made to understand that there are four more on the way.

**The Chairman:** Excuse me, Senator. If I could just interrupt for a second.

If you have questions, address them to the Chair, and again the questions will be answered by Senator Caesar when she gives her answers to all the questions.

**Sen. Marcus Jones:** Okay.

**The Chairman:** You have to speak through the Chair.

Thank you, very much.

Please continue.

**Sen. Marcus Jones:** Thank you for your direction, Mr. Chairman.

So, Mr. Chairman, if I could get clarification on the numbers of buses and whether they have been delivered or whether they are en route, and then I can have a better understanding of the numbers of the capital acquisition of \$3 million for 2018/19 and then that amount of money, those amounts of funds were reduced in 2019/20. I believe that answer would clear up that situation.

**The Chairman:** Very well.

**Sen. Marcus Jones:** So, I reiterate to my colleagues the importance of having a bus system that works for everybody. It works for the tourists who come to our country and want to enjoy the pleasures of the sun and beach and not be found standing in the sun as opposed to enjoying the sun on the beach. As we are made to understand, there are going to be 60,000 more cruise passengers who are going to be gracing our shores, 194 ship calls in total. That extension of the cruise season, we are hoping to be able to fill that during the off season where we are, by the way, not receiving any tax for that, but we can understand why the Government wants to incentivise the ships to come during that time.

I did have a few questions that I believe were answered during the brief that was given by Senator Caesar, and at this point, Mr. Chairman, I will finish my contribution. Thank you.

**The Chairman:** Thank you, very much, Senator Jones.

Would any other Senator wish to address these heads?

No?

Then I think Senator Caesar, you have some questions to answer. You have the floor.

**Sen. Crystal Caesar:** Thank you, Mr. Chairman.

Mr. Chairman, a question was asked around key performance indicators. It should be noted that they have not been done away with. The key performance indicators are in the process of being developed. Basically, they are going to be new and improved, which will be able to give more precise information as it pertains to that department. So they are still in process. It is not that they are no longer being used, but they definitely are . . . new ones are in process of being developed.

There was a question with regard to cancellations which I think we all . . . it has been a sticking point for a lot of us over the last several years. It should be noted, again, that previously there were 88 buses on the schedule. Many of them were not at peak working condition. But as of Monday, we will have 50 buses, and there will be no cancellations. So I think we need to keep in mind that we have retired buses that are no longer in good working order. We have a 50-bus schedule, and there it is planned that there will be no cancellations.

So, it is a misnomer to say that we are still expecting cancellations. We have put a new schedule in place with 50 buses and it is our anticipation that there should not be the cancellations that we have seen at the level previously.

Mr. Chairman, professional services, the question was around why that number has gone up. Again, this relates back to our ageing fleet. We have had a number of MAN . . . if you note that the bus model is M-A-N (MAN), so I am not saying "a man,"—

*[Laughter]*

**The Chairman:** I understand. It is a make of bus.

**Sen. Crystal Caesar:** Yes. It is a make of bus, yes.

We have some of their technicians assisting our very abled mechanics, but of course, as the buses age there are more complications. So we have had to hire them. Obviously, we have to pay them for the work that they do. So that is why the number has gone up in that particular category.

There was a question around auxiliary bus services. Can they fill the gap? We just do not have enough buses at this time to do that. So this would be a gap where minibuses, taxis, would be able . . . the private sector should, or hopefully would, be able to fill that gap. But again, Government does not necessarily have the funds to contract them. As mentioned previ-

ously, the transportation coordinator liaises and meets with stakeholders that would hopefully be able to assist. But again, Government does not quite have the money at this time to hire those buses. So we can only rely on their good will and ability to assist us when they can.

Again, same question around minibuses, the Government is trying to ensure that we are being efficient and diligent with our funds, so again, we meet with stakeholders, but we are not hiring minibuses to fill the gap, as it stands right now.

**Sen. Nicholas Kempe:** Point of clarification.

**The Chairman:** Yes, what is your point of clarification, Senator?

### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** I just want to know how the increase spend on professional services for the MAN buses relates to the increase hire of mechanics. I would expect to see one to go in one direction and the other, the other.

**The Chairman:** Thank you, Senator.

Senator Caesar, if you would like to continue with your . . .

**Sen. Crystal Caesar:** Yes. Thank you.

So, just finishing my answer as it pertains to not being able to hire minibuses and fill that private sector gap, in time sightseeing tours, et cetera . . . once our bus fleet is replenished, hopefully we will be able to fill that gap. But, again, we are relying on the private sector to assist us with that.

Maybe we misunderstood the question, but I think there was a question around revenue as it pertains to passes, and why that number has decreased. In fact, all DPT [Department of Public Transport] revenue is anticipated to increase this year, not decrease. So if we misunderstood the question, I would ask, please, if it pleases the Chair, that that Senator reiterate that question. But all DPT revenue is anticipated to increase, not decrease in the 2019/20 year.

**Sen. Nicholas Kempe:** Sorry, would you like me to clarify that now, Mr. Chairman, or later?

**The Chairman:** Yes, Senator Kempe, I think if you would like to clarify your question to Senator Caesar, if there was some doubt as to what you were trying to convey.

**Sen. Nicholas Kempe:** Yes. My question surrounded the fact that last year the actuals in revenue for bus passes, which is on page B-209, the actuals were \$2.7 million. The original budget for 2018/19 was a million dollars higher, \$3.7 million. However, the re-



vised estimates show that that \$3.7 million target was vastly overstated. In fact, the revised estimate for 2018/19 is some \$300,000 less than the 2017/18 actuals. So I am questioning what is justifying the premise to budget for an increase again in 2019/20, which is budgeted right now at \$3.2 million.

**The Chairman:** Thank you, Senator Kempe.

Senator Caesar, you may want to take some time to answer that question if you do not have the answer.

**Sen. Crystal Caesar:** Yes, thank you, Mr. Chairman. I do have—

**The Chairman:** You may proceed with the answers to the other questions.

**Sen. Crystal Caesar:** Answers to the other questions, yes, thank you.

There was a question, Mr. Chairman, around the performance indicator which was 50 per cent for Tourism Ambassador staff, and it is the same for 2019/20. The DPT has been training staff half at a time, so that is why that performance measure is what it is. It is not that they are only expecting a 50 per cent . . . it is just half of the staff is being trained in one year and half is being in the following year. So that is the answer for that.

There was a question around the number of buses, I believe. And if I could clarify, I know I read in my Statement that there were four new buses delivered in 2018, and there will be eight new buses delivered in 2019. I just would like a few minutes to just confer with my technical officers to get the remaining answers to your questions.

**The Chairman:** Yes, that is fine. You can confer.

**Sen. Crystal Caesar:** Thank you.

*[Pause]*

**Sen. Crystal Caesar:** Mr. Chairman, for the question around professional services, again, and the increase in the hire of mechanics, the reality is that the DPT has been trying to hire new mechanics. And it is actually not as easy as it sounds. It is a very specialised area, so they have been unsuccessful to date in hiring mechanics that have sufficient experience to fill those positions. And out of an abundance of caution, the DPT continues to accommodate those additional MAN technicians such that their services are required. So people are either trained up or they can find the appropriate people in those positions.

Now, there were a couple of questions around the past revenue and around equipment. As it stands right now, we will undertake to clarify those areas that actually . . . we need to dig a little deeper to get the

answers to those questions. They are not at our fingertips right now. So we will take note of those two questions, specifically, and get back to the Senators with the appropriate answers once we do that.

Now, I do believe, Mr. Chairman, that I have answered any questions that have been posed, or as best I can anyway. So with that said, Mr. Chairman, may I move that Head 35 now be approved, for Public Transportation?

**The Chairman:** Is there any objection?

No objections.

So moved.

Thank you, very much, Senator Caesar.

*[Motion carried: The Ministry of Tourism and Transport, Head 35, Public Transportation, was approved.]*

**Sen. Crystal Caesar:** Thank you, Mr. Chairman.

**The Chairman:** We now move on to the next Order of the Day which is the Ministry of National Security. Again, we have allowed two hours for this. We will be debating Heads 27 and 6. I believe that Senator Caesar you are also presenting these heads as well.

I will give you a few minutes to just collect yourself and put one lot of information away and bring out the next.

Yes, Senator Kempe?

**Sen. Nicholas Kempe:** Mr. Chairman, I just want to highlight that it appears that it is an hour for one head, and then subsequently an hour for another, as opposed to a two-hour block.

**The Chairman:** That is fine. We will do each head an hour at a time.

We can begin with Head 27 which is Immigration.

**Sen. Crystal Caesar:** Yes. Thank you, Mr. Chairman.

Mr. Chairman, I move that the Committee do now undertake consideration for Head 27, Immigration.

**The Chairman:** You may begin, Senator Caesar.

## MINISTRY OF NATIONAL SECURITY

### HEAD 27—DEPARTMENT OF IMMIGRATION

**Sen. Crystal Caesar:** Thank you.

Mr. Chairman, it gives me pleasure to present the budget for Head 27, the Department of Immigration, found on pages B-289 through B-294 of the Budget Book. The mission of the Department of Immigration is *to serve, conserve and protect Bermuda for the benefit of its people—residents and visitors.*

As noted on page B-289, the Department of Immigration has [been] allocated a budget of \$4,754,000 for the fiscal year 2019/20. This budget number remains the same as 2018/19, thus reflecting a 0.0 per cent change for 2019/20.

The material changes in the estimated budget for the Subjective Analysis of the Current Account Estimates, as compared with 2018/19 revised (column 5), found on page B-290, are as follows:

- A minor increase of \$108,000, or a 3 per cent increase, in Salaries, which is listed on line item 1. This slight increase is mainly due to salaries for temporary relief staff and recently negotiated pay [increase] of 2 per cent.
- A decrease of \$4,000 represents a 57 per cent decrease in advertising and promotion, which is listed on line item 8.
- A decrease of \$54,000, which represents a 25 per cent decrease in professional services, which is listed on line item 9.
- A decrease of \$68,000 represents a 74 per cent decrease in rental services, listed on line 10.
- An increase of \$52,000 represents a 13 per cent increase in repair and maintenance.
- A decrease of \$24,000 represents a 25 per cent decrease in materials and supplies, which is listed on line item 13.

### Revenue Summary

**Sen. Crystal Caesar:** The revenue summary is outlined on page B-290. The total revenue estimate for 2019/20, as compared with the 2018/19 revised (column 5), is \$21,835,000, an increase of \$3,139,000, or 17 per cent. The most material changes are as follows:

The land acquisition fees for 2019/20 have increased significantly at \$3,086,000, which represents a 128 per cent increase over the revenue for 2018/19, which is listed on line item 8. The land acquisition fees have increased from \$2,414,000 to \$5,500,000.

Entry clearance fees for 2019/20 decreased by \$58,000, which represents a 60 per cent decrease variance to 2018/19, which is listed on line item 1.

The residence fees, listed on line item 9, for 2019/20 have decreased by \$45,000, which represents a 47 per cent decrease over the revenue for 2018/19.

On line item 11, the nationality fees for 2019/20 have decreased by \$50,000, which represents a 43 per cent decrease over the revenue for 2018/19.

The Status and Naturalisation fees, listed on line item 12, for 2019/20 have increased by \$139,000, which represents a 27 per cent increase over the revenue for 2018/19.

There is a decreased estimate for penalties, listed on line item 13, issued by \$44,000, which represents a 56 per cent decrease over the revenue for 2018/19.

*[Sen Michelle Simmons, Chairman]*

### Capital Expenditure

**Sen. Crystal Caesar:** Madam Chairman, funds budgeted for Capital Acquisitions for 2019/20 amount to \$1,927,000 and can be found on page C-14. The amounts allocated include the total amount of \$1,927,000 and will be allocated for the purchase of a new border management system to replace the ageing system. We estimate that total cost of implementing the new system will exceed this amount.

### Manpower

**Sen. Crystal Caesar:** Madam Chairman, the manpower estimates for the department, as outlined on page B-291, are 50 full-time posts. Within the department, there are four vacant posts, consisting of one customer service representative; one assistant chief immigration officer; one manager of finance and administration; and one business systems officer. Approval has already been granted to fill these positions; it is expected that all posts will be filled during the first quarter of the new fiscal 2019/20. You should note that the assistant chief immigration officer and manager of finance and administration positions became vacant due to the retirement of each incumbent, Mr. Steven Lambert and Ms. Dawnette Bean, in May and September, respectively.

### Output Measures

**Sen. Crystal Caesar:** Madam Chairman, the department's performance measures are outlined on pages B-292 through B-294. During fiscal year 2018/19, the staff of the Department of Immigration have worked diligently, courteously and impartially to accomplish our mandate.

### Plans for the Upcoming Year

**Sen. Crystal Caesar:** Madam Chairman, the department's plans for the upcoming year will continue to focus on comprehensive immigration reform and the development and implementation of a new border management system (or BMS).

The roadmap toward the realisation of comprehensive immigration reform comprises four phases. The first phase was completed early in December 2018 and related to work permit processing. The remaining phases are:

1. process improvement—short to medium term;
2. immigration reform—long term; and

3. operations, systems and execution implementation.

All three phases will have as a first step the securing of a project team and resources.

The process improvement phase is due to start in April 2019. It will entail the review of immigration workflows, and its aim is address bottlenecks, i.e., applications processes. The immigration reform phase is at the centre of the overarching reform and will emphasise policy development, public consultation and the drafting of legislation. The Ministry aims to bring legislation to the House by July 2019. The operations, systems, and execution phase will be the output of the work done in the first two phases. The timeframe for this final phase is yet to be determined and will entail the procurement process, the revision of vendor contracts and forms, change management and staff training.

### New Border Management System

**Sen. Crystal Caesar:** In the past two years' budget briefs, the department highlighted its plans to replace its current border management system [or BMS]. As a reminder, the BMS is one of Bermuda's frontline defences used to screen arriving passengers who arrive at the L. F. Wade International Airport. The system processes passenger information against a variety of local and international alerts, such as the stop list, the watch list and the terror list, upon [a person's] arrival to Bermuda, and alerts officers to critical information in real time. It also allows for the detection of overstays and provides a detailed travel history record that is used for investigation purposes.

The 3M-Innovative Properties Company (or 3M) developed the BMS in the mid-2000s. Significant steps have been taken to advance the plans to replace the current BMS. A request for proposal (or RFP) was posted in mid-summer of 2017. Four vendors provided quotes in accordance with the RFP process. A new vendor has been selected, and the department will shortly enter into the contract and implementation phase of this project. Without question, the new BMS will be aligned with industry standards, and both locals and visitors will be pleased with the processing process upon arrival in Bermuda. The implementation phase of the new BMS will be completed prior to the opening in 2020 of the new L. F. Wade International Airport.

Madam Chairman, I would like to thank the dedicated members of staff at the Department of Immigration. I would like to thank the immigration team, under the leadership of Dr. Danette Ming, the Chief Immigration Officer; together with Mr. Philip Perinchief and Ms. Lauren Sadler-Best of the Attorney General's Chambers; the Immigration Board headed by Mrs. Renee Ming, JP MP; and the Immigration Appeal Tribunal, headed by Mr. Charles Richardson, for the work undertaken in 2018/19.

Finally, we would like to recognise Ms. Marita Grimes, Mrs. Michelle White, and Mr. Ron-Michel Davis, and their respective teams, as well as the Collector of Customs, Mrs. Lucinda Pearman and her airport team for administering the airport border control on behalf of the [Department of] Immigration.

Also, thanks to the Information and Digital Technology Office for their timely assistance in ensuring that our systems were operable, particularly at the L. F. Wade International Airport. They have all been cooperative and innovative in their respective disciplines, and the roles they have played in immigration matters. Thank you, Madam Chairman.

**The Chairman:** Thank you, Senator Caesar.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITOR

**The Chairman:** And before I invite other Senators to comment, I would like to acknowledge the presence in the Gallery the Minister of National Security, the Honourable Wayne Caines. Welcome.

*[Committee of Supply, continuing]*

**The Chairman:** Would any other Senator like to speak?

Senator Jones.

**Sen. Marcus Jones:** Thank you, Madam Chairman.

I would like to just say a few words in regard to the overarching subject of immigration before I actually start to deal with the cost centres and the line items. If I may, Madam Chairman, make a quote from the Fiscal Responsibility Panel in November 2018.

"A precondition for faster growth" (in the economy) "is to increase the island's workforce. It is the only realistic counter to the island's demographic challenge from a rapidly shrinking and ageing population."

That particular quote is apropos for the times that we are living in today. And I think the country knows that we on this side of the political aisle have been beating this drum for a number of years now, understanding, as many economists have stated and confirmed, that the workforce levels need to increase. But, of course, we also realise that there must be balance in everything that we do in regard to dealing with immigration reform.

We know that immigration reform is critical for any economic plan. We also know that a capitalist society must have freedom of movement, not only of capital, which is important, but a freedom of movement of labour. We know in this country that immigration reform is a very emotive, a very passionate topic. And so I was very much encouraged as I have heard the Minister (who has graced us with his presence)

[make] statements that he wants to start to proceed, for the country to start to come to grips.

So I do have one or two questions in that regard. The Minister has stated that a consultation paper is going to be sent out to the public. I want to know what type of questions are going to be asked of the citizens.

I have also been made to realise that there is a Green Paper that is going to be unveiled by Cabinet. I believe the country will be curious to know what the turnaround time would be. Another good question would be, Will the IB community be a part of a consultation process and contributing to it? And finally, will there be an effort to educate the community [with] the pros, the cons and what the country has to benefit from [with] an improved immigration reform?

So with those quick comments, I now turn my attention to the actual cost centres and line items. Now, we look at the salary increases, we are looking now at page B-290. We notice there that the salary increase is 3 per cent with no change in full-time employees. Now, I would gather . . . I am not sure if that reflects the increases that the civil servants received in that year, in this last year that we have experienced. But I would have this question: What cost centre would reflect the temporary staff and summer students who were hired to clear up the backlog? How many temporary and summer interns will the department be expecting to hire and utilise in the coming year?

I have also noticed, we are still on page B-290, that we are looking at training. The training cost for the year 2018/19. As the budgeted amount was \$6,000. And if we look in the revision column, that number is going to be zero. But then again, in the estimate number of 2019/20, we see that an amount of \$6,000 being put back on there. My question would be, with the intention of transforming the department into a digital electronic method of processing from the manual system that exists today, is \$6,000 sufficient for training to get the staff up to speed on a new method of processing work permits and the like?

Now, one other thing that I have also noticed under the revenue section, if we look at line 8291, that is land acquisition fees, we see that the 2018/19 original budget was \$7,000 . . . sorry, \$7 million. What am I saying? Seven thousand dollars would be a travesty! But \$7 million in revenue was what was estimated for the 2018/19 year, but the revised figure is now \$2,414,000—a considerable drop-off from what was originally expected. Armed with that information, we then see that the estimate for 2019/20 is back up to \$5,500,000, an increase of \$3,086,000.

So my question would be, What was the justification for using those numbers? Especially if you turn to page B-292, and if you look down there it is the sixth line from the bottom of that page, on the line that says, *Permission to acquire land*, the revised forecast for the numbers of applicants to acquire land is 70.

And next year's target, 2019/20, will be 77. Somehow those numbers do not jive with the revenue that will be expected from line item 8291, under revenues, which is land acquisition.

Now, moving along to performance measures, and we all know that one, or several, of our main competitors to the south of us is able to process work permits on a regular basis for . . . just a standard work permit can turn around in five days. We want to be sure that we can match that, if not do better. So performance measures are very important. We are looking at the number of work permits processed (that is the third line) from business unit 37010, under corporate services, on page B-292. The original forecast for 2018/19 was \$5,324. The updated number is \$4,614. Then the estimated amount is \$5,075. I guess my question would be, How does the department come up with a 10 per cent increase year-on-year? From our educated guess and information that sits before us, that \$5,075 does not appear realistic. I will ask for the "why" of those numbers to be shared with us.

Continuing in this same category, business unit 37010, here on page B-292, we are looking now at the number of civil penalties. Now, the forecast for 2018/19 was to be 15 civil penalties. We find that the revised forecast for 2018/19 is a whopping 148, and the targeted amount for 2019/20 is 163. Now, I understand that we are getting a new border management system, which the spokesman for Immigration has shared with us that that is the plan. In light of these numbers that we are looking at, I guess my question would be: What is the success level of the hotline calls and assistance from the public that the department gets in regard to violators of our immigration policies and work permits, and the like?

If we have repeat offenders, whether they be companies or individuals, what are the consequences of those violations? There are many of our fellow Bermudians, residents, who are sometimes disheartened when they see their livelihood being affected by lawbreakers. And so I believe the public, like me, would love to get a number on the repeat offenders and how the department deals with that.

If you would just bear with me, Madam Chairman.

**The Chairman:** That's okay, Senator Jones.

## **ANNOUNCEMENT BY THE CHAIRMAN**

### **SENATE VISITOR**

**The Chairman:** While you are doing that, I am going to acknowledge the presence in the Chamber of the Permanent Secretary of the Ministry of National Security, Mr. Collin Anderson.

*[Committee of Supply, continuing]*

**Sen. Marcus Jones:** Thank you. Thank you, Madam Chairman.

A number of the questions I am realising were answered by the spokesmen for Immigration. And on that note, Madam Chairman, I will rest.

**The Chairman:** Thank you, Senator Jones.  
Would any other Senator wish to speak?  
Senator Kempe?

**Sen. Nicholas Kempe:** Yes, I may. It will be depending on the answer for the land acquisition fees, which have certainly caught my attention.

**The Chairman:** Okay. Thank you, Senator Kempe.  
Senator Caesar, back to you.

**Sen. Crystal Caesar:** Thank you, Madam Chairman.  
I would just like a few minutes to confer, please.

**The Chairman:** Okay, that's fine.

**Sen. Crystal Caesar:** Thank you.

*[Pause]*

**Sen. Nicholas Kempe:** Madam Chairman?

**The Chairman:** Yes, Senator Kempe.

**Sen. Nicholas Kempe:** There was a question that I thought had been asked, but hadn't, so I might as well add it to the list.

**The Chairman:** Mm-hmm.

**Sen. Nicholas Kempe:** I just wanted to understand the relationship between—

**The Chairman:** Which page are you on?

**Sen. Nicholas Kempe:** I am on pages B-290 and B-291.

**The Chairman:** Mm-hmm.

**Sen. Nicholas Kempe:** I note that there is a very large increase in professional services, and there is also an increase of five people. So I just wanted to know, kind of, why both are happening at the same time.

**The Chairman:** Okay.  
Senator Caesar, did you get that question as well? Would you like Senator Kempe to ask it again?

**Sen. Crystal Caesar:** Yes, please.

**The Chairman:** Senator Kempe.

**Sen. Nicholas Kempe:** Thank you, Madam Chairman.

I just wanted to get some more clarification. I note that professional services has a very large increase, the largest percentage increase, but it is also accompanied by an increase in five more employees. I would just like to hear some justification behind the increase on both of those line items, concurrently.

**The Chairman:** Thank you.  
Senator Caesar.

**Sen. Crystal Caesar:** Thank you.

While the technical staff answers that question, I would like to go back and answer some questions that have been asked previously.

There was a question, Madam Chairman, with regard to the consultation, or Green Paper that will be drafted. Well, actually, it is in the process of being drafted. It requires Cabinet approval. At this time the specific questions that will be asked of the public have not been approved, so it would be impossible to say at this time. But in due course the public will be made aware of the questions that will be asked around, I believe the question was around the different types of closed categories that will possibly be considered.

The next question was, Will the IB community be involved? Absolutely! They continue to be involved in most of the discussions regarding immigration; they are our partners. So the whole alphabet—ABIC, ABIR, Bermuda First, BBA—all of these bodies, as well as others stakeholders are always consulted when it comes to immigration issues because they employ a large portion of our population and thus it would affect them, their businesses, and Bermuda ultimately. So, yes, those stakeholders are consulted.

Another question was . . . there will be, as I think has been a hallmark of this particular Government, involvement of community stakeholders. So there will be town hall [meetings], there will be information sessions. I am sure that the Minister may consider even inviting submissions from individuals in the public. So that will continue with regard to this. Immigration is a hotbed topic and very emotive, and therefore the community at large does need to be canvassed and comprehensively. That is the commitment of this Government, and has been the commitment, and we will continue that as it pertains to consultation for immigration reform.

There was a question around how many temp staff and/or summer students were employed to clear the backlog. There were three temporary reliefs hired from December 2018 to February 2019. And if I could just clarify . . .

*[Crosstalk]*

**Sen. Crystal Caesar:** The number of summer students is in process. As we all know, a lot of summer students are not quite here, do not quite know their plans as yet. And it will be determined through the Workforce Development department as to what students are available, what their skill set is, and where they will be placed. So we do not actually have an answer for that right now, unfortunately, but we will see.

A question was asked regarding training costs for 2019/20, Is this sufficient for digitisation of the Immigration Department and trust? That is definitely in the capital budget for 2019/20. What the public and fellow Senators must keep in mind is that our Immigration Department has not maybe moved at the same technological pace as we would have liked. It is still very much paper driven. So digitisation is very high on the priority list. So, yes, it is actually included in the 2019/20 budget number.

I am just clarifying one of the answers, so please bear with me.

**The Chairman:** That's fine.

**Sen. Nicholas Kempe:** Madam Chairman, point of clarification.

**The Chairman:** Yes, Senator Kempe.

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Yes, the Senator just said that the digitisation was in the capital budget. But the question was about the training expense in the current account budget. So I just want to get some clarity. I would understand that the actual software and computer equipment or whatever is in the capital budget, but the training for the usage I would expect to find in the current account. And the question was about the \$6,000 allocated.

**The Chairman:** Okay. Thank you for your clarification. Senator Caesar.

**Sen. Crystal Caesar:** If I could just answer that question directly?

**The Chairman:** Mm-hmm.

**Sen. Crystal Caesar:** Madam Chairman, it has been confirmed to me that that is actually included, that particular question. It is included in the capital budget; it is not included in that training number. Okay?

**The Chairman:** Thank you.

**Sen. Crystal Caesar:** Yes, no problem.

For the question regarding land registration fee revenues, What is the justification for the \$5 mil-

lion estimate? This is arrived at using historical average trends, plus a degree of professional judgment. It is subject to market conditions and the timing of revenue received. So there is quite a bit of calculation that goes into that number.

I believe that was the question from page B-292.

*[Pause]*

**The Chairman:** You are still working?

**Sen. Crystal Caesar:** Yes, bear with me.

**The Chairman:** Take your time.

**Sen. Crystal Caesar:** Thank you.

*[Pause]*

**Sen. Crystal Caesar:** Just so the listening public is aware, the technical officers who support us often-times have to scribble down notes, so it is not quite as quick one would think.

If they would just have an understanding and bear with us in terms of getting that information . . .

**The Chairman:** I think you may have another response there.

**Sen. Crystal Caesar:** Oh! Here we go!

*[Laughter]*

**Sen. Crystal Caesar:** I didn't see it!

**The Chairman:** And we will give you a minute to see—

**Sen. Crystal Caesar:** To digest, yes.

*[Pause]*

**Sen. Crystal Caesar:** Okay. This question is around the civil penalties, [business unit] 37010. The question was, What is the success level for the department hotline for violations of immigration breaches? As the current Minister has made it . . . as one would know from the adverts, I think we have all heard the quite creative adverts with regard to encouraging reporting of these. The department has become more diligent in collecting and collating that information, and is in the process of doing so. So in terms of the success level versus any other key indicators, they are still compiling that information.

So I would be remiss at this point to try and guess at that, but, again, it is being collected. The Minister is very forthwith in making sure that we collect that information and it will be forthcoming.

The question was, What are penalties for breaches [of] immigration laws, and does the Immigration Department handle repeat offenders? Well, the legislation provides for a range of [fines] \$5,000 and upward for each offence. So I guess one would say that if one is found in breach of immigration laws, then they can be fined from \$5,000 and up. And repeat offenders, obviously, would not necessarily be considered a good corporate citizen and would need to be closely monitored. But, again, there are fines which would levied as appropriate.

**The Chairman:** Are we still waiting for further responses?

**Sen. Crystal Caesar:** Yes, a couple of them, yes.

*[Inaudible interjection]*

**The Chairman:** Senator Kempe, yes. Please go ahead.

**Sen. Nicholas Kempe:** Thank you, Madam Chairman.

On the land acquisition fees, I believe I heard, and correct me if I am wrong, Senator Caesar, you said that the drop . . . or, I am not sure if you even addressed this drop on the revised estimate. But you said that the budgeting was based on timing of payments, market trends, and something else. If the revised estimate, down from \$7 million to \$2.4 million, is because of a deferment in payment, I would expect the 2019/20 figure to be much larger than what was budgeted last year, or at least what was the actual for 2017/18.

This is the second-biggest revenue line item of the Department of Immigration, and we are talking about \$4.5 million in lost revenue. I think we need a better explanation about how that amount of revenue is lost or missed from the target and what has been done from an accountability standpoint to ensure that that does not repeat.

**The Chairman:** Thank you, Senator Kempe.  
Senator Caesar, are you prepared to answer? Or do you need some more time?

**Sen. Crystal Caesar:** I am actually going to confer, but before I answer that I am just trying to see if there was something else that I needed to respond to.

**The Chairman:** Okay.

Does any other Senator wish to ask a question or comment?

Okay.

*[Pause]*

**Sen. Crystal Caesar:** In just going back to civil penalties, civil penalties are levied when someone has been in violation of some of the regulations or immigration laws. And although there has been an increase, it would beg to reason that the department has become more diligent in accessing those who have fallen outside of the law. I see that there are 163 for the 2019/20, as a result of the department's experience. And so that means that the department is becoming more . . . How can I put this? In the past year they have become diligent. So, obviously, if we have not necessarily determined that there are going to be more, I think that is actually a good sign. It means that people are becoming more honest in submitting applications. They are not falling outside of the regulations and, therefore, we are ensuring that the people are staying within the immigration regulations.

Now, with regard to the question on the professional services, I will repeat the answer that I had given with regard to the number of an increase of staff. There is actually not an increase in headcount for 2019/20. I'm sorry, wrong answer . . . wrong answer.

*[Laughter]*

**Sen. Crystal Caesar:** There are too many pieces of paper here.

**Sen. Nicholas Kempe:** Point of clarification.

**The Chairman:** What is your point of clarification, Senator Kempe?

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Madam Chairman, I was comparing the actuals from 2017/18 on both salaries and/or employees, and professional services, between actuals of 2017/18 and 2019/20, which is where I got the five employees and the . . . basically, tripling of the professional services fees.

**The Chairman:** Okay, thank you.  
Senator Caesar.

**Sen. Crystal Caesar:** Thank you, Madam Chairman.  
Cabinet actually did not approve the additional five in headcount, so there will be no increase. And professional services are actually going to be paid from Ministry Headquarters.

**Sen. Nicholas Kempe:** A follow-up question.

**The Chairman:** Senator Kempe, please go ahead.

**Sen. Nicholas Kempe:** Thank you, Madam Chairman.

If Cabinet has not approved the increased headcount, why are we budgeting funds for the salaries?

**The Chairman:** Thank you, Senator Kempe.

Senator Caesar, would you like to have some time to respond?

*[Pause]*

**The Chairman:** Senator Caesar?

**Sen. Crystal Caesar:** Yes, thank you.

I have been told that there is actually an errata. I am not sure if you have that, Senator Kempe and Madam Chairman.

**The Chairman:** Which page are you referring to?

**Sen. Crystal Caesar:** To page B-292.

**The Chairman:** Is it page B-290?

*[Crosstalk]*

**The Chairman:** We are just trying to establish the correct page.

*[Crosstalk]*

**The Chairman:** Senator Caesar, may I make a suggestion?

**Sen. Crystal Caesar:** Sure.

**The Chairman:** Perhaps you should continue to work on the answer, and we will hear it later. But I think this will take a bit too much time to try to answer it right now. And we certainly want the correct information—

**Sen. Crystal Caesar:** Yes, thank you.

**The Chairman:** —as opposed to something that is just hurriedly presented.

**Sen. Crystal Caesar:** Yes. Thank you, Madam President, I think the difficulty is that an errata, Madam Chairman—

**The Chairman:** Madam Chairman.

**Sen. Crystal Caesar:** —has actually been issued and so we would need to ensure that that is the page that we are referring to, to ensure that we are looking at the same thing as Senator Kempe. And I think he would need to do the same as well.

**Sen. Nicholas Kempe:** Just a point of clarification, Madam Chairman.

**The Chairman:** Senator Kempe.

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Just to be clear, we have received some 15 pages of errata, but B-290 and B-291 were not included in that last.

**The Chairman:** Right. I believe that is what we are saying.

**Sen. Nicholas Kempe:** Yes.

**The Chairman:** Thank you, Senator Kempe.

And Senator Caesar and her technical advisors will ensure that we get the erratum we need and also answers to the questions.

**Sen. Crystal Caesar:** Yes, we will, Madam Chairman.

**The Chairman:** Thank you, Senator Caesar.

**Sen. Crystal Caesar:** I am also just quickly scanning the additional questions that have been asked to ensure that I do answer the appropriate questions.

The final question that I believe I have not answered is with regard to land fees. There is a timing delay that is a part of the process. The department typically has to wait for other departments to complete that process, therefore, there is a lag in the revenues that are actually received.

So, for example, in the last week there were 19 applications approved for 2018/19. So the revenue will now come through for that. So there is some lag in the results as it pertains to the revenue numbers that we have, so . . . I believe—

**Sen. Nicholas Kempe:** A point of clarification, Madam Chairman.

**The Chairman:** What is your point of clarification, Senator Kempe?

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** So is the Senator saying that this \$5.5 million in the 2019/20 estimate includes revenue that should have been collected in 2018/19? And if so, how much of that \$5.5 million is deferred revenue and what is the actual revenue for 2019/20 that is from land acquisition fees for the upcoming year?

**The Chairman:** Thank you, Senator Kempe.

**Sen. Crystal Caesar:** I am advised that it is not actually deferred revenue, it just has not yet been collected. It is a receivable.



**The Chairman:** Senator Kempe, a follow-up?

**Sen. Nicholas Kempe:** Then why is it not included in the 2018/19 estimates? If it has been incurred, if the revenue has been accrued, but it is not collected, that is a receivable balance, but it is still revenue.

**Sen. Crystal Caesar:** That's correct. That is an accounting term. That is correct.

**Sen. Nicholas Kempe:** So then why is the number lower in 2018/19 if it is suggested that this revenue has actually been approved?

**The Chairman:** Senator Caesar.

**Sen. Crystal Caesar:** I am advised by my technical officers that because at the time that the revenue is done it is in January, so there is lag in the numbers.

**The Chairman:** And again, I think that if there is further follow-up on that, it can come a bit later.

Senator Caesar, do you have any other response?

**Sen. Crystal Caesar:** Not at this time.

**The Chairman:** Okay. Thank you.

**Sen. Crystal Caesar:** I am just getting some clarification as it pertains to the hotline calls and what the typical penalties are. I do believe that I answered, but I will reiterate that hotline calls are only as successful as they are received.

So, obviously, we can only account for what has come in. And where the information has been completed, it does take investigation. Sometimes a complaint is insufficient to deem it a true complaint. And, again, civil penalties are \$5,000, and up, to both the employer and employee. So I believe that gives them a fulsome answer in that regard.

**The Chairman:** Thank you.

Senator Caesar, would you like to move Head 27, Immigration?

**Sen. Crystal Caesar:** Yes, I would. Please bear with me until I can find my papers. Here we go.

Madam Chairman, I move that the Committee do now approve Head 6 [*sic*], Immigration. I'm sorry—

**The Chairman:** It is Head 27.

**Sen. Crystal Caesar:** Head 27, which is Immigration, sorry.

Yes, I do move that Head 27 be approved.

**The Chairman:** Is there any objection?

No objections. So moved.

[*Motion carried: The Ministry of National Security, Head 27, Immigration, was approved.*]

**The Chairman:** We are now moving on the next head in this Ministry, the Ministry of National Security, Head 6, Defence.

**Sen. Crystal Caesar:** Thank you, Madam Chairman.

**The Chairman:** And I believe we are on page B-273.

**Sen. Crystal Caesar:** That's correct, Madam Chairman.

I move that the Committee do now undertake consideration of Head 6, Defence, which is found on pages B-273 through B-276.

## HEAD 6—DEFENCE

**Sen. Crystal Caesar:** Madam Chairman, Head 6 comprises the Defence Department, or the Royal Bermuda Regiment ("RBR" or the "Regiment").

The Regiment's role is to provide operational capacity to support the civil authority. It performs a number of critical functions including natural and man-made disaster relief (both on and off the Island), internal security, state ceremonial activity, routine and specialist support for the Bermuda Police Service, military training, social cohesion, and youth development.

The primary legislation affecting the department is the Defence Act 1965, the Royal Bermuda Regiment Governor's Orders 1993, His Excellency's Directive to the Commanding Officer dated 21 September 2018, the Bermuda Volunteer (Reserve Force) Act 1939, and the Royal Bermuda Regiment (Junior Leaders) Act 2015.

### Mandate

**Sen. Crystal Caesar:** Madam Chairman, under the authority of the Defence Act 1965, the Royal Bermuda Regiment's mandate is to be a military force maintaining the necessary standards of manpower, training and equipment to enable it to perform its assigned roles efficiently and effectively. The Regiment is continuously training to remain at a state of readiness in order to accomplish its important missions and tasks for local and, potentially, overseas operations.

### Mission and Roles

**Sen. Crystal Caesar:** The mission and roles of the Regiment were confirmed by formal reviews in the years 2000, 2006, 2014 and 2018. The extant mission is: *The Royal Bermuda Regiment is to support the Civil Authority with the security of Bermuda, its peoples, property, livelihood and interests in order to maintain normality.*

At this time, the Regiment has implemented a five-year strategic review in order to reorganise the Regiment in an effective and efficient manner, to ensure that missions and tasks are current. This is a working document and will be used as a guideline, as it will be upgraded to offer a better solution than what was stated. The mission statement roles for the Royal Bermuda Regiment are:

- a. recruit and retain an all-volunteer force;
- b. influence through a targeted information operations campaign;
- c. support the Bermuda Government in providing Military Aid to the Civil Authority (or MACA);
- d. support the Emergency Measures Organisation in responding to Humanitarian Aid and Disaster Relief (or HADR) operations;
- e. develop an externally focused Humanitarian Aid and Disaster Relief capability;
- f. develop a force to generate a full-time professional inshore Coast Guard capability; and
- g. provide ceremonial support for official and national approved events.

### Concept of Operations

**Sen. Crystal Caesar:** The RBR will better define and clearly articulate its roles and responsibilities and develop a sustainable recruiting and retention process that serves as a post-conscription Regiment. It will establish a professional development cycle and sustainable training plan in order to exercise interoperability and meet operational demands.

It will conduct planned community and defence engagement activities to assist the transformation programme. Moreover, the RBR will measure performance and effectiveness, whilst communicating progress and success to internal and external audiences.

Furthermore, it will deliver operational capability through the use of Reserve soldiers, in the following areas:

### Military Assistance to the Civil Authority (MACA)

**Sen. Crystal Caesar:** The role encompasses the spectrum of assistance that the Regiment could be asked to give to the civil authority of Bermuda. MACA can be subdivided into three main areas: (a) assistance to civil power—to provide protection for high-value assets and other internal security operations in support of other governmental departments; (b) assistance to civil ministries—responding to a crisis beyond the Government's immediate control or more routine requests for assistance; and (c) assistance to Bermuda society—through the provision of a voluntary military experience, support the integration and development of the people of Bermuda.

In each case, the decision to embody the RBR rests with the Bermuda Government and the commanding officer as appropriate.

### Humanitarian Aid and Disaster Relief (HADR)

**Sen. Crystal Caesar:** The RBR is mandated to assist the civil authorities in the event of a major disaster, either natural or man-made, befalling the Island.

The Commander-in-Chief will work with the Emergency Measures Organisation to coordinate the deployment of the RBR, in order to protect and preserve the community and its property prior to, during, and after a disaster. Should a request for external assistance be received, then Government House will coordinate the potential deployment of the RBR off the Island.

### Coast Guard

**Sen. Crystal Caesar:** In order to secure Bermuda's territorial waters out to 12 nautical miles, and in compliance with the Defence (Coast Guard Unit) Amendment Act 2018, the RBR will develop a full-time Coast Guard capability that can undertake the following tasks, once approved:

- a. law enforcement of the inshore waters;
- b. search and rescue coordinated by the Bermuda Maritime Operations Centre;
- c. support HM Customs to interdict marine smuggling operations;
- d. support the Bermuda Police Service, working as a joint hybrid model at first, training, adapting, and joint operations concurrently, with a view to take over after a period of time;
- e. support the Department of Environment and Natural Resources to enforce fisheries regulations; and finally
- f. support the Department of Marine and Ports to enforce maritime regulations and ensure maritime border and port security.

### Funding

**Sen. Crystal Caesar:** The total funding, Madam Chairman, for Defence for the coming year is \$7,208,886. This reflects no change from the 2018/19 budget.

### Capital Acquisition Funding

**Sen. Crystal Caesar:** Madam Chairman, the Ministry of National Security has approved \$247,560 of capital acquisition funding for Defence. This funding will allow the Regiment to continue with its vehicle replacement plan with additional funding provided for the much-needed replacement of computers, office equipment, and kitchen equipment.

## Personnel

**Sen. Crystal Caesar:** Madam Chairman, the Bermuda Regiment employs 31 full-time staff, of which all but three are military personnel. The three civilian staff are employed in the administration of recruitment, accounting, and grounds maintenance at Warwick Camp.

## Output Measures and Objectives

**Sen. Crystal Caesar:** Madam Chairman, the Regiment successfully completed its preparations and training for the past hurricane season. In February, the Regiment had a successful [Recruit] Camp in 2019 with 25 volunteers participating. There will be an additional [Recruit] Camp in July 2019. Preparatory training is being established for the three overseas training events. These are:

- The Potential Junior Non-Commissioned Officers (or PJNCO) Cadre will be held at Camp Lejeune, North Carolina, this May 2019 for the culmination of their leadership and training course.
- “B” Company (or HADR) will take part in Exercise Tradewinds in June 2019, in St. Vincent and the Grenadines, as part of an international HADR exercise practicing the regions’ response mechanism to natural disasters. This exercise is designed to combine joint interagency training, focusing on regional cooperation for complex multinational security operations.
- “A” Company (MACA) will travel to Lydd & Hythe training complex in Kent, UK, late in September 2019 to conduct internal security certified training.
- And finally, the RBR Boat Troop will train locally, with the aim to provide support to the BPS Maritime Unit throughout the peak boating season. Additionally, they will continue training in local disaster mitigation exercises with regard to oil spills and other man-made or natural disasters.

## Major Achievements

**Sen. Crystal Caesar:** Madam Chairman, the Regiment again demonstrated its enduring agility and resilience in January and July 2018, with a total of 65 new recruits entering the gates of Warwick Camp. This was the first time in history that a summer Recruit Camp was conducted in order to attract young males and females, once completing high school in Bermuda, and the RBR achieved that aim.

The RBR provided security and marshalling for the International Bermuda Triathlon in April 2018, dedicating a reinforced platoon on the ground, includ-

ing senior officers operating the Joint Service Command Centre.

The RBR Potential Junior Non-Commissioned Officers [PJNCO] Cadre—(that was quite a mouthful)

*[Laughter]*

**Sen. Crystal Caesar:** —was deployed in North Carolina, Camp Lejeune, with 30 students being assessed in a demanding environment.

The Royal Bermuda Regiment continues to work closely with the Bermuda Police Service (or BPS), including the Joint Service Explosive Ordnance Disposal [JSEOD], as they continue to conduct monthly training.

The RBR [Marine] Platoon will continue to support the BPS Marine Unit on the waters, conducting regular civil authority training operations.

The RBR Special Constable Recertification training continued with 40 soldiers being re-authorised in April 2018.

The RBR conducted the regular annual ceremonial parades including Beating of the Retreat Ceremonies for 2018 and is prepared to continue for 2019. The RBR developed a B Company as the Ceremonial Company, which also acts as the HADR Company.

Additionally, they sent two members of the Boat Troop to the Cayman Islands to train in defence engagement activities with the Royal Navy and were certified in small engine repairs and boat handling skills.

Additionally, the RBR attended the fifth meeting of the Caribbean Region Information Operations Council [CRIOC] between the 28<sup>th</sup> and 29<sup>th</sup> of June 2018 in Turks and Caicos Islands. The meeting was facilitated by the United States Northern Command. The aims were to maintain trusted partnerships, foster regional collaboration to enhance Information Operation [IO] capabilities to counter common threats affecting the Caribbean and Bermuda regions.

Additionally, the RBR participated in SCARS training and over 90 soldiers were certified in this area to help mitigate risks against children within the Junior Leaders and Junior Bandsmen. (Quite commendable.)

**The Chairman:** Mm-hmm.

**Sen. Crystal Caesar:** Two senior officers of the RBR attended and passed the Advanced Command and Staff Course at Shrivenham, UK. This course is a post graduate programme which prepares officers for senior command positions within the RBR.

Four soldiers, three male and one female, of the RBR attended the All Arms Drill Course at the prestigious All Arms Drill Wing in Catterick, UK, and achieved passing grades.

An RBR Senior Non-Commissioned Officer attended and passed a six-week Jamaica Defence

Force, Warrant Officer Course in Jamaica in January 2019.

During this past fiscal period, the RBR sacrificed attending its annual overseas training camp in lieu of cost savings which were to be used toward the initial start-up of the RBR Coast Guard. Local training was conducted throughout the year to address the training needs of the battalion over this period. However, the anticipated training levels were not achieved due to the lack of the wide range of purposely built facilities that were planned to be used in Camp Lejeune for testing and evaluating RBR troops.

The RBR conducted the National Academy of Police Diving (NAPD) Course and certified three soldiers and two Bermuda Police Services personnel in the following:

- Dive Team Management;
- Police/Special Response Diving Physiology;
- Dive Team Equipment;
- Underwater Search and Recovery;
- Underwater Crime Scene Investigation;
- Emergency Medical Technology;
- Underwater Crime Scene Photography;
- Lift Bag Skills;
- Police Tactical Diving along with Hull and Seawall Searches.

**Sen. Crystal Caesar:** They have been very busy.

**The Chairman:** Mm-hmm.

**Sen. Crystal Caesar:** Madam Chairman, in closing, the RBR is an organisation with proud traditions and a structure, ethos, training and management which is now being transitioned into a hybrid unit. The organization is being modified and is being designed for what Bermuda needs today in terms of military capabilities and output. Over the last 20-plus years, many reviews and surveys have been conducted but never fully acted upon. That is no longer the case. The RBR needs to adapt to the requirements of this 21<sup>st</sup> century in Bermuda.

The Strategic Review 2018 is a living document and shall be utilised to make decisions that will [contribute] toward success. It contains candid observations and recommendations which were implemented and will provide excellent opportunities to ensure that its alignment is coherent with Bermuda's needs. It is an opportunity to transform the Royal Bermuda Regiment into a bespoke organisation which is more efficient, effective and professional. It will be able to respond to events in the HADR, MACA and Maritime domains, supported by a mix of full-time and part-time soldiers, held at graduated states of readiness.

The Regiment is well set to provide valuable services to the government as it moves through [the] second half of the century. The end state will be able to demonstrate a full operational capability in HADR, Maritime Security, and MACA. These capabilities are

underpinned by a coherent defence engagement plan with agencies on and off the Island, including the UK Ministry of Defence [MOD] and partner nations. The RBR's narrative is articulated by a communications plan targeting internal and external audiences.

The Regiment will recruit all year round with flexible intakes of recruits, attractive terms of service, along with career paths that are clearly defined for current and potential officers and soldiers. The RBR will design a pathway for education and training, and as the competency of our people improves, so will the services we delivery.

Thank you, Madam Chairman.

**The Chairman:** Thank you, Senator Caesar.

Would any other Senator like to speak?  
Senator Jones.

**Sen. Marcus Jones:** Thank you, Madam Chairman.

I have listened to the spokesman for—

**An Hon. Member:** Junior Minister.

**Sen. Marcus Jones:** I have listened to the spokesman . . . Junior Minister. Sorry. I have listened to the Junior Minister for National Security. My train of thought got all ruined there, but I want to get it right. Respect is due.

I listened with great interest because as we all know, the traditional model of the defence force that Bermuda has been practicing and exercising is in a midst of a transitional period. We all know the history, the successes, and how many of our family members . . . and I have to say family members, because I never had the, I guess, good pleasure of being drafted by the Regiment. So I can only comment on it from a distance. But we know that this particular organisation is going through some monumental changes. And so it is going to have some challenges that it has never seen before. So, I believe, for the sake of the public, I have a few questions here where I may ask the Junior Minister of National Security to expound upon to bring clarity.

Now, we are at page B-274. I am looking at cost centre 0602. There are a couple of expenses there that I would like to see if I can get some clarity on.

Now, one of the sections on this Budget Book that really got my attention was the Military [Aid] to the Civil Authority, MACA. That is found on B-273. I just want to back up a quick second so we can understand what this is. This role encompasses the spectrum of assistance that the Regiment could be asked to give the civil authority of Bermuda. Now, I stress they "could be asked."

With that definition of what MACA is, I turn back to page B-274, and I am looking at line item 16040, which is Internal Security, MACA. We see there that in the year 2017/18 the cost was

\$1,748,000. The estimate was then increased to \$1,861,000 with a more updated revised figure of \$2,111,000. So those are big numbers. And again, I go back to the definition where it says this particular assistance to the civil authority that is being asked of the Regiment, the pertinent phrase there is “could be asked.”

So, based on that premise, I would like to ask the question. How does the department come up with those numbers? What data do they use to come up with a budget figure, especially since for the last two years the amounts have been very high, in excess of \$1.7 million? And then in the 2019/20 estimate that figure drops down to \$382,000, which is an 82 per cent decrease in what has actually been an expense, and what has now come to the updated, revised number and cost for 2018/19 . . . I guess my question is, Is that amount speculative? Is it based on actuary forecast of disaster? Just a little bit of clarity on how the department comes to that number.

Similarly, line number 16030, which is Ceremonial, which is HADR. And the description for that is that HADR, which is the acronym for Humanitarian Aid and Disaster Relief. And the description is the Royal Bermuda Regiment is mandated to assist the civil authorities in the event of a major disaster—in the event of a major disaster. So for the 2017/18, the actual amount was \$460,000. The estimate, and then revised total, was \$393,000, and then the department has increased it to \$656,000. So, that number is based on what the department, or possibly what the civil authorities can use as their best guesstimate to determine that maybe it is because there are hurricanes that have been forecasted that will be circulating around the Atlantic that may strike some of our neighbours in the south, and so that money is being set aside in the event that our forces are needed for help to our neighbours to the south.

Again, I am just trying to get a little bit of understanding and clarity on how the department calculates those numbers.

Then, of course, I listened with great anticipation and excitement to the concept and idea of a Coast Guard, something that has been talked about for some years now. So I am looking within the expenditure lines, in the business cost centre to see if funds have been set aside for that particular enterprise. And I am looking at line item 16085, which is Marine Operations.

*[Sen. James S. Jardine, Chairman]*

**The Chairman:** On B-27 . . . ?

**Sen. Marcus Jones:** I'm sorry.

**The Chairman:** Page B-274.

**Sen. Marcus Jones:** Thank you for your assistance, Mr. Chairman.

So, I am looking at that figure of \$349,000, which was the most updated figure, and then in 2019/20 it has been removed. So maybe some clarity. If that amount is attributed to the Coast Guard, I would like to know if that is the case.

Then on the same page, B-274, under Training and Validation . . . sorry, Overseas Camps. That is what I was looking at, Overseas Camps. Now it jumped from the actual numbers . . . well, the revised numbers of 2018/19 of \$218[,000] to \$895,000. So, I guess my question is, With that increase, is that number just an anomaly or is that something that is progressively getting larger as we get closer to a full-strength volunteer force? Just a little clarity on that case would be most appreciated.

Then I am turning to page B-275, looking under expenditures there . . . well, let's drop to full time . . . I will come back up to expenses, but let's look at the employee numbers, full-time equivalents.

The number of full-time employees at the moment is 31. It has been 31 since 2017/18. It was budgeted, and the actual numbers were the same in 2018/19. And then looking forward, that is the same number, 31. My question would be, How many of those 31 military employees are actually Bermudian? That is question number one. And secondly, can we anticipate a complete or near-complete Bermudian executive, or senior ranking officers, as part of our succession plan? I am not too sure how that works either, but I would like to think that if that was a possibility for the next generation, it would be something that our youngsters can aspire to do as a full-time profession.

Then I am looking at the travel budget. It was estimated in 2018/19 that the travel budget was going to be \$406,000, dedicated to travel. It came in at \$197[,000] as a more updated number, under the revised 2018/19. And then next year that figure goes up another 127 percentage points to 447. Can I get some explanation on that figure?

We also see professional services at \$67,000 for the year 2018/19. It increases by 40 per cent. So, can we get an understanding of what that professional services line is made up of? And some sort of understanding of why such an increase year-on-year?

Now, the professional services are going up 40 per cent, but we look up to the line item where it says Wages, the original budget for 2018/19 is \$2,154,000. And the estimate for 2019/20 drops down to \$2,024,000, which is \$299,000. So we have professional services going up by 40 per cent, and we have wage levels coming down 13 per cent, but full-time equivalents remain unchanged. So just a little clarity in that regard would be good as well.

Now, what I have also been made to understand is that the Royal Bermuda Regiment at full strength is approximately, or was in the past, 420 per-

sonnel. My question would be, What is the minimum number that will be required in the model, in the volunteer force, that the Royal Bermuda Regiment has today? What would be the minimum number that would allow this force to adequately execute its mission? I would venture to guess that 420 at this point is unattainable; but what would be the minimum number to ensure that all their mission would be accomplished?

On top of that question, I would want to inquire, with 65 volunteers who are signed up working at the Royal Bermuda Regiment, is 31 full-time employees, the majority of which are senior officers, an overkill? [If] 31 full-time employees were able to manage and operate a force of 420 personnel, I would say that in my estimation 31 full-time employees at a senior level would be more than enough, if not too much, in handling 65 volunteers. Governments as well as the military have to be able to adjust their staffing levels based on the size of their staff. So just a question of whether the Regiment is looking to pare down on some of the senior officers until it gets to being a force of full strength.

Then I am turning over to page B-276, which is the performance measures. I am looking under the business unit 1600. The matrix there is the number of volunteers for service in Royal Bermuda Regiment. The actual in 2017/18 was 50. These are recruits; these are volunteers, the number of volunteers. And the forecast in 2018/19 was 61. That number has not changed in updated actual numbers, it has dropped by one. And then next year it is the same. I guess my question . . . actually, I am about to ask a question that I believe was already answered. But I will throw it out there anyway.

If the Regiment's goal is to increase its number of volunteers, advertising and promotion actually went down. You see that on page B-275, the estimate for 2019/20. In 2018/19 [it was] \$81,000 and it has now dropped to \$60,000 for 2019/20, which represents a 26 per cent decrease in advertising and promotions. Does part of that budget, that line item, also include . . . does it also have a component in it where it involves recruitment of volunteer soldiers?

Another question I would just throw out there as an aside would be, Has the Royal Bermuda Regiment considered a programme to go into the high schools to recruit students? I remember back in my high school days that the police had a junior cadet programme. I think it even exists today to some degree. It was very effective in recruiting young high school students to consider a career in police work. At a time now, when many of our young people are looking for a place to cultivate a career, they are not sure what they can do, the opportunity to go to school, possibly at Bermuda College, while learning how to become a military man within our Regiment, could be a fairly good thing to consider.

Now, again, I am still here on page B-276, and we are looking under business unit 16020 at train-

ing and support. There is a line item here that says (number 2), number of soldiers listed as long-term absentees. Now, again, please forgive my lack of knowledge when it comes to the explanation of what that means. Soldiers listed as long-term absentees in 2017/18 were 105, in 2018/19 the number did not change, and then the revised forecast is zero for the coming year. Just an explanation of what that is all about.

Mr. Chairman, at this point I believe I will bring my questions to a close. Thank you, sir.

**The Chairman:** Thank you, Senator Jones.

Would any other Senators like to speak to this head?

No? Then I think Senator Caesar you have some questions. You have had a busy afternoon of questions.

**Sen. Crystal Caesar:** Mm-hmm.

*[Crosstalk]*

**Sen. Crystal Caesar:** Thank you, Mr. Chairman.

There was a question with regard to the increasing number as it pertains to overseas camps in particular, line 16075. It should be noted that in 2017 there was no camp held at all. In 2018, there was also a desire for cost savings so again there was no camp. But for the 2019 year, in order to ensure that the officers get the appropriate training, that number has been put back into the budget number. Therefore, you will see a significant increase in the amount budgeted.

In addition, for professional services, there was a question about why that number had increased 40 per cent. As we all know, we now have an all-volunteer Regiment, a Royal Bermuda Regiment. Therefore, in order to entice those individuals to actually volunteer there needs to be increased advertising, marketing media, recruit camps need to be held and they have been held on Island. So these are all increased costs that were used by certain professional services in order to entice people to get them in the door. So that is why there was a 40 per cent increase in that particular area.

And I am just going to confer with my technical officer for some remaining answers.

**The Chairman:** Please do.

**Sen. Crystal Caesar:** Mr. Chairman, the question was regarding the complement of full-time employees as to what the [breakdown] was of Bermudian versus non-Bermudian staff. My understanding is that all of the officers, except one person, are Bermudian.

There was also a mention of succession planning for Bermudians entering, and then there are some who are a bit older. There is a succession plan in place, and the promotion process is well in hand

and well established. So there is a succession progression through the RBR.

The travel budget has admittedly varied over the last few years. The question was, Why has that happened? Only a few officers have travelled overseas to get some requisite training, so the overseas camps were not attended or held. They were held on Island. So the numbers have fluctuated. (Let me confer here.) And as previously stated, it is anticipated that in this year quite a few of those camps will be re-instituted, so that number has been budgeted to go back up. Therefore, you will see the 127 per cent jump in that number.

This is an ongoing question as to, now that it is a volunteer Regiment, what is the ultimate number for it to be fully staffed? The number is around 200. However, it should be mentioned that it depends on what the mission is, what the threats are at the time, and what tasks need to be completed. You will appreciate that the Coast Guard is not staffed at this point. So, obviously, there aren't any numbers there either. So, obviously, there are less people in that area.

But the Royal Bermuda Regiment is actively seeking to staff up and also give the required complement of funds to that particular area to staff it up. But in the meantime, there are soldiers who are actually assisting the Marine Unit of the Bermuda Police [Services]. So it is in train. It is not just being left until someone says, *Hey, I want to do it*. There are people who are actively pursuing that particular area of the Royal Bermuda Regiment.

The brief that I read, or the Statement that I read, with regard to the RBR actually did highlight that. We have, and continue, to recruit young students. So we actually do . . . I just wanted to go back and indicate that we actually did have 30 students who travelled to North Carolina to Camp Lejeune. So we do actually recruit, and have recruited for a number of years, young people within the high schools to get them interested in continuing a career within the Royal Bermuda Regiment.

I am just making sure I am not repeating myself.

[Pause]

**Sen. Crystal Caesar:** So, if I could just point out as well . . . and I believe there was a discussion around the makeup of the Royal Bermuda Regiment. And if I could reiterate that there are now two companies, there is the MACA, which provides military assistance and assistance to the civil authority, and the HADA which is humanitarian. Of course, at some point, coming on line will be the coast guard. But, of course, the sufficient funds need to be raised in order to have a full and operational coast guard unit, and that is in train, as I previously mentioned.

I dealt with professional services; we do have a junior leaders programme. I talked about the com-

plement of soldiers. And I certainly hope that I have touched—

**The Chairman:** You did. You mentioned the complement of 200, but it is variable depending on the commission.

**Sen. Crystal Caesar:** Correct. That is correct. And what the needs are at the time.

I believe that I have touched the questions that I have noted here. Certainly, if there is anything that is not clear or that needs further clarification, I do invite, as I have previously, Senators to speak with myself, the Minister, and the technical officers.

So with that said—

**Sen. Nicholas Kempe:** Mr. Chairman—

**The Chairman:** Yes, Senator Kempe.

**Sen. Nicholas Kempe:** I believe we have more time. I have a follow-up question that has not remained entirely clear for me.

**Sen. Crystal Caesar:** Okay.

**The Chairman:** Please proceed, Senator.

**Sen. Nicholas Kempe:** Thank you.

The \$349,000 in the revised 2018/19 budget (I am on page B-274, for those who are following along) on Marine Operations. That was a one-time spend? And, if so, to what end did it go when there is nothing budgeted for that same category for the upcoming year? You mentioned something I think about a marine corps, but I am not entirely clear on why we have a one-time unbudgeted spend of \$349,000 this year, but nothing budgeted for next year.

**The Chairman:** Thank you, Senator Kempe.

**Sen. Crystal Caesar:** If you recall, during the America's Cup we needed to deploy a unit to assist with the Marine Services. That is what that one-time revised number was for. As we do not presently have a coast guard, so we actually had to use Royal Bermuda Regiment soldiers—

**Sen. Nicholas Kempe:** So that actually—

**Sen. Crystal Caesar:** —to cover.

**The Chairman:** Excuse me. You want to finish your sentence and then I will—

**Sen. Nicholas Kempe:** Apologies.

**The Chairman:** —ask for a follow up.

**Sen. Crystal Caesar:** Yes. As you know, we do not have a coast guard and so we did have to divert some of that money to the Marine Operations in order to assist with the America's Cup.

**The Chairman:** Thank you, Senator Caesar.  
Senator Kempe, do you have follow up point?

**Sen. Nicholas Kempe:** Thank you, Mr. Chairman.  
The America's Cup was in June 2017. The financial year 2018/19 starts in March 2018 and finished in March 2019. It is unclear to me how the \$349,000 spent in 2018/19 relates to the America's Cup.

**The Chairman:** Thank you, Senator Kempe.

**Sen. Crystal Caesar:** Thank you. I will just—

**The Chairman:** Senator Caesar, do you want to take a few minutes to confer?

**Sen. Crystal Caesar:** —confer.  
Mm-hmm.

[Pause]

**Sen. Crystal Caesar:** Thank you.  
I have received clarification. Those funds were actually diverted during and after America's Cup. We noted, as a result of the fact that we actually do not have a dedicated marine corps, there was quite a bit of training done after America's Cup to ensure that those that had begun in that particular unit would continue to get training. It just did not continue, unfortunately, because the monies ran out. So it was during and after the America's Cup that this training happened. You will see that \$349,000, but it was a bunch of training specifically for people in the maritime area, and it was during the summer after the America's Cup.

**The Chairman:** Thank you, Senator Caesar.

**Sen. Crystal Caesar:** Mm-hmm.

**The Chairman:** Senator Kempe, you had a follow-up question?

**Sen. Nicholas Kempe:** Yes, a follow-up question.  
If this spend happened during the America's Cup, as well as after, why is the line item showing zero dollars spent in the actual for 2017/18? And if it is for training, why isn't it in the training and validation line?

**Sen. Crystal Caesar:** I'm sorry, if I could ask him to clarify his last sentence. Why isn't it in the what line?

**The Chairman:** Senator Kempe.

**Sen. Nicholas Kempe:** If it is for training, why is it not in the training and validation line? It is listed here in Marine Operations.

**The Chairman:** Senator Caesar.

**Sen. Crystal Caesar:** Yes, we will have to go back and figure that out. We do not actually have a specific answer for that question right now. So we will have to take that under advisement and get back to him.

**The Chairman:** Thank you, Senator.  
Would you like to move your head?

**Sen. Crystal Caesar:** I would, Mr. Chairman.  
Mr. Chairman, I move that Head 6 now be approved.

**The Chairman:** Is there any objection?  
No objection.  
So moved.

[Motion carried: The Ministry of National Security, Head 6, Defence, was approved.]

**The Chairman:** Senator Campbell. Would you like to move that the Committee rise and report?

**Sen. Vance Campbell:** Mr. Chairman, I move that the Committee rise and report progress, and ask for leave to sit again?

**The Chairman:** Is there any objection?  
No objection.  
So moved.  
Thank you, Senators.

[Motion carried: The Committee of Supply agreed to rise and report progress, and sought leave to sit again.]

#### Senate resumed at 5:06 pm

[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]

**The President:** Good afternoon, Senators.  
Thank you for your participation in the debate on the budget estimates.

We will now continue with the Orders of the Day. We are entering the second reading of the Municipalities Reform Act 2019.

Senator Caesar, you have a very busy day. I believe this is your Bill. You have the floor.

**Sen. Crystal Caesar:** It is Madam President, please bear with me. Just let me sort myself out here.



**The President:** Yes, indeed. You take your time.

**Sen. Crystal Caesar:** Thank you.

[Pause]

**Sen. Crystal Caesar:** Okay. I am ready, Madam President.

**The President:** Senator Caesar, you have the floor.

**Sen. Crystal Caesar:** Thank you, Madam President.  
I move that the Bill entitled the Municipalities Reform Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on, Senator Caesar.

[Pause]

**The President:** Senator Richardson, you are going to cover for her while she takes a few minutes.

**Sen. Nicholas Kempe:** Madam President, if I may. I am not sure if this is standard procedure, but we have a long day. Is there any mechanism by which anyone can pause for five minutes and stretch their legs?

**The President:** Yes, we can. Yes, we can take a five-minute break then.  
So we will resume again in exactly five minutes. We have been here all day. So the Senate will take a five minute recess.

**Proceedings suspended at 5:08 pm**

**Proceedings resumed at 5:15 pm**

**The President:** Senators, we are now back in session and we are carrying on with the second item on the Orders of the Day, which is the second reading of the Municipalities Reform Act 2019.

And Senator Caesar had the floor, and you now have it again.

## BILL

### SECOND READING

#### MUNICIPALITIES REFORM ACT 2019

**Sen. Crystal Caesar:** Thank you, Madam President.  
Madam President, I introduce the Bill entitled the [Municipalities Reform Act 2019](#) to be read for the second time. This Bill seeks to abolish municipal elections to provide for the appointment of members of the corporations to make consequential amendments to the Municipalities Act 1923 to make certain directions

given by the Minister to a corporation subject to parliamentary scrutiny.

Madam President, the Minister stated in his Ministerial Statement of the 1<sup>st</sup> of March 2019, this Bill begins the journey toward achieving the goal of modernising the municipalities and realising the Government's vision for the people of Bermuda. There have been a number of theories that have been bandied about regarding the reasons for this route, and I must restate our vision and our reasons for proceeding with this Bill.

It is envisioned for the Town of St. George's that there will be a mega-yacht port and marina with enhanced infrastructure, amenities and activities. In order to achieve this vision, the following needs must be met:

- a sustainable management plan for the World Heritage Site;
- a sustainable and non-seasonal industry;
- infrastructure and amenities to address the needs of the community, in addition to the businesses, particularly the St. Regis development; and
- general infrastructure upgrades.

It is envisioned for the City of Hamilton a "smart city" infrastructure with a thriving residential centre, with an entertainment hub with distinct districts to touch all aspects of city living, including tourism interfaces. In order to achieve this vision, the following needs must be met:

- the development of a multifaceted waterfront;
- increased city living;
- increased use of vacant office space;
- effective traffic management, using "smart city" technology; and
- encouraging the development of districts (for example, financial, entertainment, restaurant, et cetera.)

Madam President, I must also reiterate what the legislation does not intend to do. It does not mean the loss of any jobs. It does not mean that Government will dismantle the existing operating structure of each municipality or do away with the positions of mayor or councillors. There will continue to be a mayor and eight councillors. It does not mean a take-over of the town from those who do not live and work there. Persons who reside, do business or work in the City of Hamilton or the Town of St. George's will have the opportunity to provide input in the selection process of the mayor and the eight councillors, especially for councillors. And it does not mean that Government is making an asset grab. The municipality will remain a corporate body.

Madam President, the municipalities have served an important purpose in managing the City of Hamilton and Town of St. George's; however, there are inconsistencies in how each is structured. One corporation is focused mainly on business, one mainly residential. One has a fairly healthy revenue stream,

one is reliant largely on the largesse of government. Both have issues with failing infrastructure. Both are looking for ways to stimulate their economies in order to raise more revenue. Municipalities overseas provide social services including housing and policing to their residents. Municipalities in Bermuda do not deliver social services. This is the exclusive authority of the Government of Bermuda, although the need for social services within the municipalities is growing. It is evident that this model is outdated and no longer works.

Some of the challenges that we have encountered with the municipalities include: an absence of priorities that are in alignment with the vision of the Government, failures of accountability, and lack of proper due diligence and governance in awarding of contracts; inadequate resources to undertake important public infrastructure projects, such as the needed upgrade to the sewage system; ongoing challenges in the labour relations environment, especially in the Corporation of Hamilton; the lack of consultation with government departments in relation to infrastructure, such as the Ministries of Public Works, Public Safety, and Home Affairs, before embarking on projects related to traffic control and in relation to sidewalks and ordinances, such as sewage and waste management and planning for structures; a lack of formalised consultation that would allow the municipalities to team with the Government to provide economic solutions within the municipalities that will benefit Bermuda; and lack of funds to proceed with initiatives of national, economic and social importance.

Madam President, to achieve the vision for the future outlined previously, it requires the efforts of both Government and the corporations moving together in the same direction at the same time. It would also be evident that neither corporation has the financial and other resources to achieve and sustain the vision to rejuvenate the cities. The central government has the resources and access to the expertise to progress the vision to turn these cities into vibrant entities in order to attract more visitors and greater investment opportunities for Bermuda.

Madam President, municipalities do make sense in much larger jurisdictions, such as the UK, Canada and the United States, where it would be difficult to manage cities and large populations centrally. But does it make sense in a 22-square-mile Island, with 60,000 people? In preparing for this move to modernise the municipalities, we have looked to a number of smaller jurisdictions, many of the islands in the Caribbean of comparable size to us and even larger. These jurisdictions have either reverted to partial administration in the same way that we have suggested or simply dissolved the municipalities.

Some examples include George Town, Cayman Islands. George Town is the capital city of the Cayman Islands, a UK Overseas Territory. Its popula-

tion is around 20,000. George Town is governed and administered by the National Government of Cayman [Islands]. It does not have a separate level of governance and administration from the National Government. There are no special powers conferred upon the city, nor are there any distinct services or responsibilities particular to the city. The city is administered similarly to other areas in the Cayman Islands by the national civil service.

I move on to Bridgetown, Barbados. Bridgetown is the capital city of Barbados. Its population is 97,000. Bridgetown is an actual electoral constituency and is represented by a member of parliament. Bridgetown is governed and administered by the National Government of Barbados. It does not have a separate level of governance and administration from the national government. There are no special powers conferred on the city, nor are there any distinct services or responsibilities particular to the city. The city is administered similarly to other areas in Barbados by the national civil service.

Nassau, the Bahamas. As Honourable Members may be aware, Nassau is the capital city of the Bahamas and its population is 210,830. Nassau is governed and administered by the National Government of the Bahamas. It does not have a separate level of governance and administration from the national government. There are no special powers conferred upon the city, nor are there any distinct services or responsibilities particular to the city.

Madam President, when reviewing the previously stated vision of the Town of St. George's, to put it simply, the Corporation of St. George's does not have the resources, including the monies or persons, required to achieve the vision. Of those who have shared their opinion, many have stated that the Government should just (1) give the Corporation of St. George's the money that they need; and (2) leave them alone to manage their own affairs.

Madam President, I would state that the two sentiments are mutually exclusive. The Government must also exercise good governance and ensure that the money is spent, achieving the vision for the Town of St. George's. Unfortunately, the Corporation of St. George's does not have the persons with the skills to manage the town's finances adequately. This can be evidenced in the fact that their auditors, KPMG, have recommended (quote) "The Corporation should reach out to Government to have a suitably qualified civil servant or Minister sit on the Finance Committee to provide financial oversight."

Madam President, you may be aware that the World Heritage Site is under threat. We must resolve this issue as a matter of urgency. The status of the World Heritage Site is [under] threat in part because of the lack of a proper management plan. This is currently being addressed by the Department of Planning, which is producing the management plan for the World Heritage Site in St. George's. In addition, the

Corporation of St. George's does not have the funds to undertake infrastructure repairs and has traditionally appealed for a grant from the Government in the amount of between \$1 million and \$2 million. To ensure the continued sustainability of the designation, the Government intends to give greater authority to the Corporation of St. George's both legislatively as a separate Act and financially.

Madam President, the Corporation of Hamilton is in a very different position. While fiscally able, the mayor and councillors do not see the Government's vision as a priority. For example, when discussing with the mayor the possibility of developing the waterfront, he stated that it was not a priority for the Corporation of Hamilton at this time. When discussing the possibility of implementing smart city technology, including exploring the introduction of free Wi-Fi, he and his team stated they did not have the money, although the mayor has recently stated publicly that he intends to use the technology to make stoplights more efficient.

However, Madam President, smart city technology is so much more. Cities worldwide, the top five being Singapore, Barcelona, London, San Francisco, and Oslo, are turning to new technology to search for new approaches and solutions that will improve city transportation, water, waste management, energy usage, and a host of other infrastructure issues that underpin the operation of cities and the lifestyle of urban citizens.

Of those who have shared their opinions, many have stated that the Corporation of Hamilton runs so efficiently and the government could do no better. I beg to differ. Persons have also made the claim that the Government is setting democracy back by not allowing individuals and businesses to vote for their mayor and councillors. However, in more than one meeting, and even in a town hall meeting in Hamilton a few weeks ago, residents and businesses in North Hamilton complained that they are being underserved.

Madam President, a councillor in the Corporation of Hamilton stated that the businesses in the centre of Hamilton (I assume from Front Street to Church Street) pay more money, so they should get more attention. So, it is assumed that you pay more and you get more attention. This harkens back to times in the 1900s when landowners got the vote. I certainly hope that this is not the idea of democracy that we want.

Madam President, many believe that only the administration that served from 2012 to 2015 was guilty of missteps and failures. But I must remind Honourable Members that some of these deficiencies were not only due to the perceived shortcomings of that administration. Between 2004 and 2012, there were repeated efforts by the corporation to develop a hotel in Par-la-Ville. Numerous mayors during that period negotiated with no less than three international hotel brands, including Starwood, St. Regis and the

Ritz-Carlton, to bring a hotel to fruition. These were lavishly announced deals, development agreements, an SDO, and planning approvals. As evidenced today, millions of dollars of ratepayers' money did not produce a hotel.

The sewage system is outdated and millions of dollars' worth of work has been expended to prop up an ageing system. Fortunately, a project is now being undertaken by the Ministry of Public Works, which will replace the work that is being currently undertaken in respect of corporations and will reduce the proposed capital outlay of \$8.5 million over the next three years for the Corporation of Hamilton.

The fire hydrants in the City [of Hamilton] do not work. It was pointed out by the mayor that section 19 of the Bermuda Fire and Rescue Service Act 1982 states: "On 1 April 1983 any engine, equipment, vehicle and other movable property and assets belonging to the Corporation of Hamilton and used by that Corporation in connexion with its fire services shall be transferred to, and shall vest in, the Government."

It does not appear that this includes fire hydrants and the underlying infrastructure. However, it could also be argued that in 1983, we did not have international business to the level we have today, and multi-storey buildings that house these other businesses. These buildings would be put at risk if there is no infrastructure in the city to assist with fighting fire.

This risk was quite evident in recent years when there was a building fire on Front Street attended by the Bermuda Fire Services, and hoses had to be dropped in the harbour to access water to extinguish it. The fire hydrants on the sidewalk in front of the burning building, on our most celebrated and expensive business addresses, were useless in a time of emergency.

Madam President, these deficiencies only underscore the point that the City of Hamilton is not as well maintained as it should be.

Madam President, I will now turn my attention to the Bill entitled the Municipalities Reform Act 2019.

## **ANNOUNCEMENT BY THE PRESIDENT**

### **SENATE VISITORS**

**The President:** Senator Caesar, just as you take your break for a second, I just want to acknowledge the presence in the Gallery, first of all, the Deputy Premier and Minister of Home Affairs, the Honourable Walter Roban. Welcome.

[Also,] Junior Minister of Finance, Mr. Wayne Furbert; Permanent Secretary, Mrs. Rozy Azhar; and the Parliamentary Counsel, Brian Eaton, who are in the Chamber. Welcome to you all.

Do carry on.

*[Municipalities Reform Act 2019, second reading debate, continuing]*

**Sen. Crystal Caesar:** Thank you, Madam President.

The Municipalities Reform Act 2019 proposes to achieve the following:

1. Abolishing municipal elections in 2019, after which members would be appointed. Members would be aware that there was one extraordinary municipal election held on the 5<sup>th</sup> of February 2019 to replace deceased councillor, Mr. Phillip Anderson. His daughter, Cyniqua Anderson was subsequently elected.

2. Making consequential amendments to the Municipalities Act 1923 by amending or repealing the section that made reference to municipal elections.

3. Prescribing the tenure of office of the current elected members by ending on May 13<sup>th</sup>, 2019, and prescribing the tenure of appointed members to take effect on the 14<sup>th</sup> of May 2019.

4. Inserting the Fourth Schedule, which provides for the appointment of members for their tenure of office. For each corporation, the mayor and four councillors will be appointed by the Minister. The other four councillors will be appointed on the recommendation of a selection committee appointed by the Minister.

And if I could quote from the Act, or the proposed Act.

**The President:** You may.

**Sen. Crystal Caesar:** [The Fourth Schedule paragraph] 2(2), "The persons appointed to the Committee shall be individuals who reside, do business, or work, in the municipal area of the Corporation and who the Minister believes will carry out the functions of the Committee effectively and efficiently."

Further, and after consultation with Honourable Members of this Chamber, and others, a motion was passed in the House to change the wording of [the Fourth Schedule, paragraph] 2(4) of the proposed Municipalities [Reform] Act of 2019 from "The criteria for the selection of Councillors by the Committee shall be determined by . . . the Minister" to "The criteria for the selection of Councillors by the Committee shall be determined by the Committee after consultation with the Minister."

The Fourth Schedule also provides that the name of every person appointed to the office of mayor or councillor of a corporation and a vacancy in such office be published in the *Gazette*.

Madam President, when the Bill was debated in the House a motion was passed which will expand on the skill set of the persons that the Minister will be appointing. Such persons will include persons with knowledge, expertise and experience in the following categories: accounting, legal affairs, planning, architecture, engineering or construction, human resources, or collective bargaining agreements.

These amendments will clarify that the skill sets of the persons that the Minister is appointing will

represent the skill set required to reform the municipalities. In addition, the amendment clarifies that, other than appointing the selection committee, the committee will set the criteria for the persons they will be recommending to the Minister. And those criteria will be made available to the general public by publication in the *Gazette*. And finally:

5. Amending the principal Act to clarify that if an act or thing done by a corporation would otherwise not be construed as being for municipal purposes, it will be deemed to be for municipal purposes if done under the direction by the Minister.

This amendment is particularly important in light of the 2019 Privy Council decision of *Mexico Infrastructure Finance LLC v. The Corporation of Hamilton [2019] [UKPC 2]*, which assigned a very narrow meaning to the expression "municipal purpose." These directions will have legislative effect and therefore be a statutory instrument subject to parliamentary scrutiny.

I would like to highlight that this Government continues to listen and this is evident in the Minister's commitment in another place to the Town of St. George, in particular, to pursue a standalone Act for the Town of St. George, provide legal and financial authority for the UNESCO World Heritage Site to the St. George's Corporation, and produce the development agreement and tabling the relevant legislation to bring to fruition a St. George's marina.

Also, there are other aforementioned amendments made even after the Bill was tabled in the House. Therefore, this demonstrates that this Government does listen, not just when we have made a decision but even when we are asked to reconsider.

Madam President, in conclusion, I would like to finish as I started by stating that this Bill begins the journey toward achieving the goal of modernising the municipalities and realising this Government's vision for the people of Bermuda.

Thank you, Madam President.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Thank you, Senator Caesar.

And before I open to other Senators to speak on this Bill, I would like to also acknowledge the presence of MP Renee Ming, representative of St. George's area, in the Gallery. Welcome to you.

*[Municipalities Reform Act 2019, second reading debate, continuing]*

**The President:** Would any Senator care to speak on this Bill?

Senator Robinson, you have the floor.

**Sen. Dwayne Robinson:** Thank you, Madam President.

Frankly, I am finding it hard to see the point of this Bill. Modernising does not mean that you have to forgo elections. It does not require the removal of elections. And the municipalities are already overseen by the Government, and the Government already has robust oversight measures.

The people have spoken out against this Bill on every possible channel. It is our responsibility to listen to the people, as the PLP have screamed every step of the way during the OBA's tenure as Government. But it is do as I say, not as I do. Right?

Madam President, the Government has claimed to have listened to the people. However, to me, the proposed separation of legislation for the St. George's municipality is a clear backpaddle. Why wasn't separate legislation considered before the launch of the Municipality [Reform] Act? If this was a consideration, why did the MPs representing the St. George's constituents vote for the Municipalities [Reform] Act, despite vocal dissatisfaction from the community of St. George's? Is this putting Bermudians first?

It is clear that it is a grab for the Corporation of Hamilton. And this separation of legislation only isolates that fact even further for the public of Bermuda. This adds to the pattern of half-baked legislation, rerolling or repackaging, as we saw so blatantly with the sugar tax, roll outs, roll back in, consultation, and then we are back to square one.

I implore my fellow Senators to vote in the interest of the people. They want support for their communities, not control. This amendment needs to be better thought-out with more and further consultation with the people and further consultation with the mayors so that the Government can support each municipality and the community in a collaborative fashion. I would rather see this avenue then for it to be settled in the courts, Madam President.

We all agree that the Town of St. George and the Corporation of Hamilton have distinct histories and challenges. Separate legislation is not a bad idea so that both municipalities have their individual needs met. Had the Government led with this tack it would look a lot less like a divide and conquer ploy.

What does the Government actually want? This is the question that we find ourselves asking. My colleagues on the other side of the table should agree with my viewpoint, as their Honourable Members made very similar points when they debated the Municipalities [Amendment] Act (No. 2) 2015. This amendment was enacted to give the Minister responsible more powers of oversight in the municipalities. This was met with staunch opposition from the PLP at the time, yet they seek to go a step further than that. The PLP was accused in this debate of wanting to take over the municipalities back in 2015. And, fast-forward to 2018, that is exactly what we are seeing.

If you would allow me, Madam President, I would like to read two excerpts from the <sup>1</sup>*Official Hansard Report*, during the debate of 2015.

**The President:** You may.

**Sen. Dwayne Robinson:** The Honourable Member stated, "So what exactly is it that the Government wants to do?"

**An Hon. Member:** Who is speaking?

**Sen. Dwayne Robinson:** The Honourable Walton Brown.

**The President:** Carry on, Senator Robinson.

**Sen. Dwayne Robinson:** "So what exactly is it that the Government wants to do? Does the Government want to take control over the development of the Waterfront? Does the Government want to take control over what happens with respect to Par-la-Ville?"

The next excerpt is: "What exactly is the rationale behind all of this? We need to have more information; we need to have better information because as it stands now, Mr. Speaker, this legislation represents a grab for power from the Corporation of Hamilton. I am surprised that no one in the Corporation has even objected to it because these are elected members of Government (in the small sense of the word "government") who will be completely neutered politically once this Bill is passed. They have made no comment whatsoever. And if they have no objection to it, then that, in and of itself, creates a level of challenges that I do not fully . . . I think the public should . . . certainly needs to be fully aware of.

"But this legislation creates those challenges. We need an explanation. The Government has not [yet] provided an adequate explanation. And in that light . . . we believe this piece of legislation should not be supported."

And that is the end of the excerpt, Madam President.

I don't think I could have phrased it any better. We are almost looking at a mirror situation where these comments, made by an Honourable Member on that side, clearly reflect the position that we find ourselves in today. If my concerns are answered and the concerns of a Member of their own party, I think that the public would undoubtedly appreciate it.

So, with that, Madam President, I conclude my comments. Thank you.

**The President:** Thank you, Senator Robinson.

Would any other Senator care to speak? Senator Jardine, you have the floor.

<sup>1</sup> [Official Hansard Report](#) 10 July 2015, page 2681

**Sen. James. S. Jardine:** Thank you, Madam President.

Madam President, it is probably appropriate that I first acknowledge the fact that I served as an elected member on the Corporation of Hamilton Council for 18 years, from 1987 to 2005, first as a common councillor and then as an alderman, so some of my comments are based on my own personal experiences during the 18 years I was there, and some of them are based on more recent discussions that I have had with a variety of individuals.

During my time on the corporation, the corporation completed a number of very significant capital projects, including the building of the Bull's Head multi-storey carpark at a cost of \$10.5 million; the relocation and construction of a new sewage pumping station on Front Street, costing \$8.9 million; and the extension of the sewage outfall at Seabright costing \$650,000.

Now those total some \$20 million. And all of that was funded by the Corporation of Hamilton, with the exception of a small grant of \$1.6 million from the Government of the day. Now, all of those loans, and, in fact, the bond issue, have all been repaid fully by the Corporation of Hamilton. And since that time, in 2010, subsequent to my leaving the corporation, they borrowed a further \$10.6 million to fund the building of a new Works depot down on Laffan Street because the one they had there was in sore need of replacement. Again, that loan is being satisfactorily paid off in the normal course of events. So the Corporation of Hamilton has always been able to fund major expenditures themselves without any funds being received from the Government of Bermuda.

Madam President, during my time on the corporation I also saw several proposals for the development of the City of Hamilton waterfront. And, indeed, parts of some of those proposals were good ones. However, it was not simply a case of building something just because we thought it was a good idea; it had to make economic sense for the investors. And, naturally, there had to be a sufficient number of people living and visiting in Bermuda to be able to support whatever developments took place on the waterfront.

The old adage of *build it and they will come* is not necessarily the correct course of action in all circumstances. There is definitely a need to see some development on the waterfront of Hamilton; there is no question about that, and St. George's. And, certainly, in my time on the corporation, we were very anxious to see development occur. But it must be properly thought out and planned. Now, a small start has been made in the City of Hamilton in terms of the West End where we see a building going up there for the Department of Tourism. As small as it is, it is a start. And I agree that there should be far more development on the waterfront of Hamilton. There is no question about it.

Additionally, the financing to carry out this work has to be found no matter who owns or controls the docks. It is as simple as that. It is dollars and cents. Who is going to pay for it? And if it is a foreign investor, what is their return going to be? Because nobody is going to put money into something unless they are going to see a return.

So, Madam President, this Bill, and I just wanted to quickly summarise for the listening public again, this Bill seeks to do the following:

First of all, it effectively turns the Corporations of Hamilton and St. George's into government-controlled operations. And the word "quango" has been bandied about, but I won't use that because it has a specific definition. The second thing is to abolish all municipal elections. So we all know that. The third thing is to end the tenure of the current elected mayors and councillors on May the 13<sup>th</sup>, 2019. And the Minister is to appoint the mayor and four councillors of each corporation to take effect on May the 14<sup>th</sup>, 2019. The term of these persons is for two years, but it should be noted that there is no time limit on the number of times that they can be reappointed to those positions.

Additionally, the Minister will appoint a further four members for each corporation on the recommendation of a selection committee. The members of which are, again, appointed by the Minister. There is no limit on the number of times those members on that committee can be reappointed. So, effectively, all members of both corporations are either approved or appointed by the Minister.

It should also be appreciated, and this was mentioned in the opening comments, that the persons appointed by the Minister to serve on the selection committee can be anyone who resides, does business—and this is a key point—*works* in the municipal area. Well, you can imagine the City of Hamilton . . . there are thousands of Bermudians who work in the city who do not actually have businesses here and do not reside here. So, effectively, those individuals could serve on this committee and have absolutely nothing to do with the city, except that they actually go do work here.

Also, nominations of persons to serve on the corporation as councillors can come from the general public. So, effectively, the city and town residents and businesses are not the ones nominating the members of the corporations.

Now, Madam President, before I go further, I want to first go back to the reasons given by the previous Minister. I think it is important to go back to the previous Minister's [reasons] for wanting to make the changes to the existing operating structures of both corporations. And these were contained in the statement made by Minister Walton Brown back in March 9<sup>th</sup>, 2018.

Madam President, if you will permit me to read from his statement.

**The President:** You certainly can.

**Sen. James. S. Jardine:** He said the following:

“Mr. Speaker, further governance reform of the municipalities is now necessary as a result of . . . :

“(1) Failures of accountability, proper due diligence and governance in the awarding of contracts. Honourable Members will recall that the proposed Hamilton waterfront and Par-la-Ville hotel developments resulted in a highly critical report by the Bermuda Ombudsman, legislative intervention by the Government of Bermuda, the assumption of temporary stewardship, and an arbitration that has cost many millions to the” public purse.

So, Madam President, I would like to first comment on the first point made by the Minister back in March 2018. My comments are: Certainly, the failures of the proper governance, as referred to by the Minister, with respect to the Hamilton waterfront and the Par-la-Ville development were of great concern to all of us. For those of us who served on the corporation for many years (and we think we did a reasonable job) see it get into the state that it got into was very, very disappointing. However, sections 7 and 37 of the principal Act which exists now, part of which were enacted in 2013 and part of which were enacted in 2015, have adequately dealt with that particular situation. It ensures that in the future, Madam President, the Government of Bermuda shall have control over and final say in the approval of any such capital projects. And that is made very clear in section 7.

The Minister also has the power to give direction to the corporation, whether of a general or a specific nature, if he considers it to be in the best interest of Bermuda. Section 7B covers the subject of good governance and requires the corporation to submit on an annual basis its municipal asset management plan setting out how it will manage its infrastructure. The Minister has the power to change that plan as he deems necessary.

Section 7B(6A) sets out a very specific situation where the Minister may assume with the approval of the Cabinet control of [the] corporation’s financial governance if he or she believes that it is being mismanaged.

Section 20(1A) to [section] 20(1C) of the Act also makes it clear that any agreements for the sale or lease of any properties must be submitted in draft to the Minister for approval by the Cabinet and approved by the Legislature. And any sale or lease agreement that has not had such approval is considered null and void. And that is specific in the Act; it is quite clear of the powers that exist there.

Finally, Madam President, in section 7(10) and [section] 7(11), it gives the Minister the right to attend, to be heard at all corporation meetings. And, further, that no resolution decided at a bona fide meeting of the corporation shall have effect unless and until it is approved by the Minister.

So, the failures referred to in point 1 of the previous Minister’s Statement have been adequately dealt with by the amendments in the sections that I have referred to. So this concern, Madam President, in my view, no longer is relevant and falls away.

Now, Madam President, the second concern expressed by the Minister then was as follows:

“Mr. Speaker, further governance reform of the municipalities is now necessary as a result of . . . :

“[2] Inadequate resources to undertake important public infrastructure projects such as the needed upgrade to the sewerage system.”

As I have stated in my opening remarks, Madam President, the Corporation of Hamilton has certainly been in a position to finance the replacement of the sewage infrastructure back in 1992, and an extension of the sewage line in 2002 at Seabright. All of that was paid for by the corporation. Further enhancements, as I understand it, with respect to sewage treatment, have been agreed to by the corporation members and they are able to finance the upgrading of the current systems without any finance help from the Bermuda Government.

I also understand that the Government has been kept informed of the developments by Corporation of Hamilton as they have developed their plans for the changes to their sewage system.

As one can imagine, Madam President, and appreciate, a lot has happened to the treatment of sewage over the last 10 to 15 years. And because of the new developments it has made it possible for a small addition to be made to the current pumping station on Front Street, not a complete rebuild, as some people would say, but a small addition to be made whereby the necessary screening system can be installed. And they are ready to go. They have the plans; they have the financing. They are ready to go.

If larger sewage treatment plans are contemplated by the Government, then naturally, of course, the corporations and any other entity that will be partaking in this, whether it is the hospital or some other entity, must work with Government so that there is an overall coordinated plan. I am not suggesting for one moment that the corporations should go off on a frolic of their own. But they should work in conjunction and consultation with the Government. There is no question about that.

Now, the situation I appreciate with respect to the Town of St. George and the City of Hamilton are completely different. The Town of St. George is not financially in a position to undertake any capital infrastructure projects and, therefore, it must rely on grants from the Bermuda Government. And I understand that. But in talks with the mayor of St. George, she said they are able and willing to work with Government with grants that are given to implement whatever capital infrastructure plans need to be made. I do not see that that is necessarily going to be a problem.



For St. George, of course, there is also the fact that the new hotel there has to link into their new sewage system and so there is some urgency, as I understand it, for that to move forward.

Madam President, if I can just turn to the third point raised by the Minister raised back in March 2018. He said as follows:

“Mr. Speaker, further governance reform of the municipalities is now necessary as a result of . . . :

“[3] Policy and operations that need to be aligned with Government policies and legislation, and lack of consultation with the relevant Government departments in relation to infrastructure.

“[4] Reform [is needed] to ensure collaboration between the Ministries of Public Works and Public Safety and Home Affairs before embarking on projects that impact traffic control and the making of ordinances.”

So, let me respond to [those] points. Sections 7 and 20 of the current Municipalities Act, as amended in 2018, already make it a requirement that consultation regarding any infrastructure projects, certainly expenditures thereof, must obtain the approval of the Minister. And, according to the *Bernews* interview with Mayor Gosling on February 17<sup>th</sup>, 2019, and more recent discussions that I have had with him, consultation with the Bermuda Government with respect to sewage infrastructure projects has been taking place for some time. The corporation, as I said earlier, is ready to go, but they need the approval of the Government before they are able to proceed. And they are waiting for that approval.

Further discussions with the mayor and city engineer also revealed that there has been a great deal of useful and helpful interaction between the Corporation of Hamilton and the Public Works Department at the technical level with respect to assisting Government with information concerning, for example, the sourcing of new government garbage trucks that we have all seen. This was based on the corporation’s experience with its new garbage trucks, and they spoke and worked with the Public Works Department. [As I said,] this was based on the corporation’s experience with their new garbage trucks. I am told that there have been other occasions in the past where staff at the corporation and staff at Public Works have interacted well together and share many useful ideas with information flowing both ways. This sounds like a good and useful working relationship to me.

I have also been told that there are a number of city ordinances that the Corporation of Hamilton has proposed. But they have not been approved as yet by Government. There again, city ordinances must be approved by Government. So, naturally, there is coordination and consultation. Listeners should also be aware that it is a requirement, as per section 38(3) of the Act, that all city ordinances must be submitted to the Minister for approval.

Now, Madam President, it would seem to me that these particular issues answer the Minister’s concern, and that is, as far as I can see, that collaboration is taking place between the ministries of Public Works and public safety and Home Affairs before embarking on any capital projects that impact any part of the city. Accordingly, in my opinion, Madam President, the entirety of the third concern expressed by the previous Minister falls away.

And now I want to address the last point that he raised in his comments back in March 2018.

“[6] The] need to coordinate with Government in major developments because financial resources of the public purse, whether of the Bermuda Government or the Corporation . . . are limited.”

Well, as I have just stated, the corporation has to liaise with the Government because they cannot carry out any major capital projects without the Government’s consent. So the fourth and last concern, as far as I am concerned, falls away.

Additionally, Madam President, there were two further points raised in the recent posting on the Government of Bermuda’s Citizen Forum page highlighting other reasons why the Government wishes to change the operating structure of both Corporation of Hamilton and St. George’s. And the two further concerns expressed by the current Minister, where . . . if I may quote them, Madam President?

**The President:** You may, Senator Jardine.

**Sen. James. S. Jardine:** “At present, both entities have crumbling infrastructure and empty buildings that do not reflect a thriving city and town that is attractive to both visitors and investors.”

As I have demonstrated, Madam President, at least with respect to the City of Hamilton, there is no crumbling infrastructure. The sewage pumping station is relatively new; the corporation storage works is new; many of the sidewalks and intersections are new; the traffic lights, many of them are new and are well-maintained and are regularly upgraded. I understand from discussions with members of the corporation that the Government would like the Corporation of Hamilton’s staff to assist with the maintenance of the government’s traffic lights because of their extensive experience in the city in dealing with traffic lights.

The new sewage system outfall was extended in 1992 and new plans for further enhancements of the sewage system, as I have just referred to, are ready to go, subject to Government’s approval—and they are waiting for that. The corporations has also put in new paid parking, installed at City Hall; city road resurfacing continues on a regular basis; all city electricity is underground; and the City Hall building continues to provide the centre for the arts.

Its parks are well maintained. Local art is being erected. Entertainment is provided at the Par-la-Ville Park during the summertime on a regular basis,



and many other activities and events occur on a regular basis within the City of Hamilton, and, I might add, within the Town of St. George, as well. I think those who live there are well aware of the activities that occur there on a regular basis.

Further concerns were expressed by the Minister at the Hamilton town hall meeting, which I attended two weeks ago, with respect to the condition of the fire hydrants in the City of Hamilton from a health and safety point of view. And we heard comments from Senator Caesar about that in her opening statements. I was concerned when I heard those comments as well, and so I hotfooted it around to the corporation to get to the bottom of it.

The mayor made it quite clear that, as outlined in section 19 of the Bermuda Fire and Rescue Service Act [1982], the responsibility of the fire hydrants lies with the Government, and not the corporation. And that was re-emphasised by a number of other individuals at the corporation who have been there for some time.

Now, I also understand that in 2009, after discussions with the corporation, the Bermuda Fire and Rescue Service purchased a very large pumper truck, known as a portable hydrant system, at a total cost of approximately \$740,000. And it was purchased specifically to deal with the issues surrounding the fire hydrants in the City of Hamilton. This is a strategy that is employed by the City of London to deal with fires there, and has worked successfully for many years.

These pumper trucks can actually put a hose in the harbour (or wherever) and they can drive 1 kilometre with the pipe trailing behind them, and then locate at a particular area and use that for putting out the fire. I understand from the discussions that I had that the system was first used to assist with extinguishing the Holmes Williams and Purvey [HWP] fire in August 2011, and was the primary source of water supply for fighting the fire on Front Street two years ago. So there is a pumper truck that is specifically designed to cope with situations where there are no fire hydrants, and it is used in the City of London.

Additionally, the Minister said that one of the visions that the Government will bring in its vision for the City of Hamilton was effective traffic management using smart city technology. The Corporation of Hamilton agrees with this, and has already been moving ahead with the instillation of this technology throughout the city. As they have replaced intersections and traffic lights, they have been installing this new smart technology and, I understand, according to them, that it should be completed in the next year to 18 months. So they are well aware of these technologies and this is but one technology that they have been looking at.

Therefore, Madam President, I cannot accept the fact that the City of Hamilton in any event has a crumbling infrastructure and that the city is not attractive to both visitors and investors.

St. George's undoubtedly requires a lot more work and a lot more assistance. That is a different situation, and as I said earlier, the Town of St. George is prepared to work with Government, obviously using their funds to carry out whatever needs to be done there. My only comment on the point of empty buildings in the city and the town is that most of those empty buildings in the city and town are owned privately and they are not owned by the Corporation of Hamilton or the Corporation of St. George's. The owners of those buildings are subject to the laws of Bermuda. And if those laws do not require them to keep their buildings in first-class order, then that is a problem for Bermuda and needs to be addressed by the Government. The fact that they are empty is a symptom of a far larger problem for our Island as a whole, one that we would all love to solve.

I believe that I have already dealt at some length with the second point that the Minister raised; namely, that available evidence suggests that neither corporation has the financial and other means to achieve and sustain the vision to rejuvenate the cities. It is also evident that central government has greater access to the resources and expertise needed to achieve the vision. Certainly, the Corporation of Hamilton has its own city engineer and has a lot of other very skilled technical people on its staff. I recognise that the Town of St. George does not. But in my consultations with the mayor of St. George, she has informed me that where they do have shortcomings in technical expertise, they have outsourced and have been able to retain the necessary services to carry out some of the work that they have done.

And certainly with the Corporation of Hamilton having spent over \$31 million in the last number years with major capital projects, it appears to me that the Corporation of Hamilton, at present at least, is able to finance its own capital projects. I could go on at some length about this, particularly the millions of dollars spent by the corporation on replacing roads, pavements, lighting in the north of Hamilton.

Now, I heard a comment about that which was, actually, quite upsetting, because in my time, and certainly in discussions with members of the corporation now, they have spent millions in the north of Hamilton. And there are some examples, such as the complete refurbishment of Ewing Street and Princess Street; the repaving of various roads in the north of Hamilton; street lighting and festive lighting put there just like any other part of the city. So, in my view, the corporation has done a significant amount of work all through the city.

Now, Madam President, I have discussed this matter extensively with a number of persons. And I would just like to quickly run through the list so that people do not think that Senator Jardine is making all this up. I have met with the Minister of Home Affairs and his permanent secretary. I have met with the mayor of Hamilton. I have met with the mayor of St.

George. I have met with senior staff at the Corporation of Hamilton. I attended the town hall meeting in Hamilton. I watched the two town hall meetings in St. George on *Bernews*, and I have had numerous discussions with other interested parties. So I have consulted widely on this matter.

Apart from all that I have just said, there is existing right under the current Municipalities Act with respect to the Corporations of Hamilton and St. George's where the residents and the businesses of the city and the town have the right to vote for their chosen representative. In the case of Hamilton, over \$8.6 million is raised by way of taxes on the residents and businesses in the city. Residents and the businesses in St. George also have the same right to vote for their chosen representatives, though they pay no taxes, such taxes being replaced by the ability of the town to collect wharfage revenue in lieu of that. The poll results that were carried out by the Corporation of St. George's indicated that about 94 per cent of those who participated in the poll wanted the existing structure of the town to remain as it is.

The Citizens Forum results on the Government website seemed to indicate that of those who gave an indication of their view on either Government proposal, 98 per cent were against making any change to existing structure of both municipalities.

Madam President, this proposed amendment will take away from residents and businesses of the city and the town their existing democratic and legal right to be able to elect their own city and town officials. I am, frankly, very surprised and extremely disappointed that, based on the history of all those who fought for fair and proper representation in the past in all areas of Bermuda life, the Government now wants to deprive residents and businesses in both of these municipalities of the right to elect their own city and town representatives, as has been the case for many years.

In conclusion, I therefore see no valid reason to change the existing operating structure of either the Corporation of Hamilton or the Corporation of St. George's. There is more than sufficient legislation which provides for the Bermuda Government to exercise control over the actions of both corporations, and in the case of the Corporation of Hamilton it is financially self-sufficient and able to finance its own capital projects without Government assistance, even producing a surplus of \$2 million in 2017 in the case of the Corporation of Hamilton.

To deprive the residents and businesses of the City of Hamilton and the Town of St. George of their ability to elect their own representatives on both corporations is simply not the right thing to do. There is no question that there should be input from the Government of the day, both the City of Hamilton and the Town of St. George are important gateways to Bermuda. But as I have demonstrated in my comments so far, the Minister has more than sufficient

powers to assist, direct, and work collaboratively with both corporations. I believe very strongly that with proper dialogue at the senior level the current structure can work well. I also firmly believe that it is not right to take away from the residents and the businesses in the city and the town their democratic right to vote for their representatives in both municipalities.

I, therefore, Madam President, cannot support this Bill. Thank you.

**The President:** Thank you, Senator Jardine.

Would any other Senator care to speak on this Bill?

Senator Richardson, you have the floor.

**Sen. Anthony Richardson:** Good evening, Madam President—

**The President:** Good evening.

**Sen. Anthony Richardson:** —fellow Senators, and those in the listening audience.

I am going to take, certainly, a different tack. I will start off by saying that I actually attended the two meetings that were held in St. George's, in terms of the proposed municipalities reform. One comment that stuck out, and still sticks out in my mind, is that a gentleman stood up and said, *I am a St. Georgian first, and a Bermudian second*. Clearly, that has impact.

I am going to allow that colour my comments because I grew up in St. George's and have significant familiarity. A lot of my comments, actually, are going to focus on Senator Simmons to some degree as a fellow St. Georgian.

Before I go further, though, I would like to, I guess, declare my interest in the context that I actually served on the Corporation of St. George's under the current mayor, Quinell Francis. And I served with all of the existing councillors except two. One came on board, Mr. Dowling, once I came to the Senate. And then Ms. Anderson came on board once her father met his untimely death. In addition to that, I did provide some accounting advice to one of the existing councillors on the Corporation of Hamilton. I do not think that my comments are going to be coloured by those situations.

In terms of my comments today, I did think through, *What is the real objective?* And I heard a fellow Senator make a comment publicly that a lot of us have already made our decision in terms of what we are going to do today. We, on the Government side, of course, serve at the direction of the Premier. And at least two on the other side serve at the pleasure of the Opposition Leader. And so, yes, to some degree, to a large measure our decisions and conclusions have already been decided based upon the process.

And so we think through, *What is our real objective today?* And Senator Jardine has already spoken and given his position. So we come down really to

Madam Simmons and Madam President, in terms of having the opportunity to cause you to potentially consider what you are going to do. I am going to hopefully rely on my ability to speak in a clear fashion to influence your current thoughts, or your current position. Again, I am speaking from the position primarily from St. George's because that is where I have the greatest information, experience and expertise.

So with that I will even go through the idea of St. George has been accurately described as being a "living town." And to me a living town reflects the idea of growing up in St. George. St. George must be a vibrant town, which means that the people who live there must be excited. There must be things to do. They must have jobs. The place must look tidy and clean and well-kept. I remember even from my younger days growing up, running around St. George. Sometimes my children now smile at the idea that in the morning, based upon situations, you may have to go to the store before you go to school. And you run down the hill to the store and you go back home and get things sorted out, and I happen to be close enough to school whereby (we are at the East End) and if I happen to forget my gym clothes I will be able to run home and get them during that last recess time (well, now it is called wellness break) and get back to school without being detected by anyone. So, for me, it was a good thing to be able to do all those things.

Growing up, I still recall, certainly, in the area of Coots Pond doing the mischievous thing. Your mother said, *When you finish school, you go home and stay home*, and all those kinds of things. And one day, I recall that I went right down by Coots Pond, and I was playing around. And what happened? I went overboard—by mistake. And as a young boy, of course, you try to get home and make sure your clothes are clean and dry. But there was no way to do that because back in the day there was no washer and dryer to do those things. So Momma comes home and says, *Hey, what did you do?* And you make some excuse. I hope you don't lie, but you know how that goes.

So, you know, St. George is that. And then depending upon your age, and you go to St. George, for example, and you walk around and people know you. And that is the vibrancy. And if you go back in the day, as it were, you had many yachts coming in, especially during the summertime, and the time was just always full. There were many, many things to do. And so, for me, that is the reflection that I would like to see resumed in St. George.

When I served on the corporation, I was actually the finance chair. So I am very, very, very familiar with the idea that the corporation never had excess funds to do what was necessary to achieve its objectives. One of the specific tasks that I worked on extensively was the proposed marina. And as far as I am concerned, it got to a stage whereby we were about to sign-off on the marina for the benefit of St. George's,

within the context of the legislation, but we did not quite have that last little bit to push us over the edge. And so under the current conversation, and I know that the Government has pledged to ensure that there will be a marina in St. George's and so I trust that through this whole process that will come into play because that will be one of the key drivers, I believe, to ensure that there is increased vibrancy in St. George's, especially during summer months when the yachts tend to transition from . . . and you know, stay over for sometimes several weeks, and sometimes several months. But, basically, as a transition time.

In reflecting on what is transpiring also, there were many comments made in terms of, *Is this an increase in democracy? Or is this a reduction in democracy?* And as part of that conversation in my own head I reflected and researched the various iterations of the Municipalities Act. And I was quite surprised, to be honest, for it to be emphasised and then reiterated by MP Ming that prior to 2010 land ownership was a factor in the participation both to vote and to run for office. And so, that being revised in 2010 represented a significant move forward in the elements of democracy.

And to some degree I look at what is now being proposed as an extension of, as opposed to a reduction in, democracy. I look at it the context of the overall Bermuda landscape being relatively small. What it proposed is that the properly elected Government would have additional influence over the corporation. And in that context I think we would have to agree that this is an expansion or increased surety in democracy in that context.

Now, clearly, the persons who are involved in the corporation should be, I believe, from St. George because there is a level of intimacy in St. George based upon your living there, being there, and having family. While there is some emotion attached to the past processes, that I also have some attachment to, to be honest, because my grandfather also was on the corporation some time ago. Even now, many of my family members on my father's side live in the town, most of my aunts certainly over in the Wellington area. So, yes, I am familiar with the whole idea and the emotion that is attached to it. But I still come back to the idea that, notwithstanding the emotion, we have to make sure that the town is able to be revitalised and that there is a lot more energy than currently exists.

And so my point is that this is in no way a reflection of reduced democracy; it is increased democracy as long as those persons who are ultimately appointed, or however they are attached to the corporation, whatever form it takes, have a heart for St. George's and have to have a sense of the history of St. George's. And as I am speaking, what is coming to mind actually is Phillip (or Phoopa, as we called him) Anderson, and the level of energy, and commitment and vision that he had for St. George's. And I trust that that can be carried on.

And certainly, Senator Simmons, you would be familiar with him. He was quite passionate. His passion was all St. George's—sometimes very, very vocal, in more ways than one. I recall when we used to have those corporation meetings and sometimes it was his voice, his voice, and his voice only. But he had a point. And his point was that we have to all stand for St. George's to ensure that we get it back to the way it was.

And now we are at a stage where, clearly, the corporation does not have sufficient funding and the current Government has basically stated that they are prepared to assist. But, they want a change in the mechanism by which they will assist. If this is what the current Government is saying, I am suggesting to you that, yes, it does make sense because the mechanism is less important than achieving the ultimate objective which is to ensure that St. George's is revitalised.

We all know that the St. Regis hotel is now well under way. There were some challenges in terms of ensuring that access to the beach remained, and there were some other potential challenges which I think have all been worked through, again working with the developer plus the representatives, and also the Government, generally speaking. And so I am actually looking forward for that to come online, and I trust that the St. Georgians, in particular, but Bermudians in general, take advantage of what will become employment opportunities in the hotel because, again, going back even to my own history, actually working in the hotel sector, it is an important opportunity to allow the interaction between businesses and Bermudians for them to get a real sense of what it is to be in Bermuda. And then when you are serving them breakfast or dinner and they ask you about Bermuda, *What can you do? What have you done?* It enhances the overall relationship. And so, certainly to the extent that we can ensure the successful completion of the hotel will go a long way.

The benefit of a successful hotel, and now the marina coming on board, will be the shops. Because again, I remember running down Water Street and doing different little things, especially as a young boy during the summertime, whereby you do small things to assist. But the shops themselves were always open and full and tourists going back and forth. When you are in the street, for example, they ask different questions, *Where is this? Where is that? Where is the other?* And you just give them advice. And you can imagine, some of you can imagine, I hope, the town just being full of people, people asking questions, and everybody gets excited and there was a buzz. And from that, of course, you are going to encourage transportation. And even those persons who chose, in some respects (I want to say) not to work, they get a H.U.S.T.L.E. [Truck] and they do work and then everything starts to gel together.

Another key point which I became much, much more aware of as I got older, and I was on the

corporation of St. George's, of course, was the value of the World Heritage designation. That is very, very important. And there are some aspects of the town that are yet to be improved to ensure that, number one, we enhance it and it is also retained. Because I think sometimes that we forget the value of an area in any country (right?) that is designated as a World Heritage site because there is a significant tourism value in that. And so that is also one of my hopes, that through this process that we get to a stage whereby there is a more definite process for managing the World Heritage status which is St. George's, and ensuring that all of the businesses and properties are also enhanced.

Recently we heard in the media the idea that the St. Peter's Church was going to be challenged to remain open, notwithstanding the fact that it is one of the most significant visitor attractions in Bermuda. So when tourists come to the Island, what are they going to do if St. Peter's Church is also forced to fall by the way? We have to make sure that we keep the big picture in mind, and in this instance for St. George's being the early part . . . well, the first part, of Bermuda. And there is a lot of history that goes to that. So I am suggesting to you that in this process if it ends up whereby St. George's is properly funded then, yes, I am more than on board.

When considering this whole process, I did have some concerns myself. And what finally completed my thought process to be able to give the comments that I am giving today, was the fact that based upon the sensitivity, based upon conversation, based upon public consultation and based upon the more direct representation of MPs Ming and Swan, with the Deputy [Premier], as the Minister, that he has now committed on behalf of Government to bring forth some additional legislation which will further the ability of the people in St. George's to influence those persons who are appointed to what is proposed as being the new quango for St. George's.

And I think that is important, because even in talking to some people who were at some of those meetings, and just people who I know in St. George's, there is still the idea that we want to make sure that we have a significant role to play in who runs it. Now, separately, there will be a need for some financial skill set for the corporation. I know that. And I will also say that, notwithstanding what happens today, I have already been asked, you know, *Anthony, would you provide some assistance for whatever reason?* And, obviously, the answer is yes, because to go back to my original comment about the man who said that *I am a St. Georgian first and a Bermudian second*, to really understand that, having grown up in St. George and experiencing what it was as a young boy, and experiencing just that whole vibe (if you will) of the town being full, being able to run around St. George, you grew up with people you went to school [with]

down there, all these kinds of things, they all tie together.

And for me it is a matter of do whatever is necessary to ensure that St. George can be revitalised, because in doing so you have the self-interest whereby persons like yourself, Ms. Simmons, and others who live in St. George, there is a growing infrastructure (if you will) of Airbnb—which another huge opportunity, by the way, because persons then when they come to Bermuda they get a much better feel for what it is to be in Bermuda and in St. George, in particular.

And so, Madam President, with all those comments, I trust that I have been able to add a more human flavour to the discussion. Yes, ultimately, there is going to be a financial impact because without the money these things cannot happen. But it is going to be important for us to see the bigger picture, that St. George, in this instance, has to be revitalised. They do not have sufficient funding at this stage. And if, when, this process allows for the improvements to the infrastructure because, obviously, I am aware also with my job at BLDC in terms of how it can be more efficiently done whereby the whole town, the airport, everybody by the way can tie into a single source for a waste water treatment and also potable water, then we can move forward in a significant manner.

I guess I will close by saying that the evidence of the Government's commitment to making this work is in fact political, because at this stage, of course, you have MPs Ming and Swan, for [constituencies] 1 and 2, and they are going to have to work extra hard to ensure that they, obviously, can retain their seats in the next election cycle so there is a vested interest, there is an emotional interest, there is a historical interest, and there is a financial interest for everybody to make sure that this thing works.

And so I trust with those comments, to the extent that I am able to influence, whether it be Senator Simmons or yourself, Madam President, to support this legislation, I will conclude my comments.

Thank you.

**The President:** Thank you, Senator Richardson.

Would any other Senator care to speak on this Bill?

Senator Jones, you have the floor.

**Sen. Marcus Jones:** Thank you, Madam President.

We have been here all day. And as the minutes and the hours tick along, I know that there is a desire to bring this very important debate to an end, but I feel compelled to contribute in the way that I best can contribute.

It was interesting, as I listened to my Senator Richardson on the other side of the aisle talk with much intimacy and personable-ness, as it relates to his younger days in St. George's and coming along and being a part of that community. And being a

Somerset man, where we do not have a corporation, where we do not have a structure like Senator Richardson experienced and was a part of, the Corporation of St. George's, or even Senator Jardine and his experience with the Corporation of Hamilton, I have been sitting here thinking, *How can I relate to the situation in both of these municipalities?*

And then the thought occurred to me, being a very loyal and strong Somerset man, I had this hypothetical thought, and it was, If the Government decided, in the best interests of a country, to take control of Somerset Cricket Club for Cup Match, because it felt that that particular event was of such value and could draw many people from overseas to come and experience the Cup Match experience, but in their wisdom felt that Somerset did not have the finances, did not have the acumen, did not have the competence to run an event like that, if the Government through the auspices through the BTA decided to do that, I can tell you with great confidence, there would be a major uproar in Somerset. And once I thought of that hypothetical scenario, I was then able to get a sense of, I guess, disappointment and betrayal that the people and the residents of both St. George's and Hamilton would be feeling as this Government has rolled out its amendments to the Municipalities Act.

Now, Senator Richardson also mentioned the fact that this attempt to change the arrangements in both municipalities is not the complete removal of democracy. He considered it a reduced democracy. Well, that is like saying—

**Sen. Anthony Richardson:** Point of order.

**Sen. Marcus Jones:** Sure.

**The President:** Senator Richardson, what is your point of order?

#### POINT OF ORDER

**Sen. Anthony Richardson:** My comments were not that this was a reduced democracy.

**The President:** Carry on, Senator.

**Sen. Marcus Jones:** Thank you, Senator Richardson, for that correction. I sit and stand corrected at the same time.

Democracy: Democracy is a government in which supreme power is vested in the people and exercised by them directly through a system of representation, usually involving periodically held free elections. That is democracy.

Now, I do not have to go through the history of this country and recite and rehearse a certain demographic group of this country whose democracy was withheld from them for the longest period of time. But it is as recent as no more than two generations ago

that there were certain people in this country that did not have the right to vote and exercise their democratic right. Many have marched the streets; many have practiced civil disobedience, Madam President, to ensure that democracy was won for them.

Now, I do not know if the residents and business people of the municipality of St. George's and the municipality of Hamilton are quite ready to make that type of visible, militant move to demonstrate to this country that they are not happy with this move, but I think, suffice it to say, having watched the town hall meetings, both in St. George's and in Hamilton, I believe the emotions are just as strong as they were 50, 60, 70 years ago when those within this Island could not exercise their democratic right.

I believe that the Senator to my right, Senator Jardine, made a very compelling argument. And it was going to be a part of my discourse this afternoon, but as time goes on I do not feel the need to retrace those steps. But I am reminded of a quote that was made by one of the favourite actors, Gene Hackman, in the movie *Crimson Tide*. He was a captain of a submarine ship for the US. Another one of my favourite actors, Denzel Washington, was his lieutenant commander. And in a particular scene, Denzel Washington was given directions by his commander, Gene Hackman, to follow a certain directive.

To make a long story short, Denzel Washington was hesitant in following through with his captain's directions. Denzel Washington had more information; he was more personally attuned to the situation at hand, and following his commander was a dangerous risk to the life and limb of his fellow crewmen. And when Denzel Washington was called on the carpet by Gene Hackman and told that under no circumstances was he supposed to even act like he was going to be hesitant to follow orders, Gene Hackman made the time-honoured statement, *We're here to preserve democracy not practice it*. And I must say, as I think about what is going on here today, not only is democracy not going to be practiced, there is no attempt to preserve it either.

Now, this particular Municipalities Act is set to be implemented May 14<sup>th</sup>—a mere eight weeks from today. And I cannot say with confidence that all has been done to ensure that there is a smooth transition from the situation as it is today to one where these two municipalities are going to be transformed into . . . whether it is quangos, whether it is going to be in a different format. So the question has got to be asked, *Has enough time been dedicated to ensure that over 200 years of a tradition that has been practiced by both municipalities has been given the time, has been given the attention, has been given the appropriate consultation?*

There is a familiar phrase that we are all used to hearing and that is, *You measure twice and cut once*. Well, we have seen over the last week or so that the Government has offered a different pathway,

by looking to separate St. George's from Hamilton in an act that would be more conducive to each municipality. And we take note of that. Then we see a commitment being made by the Government to actually move ahead with the marina, to be involved with the UNESCO [World] Heritage site, to do all the things that it had the power to do before. We asked the question, *What propelled you to step forward and do what you can for the Corporation of St. George's, where only a few months ago, maybe, you weren't prepared to do?*

The statement was made in a long litany of issues or areas of weakness of the Corporation of Hamilton, which disqualifies it from taking St. George's to the next level, at least financially, the statement was made, for example, that the Corporation of Hamilton failed to secure a hotel developer at the Par-la-Ville Park. How many times has the Government attempted to get a deal signed or to get a hotel developer into this country? Time and time again there has been a lack of success in that area. And that is just one thing.

It is interesting, now that all the gloves are off, that everyone is getting themselves all armoured-up for a major battle. And it does not have to be that way. I truly believe that if the Government was willing to take a step back and do all it can to make this transition more palatable, give time for both the residents and businessmen of both municipalities . . . after over 200 years of an institution, I don't see what the rush is.

I have also looked at the Budget Book, trying to see if I can find any funding in the Government's plans for the next budgetary year, looking for funds that have been set aside for these major capital projects that it is promising to do and, I stand to be corrected, but I do not see anything of substance for projects in both municipalities within this next upcoming year.

So in light of that, Madam President, I cannot support this particular Bill.

Thank you.

**The President:** Thank you, Senator Jones.

Would any other Senator care to speak on this Bill?

Senator Michelle Simmons, you have the floor.

**Sen. Michelle Simmons:** Thank you, Madam President.

Madam President, I am going to concentrate initially on the town, the Town of St. George. [It was] incorporated in 1797. I am a 13-year resident of St. George's—the municipality of St. George's, a place I never, ever imagined I would go to live. But I am there and I have fallen in love with the town.

I can assure all of you around this table and those of you listening at home, or wherever you are, that the people who run St. George's and who make

decisions about how the town works are our neighbours. There may be one or two councillors on the Corporation of St. George's who do not currently reside in the town, and I am not sure about that. Maybe they all do reside in the town. But even if one or two do not reside in the town, their roots are there, and they run deep. You run into the mayor [and] you run into the councillors as you move around St. George's going into King's Square, going to Tobacco Bay, walking past your gate. Sometimes they come to talk plants. But it is a close-knit community, and if you talk about issues with regard to the municipality of St. George's with any of your representatives, i.e., the mayor or the councillors, they will listen and they do respond.

You can tell from the attendance at both town hall meetings that were held about this Municipalities Reform Act that the people are very, very, *very* interested and concerned about Government's proposal to change the way in which the municipality will operate. And when I say "the people," I mean people of every description—*young, old, black, white, Catholic, Anglican, you name it.* At both town hall meetings, which I attended, I saw people from all over the municipality and the parish, really, it went beyond the town.

So let's consider the situation right now regarding how the Municipality of St. George's operates, and in fact, I am also going to include the municipality of Hamilton in this.

Currently, the Minister has the right to be directly involved with all decisions; every decision made by the municipalities, that is, whatever resolutions they agree on, the Minister has the right to be involved because he has the right to approve them. And I believe, as Senator Jardine said earlier, this is in accordance with the Municipalities Act of 1923, which was amended in 2015. The relevant section is section 7, as well as subsections (10A), (11A), and (11B). And I would just like to quote a couple of short excerpts from those.

**The President:** You certainly may, Senator Simmons.

**Sen. Michelle Simmons:** I am going to begin with section 7(10A).

"The Minister, and public officers authorized by the Minister to do so, are entitled to—[(a)] attend; [(b)] be heard at; and [(c)] receive minutes of, any meeting of the Corporation, but not to vote thereat."

And if I go on to subsection (11A), it says:

"No resolution referred to in subsection (11), decided on or after 7 May 2015, shall have effect unless and until it is approved by the Minister."

Then, in section 7AA, under the heading, "Minister may give directions to Corporation" it says:

"(1) The Minister may give written directions to a Corporation, whether of a general or of a specific character, if he considers it to be in the best interests

of Bermuda for him to do so, and the Corporation shall carry out any such directions."

And further down, in [section 7AA](3):

"Without prejudice to the generality of subsection (1), the Minister may direct a Corporation—(a) to do anything that appears to the Minister necessary to secure that the Corporation's functions are exercised and performed in the most efficient manner; (aa) to do any acts or things that the Minister, acting under the general authority of the Cabinet, requires the Corporation to do;"

Those are just some of the excerpts from that amended Municipalities Act of 1923, Madam President.

Once I realised . . . because I had to do my homework; I was not that familiar with the Municipalities Act 1923. I had not read it before. I even went back to the very first Act of 1797. Once I realised that the Minister already has control and oversight of both municipalities, I had to ask myself, *Why is it being proposed that we eliminate the municipal elections?* So far, I think there have been a lot of things said, but maybe not all of it has been said. I will certainly be the first to acknowledge that there is need for change in the municipality of St. George's, Madam President. But the changes proposed in the Act are not the changes that the people of St. George's want. They have made that abundantly clear through the poll that was taken by the mayor of St. George's, and Senator Jardine has already mentioned that 94 per cent of those polled want to keep the corporation as it is, and only 4 per cent agreed that the corporation should become a quango, [and] 2 per cent said they had insufficient information.

Now, I am going to go out on a limb here, and I am going to make some suggestions, because I have spoken to a number of people in St. George's and I believe that some of the changes that would be very palatable and most acceptable are as follows:

First of all, St. George's needs appropriately qualified staff with the requisite skills to administer all the affairs of the town. And that is especially true in the area that Senator Richardson has mentioned, and that is financial management. Yes, there are issues, but having had the ability to collect taxes or rates from ratepayers, from people who reside in the municipality, means that St. George's has been severely handicapped financially for years now!

Secondly, the corporation would like to take the lead, and they should take the lead in developing and executing the World Heritage Management Plan. But that has to be led by a salaried member of staff with the requisite skills. I have already seen the old World Heritage Management Plan, so these things have existed in the past. I am not sure how well they have been executed, and I know that one is needed with urgency, but these things can be addressed without, in my opinion, eliminating elections.

Another suggestion: Yes, the municipality of St. George's collects wharfage from the two oil importing companies, as well as rents from a meagre 20 properties, and they also collect docking fees. But that certainly is not enough revenue for them to hire the requisite staff and also to advance the infrastructure projects. So that is why they need additional sources of funding. Now, I am not sure what arrangements have been worked out with the upcoming hotel, and that is looking very promising, the St. Regis, but hopefully there will be some access to some funds there.

And I would add that in my next suggestion Government should consistently provide St. George's with a grant. St. George's is where Bermuda began. That should be worth something. And no matter whether we have elected or appointed officials on the corporation, I think funding for the Town of St. George should be enshrined in legislation. It should not just be left up to chance, or the issuing of a grant.

And then, my last suggestion with regard to how we can help St. George's is: When legislation is needed to advance plans like the marina, which was St. George's vision, not Government's vision, it was a vision crafted in the Town of St. George, then Government should act more proactively to support the town and advance the legislation that is needed. I am not being critical; I am just making suggestions.

So let's just go to the Corporation of Hamilton because I think I am rather unique sitting around this table because I grew up in the City of Hamilton, a few hundred yards from where I am sitting right now. I have some insight into how the Corporation of Hamilton runs. I have also lived in the City of Hamilton as an adult and paid my taxes to the corporation. Furthermore, my sister was an elected member of the Corporation of Hamilton. She was first elected as a Common Councillor, she became an alderman, and she rose to the position of deputy mayor over a 13-year period.

I do have a vested interest in seeing that the City of Hamilton continues to thrive. When I refer to the City of Hamilton, I am referring to the whole quarter of a square mile—that is how big it is, it goes from Front Street all the way to North Street. I am not selective in terms of my reference to the City of Hamilton. In my opinion, the Corporation of Hamilton has been extremely effective in fulfilling its mandate over the years, even though it has not been a perfect organisation. It has had its flaws, and I am not going to go into what they may have been, but I will say that for some time I think the northern part of the city was woefully neglected. But a lot of that has been addressed.

The city has many, many assets, unlike the Corporation of St. George's. However, it is still quite clear to me that the Minister has the authority now under the current amended Municipalities Act 1923, to direct the Corporation of Hamilton, just as he can direct the Corporation of St. George's. But it is quite

clear from things that I have heard and things that I have been told in direct conversations, that there has not been a meeting of the minds regarding the future of the city. And that meeting of the minds needs to take place between those who are in office in the Corporation of Hamilton, and, of course, our Government. In my opinion, that is the biggest issue for the Corporation of Hamilton. Unless there is that meeting of the minds, then we will have this impasse, and I see it as an impasse between Government and the Corporation of Hamilton.

Madam President, democracy. And Senator Richardson, I listened to your carefully. I heard what you said about this being an improvement, or a building-up, of the democratic process, but you will forgive me if I have to disagree with you.

Madam President, democracy is something our forefathers and foremothers in this country had to fight for over many, many years. And any attempt to erode the democratic process should be carefully scrutinised. Under Universal Adult Suffrage we now have the right—all of us—to elect persons to represent us in our national and, if you live in the municipality, in the municipal elections. And, of course, in Hamilton it is also the ratepayers who can vote. But we also get to hold them accountable. I had to sit quietly and ask myself if I was prepared to see an erosion of our democratic process in this Year of our Lord 2019.

Bermuda held its first general election under Universal Adult Suffrage only 50 years ago. It was May 22, 1968, an occasion that we all recognised in the House of Parliament and around Bermuda just last year. We need to safeguard what we have in terms of democracy. And Senator Jones read out a definition of democracy earlier.

Madam President, we are here to discuss some major changes that are on the table with regard to how people will hold office in our two municipalities. I have read the [Municipalities] Reform Act 2019 several times, and I have reviewed the Act as amended in the House of Parliament last week. I realise that there is just one major change, just one. And that really is the elimination of elections. That is, we will no longer have representatives on the two municipalities who answer to the people of St. George's and Hamilton. Instead, the Minister will appoint the mayor and four councillors with the requisite skills, and then a selection committee, appointed by the Minister, will, after determining the selection criteria to be used, after consultation with the Minister, recommend persons to the Minister for the four other councillor positions.

And here I am just going to pause and I am going to thank the Minister, because I did have the opportunity to meet with him and share my concern about how the selection committee would be doing its task. And he did listen and make an amendment to the Bill. I am sure it was not just based on my input, but maybe on the input of many people.



But, basically, this Bill takes away rights; it takes away the right which residents and ratepayers of the municipalities have. The control of the municipalities will lie with the Minister through the persons appointed to those positions. Therefore, I thought, when there is a change in Government . . . and I know the appointments are for two years, in the first instance. But as someone pointed out earlier (I have forgotten who said it), there is no stipulation with regard to how many times someone can be appointed. But with the change in Government, or even the change in the Minister responsible for the municipalities, we will probably see a change in the appointments, and this could lead to great instability in both municipalities, in both Hamilton and St. George's.

The trend of elections in Bermuda these days is that no single party dominates. That used to be the case way back when. And I am grateful that there is no party that dominates. Undoubtedly, there will be changes of Government in the future, and because the mayors and councillors will be serving at the *pleasure* of the Minister, it is most likely that the appointments to the municipalities will also be changed.

As I said earlier, and maybe I did not say it clearly, but I will say it clearly now, the two municipalities are very, very different. And I have noted quite carefully the offer of the Minister to craft a separate Act for St. George's, and I assume that means there will be a separate Act for Hamilton, but we do not have any of that now. None of it is in writing; there is nothing to hold on to. And it is not as though I am saying that I do not believe, but we are here to deal with the piece of legislation that is before us—and it is right here, on paper.

Someone said earlier that St. George is a living town. Truly, it is, with many original buildings going back to the 17<sup>th</sup> century, displaying unique architectural features. Because of the climate that we have in Bermuda, because of the building materials which are available, because of the living needs of the people in the town, the original alleyways are still there. I am sure that Senator Richardson ran up and down a number of them, and from time to time I walk and jog up and down those alleyways. All of that adds to the authenticity of this historic town.

The Corporation of St. George's, with the support of the St. George's Foundation, has taken on a number of significant projects over the recent past. I know since I have lived there they have done a lot of re-bricking of streets to bring back the old historic flair and to show that, you know, once upon a time we had cobblestones down there. They have done that re-bricking work. They have helped in terms of street lighting, putting back some of the old forms of street light. So there is a desire on the part of the Corporation of St. George's and the St. George's Foundation to ensure that the historical aspects of the town are maintained. But remember, the World Heritage designation is for the historic Town of St. George and relat-

ed fortifications, and those related fortifications are not just in the town. That honour was bestowed on St. George's in the year 2000.

As I said earlier, through the management plan that the town is developing, the World Heritage Management Plan, I believe the Town of St. George, i.e., corporation representatives, representatives of the Department of Planning, representatives of the Foundation, I believe they are all working together on a committee to develop that World Heritage Management Plan.

Madam President, I am going to conclude in summary to say that the general consensus, from what I gather, is that in neither in St. George's nor Hamilton are people happy about losing the right to elect their representatives. They are not happy about seeing this erosion of the democratic process. The purpose of local government, as I see it, i.e., the municipalities, is to shine a spotlight at the local level so things can happen at a faster pace. Government already has a lot to do.

My main reason for speaking today is to suggest that there are ways of bringing change to the municipalities without eliminating the democratic process. There can be a compromise. Therefore, at this point, Madam President, I cannot support this legislation because it fails to uphold the democratic process that the people of this country expect of us. If Government wants to ensure that the various infrastructure projects are advanced by the two municipalities, there has to be better collaboration and communication, as well as a guaranteed commitment to improve funding for the Corporation of St. George's.

With those remarks, Madam President, I will say thank you for listening.

**The President:** Thank you, Senator Michelle Simons.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITORS

**The President:** And before I open the floor to another Senator to speak I just want to acknowledge the presence in the Gallery of the Minister of Public Works, Lieutenant Colonel the Honourable David Burch. And also we want to recognise MP Kim Swan. Welcome to you both.

Would any other Senator care to speak on this Bill?

Senator Campbell, you have the floor.

*[Municipalities Reform Act 2019, second reading debate, continuing]*

**Sen. Vance Campbell:** Thank you, Madam President.

Madam President, Senator Jones likes to use marbles to illustrate his point.

[Inaudible interjections]

**Sen. Vance Campbell:** I am going to use an old car, or any car.

[Laughter]

**Sen. Vance Campbell:** You know, you buy a car. It's brand new; it works fine. Then you start to have issues with it, so you put in patches. You take it to the garage, and they change a part. And then you find you are having to go to the garage more frequently to put in changes, and in spite of these changes, it still does not function the way it did when it was new. And you eye starts to look at a new model of car.

The municipalities were put in place in 1923 through legislation. My quick calculation makes that 96 years ago. They have been patched up through amendments along the way. Let's look at the result of how they have operated in that 96 years. In another place for the past two weeks we have had discussions about the economy, and here in this place for about a week. And much talk has been had about the state of the retail industry in Bermuda, that they are facing grave challenges. And part of that, Madam President . . . I wish we could leave this Senate Chamber and take a walk in the City of Hamilton, right now, on a Wednesday night at about 7:30. We would be astonished at how empty this city is.

There is nothing going on in Hamilton right now, Monday, Tuesday, Wednesday, Thursday. Friday is saved by Happy Hour. People come out of their office and they stay in the city for Happy Hour. And even on a Saturday, Madam President, it is fairly dead in the City of Hamilton. We have heard how it is even worse in St. George's. That is the result of 96 years of operating the way we operate today in the municipalities. That is the end result of 96 years. We have no one in our cities, except maybe on a Friday night.

If we were to take a walk, we would not have to go far. Behind me, on Court Street, at the junction of Reid and Court, there are two buildings there. One does not even have a roof now, the old Salvation Army building, I believe it is. It is falling down. The building next to it [is] falling down. That extends a fair distance down Reid Street. If we go over here, opposite the Post Office building, empty. It has been empty for some time. [The] buildings on Barnaby Street, closed up. One floor is being used, if that. Yes, there is some activity now in one of those buildings, but we have vacant lots scattered throughout the city.

Now, Madam President, I want to take this outside of Bermuda to some of the places that I have travelled. Granada, in Nicaragua; Quito, Ecuador, Panama City, Panama; [and] Cartagena, Colombia. Some of these cities have World Heritage status, but not that long ago they were dangerous, rundown and empty. Some of them were just neglected. Casco Viejo in Panama City, just neglected. Dangerous in the

daytime, let alone at night. But the governments in these countries decided that they had to do things different if they were going to attract investment. They had to have some reason for that investment money to want to come to their country. They made drastic changes.

As a result, Madam President, today Granada is thriving. Quito, Ecuador, you can stand . . . I stood in the street of old colonial Quito and was told, *Just last year, eight months ago we could not stand here in the daytime, let alone stand here at night as we are now.* Cartagena, a beautiful city, Madam President, have you been? Lots to do there; lots to do in all of these places.

But after 96 years of operating the way we operate today in the municipalities, we are talking about retail businesses going out of business because we have continued to operate the same way year after year, put a patch here, put a patch there. And we do ignore the signs that our car (going back to my car illustration) . . . we tend to ignore some of the signs, even though we just got it patched up and it is telling us again it is going to happen, but we ignore that. And sometimes we have a breakdown.

So today we are faced with remaining with the status quo and getting the same results—no one going in the shops, no one in the City of Hamilton, no one on the streets of St. George. Or, we can vote for a transformational change and reverse that trend, do things differently and reverse that trend.

Thank you, Madam President.

**The President:** Thank you, Senator Campbell.

Would any other Senator care to speak on this Bill?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Madam President.

I have heard some clearly contrasting arguments between the Government supporting this legislation and the OBA Senators and the Independents that are not supporting the legislation. When I listened to the Government side, they are seemingly creating problems that either do not exist, or have already been solved, and are using these trumped-up problems as a justification for removing a democratic process in both the city and the town.

When we talk about the various reforms that have happened to the Municipalities Act, they have always been in response to a defined problem or an established public interest. We listened to Senator Richardson talk about, I believe, the KPMG report where it spoke to Government lending assistance by sitting on the finance committee. This legislation does not do that. It removes voting rights.

We have heard talk about this potential separate Act, but as Senator Simmons has said, this is not what we have seen. What we have before us is an Act

that does nothing more than to remove a democratic process. Government has in its power now to provide grant money to direct infrastructure projects. This Act does nothing to improve on the existing process.

We have heard talks about the Fire Service and somehow that is the fault of the city, even though it is the responsibility of Government. We have heard about the smart city lights, but the places where we see smart city lights are in the city. Driving along Front Street now, if you come up to the docks at night, the light will automatically go green. That does not happen, for example, with the lights in Paget. So the city is already ahead on these. It is leading on these smart city initiatives, and it is Government that should probably take note from the city on these matters. The city does not require Government to tell them how to fix these things.

We have heard talks from both Senators Richardson and Campbell about how stores are empty and this kind of thing. And it sounds an awful lot like my reply to the budget. I have been asking Government where their economic stimulus is for the last six months. It is not just retail that is declining in the city and the town, Madam President. It is Island-wide. We are going 10 straight months in retail declines. Six of them were post America's Cup.

So, yes, I agree with the Senators, the country needs more stimuli. We need more people here spending. Those are not problems unique to the city and the town, and this Bill that we have before us does nothing to remedy that. It simply removes a democratic process.

We have heard talk about "transformational change," which is the buzzword *du jour* of the Government. This legislation does no transformational change. It simply removes the democratic process.

If we look at the public interest, and when the last amendments to the Municipalities Act were put in place it was with regret and reservation, but it was in response to highlighted problems by the Ombudsman. And there were failures of accountability in the awarding of the Hamilton waterfront development. There was the fallout from the \$18 million bank loan. There were inadequate resources from the infrastructure project. Now, what was done to remedy that? Wharfage was given back.

The Heritage fund was given back because the grant that had been used to replace it was insufficient to fund the town and the city. So, as Senator Jardine comprehensively dismantled the position of the Minister in 2018, the Minister was relaying a set of challenges that existed in the past and have since which been remedied. So, again, we are looking at a Bill that simply removes the democratic process.

The Minister appoints the mayor. The Minister appoints half the councillors directly. The Minister appoints the selection committee. And then appoints, after consultation with them, the remaining councillors. So, it is a complete sham of a democratic process. It

is clearly not representing the will of the people. Quinn Francis, the Mayor from St. George's, said, if I may quote, Madam President?

**The President:** You certainly may, Senator.

**Sen. Nicholas Kempe:** "It doesn't seem like the constituents of St. George's concerns were taken into consideration.' Ms. Francis said that East End residents were concerned that the ability to elect their own officials had been stripped away. She added: 'They'll be appointed—and that's not sitting well with many of the persons in the Town of St George.' She added that she felt the views of local people had been ignored and that the vote had been 'predictable.'" (Referring to the vote in the House of Assembly.) "She added: 'We [deserve] to be governed by our own Act that gives us a level of independence and gives us a level of democracy.'"

And yet, the MPs for St. George's voted for this Bill.

The Minister of Tourism and Transport, Zane De Silva, "said the motive behind the legislation [is] 'We need a mayor and a councillor that follows the vision of the Progressive Labour Party. That's what we need.'"

It has nothing to do about the will of the people. It has nothing to do about the public interest for the constituents of Hamilton and St. George's. It is about neutering the public institution so that they go lockstep with the PLP's wants. It is more about creating a monopoly on power and having no dissenting voices. This process, this Bill . . . all it does is rollback democratic processes.

The Minister said that there would likely be some level of ring-fencing of assets for Hamilton. This is entirely vague. There has been no context to what is going to happen if this Bill were to pass. There is no mention of taking over corporations in the PLP platform, so Government cannot even suggest that somehow the election result justifies this move. The consultation that has been had overwhelmingly opposes this legislation.

And if I may, Madam President, there was a survey held and the following questions were asked. And if I may quote?

**The President:** Yes, you may, Senator Kempe.

**Sen. Nicholas Kempe:** [These are:]

- "1. Describe a strong, positive, ideal relationship between the Corporation and the Government of Bermuda.
- "2. In the current relationship between the Corporation and the Government of Bermuda, what is working?
- "3. What would you like to see more of in the relationship between the Corporation and the Government of Bermuda?

"4. How would you create the ideal relationship between the Corporation and the Government of Bermuda?"

And then it stated that, "The results of this survey and town hall meetings would be published shortly."

Now, I struggled to find these anywhere, but subsequent to this survey there were two questions posed on the Government's (whatever it was called) . . . the transparent platform. And the two questions that were posed seemingly had absolutely nothing to do with the feedback given on those four questions because two very similar, and clearly unwanted questions, were posed: *Change both corporations to quangos, leaving each organisation intact as a body corporate, or dissolve the corporation through appealing the Municipalities Act.* A third option saying, *leave the corporations and protect the democratic process*, was not offered.

And it is interesting when you look at the response to those two terrible choices. To the first one, *change both corporations to quangos*, four people supported; 169 were against. So 98 per cent of the people were against option one.

Option two, *dissolve the corporations*, had a similar response; four people were in favour, and 177 against. So, again, 98 per cent of the people were against these options. And despite this overwhelming dissatisfaction with Government intentions, the Bill was presented in the House.

I was at the town hall meetings, as well. And there are more representatives here today than there seemingly were in the audience in St. George's. It is nice of the Minister . . . no, he is not here anymore. He was not in St. George's either. So the whole consultative process was clearly a sham.

[Inaudible interjections]

**Sen. Nicholas Kempe:** Oh, he has returned. Welcome.

And so despite—

#### POINT OF ORDER

**Sen. the Hon. Kathy Lynn Simmons:** Madam President, point of order.

The Minister was in fact at St. George's.

**The President:** Thank you.

**Sen. Nicholas Kempe:** That was not the impression of the mayor or any of the attendees there. If he was, he was very well hidden, and I—

**The President:** Senator Kempe,—

**Sen. Nicholas Kempe:** —will stand corrected. Thank you.

**The President:** —your point is taken.

**Sen. Nicholas Kempe:** This is clearly not in the interest of the people.

It improves no processes, it improves no oversight. It adds nothing of value to the corporations that is not already there in the existing Act, and it is simply a rollback of the democratic process.

Madam President, I do not feel the need to speak any further on this, but I will not be supporting this Bill.

**The President:** Thank you, Senator Kempe. Would any other Senator care to speak on this Bill?

Senator Kathy Lynn Simmons, Attorney General and Government Leader in the Senate, you have the floor.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

Let me start by addressing the comments of Senator Robinson, made at the beginning of this debate. He characterised the legislation as half-baked, and I appreciate the new vintage of the Senator, but I can guarantee you that no legislation that comes out of my Chambers will ever be half-baked. Behind me sits one of my senior parliamentary counsel who hails from Botswana, and I can assure you that he is the best of the best. So, if you intended to say that the *policy*, in your opinion, is half-baked, then let's be clear on that. So, I apologise on your behalf to the drafter.

Let me continue, Madam President. I have sat here and listened with great interest to emotional outpourings. I have listened to traditional ties. I have listened to a picture painted of a benevolent framework that the Government is being accused of dismantling for all sorts of political and other reasons. So, let me go back in time a bit, because my role as the Minister of Legal Affairs is to actually look at law reform. And for Senators who have forgotten, we actually have a Law Reform Commission Act from 2009, and in the context of law reform, let us be clear what we are talking about.

We do not intend to maintain the status quo in this country. We sit in a Chamber which is indicative of attempts to maintain the status quo. The legislature was created to maintain the economic power of white landholders in Bermuda that we characterise as the oligarchy, okay? And the efforts of this Government are to dismantle that. Every morning I walk off the elevator on the fourth floor of Global House as the Attorney General and Minister of Legal Affairs, and confronting me is a plaque which lists all of the Attorneys General that Bermuda has had. And they are in columns. And the first one, two, three, four columns do not represent anyone who looks like me. Okay? And understand that our legislative framework came out of a drive to maintain the power base for that demo-

graphic in this country. So, as you all sit here and wax poetic about preserving democracy, let me give you some information that you may or may not know.

Today, an Originating Summons was filed in the Supreme Court. And by virtue of that summons, tomorrow, the 21<sup>st</sup> of March at eleven o'clock, the Patron Saint of municipalities has brought an application. The Corporation of Hamilton is the applicant, and the first respondent is none other than the Attorney General. The second respondent is the Governor of Bermuda.

And Madam President, with your indulgence, I am actually going to read what this thing says.

**The President:** Yes, you may.

**Sen. the Hon. Kathy Lynn Simmons:** By this summons, colleagues, the applicants, the Corporation of Hamilton, are seeking the following Order:

“(1) An Order declaring that the Municipalities Reform Act 2010 and the other amendment Acts, as well as the decision by the Government to convert the corporation to a quango” (and they call that in quotes ‘the decision,’ as implemented by the Bill, which is what we are talking about this evening,) “and the Bill, if enacted, contravenes or would contravene sections 1 and 13 of the Bermuda Constitution, in that and insofar as (a) the amendment Act, the decision and the Bill deprive or would deprive, as the case may be, the corporation,” (not the residents, not the people of Bermuda, the *corporation*) “of property without compensation, or are or would be likely to do so or (b)” (hope you return soon, Senator) “deny or would deny or have the effect of denying, as the case may be, the corporation,” (again, the *corporation*) “the protection of law or are or would be likely to do so, and to that extent are therefore void and of no effect.”

What are they talking about? They are talking about all of the Acts that gave democratic rights to the residents of the municipalities. So, let's take a walk back in history.

We have an Act called the Emancipation Act 1834, and under that Act . . . and I will read the preamble which tells you what it is about. That is how we do our legislation. It states, and Madam President, may I read?

**The President:** Yes, you may.

**Sen. the Hon. Kathy Lynn Simmons:** “WHEREAS it is expedient to relieve free blacks and free persons of colour,” (whatever that means) “from certain disabilities, liabilities and restrictions to which they are now subject, to extend to them the laws now applicable to white persons, and to fix the qualifications for voters and the electors, and for candidates for certain offices and places of trust:”

And let me repeat, “WHEREAS it is expedient.” Not right, not just, but *expedient*. The definition of

*expedient*, Madam President, is convenient and practical, although possibly improper or immoral, and that is our foundation and we are real proud of the fact that we were emancipated as black people.

Madam President, under section 2 of that Act, provision is made for qualification for voting in municipal elections. And under section 3, there is a qualification for Aldermen or Common Councillor of municipalities. And under those sections, notwithstanding the fact that we became emancipated, the legislature was used to ensure that certain rights for that demographic were maintained. So, they freed you on one hand, and made sure they retained the rights that would allow them to consolidate forever their power base economically. And that is what I refer to as the status quo.

*[Inaudible interjection]*

**Sen. the Hon. Kathy Lynn Simmons:** Wow is right, Senator. Wow, wow, and wow. So, be careful what you are objecting to tonight.

So, let me make it clear. When we talk about this originating summons which chooses to void all of the amendments to the Municipalities Act, we have amendments that were made in 1994, 1995, 2010, 2013, 2014, twice in 2015, and in 2018. So, we actually had legislation in 2010 which talked about elections. Somebody missed somewhere two sections, or the same as sections 2 and 3, which bestowed or made clear the rights that were going to be retained, and it was not until 2013 that the penny dropped and they were repealed.

So, let us be clear. Let us be clear. What we have in front of us today is this Government's attempt at collaboration. Whether you like it or not, that is actually what it is. And you all sit around here and say you are not supporting it. But guess what? Don't support it, because you have been trumped, or you will be trumped tomorrow morning at eleven o'clock when the Patron Saint and Co. go to the Supreme Court and erode every voting right that you will ever have. Because what that will do is take you back to sections 2 and 3 of the Emancipation Act, whereby the only rights were bestowed on the very demographic that represents the status quo.

And understand where we are with reform. This Government is not going away. You say, *no*, tonight, we will come back again and again, because the people of this country decided that they do not want the status quo.

The Minister went to St. George's. The Ministers went to St. George's to ensure that we had the support that was necessary. We consulted. We asked, *What do you want?* We made amendments to incorporate what people wanted. But understand what you are doing tonight. You are rejecting an attempt to move away from the status quo and to give effect to what needs to happen in terms of real emancipation.

This is not a race card. This is reality. Because we think we have progressed, but we have not. Because on our books is a whole slew of legislation that speaks to maintaining the status quo. So, we will come back with criminal law reform, with land law reform, with social reforms that are aimed to erode the status quo.

So, Senator Simmons, I appreciate your sentimentality, but understand what we represent sitting around this table as black people. That is a race card, but it is real. It is a *fact*. We will tomorrow at eleven o'clock, if the court determines, if there is some merit in the Patron Saint's argument, we will be back to 1834. And, as the Government Leader in the Senate for the *Progressive Labour Party*, that is unacceptable.

Say no tonight to this Bill and sleep well. Go down to court tomorrow and have a listen here, and see what democracy looks like when the clock is turned back.

Thank you, Madam President.

**The President:** Thank you, Senator Kathy Lynn Simmons, Attorney General.

Would any other Senator care to speak?

Senator Hayward, you have the floor.

**Sen. Jason Hayward:** Madam President, I—

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Sorry, before you do, I need to acknowledge the presence of MP Michael Scott in the Gallery.

Welcome, sir.

Carry on.

*[Municipalities Reform Act 2019, second reading debate, continuing]*

**Sen. Jason Hayward:** I had the chills just now when the Attorney General was speaking. The chills, because every time we think we are moving forward, we end up going backwards.

And I know, Senator Simmons declared her interest regarding being a resident in both. But I am not sure when Senator Simmons made her decision just now if she relied on a piece of legislation that she did not know at the time was under attack. That originating summons is real. You said that the Minister has not provided you with any real paperwork regarding the change that will take place in St. George's. That is a *real* piece of paper. We will be in court tomorrow fighting for our rights to have residents of a city to vote—not landowners, residents of a city to vote again. And we sit up here and we talk about preserv-

ing democracy. Well, let's have that conversation tonight.

In 1793, the corporations were incorporated. The corporation of Hamilton was incorporated. That was prior to the Emancipation Act. So, the corporation became a corporation prior to slaves being freed in this country. Who did that corporation represent, and whose interests did that corporation represent at that time?

In 1815, the City of Hamilton became the capital of Bermuda. It was named after a former governor, Henry Hamilton, an appointed governor, a governor who was not democratically elected. Since 1815, I really wonder how democratic elections in the Corporation of Hamilton have actually been. We have to be realistic. How democratic have elections in the corporation actually been? We have just heard it was not until 2010 that residents received rights to vote. Well, who got to vote for all those years between 1793 and 2010? How democratic were the operations of these institutions?

Madam President, we have over 10,000 persons who work, who reside, operate in this city on a daily basis, and less than 700 of those persons actually show up and vote in municipal elections. This is city is all of ours. How is it that less than 700 people get to decide the fate of our city? This is a beloved city for all in Bermuda. This is an economic hub for all in Bermuda. This is the lightbulb for all of Bermuda. But we want to preserve the voting rights of the 700 persons who come out.

This is not erosion of democracy. Democracy in the Corporation of Hamilton is a sham. Democracy in the Corporation of Hamilton is a farce. It is a façade. There is no real democracy. The majority of the country frequents the city, but only a handful of people get to decide, a handful of people who date back to 1793 when the corporations were incorporated, this same handful of people who had the rights in 1923 when the first Act was passed. And I ask you something. We want to rely on a 1923 Act. Did we even have a democratic Government in 1923? Who got to vote for Government in 1923 when the corporation was established, this Act was established? Let's be clear on democracy in this country.

The former mayor won the Government, the current mayor won the Government with 409 votes—409 votes—and he gets to preside over the economic interests of the majority of the country. And we are sitting here talking about democracy? And the same democracy we are talking about, that same individual has filed a writ to reverse all of the power that we were talking about that was instilled in 2015, to reverse the voting rights that were instilled for individuals. I do wonder how individuals feel about that.

You see? We are not making progress in this country until we do things which are transformational. Systems in this country are wrong and when we attempt to dismantle systems, we see that some are not

bold enough to move forward with what is transformational. Madam President, persons are opposed to the Corporation of St. George's and Corporation of Hamilton becoming quangos. Madam President, if I may read a quote? Madam President?

**The President:** Senator Hayward, I am sorry. I was—

*[Laughter]*

**Sen. Jason Hayward:** This is a quote from the former Minister of Home Affairs, Michael Fahy. "The first important reform would be to allow the Minister to provide binding directions to Corporations. These are similar to those provided for in legislation related to the West End Development Corporation and the Bermuda Land Development Companies permitting general and special directions from their respective Ministers."

Madam President, the West End Development Corporation and the Land Development Company are quangos. We can argue that the quango structure did not begin with this Government; it began with the previous Government. We were already well away on establishing quangos, and that is why Senators can say today that there are not many changes needed in the legislation to transform these bodies into quangos. You know why? Because the work has already been done by the former Government; the work to transform these institutions into quangos has already been done by the former Government.

Madam President, in 2015, the oversight was needed after allegations of governance violations. Madam President, if I can read some of those concerns that were present at that time?

**The President:** You may.

**Sen. Jason Hayward:** This is a quote from the former Minister, Michael Fahy at the time: "Senators will be aware of significant challenges posed by the municipal corporations in recent years under both the current and previous Governments. Reform of local governance has become acutely necessary in Bermuda as a result of failures of administrations that have caused disarray in governance."

Let me repeat that, Madam President. "Reform of local governance has become acutely necessary in Bermuda as a result of failures of administrations that have caused disarray in governance." This is referring to our corporations!

"Further governance reform is now acutely necessary as a result of the past actions of the Corporation of Hamilton, which include: failures of accountability in awarding of the contract for the Hamilton waterfront development, resulting in a highly critical report by the Bermuda Ombudsman, legislative intervention by the Government of Bermuda, the assumption of temporary stewardship and an arbitration that

may cost many millions to the public purse; . . . ." Additionally, Madam President, "Concerns about the viability of a cooperative relationship between the two levels of Government . . . ."

Madam President, I repeat, "Concerns about the viability of a cooperative relationship between the two levels of Government."

He then went on to say, this is the former Minister of Home Affairs: "A multiplicity of legal actions, such as the 'clamping litigation' and a myriad of surplus constitutional actions; disorder and dissention at the Council level that have been reported in the media . . . ."

*The Royal Gazette* headline of January 27, 2015: "Fahy takes control of a CoH 'in disarray'".

In disarray! We paint these wonderful pictures of good governance that has been taking place. That is not the reality on the ground. And it is just like we can say, *Well, we have a Government and when the Government comes in, things may change*. It is no different when a mayor and a team are elected that do not do good by the residents, the ratepayers, or the country. We see how the country suffers. We saw how the country suffered with mismanagement of the Corporation of Hamilton. How do we prevent that from happening again?

I ask you, *How do we prevent that from happening again?*

And you would say, *There are now legislative amendments that were made in 2015 that increased governance*.

And I would tell you, *We go [to] court where those legislative amendments are trying to be removed*.

So, where is the oversight and accountability? Where would the oversight and accountability be? Do we have to settle with corporations signing documents that they did not have the authority to sign? What we are attempting to do is put permanent oversight in place. What we are attempting to do is to ensure that there is a functional relationship between the corporation and the Government.

Madam President, I came across a newspaper article where the current mayor pledged "war" with the Government. War has already been started by taking the Attorney General to court. How could there be an amicable relationship moving forward? How could there be an established relationship in the best interests of this country moving forward when we are threatened with legal action, all because we want to improve the wellbeing of our cities, or because we want to improve the wellbeing of the Town of St. George?

Madam President, the current mayor, Mr. Gosling, is on record stating and I quote, may I quote?

**The President:** You may quote.

**Sen. Jason Hayward:** “<sup>2</sup>The added voice from the poll in St. George’s also speaks volumes to the fact that the government oversight is not welcome in the town.”

*That the government oversight is not welcome in the town!*

Madam President, do you believe his view of the Government oversight in the City of Hamilton is the same, or does it differ? Do you think the current mayor welcomes the Government oversight? This is hypothetical, but I am going to answer it for you. *No, he does not*, because we have seen in action now that the oversight is sought to be removed.

So, we can have an election where a few people can elect the representatives and they can do as they please, and the Government has no say. But those same organisations need funding from the Government to carry out major infrastructure projects. And some would say the Corporation of Hamilton can fund its own. Well, you need not look too far into newspaper articles where the finances of the Corporation of Hamilton are not peachy at all. They are not peachy at all.

The Minister of Works wants to put a sewage plan in place for the entire country. Yet, the Corporation of Hamilton is going to hire its *own* firm to do its *own* project in the City of Hamilton. So, the proposal is to put the sewage plant on Front Street. Madam President, we cannot leverage economies of scale by working in silos. But that is how the current structures are set up, [they are] set up to operate in silos. We say there is ministerial direction according to the 2015 amendments. But how do you think that works in practice? How do you think that works in practice? Where the same individual is now taking the Government to court? The Minister is going to submit something to Corporation of Hamilton and they are just going to say *Yes, sir*, and do it? Or, *We have our own plan and we disagree*.

And then every single time we want to make a change, we are going to find ourselves in court because this is not the first time that the Corporation has taken the Government to court. The former mayor and his team took the Government to court for changes that the Government wanted to make. So, let us not kid ourselves. There is no harmonious relationship that will be had moving forward.

The Minister stated that the laws have diluted the rights of two local authorities. He is talking about the current laws, the current laws that Members have stated that we are happy with because they provide the necessary oversight. The current mayor believes that those laws dilute his rights. But I beg to differ. I will say those laws are what govern and establish his right of operation. But he is not happy with the laws of the land because the laws of the land were set by the Government, and the corporations want to remain in-

dependent of the Government. Why? Madam Attorney General’s notion is that they want to maintain their status quo.

Madam President, the Corporation of St. George’s . . . it used to be our capital, the Town of St. George. But in 1815, town became our capital, the City of Hamilton. I will support the notion that the Corporation and the Town of St. George have been abandoned since 1815. When they decided that that was no longer to be our capital, the powers that be at the time abandoned St. George’s then. Luckily, St. George’s is heavily populated with residents. That is the advantage they have. And the residents banded together, clawed hard, fought hard. The residents were able to get a vote and then the residents were able to elect officials that they would like to see. But based on these amendments that we will see in this court case tomorrow, they plan to strip that vote away from residents. Residents did not have a vote in St. George’s prior to 2010. Where were the cries of democracy being eroded and the limits to democracy then? What we are trying to do is give the residents a permanent seat at the table, not a temporary one.

St. George’s is so sensitive to politics that no MP feels safe in St. George’s. I do not think that the PLP Government’s aim or objective is to compromise our two St. George’s MPs by doing nothing. We have a plan for St. George’s.

I think the concept of St. George’s was best summed up by what I would consider to be a progressive resident. Her name is Kristin White. In *The Royal Gazette* on March 5<sup>th</sup>—and can I read her quote?

**The President:** Yes, you may, Senator Hayward.

**Sen. Jason Hayward:** “I don’t care what the structure is. It is time for us to be a priority.” See? I will prefer to hold on to the structure and maybe you can have us as a priority, Or, I do not care what the structure is, let us stop tossing it over the governing structure. I want to be a priority.

Madam President, the people of St. George’s should be reassured that the Minister responsible promised them that they will be a priority. On Tuesday, the 5<sup>th</sup> of March 2019, the Minister of Home Affairs, the Walter H. Roban stated—can I read, Madam President?

**The President:** Yes, you may, Senator Hayward.

**Sen. Jason Hayward:** Let me share with you some of the things the deal means for the town of St. George’s. “It will mean enhanced services.” It will improve infrastructure. “It will mean better upkeep of public spaces, and it will allow, finally, for the creation of a marina . . . It will also allow the creation of a World Heritage [Site] management plan for the town, which is crucial . . .” for the designation as a World Heritage Site.

<sup>2</sup> *Royal Gazette*, 1 March 2019



It will improve the financial management of the town. That is a promise. That is a commitment. That is in the best interest of the people of St. George's. Whether or not they get to vote is not the big thing. The structure . . . I don't care [about] the structure. That is what a young St. George's resident said. I don't care the structure. I want to be a priority.

The Minister has promised, *I promise you, this is a good thing for St. George's*. The Government is committed. The Government has political interests, but outside of just political interests, we see within our midst we have persons who are passionate about St. George's. We have a Senator who resigned his seat on the Council of St. George's to become a Government Senator. MP Renee Ming is the biggest advocate for St. George's. I am still on the fence about Kim.

[Laughter]

**Sen. Jason Hayward:** But, Madam President, they have two excellent representatives down there. We will not compromise our colleagues. We will not abandon St. George's.

Madam President, I do ask the question to residents, Are you satisfied with the progress in St. George's? When asked in 90-some years, are you satisfied with where you are now? The honest answer has to be no if you are a St. Georgian. You cannot be satisfied with where our former capital is now. But you have to be optimistic that we want to inject a lot of energy into St. George's.

Please do not fight on the structure. The structure is important only to the extent that a quango provides greater cooperation. I do not know why we are afraid of this thing called "quangos." Some of our most prestigious institutions like the Bermuda Monetary Authority is a quango. That does not mean the Minister of Finance is running the Bermuda Monetary Authority.

We have to be mindful when we just float around terms and think that somehow they are all negative. Nothing is negative about a quango. But if I am injecting resources, money, capital . . . if I am leveraging services from the Government, I need to ensure that the leadership of the organisation shares the vision and we are not wasting our time.

Madam President, the Government wants to ultimately transform Hamilton and St. George's into vibrant entities that will be attractive to visitors, attractive to businesses and that will boost utilisation of both the city and the town. It is clear that neither the Corporation of Hamilton nor the Corporation of St. George's have the resources to do it on their own. It is clear that providing the resources under the current structures of those organisations would not bear the fruit that we require.

And some may ask, *Well, what is the vision that the Government has?* Government plans to have

a multifaceted waterfront, increased city living, increased use of vacant office space and using smart technology. One could only look at Singapore as to where we can go when we embrace smart technology in our cities. See? We want to hold onto our little kingdoms and operate in silos at the expense of moving forward. This Government is trying to be transformational and move this country forward. Why not give us a chance? Why are we protecting this façade democracy? We were elected to govern. We were elected to make a difference.

I am asking you to give us a chance. I am asking you, What are we trying to protect? Are we trying to protect the organisation who has now proven that they do not even care about the same residents that we are sitting here trying to protect? Because according to the writ that the Attorney General read, they are trying to strip the rights away from those individuals. They are trying to remove the oversight of the Government from those institutions.

Senator Simmons, you said I am satisfied that the current changes that were made in 2015 go far enough. How do you feel learning that those current changes that were made in 2015 are being ripped from right under our nose? I am going to ask you to reconsider your position based on the additional information. And that is what rational people do. When provided with all the information to make an informed decision, that is what they do. That is what is bold. That is what is courageous. I am going to go out on a limb here.

Madam Simmons [*sic*], we had a democratic process in high school . . . I am sorry, Madam President—

**The President:** Yes.

[Laughter]

**The President:** You decided you were running your . . . continue.

**Sen. Jason Hayward:** But we did. We had a democratic process in high school where Madam Simmons was actually my principal. Teachers voted for prefects. Madam Simmons, Madam President, appointed me a prefect.

The teachers revolted against Madam Simmons. And I was prefect for two weeks and I got my yellow shirts removed. But what Madam Simmons did not know is my mother refused to buy me white shirts after she bought me yellow shirts. I could no longer wear my yellow shirts. I had grown and I had to wear my white school shirts that were too small. And I was teased because they had yellow stains in them, because they were my sister's old shirts, and I had wear a sweater in the summertime over my school shirt every day. And guess what? It changed my mind-set when I was getting teased. And I was not productive

as I could have been in my fifth year of high school. And Madam Simmons knows the catastrophic events that took place in my fifth year of high school.

I am lucky to have graduated. I am asking . . . I should have gone to the office and asked Madam Simmons to reconsider then, but I am asking you to reconsider now.

**The President:** Senator Hayward, speak to the motion . . . speak to the Bill.

**Sen. Jason Hayward:** I am speaking to the Bill. I am definitely on speaking with the Bill.

**The President:** My concern is you are speaking to a Senator who has already spoken and trying to persuade her, and I think that is out of order.

**Sen. Jason Hayward:** And the young Senator went mm-hmm.

You know what is important, Madam President? That we are clear on how we are moving forward. You know what is important? We are clear on exactly what we are attempting to do today. What is important is we are attempting to understand exactly what the Corporation of Hamilton is trying to do, which is remove rights. None of us should take comfort that even the amendments of the former Government are now trying to be repealed.

That should give none of us great comfort. In the midst of us attempting to pass legislation to move forward, we have a group of people attempting to take us backwards.

**The President:** Senator Hayward, I do want to indicate here that this information has just come to light just a short while ago. So, it was not . . . Senators were not privy to the information beforehand, and so I want you to continue to address the Bill at hand.

**Sen. Jason Hayward:** Madam President, what we are attempting to do is move the country forward. The Government has the best interests of the people of Bermuda at heart. I have not heard any compelling argument against why this has happened outside of the erosion of democracy to protect democracy for individuals who are attempting to erode democracy.

Madam President, we want to exert life into our cities. We want to invest in our cities. We want to make our cities a better place. We have the resources at the Government, Madam President. We want to leverage our resources. We want to create economies of scale that will ultimately reduce cost. We do not need duplication of services. And what we are asking is a change in the structure; a change in the structure so that we can be effective in our delivery. This is not about erosion of democracy. Democracy in the City of Hamilton is a façade.

And with that, Madam President . . . I really would like to conclude, but this debate . . . I believe we have been kind of bamboozled into believing that somehow this Government is eroding rights, when we are attempting to make the city as efficient, as effective, as vibrant as it could be. We have seen the mismanagement of the city. How do we prevent ourselves from going back down that road? The only way we can prevent ourselves from going back down that road is to provide the proper oversight. That can only be achieved by the changes that the Government has recommended.

Madam President, we really have to ask ourselves who has the best interests of the people at heart. And, Madam President, I would like to close with this quote from OBA Minister Fahy, the Honourable, former Honourable Minister of Home Affairs, in 2015:

“<sup>3</sup>In fact it is important that the national agenda and the agenda of any Council are aligned in some way to ensure that there is harmony in Bermuda’s governmental functions—especially given that the City and the Town are major parts of Bermuda’s economic life blood. Co-operation is key and the Government of Bermuda is committed to that . . . .”

I repeat, Madam President, if I may, “In fact it is important that the national agenda and the agenda of any Council are aligned in some way to ensure that there is harmony in Bermuda’s governmental functions—especially given that the City and the Town are major parts of Bermuda’s economic life blood. Co-operation is key and the Government of Bermuda is committed to [do] that . . . .”

These were the words of Senator Fahy in this very same Chamber when he made his amendments to the 2015 Bill, amendments which we now learn are trying to be stripped away. We must be clear that there will be no real cooperation between the Corporation of Hamilton and the Government. There is no desire from Corporation. There is no real desire. If not, we would not find ourselves in court tomorrow.

You would think that the court action would be to remove the provisions that the Government has put in place and to maintain rights. You would not have thought that the court action was to strip control, oversight, the rights away from persons who you all say have fought hard for those rights.

Be careful whose side you are on. We have a vested interest in this country. And, like the Attorney General said, this Government was elected to be transformational, it was elected to change power structures. And that is what we are attempting to do. And we are doing it in the best interests of the people of Bermuda.

Thank you, Madam President.

<sup>3</sup> [Statement to Media](#), 10 April 2015

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Thank you, Senator Hayward.

And before we proceed any further, I would just like to acknowledge the presence of the Financial Secretary, Mr. Anthony Manders, in the Gallery. Welcome, sir.

Senator Kathy Lynn Simmons, Attorney General.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

We have had a fulsome discussion on the merits and otherwise of this Bill, and due to some of the arguments advanced and representations made which may cause Senators to pause and consider their positions, I would like to move that the Senate rise and report progress on the second reading of the Bill.

**The President:** Is there any objection to that motion?

No objections.

It has been agreed.

So, the Committee will rise and report progress . . . the Senate will, sorry.

*[Motion carried: The Senate agreed to rise and report progress on the second reading of the Municipalities Reform Act 2019.]*

**The Clerk:** The second reading then, we will resume second reading . . . it will remain on the Order Paper as a second reading item.

**The President:** Yes. Senators are in agreement.

Thank you.

**The Clerk:** Okay. So, we move on to the next item.

**The President:** Senators, we will move on to the third item on the Order Paper which is the second reading of the Miscellaneous Taxes Amendment Act 2019.

Senator Campbell, it is your Bill. You can proceed.

## BILL

### SECOND READING

#### MISCELLANEOUS TAXES AMENDMENT ACT 2019

**Sen. Vance Campbell:** Thank you, Madam President.

Madam President, I move that the Bill entitled [Miscellaneous Taxes Amendment Act 2019](#) be now read a second time.

**The President:** Is there any objection to that motion?

**Sen. Vance Campbell:** Madam President, the purpose of this Bill before the [Senate] today is to make amendments to the Miscellaneous Taxes Act 1976 ("the Taxes Act") and the Miscellaneous Taxes (Rates) Act 1980 ("the Rates Act") to introduce a new tax structure for cruise ships and cruise ship passengers, and to make consequential amendments.

Madam President—

*[Sen. James S. Jardine, Vice President, presiding]*

**The Vice President:** Mister.

*[Laughter]*

**The Vice President:** I am quickly coming to the Chair as fast as I can.

**Sen. Vance Campbell:** All right. Mr. Vice President.

**The Vice President:** Please proceed, Senator Campbell.

**Sen. Vance Campbell:** The existing tax structure for cruise ships and their passengers is comprised of a passenger cabin tax and passenger departure tax. In reviewing the taxes paid by cruise lines, the Government determined that there was scope to make changes to the current tax structure whilst remaining competitive with comparable cruise destinations.

[Mr. Vice President], the passenger cabin tax specified in the Taxes Act is charged in respect of each visit by a passenger ship to Bermuda. It is payable by the owner, operator, or agent of the ship at the rate prescribed in the Rates Act. The passenger cabin tax is calculated by reference to the number of passenger cabins on the ship and the number of nights the ship is docked or at anchor in Bermuda.

The cabin tax does not apply to ships docked in the City of Hamilton or the Town of St. George. [Mr. Vice President], this was an attempt to attract smaller luxury ships to Hamilton and St. George's, so a waiver was introduced as an incentive. However, [Mr. Vice President], this never really worked and there are only 24 cruise ships in the world that can fit into our small harbours and they mostly serve other jurisdictions. [Mr. Vice President], the cabin tax is currently \$14.00 per cabin from May to August and \$10.00 per cabin from September to October. It has not changed in 13 years.

[Mr. Vice President], the passenger departure tax also specified in the Taxes Act is charged per passenger departing from Bermuda by passenger ship. As with the cabin tax, it is payable by the owner, operator, or agent of the ship at the rate prescribed in the Rates Act. [Mr. Vice President], the passenger departure tax is currently \$20.00 per passenger per

day from April to October, to a maximum of \$60.00, and this has not changed for 17 years, [Mr. Vice President].

[Mr. Vice President], there is an additional charge paid by passengers on large cruise ships which is a capital cost recovery charge. This charge, which is \$22.00 per passenger, per visit repays the loan provided by Royal Caribbean International, to dredge the North Channel so that *Quantum* class ships can access Heritage and King's Wharf. Agreements with our contract cruise partners prevented taxes being raised while the loan remained payable.

*[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]*

**Sen. Vance Campbell:** Madam President, with that loan now repaid by the Bermuda Tourism Authority, the Government is in a position to make changes to the cruise tax regime. I now provide a summary of the amendments.

First, Madam President, the amendment Act repeals the passenger cabin tax. With the Government's more targeted approach to taxes, the cabin tax is unnecessary and somewhat duplicative.

Secondly, the amendment Act introduces a new "large ship infrastructure tax." This tax applies to passenger ships with a gross tonnage exceeding 149,000 tons, or which exceeds 1,120 feet in length, or that carry more than 4,000 passengers, whichever is the greatest, Madam President.

Madam President, this tax is intended to fund the infrastructure improvements associated with and required by the large cruise ships that frequent Bermuda. As with other passenger ship taxes, it is payable by the owner, operator, or agent of a ship at the rate prescribed in the Rates Act.

Madam President, the amendment Act amends the Rates Act to set the infrastructure tax at \$22.00 per passenger for visits between the 1<sup>st</sup> of April and the 31<sup>st</sup> of October. Madam President, further amendments to the Rates Act increase the passenger departure tax by \$5.00 to \$25.00 per passenger for a 24-hour period, up to a maximum of \$75.00 for ships docked in or at anchor and tendered to Dockyard.

The departure tax is \$20.00 per passenger for a 24-hour period up to a maximum of \$60.00 for ships docked in or at anchor and tendered to Hamilton or St. George's. This tax also applies between the 1<sup>st</sup> of April and the 31<sup>st</sup> of October. The difference between the departure tax for Hamilton and St. George's is to still provide a small incentive for the smaller ships to visit there.

Finally, Madam President, the final provisions of the amendment Act pertain to consequential amendments made to the Taxes Management Act 1976 and the Tax (Accounts and Records) Regulations 1991, due to the repeal of the cabin tax and to

the introduction of the large ship infrastructure tax and the increase in the passenger departure tax.

Thank you, Madam President.

**The President:** Thank you, Senator Campbell.

Would any Senator care to speak on this Bill? No? Then Senator Campbell, you can carry on.

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Miscellaneous Taxes Amendment Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?

No objection.

Carry on, Senator Campbell.

*[Motion carried: The Miscellaneous Taxes Amendment Act 2019 was given a second reading.]*

### SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?

No objection.

*[Motion carried: Standing Order 26 suspended.]*

## BILL

### THIRD READING

#### MISCELLANEOUS TAXES AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled Miscellaneous Taxes Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.

Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Miscellaneous Taxes Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection.

The Bill is passed.

*[Motion carried: The Miscellaneous Taxes Amendment Act 2019 was given a third reading and passed.]*

**The President:** I think you have the next one, Senator.

**Sen. Vance Campbell:** Yes, I do, Madam President.

**The President:** Payroll Tax Amendment. Carry on.

## BILL

### SECOND READING

#### PAYROLL TAX AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, the Bill now before the Senate is the [Payroll Tax Amendment Act 2019](#). The purpose of the Bill is to amend the Payroll Tax Act 1995, the principal Act and the Payroll Tax Rates Act 1995, the Rates Act, to provide payroll tax relief to prescribed retailers and musicians and entertainers as announced in the 2019/20 national budget.

Madam President, the retail sector is an important part of Bermuda's economy and a major employer of Bermudians. Retailers committed to training and developing and providing many non-university educated Bermudians with a leg up and a career path advancement in sales, administration, accounting, marketing, buying and management. Also, retail employs a significant amount of seasonal and summer students. Without a strong retail presence, we cannot hope to attract either international business or tourism to Bermuda.

The Government is very much aware of the pressure on the retail sector. And in this regard, in 2010 a payroll tax concession was established for retail stores for the months of January, February and March, recognising that this is a slower period for retail. Madam President, further relief was provided to the sector in October of 2011, when 100 per cent payroll tax relief was granted during the recession.

Madam President, currently retail employers who have a payroll of \$1 million per annum or more pay payroll tax at the highest rate of 10.25 per cent and retail employers who have a payroll of \$500,000 to \$1 million per annum pay at the rate of 9 per cent. This compares to a rate of 6 per cent for the restaurant and hotel sectors. For employers who come in just below \$1 million annual payroll, this Act is a deterrent to hiring.

Madam President, the retail division of the Bermuda Chamber of Commerce have lobbied for this sector over the last several years and have noted that retailers simply cannot sustain their current level of operation if they have to pay 10.25 per cent, or 9 per cent payroll tax, and have advised that consolidation may take place and Bermudian jobs will be lost. Further consultation on this matter occurred during the prebudget process, Madam President.

Madam President, the Government has listened to the retail sector, and this amendment will

provide payroll tax relief to certain qualifying stores in the sector to maintain business operations and, hopefully, increase employment. In particular, the amendment will provide a rate of 7 per cent for an employer operating a qualifying retail store.

Madam President, a qualifying employer will be defined as a store or a group of stores whose payroll amounts exceed \$500,000 per annum that also has at least 50 per cent of sales for a tax period consisting of the following products: clothing, shoes, jewellery, and perfume. To obtain this relief, the employer will have to make an application in writing to the Tax Commissioner.

Madam President, any tax relief should be targeted to the businesses that need it the most, rather than across the board. The current estimate of revenue forgiven by this concession is less than \$1 million. If this relief was provided to the entire retail sector, Government would lose approximately \$16 million in payroll tax, which is not sustainable as we try to eliminate the deficit.

Madam President, the second part of this amendment is to provide payroll tax relief to musicians and entertainers. Madam President, entertainment plays a very important role in the culture and development of Bermuda. We have seen a decrease in entertainers and musicians over the years, who, at best, work six months of the year and during the season, very few, if any, work six to seven nights a week.

There was a time 25 years ago when a band could work exclusively for a hotel. That is no longer the case and has not been so for many years. Therefore, the Government will be providing a three-year payroll tax concession to independent musicians and all businesses that hire local musicians and entertainers, by removing the employer and employee payroll tax for the next three years.

The Government believes that this concession will encourage more businesses to hire local entertainers and encourage more Bermudians to become involved in this extremely important industry.

With that, Madam President, I conclude my introductory remarks. Thank you, Madam President.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Thank you, Senator Campbell.

And before I open the floor, I would just like to acknowledge the presence in the gallery of the Permanent Secretary of Tourism, welcome Aideen Pryse.

Would any Senator care to speak on this Bill?

Senator Kempe, you have the floor.

*[Payroll Tax Amendment Act, second reading debate, continuing]*



**Sen. Nicholas Kempe:** I will be very brief because I have mentioned this on multiple occasions and the reply and in the general economic debate, but what retail and all other business in Bermuda would like to see is more consumers and more stimulus rather than tax cuts for the select few.

**The President:** Would any other Senator care to speak on this Bill?

No? Then Senator Campbell, over to you.

**Sen. Vance Campbell:** Thank you, Madam President, and this Government would also like to see the jobs here for those people to come here.

Madam President, I move that the Bill entitled the Payroll Tax Amendment [Act 2019] be read a second time.

**The President:** Is there any objection to that motion?

No objection. Carry on, Senator Campbell.

*[Motion carried: The Payroll Tax Amendment Act 2019 was given a second reading.]*

#### SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?

No objection.

Carry on.

*[Motion carried: Standing Order 26 suspended.]*

### BILL

#### THIRD READING

##### PAYROLL TAX AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Payroll Tax Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.

Carry on.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Payroll Tax Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection.

The Bill is passed.

Thank you, Senator Campbell.

*[Motion carried: The Payroll Tax Amendment Act 2019 was given a third reading and passed.]*

**The President:** I think you have another one.

**Sen. Vance Campbell:** The next one as well, yes.

**The President:** Yes, carry on. This is the second reading of the Stamp Duties Amendment Act 2019.

### BILL

#### SECOND READING

##### STAMP DUTIES AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, the Government wishes the Senate to give consideration to the Bill entitled the [Stamp Duties Amendment Act 2019](#).

Madam President, Senators will recall that in the 2019/20 national budget, Government announced it will amend the [Stamp Duties Act 1976](#) in order to exempt from stamp duty the commercial transfer or assignment of a mortgage. It was also noted that following prebudget consultation with the real estate division of the Chamber of Commerce, it was proposed to increase stamp duty on all residential and commercial leases.

Madam President, in 2012, the Stamp Duties Act 1976 was amended in order to exempt from stamp duty the commercial transfer or assignment of a mortgage. Having noted that, Madam President, it is now proposed to clarify and amend this provision to restrict this concession to mortgages of \$750,000 or less.

Madam President, the reason for this restriction is simple. This Government has always believed that in order for a tax system to be fair and equitable, taxpayers who can afford it should be asked to pay more than those who cannot afford to.

Madam President, the second part of this amendment is a revenue-raising measure and it is proposed to increase stamp duty on all residential and commercial leases. Accordingly, Head 25 of the Schedule to the principal Act (stamp duty payable on leases and agreements for leases), to provide for a stamp duty payable on leases and agreements for leases to be calculated as 1.0 per cent of the aggregate rent for leases up to three years plus 0.5 per cent of the aggregate rent payable for any additional period beyond three years.

Madam President, the last time these rates were increased was in 2000, some 19 years ago. As mentioned previously, this was a proposal put forth by the real estate division of the Chamber of Commerce.

Madam President, one of the guideline principals of any good tax system is to avoid specific taxes expressed as fixed in value in Bermuda dollar terms in favour of *ad valorem* taxes expressed as a percentage of the selling price. Therefore, in order to provide some level of equity and fairness in stamp duty paid on rental leases, we propose to amend the Act as mentioned previously.

Madam President, 10 years ago Government collected just over \$46 million in stamp duty. This year we are forecasting \$29 million.

The Government recognises that some of this decrease relates to a decrease in real estate activity. However, to ensure that we are collecting all that is rightfully due, Government will be undertaking a comprehensive review of its stamp duty legislation, with a view to updating this legislation, and eliminating loopholes.

Madam President, Government has tried to be balanced and fair while strengthening the tax base with various revenue-raising measures, and it is important that all parties contribute their fair share of taxes.

Madam President, with that, I conclude my introductory remarks. Thank you, Madam President.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Thank you, Senator Campbell, and before I open the floor, again, I want to—with humble apologies—acknowledge the presence of the Chief Parliamentary Counsel, Mrs. Cathryn Balfour Swain. Welcome to the Senate.

Would any Senator care to speak on this Bill?  
Senator Kempe, you have the floor.

*[Stamp Duties Amendment Act 2019, second reading debate, continuing]*

**Sen. Nicholas Kempe:** Thank you, Madam President.

I specifically left out from the general economic debate on Monday, when I was going through some of the elements of doublespeak, this particular motion because I was curious as to how it would be repackaged and spun in the Senate. And I appreciate my colleague opposite for reframing this initiative from what was presented to us in the Budget Statement where, and if I may quote, Madam President—

**The President:** You may quote.

**Sen. Nicholas Kempe:** “In addition, as announced in the Throne Speech we will eliminate stamp duty on any mortgage refinancing for amounts up to \$750,000.”

Now, what that statement leads one to believe is that people were paying duty, stamp duty, on assignments and other things when they changed to a new bank. What this Act does is actually narrow the concession for assignments whereas before there was no upper limit and now it goes down to \$750,000. So, the exemption always existed, but it was announced as some brand-new deal. So, I appreciate the Minister clarifying here what was not framed correctly in the House.

The other challenge I have with this Bill is less of a political one and more of a technical one. Where the Stamp Duties Amendment Act 2019 says it amends Head 2 of the Schedule, it speaks specifically to aggregate rent. Now, that is wonderful if your rent term is specified in an exact value each year. But there are many rents that have some form of CPI, or call it adjustment, built into it and you simply cannot predict what that value is going to be each year for the duration of the Bill.

So, there has been a lot of talk about efficiency of Government and deregulation and ease of business, but I fear that the language used in this Bill will cause unnecessary bureaucratic backlog because of the use of this aggregate rent term.

Thank you, Madam President.

**The President:** Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Thank you, Madam President.

I had one question with respect to clause 3, in Head 31, (b) and it talks about the exemption and it says “after ‘mortgage’ insert of a total amount not exceeding \$750,000.”

The clarification I am seeking is so that if you seek to refinance a mortgage of say \$850,000, is this Act saying that the amount between zero and \$750,000 of the refinancing is exempt, but then you have to pay stamp duty on the amounts between \$750,001 and \$850,000? I am seeking some clarification on that.

I mean, it is obviously useful for somebody who has a mortgage of \$750,000. But if you are saying if they have got a mortgage they want to refinance and it was say \$775,000, then it does not give them anything? I am just trying to get some clarification on that.

Thank you, Madam President.

**The President:** Thank you, Senator Jardine.

Would any other Senator care to speak on this Bill?

No? Then, Senator Campbell, you have a couple of questions.

**Sen. Vance Campbell:** Thank you, Madam President.  
First, I would like to address the question posed by Senator Jardine, and the answer for that is no. So, there—

**Sen. James S. Jardine:** So, once you are above . . . sorry, Madam President—

**Sen. Vance Campbell:** Yes, once you are above \$750,000 . . . or \$750,000 and above there is no relief.

**Sen. James S. Jardine:** Thank you.

**Sen. Vance Campbell:** And to the comments made by Senator Kempe regarding the process, those comments will be taken on board and they will be looked at with a view to making them as simple as possible. With that, Madam President, I move that the Bill entitled the Stamp Duties Amendment Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?  
No objection. Carry on.

*[Motion carried: The Stamp Duties Amendment Act 2019 was given a second reading.]*

#### SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on.

*[Motion carried: Standing Order 26 suspended.]*

### BILL

#### THIRD READING

##### STAMP DUTIES AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Stamp Duties Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?  
No objection.  
Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Stamp Duties Amendment Act 2019 do now pass.

Is there any objection to that motion?  
No objection. The Bill has passed.  
Thank you, Senator Campbell.

**Sen. Vance Campbell:** Thank you, Madam President.

*[Motion carried: The Stamp Duties Amendment Act 2019 was given a third reading and passed.]*

**The President:** And I believe that—

**Sen. Vance Campbell:** I have the next one.

**The President:** Yes, indeed you do! Second reading—got you working tonight—the Exempted Partnerships Amendment Act 2019.

### BILL

#### SECOND READING

##### EXEMPTED PARTNERSHIPS AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the [Exempted Partnerships Amendment Act 2019](#) be now read a second time.

**The President:** Is there any objection to the second reading?  
No objection. Carry on Senator Campbell.

**Sen. Vance Campbell:** Thank you, Madam President.  
Madam President, Government wishes this Senate to give consideration to the Bill entitled the Exempted Partnerships Amendment Act 2019. This Bill provides for a revenue protection measure in support of Government's 2019/20 budget.

Madam President, Senators will recall that in 2019/20 national budget, Government announced legislation will be amended to increase company discontinuance fees from \$425, the current annual Government registration fee for the respective company. That rate, Madam President, is currently \$2,350.

Madam President, this proposal was put forward as part of the prebudget consultation process by one of the law firms. As with all proposals submitted during the prebudget process, the Government carefully considered this option and has determined that it meets the conditions required to protect Bermuda's tax base in a way which allows Bermuda to continue to be an attractive place to do business. When I read that, Madam President, I am like wow, you know. In other words, what we are just trying to say here is we will earn more from discontinuance fees, but it should not impact exempted partnerships from registering



here and that is because they are more concerned about the upfront registration fees than the discontinuance fees.

So, Madam President, this proposal provides that if an exempted partnership leaves Bermuda, Government will get the annual fee. I would like to thank the law firm and the legal profession in general that provided this submission, or their submissions, during the consultative prebudget process.

With those comments, Madam President, conclude my introductory remarks.

**The President:** Thank you, Senator Campbell.

Would any other Senator care to speak on this Bill?

No? Carry on then, Senator Campbell.

**Sen. Vance Campbell:** Thank you, Madam President.

Madam President, I move that the Bill entitled the Exempted Partnerships Amendment Act 2019, be now read a second time.

**The President:** Is there any objection to the second reading?

No objection. Carry on.

*[Motion carried: The Exempted Partnerships Amendment Act 2019 was given a second reading.]*

### SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?  
No objection.

*[Motion carried: Standing Order 26 suspended.]*

## BILL

### THIRD READING

#### EXEMPTED PARTNERSHIPS AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Exempted Partnerships Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Exempted Partnerships Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection.

The Bill is passed.

Thank you, Senator Campbell.

**Sen. Vance Campbell:** Thank you, Madam President.

*[Motion carried: The Exempted Partnerships Amendment Act 2019 was given a third reading and passed.]*

**The President:** We move on now to the consideration of the draft Regulations entitled the Government Fees Amendment Regulations 2019. I believe that is your Bill as well, Senator Campbell.

**Sen. Vance Campbell:** Yes, that is mine as well, Madam President.

**The President:** You are on a roll!

*[Laughter]*

## REGULATIONS

### GOVERNMENT FEES AMENDMENT REGULATIONS 2019

**Sen. Vance Campbell:** Madam President, I move that the Senate do now take under consideration the draft Regulations entitled the [Government Fees Amendment Regulations 2019](#).

**The President:** Is there any objection to that motion?  
No objection. Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, by way of standing policy, Government reviews the fees on a regular basis to ensure that there is reasonable cost recovery for the provision of the various services offered by a range of Government departments. Accordingly, a biannual review of Government fees is conducted with the last review being in 2018.

On occasions there is need to amend fees based on justifying situations in between the review period. The Government Fees Amendment Regulations 2019 represents increases in these respective fees. In total, four of the 81 heads, included in the current 2018 Government Fees Amendment Regulations are being amended.

Madam President, each of these four heads included in these Regulations identifies the principal Act wherein the authority exists to permit the charging of each of the fees set out in the Regulations. Each of the fees, therefore, makes reference to a section in the principal Act where the specific authority exists for the charging of a particular fee. Madam President, the

four heads have a combination of revisions to existing fees, and additional provisions have been added as follows:

Head 16, Companies Act [1981], provisions 32 and 40A. As part of the prebudget consultation, a proposal was put forth by a law firm to adjust discontinuance fees so that they are on par with annual fees. What this means, Madam President, is that if an exempted company leaves Bermuda, Government will get the annual fees. It is noted that other jurisdictions charge up to three times the current annual registration fees. This adjustment is consistent with the change made under the Exempted Partnership Amendment Act 2019 that we just passed.

Head 22, Dogs Act 2008, provisions 1 through 6. This amendment is to correct errors in the Dogs Amendment Act 2018 that came into effect October 1, 2018.

Head 40, Limited Liability Company Act 2016, provisions 7 and 9A. Again, this is to maintain the consistency that we spoke about for the Exempted Partnerships Amendment Act 2019 and above for Head 16.

And finally, the fourth, Madam President, is Head 61, the Public Lands Act 1984, provisions 6 through 8. This amendment is to allocate fees amongst the various classes of vehicles which utilise the tipping services at Marsh Folly and the airport.

With that, Madam President, I conclude my introductory remarks. And, thank you, Madam President.

**The President:** Thank you, Senator Campbell.

Would any Senator care to speak on this Bill? No? Senator Campbell, it is over to you.

**Sen. Vance Campbell:** Madam President, I move that the said draft Regulations be approved and that the following message be sent to His Excellency the Governor.

**The President:** Is there any objection to that motion? No objection.

**Sen. Vance Campbell:** “May it please Your Excellency: The Senate, having had under consideration the draft Regulations entitled the Government Fees Amendment Regulations 2019, proposed to be made by the Minister of Finance under the provisions of Section 2 of the Government Fees Act 1965, has the honour to inform Your Excellency that the Senate has approved the said draft Regulations.”

Thank you, Madam President.

**The President:** Thank you, Senator Campbell.

Is there any objection to the message being sent to the Governor?

No objection. Agreed to.

Thank you, Senator Campbell.

**Sen. Vance Campbell:** Thank you, Madam President.

*[Motion carried: The Government Fees Amendment Regulations 2019 were approved.]*

**The President:** We now have the second reading of the Bermuda Tourism Authority Amendment Act [2019] and I believe that is Senator Caesar.

You have the floor.

## BILL

### SECOND READING

#### BERMUDA TOURISM AUTHORITY AMENDMENT ACT 2019

**Sen. Crystal Caesar:** Yes, thank you, Madam President.

Madam President, I move that the Bill entitled the [Bermuda Tourism Authority Amendment Act 2019](#) be now read a second time.

**The President:** Is there any objection to that motion? No objection. Carry on.

**Sen. Crystal Caesar:** Madam President, the purpose of the Bill before the Senate today is to make amendments to the Bermuda Tourism [Authority] Act 2013, or the “Act,” to introduce a new fee for cruise ship passengers and to make consequential amendments.

The Act provides for a number of funding mechanisms for the Bermuda Tourism Authority, or the BTA, including appropriations by the Legislature, money received by way of fees, payments or commissions, and grants.

In terms of fees, currently the BTA receives a Tourism Authority fee paid by hotel proprietors in respect of each guest staying at a hotel which is 4.5 per cent of the rack rate charge, and a vacation rental fee paid by proprietors or agents of vacation rental units which is 4.5 per cent of the rack rate charge.

In reviewing the taxes and charges paid by cruise ships and cruise ship passengers, the Government determined that there was a scope for a fee to be charged to cruise visitors that would be payable to the BTA. This would take it a step closer to being a self-funding body and reduce the need for the activities of the BTA to be funded out of the Consolidated Fund.

Madam President, the purpose of the new cruise ship passenger fee is to support destination marketing and on-Island product and experience development by the BTA. Honourable Senators might question whether the new fee, together with the revamped tax structure is appropriate. I can assure the Senate that the following matters were taken into consideration when making this decision:

- Bermuda is usually a single-port destination that is lucrative for cruise lines.
- Bermuda does not have a sales tax.
- There is an unmet demand for access to Dockyard, should one of our existing cruise partners step aside.

A summary of the amendment is as follows:

First, Madam President, the Act adds a cruise ship passenger fee to the passenger departure tax, and large ship infrastructure tax as a charge that is payable to the BTA in the amount of \$16 per passenger. This applies to ships visiting Bermuda between April 1<sup>st</sup> and October 31<sup>st</sup>.

Second, the amendment Act specifies the exemptions that apply. For example, children under two years of age, officers and crew of the passenger ship, and passengers on a ship that arrives in Bermuda due to distress or emergency.

Third, Madam President, the amendment Act sets the penalty for failing to comply with the requirement to pay the cruise ship passenger fee, upon conviction in court, at a maximum fine of \$80,000.

Madam President, the final provisions of the amendment Act pertain to the consequential amendments made to the Act in respect of the cruise ship passenger fee and the vacation rental fee, the latter being a housekeeping matter.

Thank you, Madam President.

**The President:** Thank you, Senator Caesar.

Would any Senator care to speak on this Bill?  
No? Then, Senator Caesar.

**Sen. Crystal Caesar:** Thank you, Madam President.

Madam President, I move that the Bill entitled the Bermuda Tourism Authority Amendment Act 2019 be now read a second time.

**The President:** Is there any objection to the second reading?

No objection.

Carry on.

*[Motion carried: The Bermuda Tourism Authority Amendment Act 2019 was given a second reading.]*

### SUSPENSION OF STANDING ORDER 26

**Sen. Crystal Caesar:** Thank you, Madam President.

I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?

No objection.

Carry on.

*[Motion carried: Standing Order 26 suspended.]*

## BILL

### THIRD READING

#### BERMUDA TOURISM AUTHORITY AMENDMENT ACT 2019

**Sen. Crystal Caesar:** Madam President, I move that the Bill entitled Bermuda Tourism Authority Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.

**Sen. Crystal Caesar:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Bermuda Tourism Authority Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection.

The Bill is passed.

Thank you, Senator Caesar.

*[Motion carried: The Bermuda Tourism Authority Amendment Act 2019 was given a third reading and passed.]*

**The President:** Then we have the final Order which is consideration of draft Regulations entitled the Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations 2019.

That is your Bill?

**Sen. Crystal Caesar:** Yes, Madam President.

**The President:** Carry on, then.

## REGULATIONS

#### BERMUDA IMMIGRATION AND PROTECTION (LAND-HOLDING CHARGES) AMENDMENT REGULATIONS 2019

**Sen. Crystal Caesar:** Madam President, I move that the Senate do now undertake consideration of the draft regulations, entitled the [Bermuda Immigration and Protection \(Land-Holding Charges\) Amendment Regulations 2019](#).

**The President:** Is there any objection to that motion?

Carry on, Senator Caesar.

**Sen. Crystal Caesar:** Thank you, Madam President.

The Bill before the Senate is the Bermuda Immigration and Protection (Land-Holding Charges)

Amendment Regulations 2019, and Members may recall that the Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations 2013 were introduced by the previous administration as a tax initiative aimed at stimulating economic activity and employment by way of the temporary reduction in licence fees for non-Bermudian purchase of Bermuda property, currently due to expire on March 31<sup>st</sup>, 2019.

This Bill, Madam President, seeks to extend the concession for a further 24 months until March 31<sup>st</sup>, 2021. This means that the current licence fee rates of 12.5 per cent of the value of the property purchased by non-Bermudians, 8 per cent for condominiums not used for tourism purposes, and 6 per cent for PRC holders will be extended for this period.

During this extension the Government will evaluate the effectiveness of these concessions on property sales.

Thank you, Madam President.

**The President:** Thank you, Senator Caesar.  
Would any Senator care to speak on this Bill?  
No? Senator Caesar, carry on.

**Sen. Crystal Caesar:** Thank you, Madam President.  
I move that the said draft Regulations be approved and that the following message be sent to His Excellency the Governor:

“May it please Your Excellency: The Senate, having had under consideration the draft Regulations entitled the Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations 2019, proposed to be made by the Minister responsible for Immigration under the provisions of Section 102C(1)(a) of the Bermuda Immigration and Protection Act 1956, has the honour to inform Your Excellency that the Senate has approved the said draft Regulations.”

**The President:** Is there any objection to that motion?  
No objection. A suitable message will be sent.  
Thank you, Senator Caesar.

*[Motion carried: The Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations 2019 were approved.]*

## MOTIONS

**The President:** There are none.

## CONGRATULATORY AND/OR OBITUARY SPEECHES

*[Crosstalk and laughter]*

**The President:** You have all been warned!

*[Laughter]*

**The President:** Would any Senator care to speak on congratulatory and/or obituary speeches?

Senator Kempe—I was just going to call your name.

**Sen. Nicholas Kempe:** No, nothing.

**The President:** No one?

Then we move on to item number . . . am I missing something? Did somebody want to speak on this?

No. Then, adjournment . . . no congrats, no obits?

So Senator Attorney General, adjournment—

## ADJOURNMENT

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I move that the Senate do now adjourn until Friday, March 22.

**The President:** Senators, would anyone—would any Senator care to speak on the motion to adjourn?

No?

*[Laughter]*

**The President:** Therefore, the Senate stands adjourned until Friday, March the 22<sup>nd</sup>.

*[At 9:02 pm, the Senate stood adjourned until 10:00 am, Friday, 22 March 2019.]*

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**BERMUDA SENATE****OFFICIAL HANSARD REPORT****22 MARCH 2019****10:01 AM***Sitting Number 10 of the 2018/19 Session*

*[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]*

**The President:** Good morning, Senators.  
The Senate is in session.  
Shall we pray?

**PRAYERS**

*[Prayers read by Hon. Joan E. Dillas-Wright, President]*

**CONFIRMATION OF MINUTES**

*[Minutes of 14 March 2019]*

**The President:** Item number 2, the Minutes of the 14<sup>th</sup> and the 18<sup>th</sup> and 20<sup>th</sup> of March 2019.

**Sen. James S. Jardine:** Madam President.

**The President:** Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Madam President, I move that consideration of the Minutes of the meetings of Thursday, the 14<sup>th</sup> of March 2019 be taken as read, and that consideration of the Minutes of the meetings of Monday, the 18<sup>th</sup> of March and Wednesday, the 20<sup>th</sup> of 2019, be deferred.

**The President:** Is there any objection to that motion?  
No objection.  
Senator Jardine, continue

**Sen. James S. Jardine:** Madam President, I move that the Minutes of the meetings of Thursday, the 14<sup>th</sup> of March 2019 be confirmed as the correct record of that meeting.

**The President:** Is there any objection to that motion?  
No objection.  
The Minutes of the 14<sup>th</sup> of March are confirmed. Thank you, Senator Jardine.

*[Minutes of 14 March 2019 confirmed.]*

**MESSAGES**

**The President:** Item number 3, Messages.  
Clerk.

**The Clerk:** There are no messages, Madam President.

**The President:** Thank you.

**REPORTS OF COMMITTEES**

**The President:** There are none.

**ANNOUNCEMENTS**

**The President:** There are none.

**NOTICES OF MOTION**

**The President:** There are none.

**PETITIONS**

**The President:** There are none.

**STATEMENTS**

**The President:** There are none.

**INTRODUCTION OF BILLS**

**The President:** There are none.

**FIRST READING OF PUBLIC BILLS**

**The President:** There are none.

**FIRST READING OF PRIVATE BILLS**

**The President:** There are none.

**QUESTION PERIOD**

**The President:** There are none.

**ORDERS OF THE DAY**

**The President:** The Orders of the Day, Senator Campbell, will you speak to that?

**Sen. Vance Campbell:** Good morning, Madam President.

**The President:** Good morning.

**Sen. Vance Campbell:** I move that the Senate resolve itself into a Committee of the whole for the further consideration of the Appropriation Act 2019, together with the Estimates of Revenue and Expenditure for the [fiscal] year 2019/20.

**The President:** Is there any objection to that motion?  
No objection.

We will now go into Committee. And I will ask Senator Jardine to take the Chair. Thank you, Senator Campbell.

### Senate in Committee at 10:04 am

[Sen. James S. Jardine, Chairman]

## COMMITTEE OF SUPPLY

### ESTIMATES OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR 2019/20

**The Chairman:** Senators, the Senate is now in Committee of the whole for further consideration of the Appropriation Act 2019, together with the Estimates of Revenue and Expenditure for the [fiscal] year 2019/20.

The first Ministry and heads that we will be debating this morning, is the Ministry of Education. We will be debating Heads 16, 17, and 41. Senator Hayward is responsible for presenting these heads on behalf of the Government, and we will start with Head 16, which is found on page B-141. And three hours have been allocated for this debate.

Senator Hayward, you have the floor.

## MINISTRY OF EDUCATION

**Sen. Jason Hayward:** Mr. Chairman, I move that the Committee do now take under consideration: Head 16, Ministry of Education Headquarters; Head 17, Department of Education; and Head 41, Bermuda College,

**The Chairman:** Thank you, Senator. Please continue.

**Sen. Jason Hayward:** Mr. Chairman, today I am pleased to present the budget of the Ministry of Education, which comprises the Ministry of Education Headquarters, Head 16; the Department of Education, Head 17; and the Bermuda College, Head 41.

Mr. Chairman, the 2019/20 budget for the Ministry of Education of \$136,950,000 is found on page B-140 of the Estimates of Revenue and Expenditure for the year 2019/20. This represents an

increase of \$239,000 compared with the 2018/19 original budget. However, as a result of the transfer of the Department of Workforce Development to the Ministry of Labour, Community Affairs and Sports, and the discontinuation of the Community Education and Development Programme, the true net increase in the budget for the Ministry of Education is \$552,000.

## HEAD 16—MINISTRY HEADQUARTERS

**Sen. Jason Hayward:** Mr. Chairman, I will commence the budget debate by detailing the expenditure for the Ministry of Education Headquarters.

The mission of the Ministry Headquarters, which is found on page B-141 is: *To provide strategic leadership, supervision, and policy direction for the support of a transformative public school education system and lifelong learning for all children and adults.*

Mr. Chairman, the Ministry of Education Headquarters has been allocated a budget of \$3,579,000 for the 2019/20 fiscal year.

### Programme 1601—General Administration

**Sen. Jason Hayward:** Within Programme 1601—business unit 26000, General Administration, [\$1,037,000] will support the administrative functions of the Ministry. This increase of \$368,000 comprises additional salaries of a ministry comptroller (who was transferred from another Ministry) and two officers whose salaries were previously accounted for under the discontinued Community Education Development Programme.

Mr. Chairman, business unit 26080, which funds Grants to External Bodies, has been allocated \$1,116,000, an increase of \$479,000. Of this total \$279,000 has been set aside to fund a merit-based College Promise programme to award public school graduates with a GPA of 3.0 or higher with scholarships to attend the Bermuda College. These monies will be provided on an as-needed basis.

Mr. Chairman, \$1,426,000 has been set aside for business unit 26090 for the administration of the Ministry's Annual Scholarships and Awards Programme. The increase of \$206,000 allows for additional awards to be granted for teacher training, exceptional students, mature students, and further education awards.

Mr. Chairman, in 2018 approximately 389 applications were received from students requesting financial support. The Ministry funded a total of 14 Bermuda Government scholarships comprised of new and existing scholarships; a total of 5 non-traditional student awards; 6 teacher education scholarships; and 33 further education awards. Also, in response to community feedback received, the Ministry Awards were further extended and awarded to include: four Minister Achievement Scholarships; two Merit Scholarships, three Applied Tech[nology] Scholarships, four

Exceptional Student Awards, three Technical and Vocational Awards, and six Bermuda College Book Awards.

Mr. Chairman, on page B-142, the Subjective Analysis of the Current Account shows all line items of expenditure lower than in the 2018/19 fiscal year estimate. The decreases are all directly related to the discontinuance of the Community Education Development Programme as a portion of the salary and operational costs moved along with the Department of Workforce Development to the Ministry of Labour, Community and Sports.

Mr. Chairman, the last line item of \$2,411,000 has been budgeted for the distribution of External Grants and Scholarships and Awards. This is an increase of \$674,000. Of this total, \$537,000 has been budgeted for Grants to External Bodies to assist in providing educational services and programmes to schools. This is in line with the previous year's spend. Equally, the remaining monies, as mentioned earlier, has been set aside to fund a merit-based College Promise programme for public school students to attend the Bermuda College. The full detail of this allocation can be found on page C-17 of the Budget Book.

Mr. Chairman, the number of full-time equivalents [FTE] in the Ministry of Education Headquarters increased from three FTEs to seven FTEs. The additional four FTEs reflect two posts transferred from the discontinued Community Education and Development Programme, a policy analyst, and a ministry comptroller.

Mr. Chairman, I am grateful to the Ministry Headquarters team under the leadership of the Permanent Secretary, our policy analyst, the ministry comptroller, the scholarships and awards programme manager, the administrative accounts officer, and the Minister's executive assistant. All have provided excellent technical and administrative support. I am pleased that the team of professionals are diligent and committed to deliver the Ministry's mandate and policy initiatives.

Thank you, Mr. Chairman, and this concludes my presentation of the budget for the Ministry of Education Headquarters.

**The Chairman:** Thank you, Senator.

## HEAD 17—DEPARTMENT OF EDUCATION

**Sen. Jason Hayward:** Mr. Chairman, I will now present the budget for Head 17, the Department of Education, and also speak to the Department of Education's plans for the upcoming year.

The vision of the Department of Education as outlined on page B-144 is: *To see all students educated to lead personally and professionally, contribute locally, and compete globally.*

Mr. Chairman, the mission of the Department of Education is: *To provide all students with an equitable access to holistic, high-quality instruction that is culturally relevant and empowers students to reach their full potential.* Mr. Chairman, our vision and our mission are captured in the strategies that are being executed for Plan 2022.

Mr. Chairman, a multi-year strategic plan, Plan 2022, is steering public school education. Plan 2022 will enable the achievement of the department's mission and vision for the execution of strategies that fall under five priority areas which focus on:

1. increasing academic rigour and student engagement;
2. ensuring career and college and workforce readiness;
3. enhancing the quality of teacher practice and system leadership;
4. improving infrastructure and instructional resources; and
5. ensuring system success.

Mr. Chairman, we are confident that Plan 2022, a plan which was developed through the collation of over 3,000 pieces of information from participants and stakeholders in a consultative process, and one which identifies the way forward for public education in Bermuda, will help to better meet the needs of our children.

Mr. Chairman, 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 success for our students. As promised, Plan 2022 did not sit on a shelf, nor did it collect dust after it was shared with the community in December 2017. Plan 2022 is a living and working document that will steer public school education in the years to come. Therefore, costs must be allocated to the strategies within the Plan to ensure that we continue the momentum that we have already gained.

Mr. Chairman, page B-140 shows that a total of \$114,243,000 has been allocated to the Department of Education for fiscal year 2019/20. This is in line with the 2018/19 fiscal year. The nil increase does not, however, tell the full story. The department has undertaken a full review of its budgeted costs and vacant salary positions for the 2019/20 fiscal year to achieve greater efficiency. As a result of this exercise, roughly \$2,300,000 will be reallocated toward key strategic deliverables identified as priorities for Plan 2022. These initiatives are as follows:

- At the preschool level an expenditure of \$327,000 will support the implementation of an ASD programme, enable the introduction of foreign languages to expand learning opportunities, support programmes to educate parents, and cover the cost of an Early Childhood Quality Assurance Officer to provide



professional training and coaching for pre-school teachers.

- At the primary level \$770,000 will be spent to cover the cost of continuing the STEAM education programme, inclusive of professional development training for teachers, updating the social studies curricula, and expanding the literacy programme to focus more on students' literary skills.
- A total of \$473,000 will be used to continue the implementation of a Standards-Based [Grading] education system covering the department and site-based professional development training; and roughly \$539,000 will be set aside to address the urgent need to increase the bandwidth for schools at the primary and middle school levels.
- At the senior level \$129,500 will enable the continuation and expansion of the City & Guilds Programme in English and mathematics and support the introduction of a virtual job shadow programme to create a unique experience for students as part of the Career Pathway Programme.

Mr. Chairman, the Department of Education staff continues the execution of the strategies supporting Plan 2022. Currently, we are in the process of preparing an annual report to inform the community as promised on the progress made during the past year of implementing Plan 2022.

Mr. Chairman, I move on to highlight the expenditures of each business unit that falls under Head 17, on page [B-]147. However, as mentioned earlier, the identified savings of \$2.3 million that will be reinvested into initiatives will not be reflected within the Budget Book line item estimates as reallocations will occur once the 2019/20 estimates have been approved.

### Programme 1701—Central Administration

**Sen. Jason Hayward:** Mr. Chairman, I will begin with the analysis of Central Administration. This includes the costs of salaries for the administrative personnel and system leaders who function to lead, support, and monitor the work that takes place at the Department of Education and in our schools.

Mr. Chairman, the monies budgeted for the upcoming year for business unit [27000], General Administration, will cover the inventory purchases of educational and office supplies for the school year. There is no change in expenditure for the fiscal year 2019/20.

Mr. Chairman, business unit 27001, holds the budget of the Office of the Commissioner and primarily funds the salaries of the Commissioner of Education and two direct reports, the Director of Academics, and the Director of Educational Standards and Accountability. The administrative and operational costs

to support the Office of the Commissioner are also included, and these costs have been reduced marginally year on year. The Commissioner of Education and direct reports will be responsible for overseeing, monitoring, and reporting on the progress of work carried out in the department and the delivery plans for Plan 2022 as executed by department sections in our schools.

Mr. Chairman, business unit 27030, Human Resources, funds the salaries of eight professional, technical, and administrative staff in the Human Resources Section who deliver Human Resource functions and services to both the department and public schools. In support of Plan 2022, the Human Resources Section focuses their efforts on key job responsibilities, specifically as it relates to Priority 3—“Enhancing the Quality of Teacher Practice and System Leadership.”

Mr. Chairman, a total of \$985,000 has been allocated to this section to support priority initiatives consistent with the previous year.

Mr. Chairman, in 2019/20, funding for business unit 27031, School Improvement, remained in line with the previous year's budget of \$686,000. These funds will be used to provide a major source of funding for training and professional development arising from Plan 2022 and school improvement plans, training which is necessary to enhance the skills and competency of our teachers, educational staff, and school leaders. In support of Plan 2022, Strategy 1.5.2, a new school improvement plan format has been developed which captures data to monitor student performance and gains over time and key performance measurements for the department.

Mr. Chairman, business unit 27090, Educational Standards and Accountability, has oversight for [our] 18 primary schools, 5 middle schools, 2 senior secondary schools, 1 special school, and 2 alternative programmes. This team comprises assistant directors who supervise school principals and programme coordinators to ensure quality teaching and effective leadership in our schools and programmes.

The work carried out by the assistant directors is essential for the growth and development of school leaders and overall school improvement. In upcoming years this team will ensure that principal evaluations are in place and begin the work on principal certification, and develop and implement a succession plan strategy for future principal leadership roles.

Mr. Chairman, business unit 27095, School Attendance, funds the salaries of a school registration and attendance coordinator and four school attendance officers. It is the responsibility of this section to ensure that children of compulsory school age are in school on a daily basis. The school registration and attendance coordinator oversees the annual school registration process for the enrolment of children in all public schools. The coordinator also carries out a re-

view of the registration process each year to ensure improvements in the process for the following year.

The coordinator requires monthly attendance reporting by principals, conducts audits of school attendance data to determine each school's progress in reducing chronic absences, one of the key outcomes of Plan 2022 and a development performance measure for schools. In 2019/20, the budget for this unit remains relatively the same as 2018/19 at \$340,000.

Mr. Chairman, schools need to ensure that quality teaching and learning experiences take place when teachers are sick or on leave. The funds allocated for business unit 27160, Substitutes, has decreased by \$2,416,000, but has been offset by an equal increase in business unit 27079, Paraprofessionals, of \$2,147,000. Several paraprofessionals were initially hired using the Substitutes budget; however, these positions have now been shifted to business unit 27079 to accurately reflect the cost of providing paraprofessional services.

Mr. Chairman, the overall budget for the Central Administration programme is \$4,455,000 for the 2019/20 fiscal year, which is considerably lower than the previous year's budget due primarily to the reallocation between the Substitutes and Paraprofessionals budgets.

### **Programme 1702—Student Services**

**Sen. Jason Hayward:** Mr. Chairman, let me shift to programme 1702, Student Services.

The Student Services Section facilitates the provision of 13 programmes that support the diverse and exceptional needs of our student population.

Mr. Chairman, business unit 27061, Behavioural Management, funds behavioural therapists for preschool and primary schools, as well as one Education Officer for Behavioural Management. In addition, the fund covers our Alternative Education Programme, which facilitates suitable alternative education environments for students with behaviour challenges.

As we implement Plan 2022, educational therapists will play a critical role in creating a comprehensive, system-wide, positive behaviour framework based on international best practices in support of Plan 2022, Strategy 1.4.9. Further, as outlined in Plan 2022, [Strategy] 1.4.5 we have begun the research for alternative school models in preparation for transforming our current Alternative Education Programme. The ultimate aim of this process is to ensure that our alternative models are aligned with the most current research and based on student needs.

The 2019/20 budget for this business unit will increase by \$85,000 to hire an educational therapist.

Mr. Chairman, business unit 27063 includes our school psychologists who support administrators and address student needs in areas of behaviour, mental health, and learning. They deliver comprehensive psycho-educational evaluations; provide consul-

tations, short-term counselling, and intervention and preventive services across the system. They are engaged in and are valuable resources for schools as it relates to the Multi-Tier System of Support (or MTSS) process, a Plan 2022 System Priority of Strategy 1.4.6. The 2019/20 budget will increase by \$105,000 reflecting a reallocation of a school psychologist post from business unit 27072.

Mr. Chairman, business unit 27064, the Adaptive Physical Education programme, is a developmentally appropriate physical education programme delivered by three teachers that helps students with diverse needs get active and stay active by providing the adaptive support necessary to integrate them into regular physical education programmes. Physical education lessons are implemented on an individual basis in small groups and within regular physical education settings. Students receive adaptive physical education services, and have individualised education plans with goals and objectives which are in line with the physical education curriculum.

The business unit 27065 is the Deaf and Hard-of-Hearing Programme which provides students with academic instruction, and they also collaborate with classroom teachers to ensure that teaching and learning is effective and student needs are met during academic instruction. Funds budgeted for this business unit are for salaries, disability specific resources and materials, hearing aids and equipment, and consultant services. Some funds will also be used for professional development.

Mr. Chairman, [business unit] 27066 is the Vision Business Unit. Students with visual impairment have unique educational needs. In order to meet their unique needs students must have specialised services, books, and materials in appropriate media including Braille, as well as specialised equipment and technology to ensure equal access to the core and specialised curricula, and to enable them to most effectively compete with their peers in school and, ultimately, in society.

Mr. Chairman, the business unit 27071, Office Support, serves as the Secretariat for the Student Services Section and funds the salaries of the Assistant Director of Student Services, two administrative assistants, and seven learning support teachers. The increase of \$170,000 reflects two additional funded posts which are due to the regularisation of a duplicate position number.

The department's Counselling Programme, 27072, is a comprehensive developmental school counselling programme based on an international model with four components: classroom guidance; core curriculum; individual planning; response services; and system support. More specifically, school-based counselling programmes provide early intervention, crisis intervention and prevention, treatment and promotion of positive social and emotional development.

This business unit funds the salaries of an education officer and counsellors at the preschool/primary and middle school level. Salaries for senior school counsellors are funded from the senior school budget. During the 2019/20 school year, counsellors will continue to allocate their time delivering social/emotional lessons focused on decision-making and coping skills, academic educational plans, individual and group counselling, coordinating services with community members, and supporting initiatives listed in Plan 2022.

Mr. Chairman, business unit 27074, Learning Support, funds two education officers for special education and learning support, in addition to close to 40 learning support teachers who provide services in our preschool, primary, and middle schools, Dame Marjorie Bean Hope Academy, and our trauma responsive programmes at our primary, middle, and senior Success Academies. This funding also includes assessment materials needed to ensure appropriate diagnosis of students with special needs. This business unit increased by \$252,000, reflecting two learning support teacher posts.

In the upcoming year, the department will begin to focus on laying a foundation for the implementation of the inclusive and special education policy, and strengthen the framework to ensure students with exceptionalities have their needs better addressed.

Mr. Chairman, business unit 27076 reflects the funding for the salary of the Education Officer for Early Childhood Education and an operational budget for the Early Childhood Section. Funds will be used to hire an Early Childhood Quality Assurance Officer to support preschools and to provide professional training and coaching. Professional development will focus on implementing the creative curriculum, the inquiry model, authentic assessment, the SEE-KS Programme, and training to strengthen the MTSS process for children on the autism spectrum.

Mr. Chairman, business unit 27079 provides for the delivery of paraprofessional services for our students who have a diverse range of learning needs. The paraprofessionals provide instructional support, ensure protection and safety, and provide support for transition and life skills for children with special needs. This includes providing adequate support for students with physical exceptionalities, including deafness and visual impairments. Further, during this school year and in alignment with Plan 2022, we will lay the groundwork for developing standards for paraprofessionals who will also participate in specialised training to better equip them for supporting students with exceptionalities. As previously mentioned, the increased budget in this business unit is a direct offset with the reduction of the budget for the Substitutes programme.

Mr. Chairman, the business unit 27083, Autism Spectrum Disorder, or ASD, funds salaries for

teachers and those paraprofessionals who serve students with autism within the ASD programmes at three primary schools, one middle school, and one senior school. The funding also covers operational costs for equipment repairs, maintenance, and supplies. The 2019/20 budget of \$687,000 will fund these costs and also costs for autism training for all teachers and paraprofessionals.

Mr. Chairman, the business unit 27084, Alternative Education, funds the operation of the Alternative Education Programme and two Success Academies. Funds are also used for the Department of Education partner programmes which offer additional alternative programme choices for our students. During this year, as outlined in Plan 2022, staff have begun to explore alternative education school models that are based on research and the evidenced needs of students.

Mr. Chairman, the Student Services Section provides an extensive range of educational services for our students with exceptionalities. The total budget allocated for programme 1702, for the 2019/20 fiscal year, is \$19,755,000.

### **Programme 1703—Finance and Corporate**

**Sen. Jason Hayward:** Mr. Chairman, I would like to now focus on programme 1703, the Finance and Corporate Section of the Department of Education.

Business unit 27002 supports staff in the Financial Administration Section. They include a department comptroller, financial services manager, a payments supervisor, a salaries supervisor, a salaries clerk, three accounts clerks, and a messenger. This section is responsible for providing financial advice to senior management; cost-effective and responsive financial services to support Plan 2022 Priority 5; procurement and contracting services; and corporate planning solutions to the department's management, employees, and schools.

Under the direction of the department's comptroller, this office coordinates the payment of salaries for approximately 1,130 educators and department staff, and pays all suppliers and vendors for goods and services purchased, as well as organises the collection of receivables. This office will play a key role in finding ways to reduce non-instructional costs and to identify cost inefficiencies.

Mr. Chairman, Office Accommodation, business unit 27003, funds the salary of the office receptionist, annual rent, office maintenance, electricity and communication costs of the Church Street Building where the Department of Education is physically located.

Business unit 27040, Educational Stores, supports the salaries of five staff. The Stores Section provides centralised purchasing, inventory management and distribution services to all public schools, the Bermuda College, and other government depart-

ments, such as, the Ministry of Youth and Sport. We have completed an analysis of Stores operational efficiencies in support of Plan 2022 Priority 5 and we will now review the findings and develop a plan for the most efficient and effective way of delivering these services.

Mr. Chairman, business unit 27041 funds the salaries of three bus drivers and two bus attendants, who provide transportation for children who attend the Dame Marjorie Bean Hope Academy and for students in our ASD programme at different schools. Also included in these funds are the salaries for two groundsmen who maintain school sports fields; and one Labour, Transport, and Safety Officer. This section also funds the costs to maintain the department's motor fleet.

Mr. Chairman, business unit 27042, Buildings, Grounds, and Equipment, funds the salary of the Facilities Manager who will play a pivotal role in the school inspections and research guidelines for providing modern educational facilities, as stated in Plan 2022.

Mr. Chairman, the final business unit 27050, for the Finance and Corporate Programme, is Information Technology Support. One of the major achievements for this team last year was the installation of Wi-Fi in all primary schools. The focus of the work in the new fiscal year will see the installation of a broadband fibre optic network to all pre, primary and middle schools. This team will simplify the IT structure and create a high quality availability data centre, develop more efficient and effective channels for using PowerSchool, and ensure greater IT mobility and access to correct information for our user community.

Mr. Chairman, the Finance and Corporate Section provides key services for our public schools and has been allocated \$6,239,000 for the 2019/20 fiscal year.

#### Programme 1704—Preschools

**Sen. Jason Hayward:** Mr. Chairman, I now turn to page B-146, line item 1704, which is the programme for our 10 preschools.

The 2019/20 budget for all preschools is \$4,752,000. Ninety per cent the preschools budget funds salaries. Ten per cent of the budget is used for operational costs such as electricity, part-time cleaners, phones, office equipment rental, and drinking water. Funds will be used for training and development of our preschool administrators and teachers with an emphasis on SEE-KS training, Social Emotional Engagement—Knowledge and Skills.

#### Programme 1705—Primary Schools

**Sen. Jason Hayward:** Mr. Chairman, the next programme is 1705, Primary Schools, for which we have a budget allocation in the 2019/20 budget of

\$30,073,000. The primary school staff have participated in professional learning focused on Standards-Based Grading and will continue over the next four years.

Mr. Chairman, seven more primary schools are also implementing the Engineering is Elementary curriculum this school year in support of the STEAM education and Plan 2022 Strategies 2.9.5 and 1.1.4.1. In addition to the summer STEAM [Academy] held in July 2018, we also offered a STEAM Academy in October 2018.

Madam Chairman . . . Mr. Chairman, Business unit 27120—

**The Chairman:** Sorry, Senator, I know who you are referring to.

*[Laughter]*

**Sen. Jason Hayward:** —Dame Marjorie Bean Hope Academy, provides services to students who have severe to profound multiple challenges. The main focus of the programme at Dame's [Academy] is to increase students' independence and to help them achieve their ultimate potential. During the fiscal year 2019/20, this cost centre will be funded with a budget of \$734,000 to provide quality services for our students.

#### Programme 1707—Middle Schools

**Sen. Jason Hayward:** We now turn to page B-147, [programme] 1707, relating to Middle Schools.

Middle School staff participated in professional learning for Standards-Based Grading and are focused on improving their grading and assessment practices in alignment with Standards-Based Grading. All five middle schools are offering enrichment programmes in support of Plan 2022 Strategy 1.1.4.3. Mr. Chairman, the total 2019/20 budget allocation for the five middle schools is \$17,135,000.

Also, Mr. Chairman, you will recall that this Government promised in its election platform to reform public education by phasing out middle schools and introduce signature schools that focus on the learning styles and interests of our children, including, academic, technical, the trades, business, sports, arts and special needs education.

To date, several stakeholders have been consulted and research has been undertaken and findings collated. The next step will be to use the feedback and information acquired to steer a round table on determining options on how to move forward with this initiative.

#### Programme 1708—Senior Schools

**Sen. Jason Hayward:** Mr. Chairman, programme 1708 refers to our senior schools, the Berkeley Insti-

tute and CedarBridge Academy. Each senior school is provided with an annual grant for the operational management of their respective school and the school curriculum.

Students at the senior level continue to benefit from a diverse local and international curricula and programmes which prepare them for post-secondary education. Students have also had the opportunity to take advanced level courses and participate in dual enrolment programmes at the Bermuda College.

Senior schools are focusing their efforts on safe school environments, the mental health and well-being of students, and the required support for students as well as the enhancement of their programme offerings for students' college and career readiness.

For fiscal year 2019/20, the Berkeley Institute and CedarBridge Academy have maintained the same funding as in 2018/19.

### Programme 1709—Curriculum Assessment

**Sen. Jason Hayward:** Mr. Chairman, programme 1709, Curriculum Assessment, funds the Cambridge International Curriculum and related initiatives, salaries of subject-specific education officers for curriculum and assessment, and the Career Pathways Programme. The department pays an annual fee to Cambridge International for the curriculum and for students to sit the annual Check Points and IGCSE [International General Certificate of Secondary Education] examinations.

Mr. Chairman, we are in our eighth year of implementing the Cambridge International Examinations at P6, M3, and S2. The examinations are funded from business unit 27020, Assessment and Evaluation. As we continue to invest in Cambridge Assessments, it is with the understanding that our results for these assessments must improve.

Mr. Chairman, business unit 27520, Design, Development, and Implementation, funds salaries for seven education officers who are responsible to ensure the effective delivery and ongoing development of the Cambridge Curriculum in the core and non-core subjects, school examinations, the Career Pathways Programme, and all other curricula. Officers are focusing on curriculum implementation, quality instruction and practice, and the refinement or development of curricula.

Mr. Chairman, the Curriculum Assessment Programme, 1709, has been allocated a 2019/20 budget of \$2,555,000 for continued delivery of these educational programmes and services during the next fiscal year.

### Programme 1712—Early Childhood Education

**Sen. Jason Hayward:** Mr. Chairman, the final programme on page B-147 is 1712, Early Childhood Education. This programme funds the Child Development and After School Care sub-programmes. Early

Childhood Education represents the foundation for student success at the primary, middle, and senior levels.

Business unit 27175, Child Development Programme currently funds the salaries of the Child Development Programme staff and programmes implemented by this team. The team works diligently to maintain their accreditation status and engages in quarterly performance quality improvement sessions. The increase in funding of \$126,000 will in part fund a quality assurance officer to ensure operational standards are maintained with the delivery of services.

Mr. Chairman, the final line item on page B-147 is business unit 27700, After School Care, which funds the wages of part-time employees who provide supervision and organised activities to children at four pre-schools and one school for students with special needs.

In summary, the continued delivery of services for programme 1712 for the fiscal year 2019/20 has been allocated a total budget of \$1,935,000.

### Subjective Analysis of Current Account Estimates

**Sen. Jason Hayward:** Mr. Chairman, I now refer to page B-148, the Subjective Analysis of Current Account Estimates for the Department of Education.

Note that we have already covered these expenditures as this page provides an aggregate of the detailed line item expenditures previously mentioned. The variances of significance for the categories are as follows:

- Salaries increased and Wages decreased by \$56,000 and \$53,000, respectively, mainly due to the reorganisation of substitutes.
- Training costs are \$32,000, 10 per cent lower due to that reallocation of local training funds to other line items.
- Transportation remained the same.
- Travel costs associated with overseas training increased by \$43,000, a 66 per cent increase, as per the reallocation mentioned above.
- Communication costs increased by \$33,000, a 5 per cent increase, in part reflecting the completion of a number of projects linked to Information Technology Support.
- Professional Services remained the same.
- Rental costs increased by a mere \$1,000.
- Repair and Maintenance costs decreased by \$10,000, or 1 per cent, due to a dip in expenditures for repairs and maintenance.
- Energy costs increased by \$33,000, a 2 per cent increase, mainly reflecting an underfunded budget in 2018 for electricity costs at some schools, for example, T. N. Tatum.
- Material and Supplies expenditure is \$40,000 [lower], a 2 per cent decrease, as a result of reallocation of electricity costs.

- Grants and contributions decreased by \$29,000 maintaining the funding to two senior schools.

### Employee Numbers—Full-Time Equivalents

**Sen. Jason Hayward:** Mr. Chairman, pages B-149 and B-150 show that there are 1,120 FTE posts, a net change of six compared with the 1,126 FTEs measured in the revised 2018/19 [budget]. The decreased number of FTEs primarily reflects the regularisation of the substitutes and paraprofessionals. The department will continue to monitor and review the number of FTEs to ensure both efficiency and effectiveness with staff resources.

### Performance Measures

**Sen. Jason Hayward:** Mr. Chairman, pages B-151 [to] B-156 list the Performance Measures for the Department of Education. These measures reflect the diversity of programmes and initiatives currently being undertaken by the schools and Department of Education staff in the areas for which they will be monitored and held accountable.

Mr. Chairman, let me acknowledge all staff at the Department of Education—our teachers, our principals, administrators, all other educators, and our support staff—for their commitment to public school education and our children. I want to especially acknowledge our Commissioner of Education who has done a sterling job in leading the Department of Education. It is the individual and combined efforts of everyone, plus the commitment to our students, that will enable us to achieve the intended outcomes for Plan 2022.

Mr. Chairman, that concludes my presentation on Head 17, the Department of Education.

**The Chairman:** Thank you, Senator Hayward.

We will now move on to Head 41, which is Bermuda College.

## HEAD 41—BERMUDA COLLEGE

**Sen. Jason Hayward:** Mr. Chairman, Bermuda College is the only tertiary level institution in Bermuda. Its mission is: *Setting Bermuda's students on the path to success through the provision of comprehensive academic and technical education along with professional training, personal and academic support services, quality facilities, and interactive partnerships with local and international entities.*

As the only post-secondary institution on the Island, Bermuda College also realises the significant role it plays in the economic growth agenda of the Government. Bermuda College is committed to the success of Bermuda's students offering transfer programmes leading to success at the university level. It

also provides professional technical and training programmes leading to the success in the workplace and preparatory programmes leading to the success in the classroom.

Mr. Chairman, the College receives a grant from the Ministry of Education and the allocation for financial year 2019/20 is \$15,906,000, which is the same amount that was received during the 2018/19 fiscal year. The College also receives a capital grant in the amount of \$200,000.

Mr. Chairman, Dr. Duranda Greene is the President of the Bermuda College, which is governed by a Board of Governors. The Chair of the Board is Mr. Peter Sousa. The other members are: Mrs. Romelle Warner, Deputy Chair; Mrs. Cherie Dill; Mr. Thomas Famous; Ms. Delight Morris; Mr. Jerome Reid, Jr.; Mr. Bruce Sharpe; Mrs. Kathleen Sharpe-Keane; Mr. Nasir Wade; Mrs. Valerie Robinson-James, Permanent Secretary of Education (ex officio); Mrs. Malika Cartwright, National Training Board Representative; The Honourable Randolph Horton, Chairman of the Honorary Fellows; Ms. Necheeka Trott, Faculty Representative; Mr. Romeo Ruddock, Support Staff Representative; and Ms. Latifah Smith, Student Representative.

Mr. Chairman, Bermuda College, as an accredited institution with the newly named New England Commission on Higher Education, continues to be the most economical choice for Bermudians to start their journey into higher education. Not only does it afford great value for money when compared to the first two years of any four-year institution in the United Kingdom, North America and the Caribbean, but also offers a safe, personal, and student-oriented, student-centred learning environment.

### 2018/19 Highlights

**Sen. Jason Hayward:** Mr. Chairman, one of the major highlights of the College during this past year has been the completion and adoption of a new five-year strategic plan "Delivering Success." The plan was developed with the assistance of a consultant and input from various internal and external key stakeholders and was adopted by the Board in October 2018 and is currently being implemented.

The Dual Enrolment Programme, a partnership between the Bermuda College and the Department of Education, continues to be a success and is increasing in popularity. This past year the Bermuda College graduated 16 dual enrolment students from the first cohort of the Certificate in Applied Science Technology Programme.

To better serve students the College piloted a hybrid learning option for its students, whereby much of the course is offered online using the College's online course management system. These courses provide more flexible learning options for students

who are not physically able to attend classes for three hours or more each week.

Mr. Chairman, as the Bermuda College fulfils its mission of setting Bermuda's students on their path to success, the ability for its students to transfer their credits to overseas institutions to complete their baccalaureate degrees is key. To support the objective, in November the Bermuda College hosted its first "[Bermuda College] Transfer Pathways Fair" which saw several of its four-year institution partners visit the campus and share their programmes with college students.

Mr. Chairman, to support the Certificate in Applied [Science] Technology Programme, the College installed a mini aquaponics unit outside the Tech Hall Building. The unit is supporting 12 plant species which are fertilised by fish waste while plant roots filter the water for the fish; hence, there is almost zero waste within the system.

Mr. Chairman, as Bermuda's community college, Bermuda College continues to do its part to not only educate students, but also educate and inform the community at large through various events organised through the year. Such events include the College's annual Science Week activities and its public forums.

During the 2019 Science Week events, the College welcomed more than 600 public and private students and members of the general public to its campus. The public forum featured Bermudian, Dr. Carika Weldon, a Bermudian biochemist and researcher at Oxford University. More than 150 individuals attended her lecture entitled, "Knowing your Genetic Code; How DNA Sequencing is Becoming More Personal."

The Science Demo Day was attended by 260 middle school students, while the master class saw participation by 75 high school students. Other events included the increasingly popular Live, Love, Eat culinary arts demonstration with Chef Teneika Eve and her culinary art students which, once again, saw capacity crowds fill the cafeteria.

Mr. Chairman, in November 2018 the Bermuda College organised and hosted a "Race and Resistance" conference in collaboration with Oxford University and the Human Rights Commission. This conference saw participation from various local and overseas presenters and was attended by more than 250 individuals.

The Nursing Department also hosted a forum on Alzheimer's, which has become a major issue for Bermuda with our ageing population and this forum was attended by more than 90 individuals.

Mr. Chairman, in October 2018 the Bermuda College Foundation was incorporated as a Company Limited by Guarantee, and as the fund-raising arm of the Bermuda College its main objective is to increase private and individual support for the College.

Three new Honorary Fellows were inducted into the Bermuda College Company of Honorary Fellows. Mr. Andrew Banks, Mr. Peter Durhager, and Dr. Wilbert Warner were honoured and celebrated for the significant contributions they have made to their respective fields.

### Output Measures

**Sen. Jason Hayward:** Mr. Chairman, supporting output measures for the Bermuda College's activities are as follows:

In 2018 Bermuda College graduated 150 students with associate degrees, diplomas, or certificates. Arts and Sciences, 58 graduates; Business 37, graduates; Hospitality, 17 graduates; Technical Education, 32 graduates.

In addition, six individuals received Bachelor of Business Administrative degrees through the Bermuda College's long-standing partnership with Mount Saint Vincent University.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITORS

**The Chairman:** Senator, if I could just pause for a moment, I would like to recognise the presence in the Senate this morning of MP Rolf Commissiong. Welcome sir. And also the presence of the Bermuda College, Dr. Duranda Greene. Welcome.

It is very nice to have you both here.  
Please continue, Senator.

*[Committee of Supply, continuing]*

**Sen. Jason Hayward:** Mr. Chairman, in December the division on Professional and Career Education (PACE) awarded 104 professional designations and Workforce Development certificates. In addition, 14 public high school students received their certificates in nursing assistant as part of the Department of Education's Dual Enrolment Programme with 209 high school students earning their City & Guilds entry-level introductory award in Employability Skills at their high school graduation.

The awards represented 12 areas of specialisation, as follows:

- American Management Association Certificate in General Management, 7;
- American Management Association Certificate in Human Resources, 6;
- ACCA Introductory Certificate in Financing and Management and Accounting, 2;
- Certificate in Bartending, 11;
- Certificate in Major Appliance Repairs, 4;
- Certificate for Nursing Assistant, 25;
- Certificate for Nursing Assistant—Bridging, 6;

- City & Guilds Level 2 Diploma in Hairdressing, 7;
- Emergency Medical Technician (EMT), 15;
- Institute of Leadership and Management (ILM) Level 3 Certificate in Leadership and Management, 13;
- World Instructor Training School Personal Trainer Certification, 8.

Mr. Chairman, in fall of 2018 the College enrolled 712 students. There were also 527 registrants through PACE in the same period. This year student enrolment surpassed the numbers of fall 2017 when 652 students enrolled while 327 were serviced through PACE. The increase in student enrolment can be directly attributed to the \$300,000 additional grant received in 2017.

Mr. Chairman, in 2018, Bermuda College received \$15,906,000, or 78 per cent of its operating budget from the Government grant. The Bermuda College also received a special grant in the amount of \$300,000 to assist students in financial need with their tuition. As a result of this grant, a total of 198 awards, ranging from \$233 to \$8,600, were issued to students with financial need in both the academic and PACE divisions at the College during the 2018 academic year.

The College also received \$125,000 specifically allocated for training in the areas of landscaping, gaming and nursing. As a result of the additional funding seven landscaping students are on track to complete the programme over the next fiscal year and 14 nursing students were assisted in financing their mandatory overseas practicums at SickKids in Canada and Temple University in the United States.

Revenue of \$4,357,410 from all other sources, included: student tuitions and fees for credit courses, which were streamlined to a flat fee of \$155 per credit in fall 2018; revenue generated by PACE; bookstore revenue; testing centre revenue and rental income, including Coco Reef Resort. This amount together with the Government's Grant made up a total revenue figure for 2018/19 of \$20,257,410.

Mr. Chairman, during this period salaries and benefits accounted for \$13,389,000, or 66 per cent of the budget. This represents a 1.0 per cent decrease in salaries when compared to 2018/19. This decrease is mainly attributable to the College not filling select posts vacated during the year as it continues to decrease its labour costs.

During the 2018/19 fiscal year, the College expensed \$69,123 to develop its new five-year strategic plan "Delivering Success" and started the first year of implementation. This included hiring a consultant to assist with the initial phase of rebranding the College.

The IT expenditures for the year include \$200,000 on hardware purchases and \$400,000 on contracts and licences to support teaching and learning as well as the College's administrative functions. The College also upgraded its Internet bandwidth from

75 mps to 200 mps to improve the user experience on campus.

Maintenance and improvement of the physical plant of the Bermuda College continues to be part of the College's commitment to provide a safe and healthy environment for the students and employees. By the end of this fiscal period the College is projected to spend approximately \$280,000 in cleaning contracts, \$330,000 on maintenance, and \$45,000 on basic campus upgrades.

Bermuda College expends \$450,000 on insurance and is projected to spend \$1,095,000 on electricity and other utilities during the 2018/19 fiscal year.

A total of \$150,000 in financial assistance was allocated to students enrolled in academic divisions who demonstrated financial need. This amount was doubled during the 2018/19 academic year to offset the change in the College's tuition and fee structure which resulted in significant increases in tuition for full-time students.

The College expensed \$100,000 towards incorporation and operation of the Bermuda College Foundation.

As a result of \$500,000 in capital funding received in 2018/19, Bermuda College was able to continue to make much needed upgrades to its ageing plant. This included upgrades to its network infrastructure, replacing outdated computers, replacing chairs in some classrooms, replacing automatic doors, replacing lighting poles, and completing upgrades to the student centre. The College started the process of replacing carpets throughout the campus with tile flooring to provide a healthier work environment for its employees.

Mr. Chairman, the Bermuda College continues to utilise internal stakeholders as part of its annual budget process. The Budget Committee includes representatives from the Student Government Council, faculty, support staff, members of the executive, and a selection of budget managers. The goal of the Budget Committee is to prepare a balanced budget to present to the Board Finance Committee and, ultimately, the Board for final approval.

### 2019/20 Budget Year

**Sen. Jason Hayward:** Salaries continue to form a majority of the College's budget . . . and I have moved on to the 2019/20 budget year. Salaries continue to form a majority of the College's budget expenses and the College continues to review its operations seeking ways to decrease its labour costs while still providing a quality education for its students.

Mr. Chairman, "Delivering Success," the Bermuda College's new five-year strategic plan, will be a blueprint to steer the College towards its 50<sup>th</sup> anniversary in 2024. Being set aside is \$150,000 for imple-



menting the first year of the plan which includes the next phase of rebranding the College.

Utilising the \$300,000 grant to assist students with financial needs, the College will endeavour to ensure no student is prohibited from attending Bermuda College as a result of limited household income. It is anticipated that a similar number of students will be assisted with the 2019/20 financial assistance grant.

Mr. Chairman, \$125,000 will be utilised to provide training in three areas: landscaping, nursing, and compliance. As there continues to be a shortage of Bermudian landscapers and nurses on the Island \$40,000 will continue to be provided for students entering these two industries. With so many industries requiring compliance professionals, Bermuda College is working with its Compliance Advisory Board and will offer a range of compliance courses and certifications to those new to the industry as well as those who are currently in the industry but have no certification. Forty-five thousand dollars will be set aside to support students in this emerging industry.

Additionally, approximately \$40,000 will be used to support the development of the National Educators Institute, which will provide a centralised entity for public and private school educators and counselors at all levels to engage in and benefit from professional development, professional learning and research.

The \$200,000 capital grant will be utilised to continue upgrades to the College's ageing plant.

### Looking Ahead

**Sen. Jason Hayward:** Mr. Chairman, as stated earlier, one of the action steps coming out of the "Delivering Success," Bermuda College's five-year strategic plan, was to rebrand the College. The process is expected to be completed by the beginning of the next academic year. In July 2019, Bermuda College will celebrate its 45<sup>th</sup> anniversary and its focus will be re-connecting with its alumni, with the ultimate goal to have an accurate database of their alumni, including the three antecedent institutions.

Excuse me, Madam President . . . Mr. Chairman.

**The Chairman:** We're doing well; I have only been "Madam" twice this morning.

*[Laughter]*

**The Chairman:** Sorry, Senator, please continue.

**Sen. Jason Hayward:** Bermuda College will continue to work with the Department of Education to provide college courses to qualified students through its dual enrolment programme. The Bermuda College will continue to forge alliances with professional credentialing

and accrediting agencies for Workforce Development, and professional certification, such as the Association of Chartered Certified Accountants [ACCA]; Building Owners and Management Institute [BOMI] for building owners and managers; and City & Guilds for the applied sciences.

As part of the new compliance offering, the College will establish partnerships with the UK-based International Compliance Association (ICA), the US-based Association of Certified Anti-Money Laundering specialists (ACAMS) and the Caribbean-based KIXKO.

During the 2019/20 academic year, the first Allied Health course will be offered through the newly established division of Nursing and Allied Health.

Bermuda College will develop a Marine Science Programme with the assistance of its newly established Marine Science Advisory Committee consisting of the various marine science professionals. The first courses are expected to be offered in the fall of 2020.

The Bermuda College also expects that the Bermuda College Foundation and the National Educators Institute will be fully operational during the next fiscal year.

Mr. Chairman, as I close I wish to thank the Board, the executive, administration, faculty and staff of the Bermuda College for their hard work throughout the year and I look forward to working with them in the upcoming year.

Thank you, Mr. Chairman, and this concludes the budget on Head 41, the Bermuda College, and my overall presentation of the 2019/20 budget for the Ministry of Education.

**The Chairman:** Thank you, Senator Hayward. That was quite a long brief, and you deserve to have a bit of a rest.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITORS

**The Chairman:** Before we continue, and we have one hour and 40 minutes left to debate these heads, so there is sufficient time for lots of questions. Before moving on, I would like to acknowledge the presence in the Senate this morning, the Minister of Education, the Honourable Diallo Rabain. Welcome, sir. We are pleased to have you with us this morning.

**Hon. Diallo V. S. Rabain:** It is good to be with you.

**The Chairman:** Yes, it is good to be back.

And I also acknowledge the presence in the Chamber this morning of the Permanent Secretary of Education, Valerie Robinson-James. Welcome Madam.

And also, our Commissioner of Education, Kalmar Richardson [*sic*]. Welcome also. We are very pleased to see you.

[*Inaudible interjection*]

**The Chairman:** “Richards,” I apologise.

There are lots of “Richardsons” and “Richards,” so I apologise if I messed up the “on” part there.

And I also wish to acknowledge the presence of the Comptroller as well.

Welcome this morning.

[*Committee of Supply, continuing*]

**The Chairman:** So, Senators, we have precisely one hour and 40 minutes for the debate.

Would any Senator wish to speak on these heads?

Senator Jones, you have the floor.

**Sen. Marcus Jones:** Thank you, Mr. Chairman.

May I first of all say good morning to my fellow Senators? Good morning to the wider audience that is listening with bated breath on such an important ministry in this country.

I do have to pause before I charge on to my analysis of the budget for the Ministry to extend to first of all say thank you to the Minister of Education, to the Commissioner of Education, to the Permanent Secretary, and also to the President of the Bermuda College. It is not an envious position and role that they play. As I have said in this Chamber many times, education should not be an overly political football because we have our future in the palm of our hands and we need to do all we can to be a united front, to be a collaborative force to bring education to the height that it justly deserves.

Now allow me, as I launch into my observations of the Ministry to first of all say that in looking at the Ministry I first needed to have a look at the overall spending of the Government and its deployment of labour in the Ministry of Education as it compares to the entire workforce of the Government. First of all, I am looking at A-1, the very beginning of the Budget Book. I am looking at the current account expenditures for 2017/18. We know at that point it was \$892,867,000, which we would love for it to be lower than that. So that was the bottom line expenditure for the entire country through the Government.

**The Chairman:** If I can just clarify that was also for the year ended March 31<sup>st</sup>, 2018.

**Sen. Marcus Jones:** Yes. That is what I said, 2017/18. Thank you for . . . yes, it is the current account. Thank you for your instructions, Mr. Chairman.

So, when I looked at the revised estimates for 2018/19, the current account expenditure was

\$931,988,000. I know therein lies a difference of somewhere around \$39 million of extra expenditure year on year. That is a sizeable amount. And many times we harp on the Government to ensure they tighten the purse strings, but as I looked at the \$39 million more spent in the expenditure by the Government, I turn to education and I look at the overall budget for the Ministry of Education and the increase of \$39 million . . . not much of that \$39 million extra expenditure year on year actually is reflected in the Ministry of Education.

And I say that just as a backdrop and a context. As I have heard the Government proclaim very strongly how education is its priority, it's very important. My only observation would be that with the challenges that the Ministry of Education faces, that we be able to dispense a little bit more of that \$39 million extra year on year into the budget for the Ministry of Education.

But as I steam along, we are looking now at page B-141, cost centre 1602 under Further Education. Now, for the listening public who will not have a Budget Book in front of them, that particular cost centre includes the Community Outreach, Community Education Programme and Department that at one point was dedicated to further education within the community. I take a step back and I want us to just take a quick look again at the mission statement for the Ministry of Education, *To provide strategic leadership, supervision, and policy direction that supports a transformative public school education system and lifelong learning for all children and adults.*

And as I read that mission statement, the phrase and the three words that stood out were *lifelong learning*.

Now, we know that back in the 2017/18 budget under the OBA Government, this particular department, Community Outreach and Community Education, which enhanced and put priority on lifelong learning, was moved from out of Community and Cultural Affairs by the PLP Government, with the Minister at the time saying, *The Government's platform aligned the Community Education Development programme with the Ministry of Education to ensure lifelong learning and accessibility to education.* Thus, the Community Education Development programme now falls under the responsibility of the Ministry of Education.

My apologies, Mr. Chairman; I should have asked you if I could actually read the quote.

**The Chairman:** Yes, you may.

[*Laughter*]

**Sen. Marcus Jones:** There it is. So, under that statement, which I would have agreed with, this department was then moved into the Ministry of Education where I believe it quite rightly should have been and remained.

We now find that in the year leading up to 2019/20, that entire department which really focused on lifelong learning, according to the Budget Book, was discontinued. And we recognise that employees and staff from that particular department were moved into different areas within workforce development and other places. But my question would be, What was the rationale, what was the thinking behind the dispersion of these staff members focused on lifelong learning [so that they were] moved into other departments?

Remaining on that page, B-141, we are now looking at line item 2600, which is General Administration. We find that the budget for 2019/20 is \$3,579,000, an increase of 42 per cent, representing \$1.053 million. My question would be, and I believe the budget brief did touch on it ever so slightly, but I would like a reemphasis of this particular line item with a 55 per cent increase. What ticket items drove those numbers so high?

Now, we are still at cost centre 1601, we are looking at line item 26080. I believe I am going to nix that question, because I was going to ask about the grants, the external bodies. But that question was asked within the brief, so I will move along.

Full-time staff. On page B-142 we find line item 2600, the number of staff increased from three to seven but the salaries decreased, which is indicated on, let's see . . .

**The Chairman:** [Page] B-142.

**Sen. Marcus Jones:** [Page] B-142. Top of the page, there. Getting so much help, which is so useful. We find that there was a decrease in \$131,000, [page] B-142. I would just like to get an explanation for that.

Switching now over to page B-143 and looking at Performance Measures. Now, we find that performance measures (for the listening public) are very critical for the Government when trying to ascertain and measure how well it has done. And for such a Ministry as Education, you appreciate the fact that the performance measures section of this budget is extremely, extremely critical.

One thing that stood out for me which was (again, we are still on page B-143, under business unit 26080) . . . one of the metrics for this performance measures was satisfaction from key stakeholders, i.e., students, teachers, and parents on students' learning experience and acquired skills from external programmes that received a grant. Now, we recognise that grants that were paid out and scholarships and the like were a fair amount of funding. And I would have to applaud the Government in its aspirations to fund these types of grants for our young people to be able to further their education and do well.

But this performance measure, I believe, is important for the Government to follow-up with the students, with the teachers, with the parents to find out how effective this funding arm is to the aspirations

of our students, and how the teachers and parents see it from the front line. And this particular performance measure has been discontinued. So if I can get an explanation from my Senator opposite of why this was discontinued.

Those by and large are my questions from Head 16, of which most of the questions that I had were actually answered. So, if I can get answers to that, that will be appreciated.

Now, we are now on to the Department of Education, Head 17. We are now on page B-145. Now, an observation that I did make was for a department to set a total budget for the 2018/19 budgetary year of \$114 . . .

**The Chairman:** Million.

**Sen. Marcus Jones:** Million.

**The Chairman:** It is on page B-147.

**Sen. Marcus Jones:** On page B-147. That is correct. That was the budget that was set. And after calculating a revised amount of the same demonstrates, and the calculation of revised totals came to the very exact same, that sure does demonstrate discipline within that Ministry. That should be a model throughout the entire Government. So, kudos to the Minister and his executive team.

Going back now to page B-145, cost centre, 1701, line item 2700. That label for that line is General Administration. We find that the amount funded for that particular line item in 2017/18 under a different administration was actually \$786,000, and this year 2018/19 it is \$515,000, which does not change in 2019/20. And this particular line item is responsible for covering the cost of purchasing educational and office supplies. Now, we all know that our teachers are dedicated and put their all into the classroom. What we also know is that many of our teachers dig into their own pockets to make sure that if there is any shortage of these supplies, educational or whatever, we know from the goodness of their heart, and in their desire to be able to provide a class programme and curriculum that has all the necessary supplies, they dig into their own pockets and they actually contribute to what is needed in the classroom.

My question would be, Are we making sure that the teachers are actually being reimbursed? I am going to assume that they are. But for the purposes of the public and those who know what goes on, I think it would be good for us to know and to ensure that the teachers are, in fact, reimbursed.

Moving down the line there, same page, cost centre 1701 (that is where we are), looking at line items 27031, which is School Improvement, and 27090 is Educational Standards. Now, I am looking to find out where the coverage or the funding for the Standards-Based Grading implementation is, which

cost centre that is in. I am assuming it is one of those two and the supporting IT [information technology], I believe it is Powersmart [*sic*], the software—

*[Inaudible interjection]*

**Sen. Marcus Jones:** “PowerSchool.” Thank you, Senator Simmons.

It is good to have a teaching professional on the Senate team that can correct us noneducational professionals.

But I just wanted to find out where that Standards-Based Grading expense is, which line item reflects that spending and the supporting IT.

There has been a combined 5 per cent decrease in budgeting for 2019/20. So, if I look at those two items, School Improvement and Educational Standards, well, suffice it to say, there has been a decrease. And I would just like some clarity on: (1) where the Standards-Based Grading expenses are attributed, and (2) the supporting IT. With the challenges and delays in implementing it, I would think that the country would want to know what is the justification for the reduction of funding in that line item, if, in fact, that appears to be the case.

Continuing on, cost centre 1701, looking at line item 27030, that is Human Resources. One of the things this line item covers is the cost of orientation of our new teachers annually. A question I would have is, How many new teachers entered the public school system in this budgetary year, and how many were male teachers, and how many were Bermudian? Now, I think that is important.

I remember when I was attending primary school many, many, many, many years ago there were more male teachers, I believe, just from my own estimation. There were more male teachers within the school system, and for a young boy that was growing up in the little village of Somerset, and at the time my father was not . . . I was raised by a single mother. We would wish that that was the exception and not the rule. In an age and time where our males are struggling with not having a male figure in the home, I would think it would be very important to have males as a part of the school system. It would really be advantageous and beneficial, especially for many of our males that are struggling that do not have a father figure in the home. So, I would be curious to know the number of male teachers, and, in fact, how many of those teachers are Bermudian.

Continuing on that same line item, 27030, we have now been able to understand that the SCARS training has been a part of the public school system as well. SCARS, for the listening audience, is Saving Children And Revealing Secrets. Now, I am not sure if that training is mandatory; but if it is not, if we can get an idea of how many teachers, either new recruits or existing teachers actually participated in that particular SCARS training. Unfortunately, we would wish that

this particular charity would not be needed within our community today, but it is desperately needed, and I think it is very important and beneficial that as many of our teaching professionals [as possible] are actually instructed through that particular programme.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITOR

**The Chairman:** Senator, if I could just interrupt you for a second just to acknowledge the presence in the Senate this morning of MP Scott Simmons.

Welcome, sir. Thank you very much for coming.

Senator Jones, please continue.

*[Committee of Supply, continuing]*

**Sen. Marcus Jones:** Thank you, Mr. Chairman

Looking now at line item 27160, which is Substitutes. Now, this was mentioned in the brief, and I would just request a little bit of clarity. If I look on that line item of substitutes, in the year 2017/18, under a different Government, \$4,707,000 was expensed on this line of substitutes. It was then budgeted for the year 2018/19, [and it was] \$3,055,000. The most updated calculation of that particular expense will be \$1.296 million, and then for the upcoming year of 2019/20 we have \$639,000, a difference of \$2,416,000. Now, I can appreciate the explanation that Senator Hayward read his briefing, that this \$2,416,000 reduction in that line item of Substitutes was then moved down into the Paraprofessionals line, which is line item 27079. So, where the decrease was in substitute teachers, it was increased in kind in the paraprofessionals.

Now, I would just like a little bit of in-depth clarification on the reason for that switchover. We know that many of our teachers, whether due to sickness [or] whether due to personal time . . . there are going to be many opportunities during a school year when you have over a thousand employees, teachers that are working within the system, you can imagine the number of missed days that will have to be covered by substitute teachers.

Now, I guess my question would be, the hourly rate for paraprofessionals (in my layman’s understanding), would be at a higher rate than that of the substitute teachers. So, I guess my question would be . . . I do not know if I agree with the rationale of a paraprofessional whose salary rate would be higher than that of a substitute teacher, utilising their expertise at a higher hourly rate having them just be the substitute for a teacher that was out for a sick day.

I guess what I am asking for is a little bit more clarification for the rationale and thinking of transferring that funding from the substitute teacher whose

salary rate may be that much less than that of a paraprofessional, and why the—

*[Inaudible interjection]*

**Sen. Marcus Jones:** Okay. Thank you, Senator Kempe. You can address that question when I am finished.

Okay, here we go. So, just a little bit of a clarification there would be most appreciated.

Okay, we are on the same page, B-145, line item 27073. We have the summer programme. Now in the year 2017/18, the amount was \$286,000 that was actually expensed for the summer programme. There was a zero budget for that year, 2018/19, when the most updated calculation for that particular line item was going to be \$21,000, and then next year \$18,000. Now that is not a large amount of money when you are talking about \$140,000,000. But I am just curious, Has the summer programme that the Government normally provides for our children during the summer, been fully abandoned, or has it been moved over to Youths and Sports? I am not sure. But a little clarification for me and the public would be appreciated.

Now, we know there are lots of private summer camps out there. But for the working public, the cost for families is pretty high. And I believe that the service that the Government has provided as a summer programme has been welcomed by the working man because it is affordable, and it definitely provides a diverse experience for our young people. So, if I can get some clarity on the summer programme, line item 2703.

Remaining on that same page, I am now looking at 27076, Early Childhood Development, and we were made to understand that leading up to the year 2018/19 there was a promise that an early childhood quality assurance officer would be hired for 2018. And if I look at that line item, when that particular promise was made, the 2017/18 budget or actual expenditure was \$175,000. The preceding year of 2018/19, [there was] \$114,000 budgeted, which was less than the previous year, and leading up to 2019/20, the amount will not change very much. So, I guess my question is, Has the need for this particular officer, the early childhood quality assurance officer, disappeared, or was it a budget limit for this expenditure, although the need persists? So, again, educate a brother. Let me know what that is all about and—

**The Chairman:** I think if you could address those comments to the Chairman, as opposed to any other part of the room, Senator, I would be grateful.

**Sen. Marcus Jones:** I do not want to leave you out of the conversation, Mr. Chairman. My apologies.

Continuing on to line item 27084, Alternative Education and Out of School Suspension. I guess, once again, I was naïve. I thought that all children

wanted to go to school and no one stayed home. But clearly the budget suggests to us that there is a need to have officers that will not only come behind students who are truant, but also provide what we understand to be two therapeutic Success Academies which offer interventions along with additional academic and career options. That is all a cost that can be found on that line item, 27084.

It also provides an alternative education service provider who offers additional options and pathways within the community of tutorial sites. In 2018/19 the budget amount was \$1.341 million, the amount that came in or the most updated revised number is exactly the same, to the credit once again of the Ministry, and then next year it is \$1.336 million. My question would be that this seems like a sizable amount of funding. How many students are in this academy or these two academies? And how many of the graduates of these academies actually reintegrate into the regular schools? I think it will be beneficial for us to know how many are in those academies, and how many actually matriculate into the regular schools.

Moving further down onto line item 27003, which is Office Accommodations. We understand that this particular line item covers the cost of one employee and operating costs for that particular department. We now understand that this particular employee and operations moved from St. David's to . . . and now I understand from the brief that it moved to the Church Street Building. I guess my question would be, How much was the cost of the transfer from St. David's to Hamilton, and also, what was the cost savings in rentals compared to now?

Maybe I need some clarity on that. The St. David's building was owned by the Government. I guess I can ask that question, Mr. Chairman?

**The Chairman:** You can ask for clarification from a statement that was made, Senator.

**Sen. Marcus Jones:** Yes. That is what I am asking.

**The Chairman:** Ah, Senator Hayward, could you respond on that point of clarification you were asked?

Perhaps you would like to phrase . . . I was going to suggest, why don't you leave that as a question for Senator Hayward to answer when he answers all the other questions, Senator. Please continue.

**Sen. Marcus Jones:** Thank you for your direction, Mr. Chairman.

So, yes, the answer would be written and given at a later point during this debate whether the buildings where the Education Department was in St. David's, was owned by the Government, or whether it was a rental office space, and the cost of transferring that whole department into the city of Hamilton. And comparing the rental cost, if it was a rental cost in St. David's, if there was a savings of having it here in the

city, and whether or not that whole move has been completed. I hope that I have made that clear. Those were the questions that I would have, Mr. Chairman.

**The Chairman:** Thank you, Senator. Please continue.

**Sen. Marcus Jones:** Now moving onto page B-147, cost centre 1707. During the course of the year past, we have heard statements from the Ministry in regard to middle schools.

I guess my question would be, What is the money allocated to fund the transition from the middle school system into signature schools? Whether this initiative was a part of the school plan of 2022, and if not, where is the empirical evidence that necessitates this transition? If that—

**The Chairman:** Senator, could you rephrase your question again? I think that Senator Hayward would like to have your question rephrased again, so that he can understand clearly what your question is.

**Sen. Marcus Jones:** Yes, Mr. Chairman.

Well, let's first of all go back to the line item that we are talking about. Again, we are still on page B-147 and we are looking at the totals that have been expensed on middle schools and what we are looking for to put in the budget.

In the year 2017/18, the actuals for all the middle schools which included Clearwater, Whitney Institute, Dellwood Middle School, T. N. Tatem, and Sandys Secondary, the total expense for those middle schools was \$16,875,000. Okay? And then this year that we are in now, for those five middle schools, it was budgeted for \$17,300,000, that being the budgeted amount, as well as what they are calculating is going to be the updated cost.

Now in 2019/20, the amount of money that is going to be allocated for those middle schools will be reduced by \$165,000. Now, in light and in view of the Ministry's desire to move and transition from out of a middle school programme into one where we are going to be moving into a Signature School system, my question is, With that reduction in funds afforded to middle schools that has been decreased, has there been money allocated either within the capital portion of the budget for the transition, and is this initiative a part of the school plan of 2022, and if not, what is the empirical evidence that necessitates this transition?

A question that I believe is justifiable, especially when such a monumental significant change in our public school system has been declared.

I hope I have made that clear, Mr. Chairman.

**The Chairman:** Thank you, Senator. Please continue.

**Sen. Marcus Jones:** I am moving along, Mr. Chairman, to page B-154, which is Performance Measures. I will say this, as I perused over the Budget Book, I

noticed that the Ministry of Education had five and a half pages of Performance Measures, clearly and significantly more than any other Ministry within the Government. And I said to myself, *They are definitely doing all they can to make sure that the service that they provide has all eyes on it*, and there are metrics involved and included to make sure that they are on target, which I definitely can appreciate.

You do not have the time or the inclination to go microscopically and look at all of these metrics. But there is one or two that I just wanted to bring to the attention of this Budget Debate. In the business unit 1708, Senior Secondary Schools, it is on page B-155, the metric is "percentage of schools achieving their school improvement objective for reading." All years prior to the coming year of 2019/20, there has not been a target that the Ministry has made for this particular metric, but it has done so for 2019/20, and that particular target is 50 per cent. So, 50 per cent of senior school students that are in the system . . . the objective is that 50 per cent of that student body, the student bodies I am assuming of both secondary schools would achieve a school improvement objective for reading that is 50 per cent. That seems low in my estimation.

Again, I am just asking for some clarity from the Ministry for the reasoning behind 50 per cent. We know that reading is an integral part of learning, that once our students get to the high school level of learning in this country we would like to be able to sleep at night knowing that there is more than 50 per cent of the school body that can read at a level that is satisfactory to be employable, and move to the next level of their academic career. So, I am questioning [this, because] in my opinion, the standard of 50 per cent for improved objective for reading is [low].

The same metric and target of 50 per cent is used for "percentage of schools achieving their school improvement objective for writing." [Also, "percentage of] schools achieving their school improvement objective for mathematics" is 50 per cent as well. So, if I can get some clarity on the rationale and the justification of, in my opinion, a low mark of 50 per cent for students to attain.

Mr. Chairman, in the interest of time, I am going to skip forward into Head 41, which is the Bermuda College, on page B-165. Again, most of the questions that I had were answered. If you just bear with me, I just want to just quickly look at my questions to make sure that I do not have any that are—

**The Chairman:** That's fine, Senator. Take your time and have a look.

[Crosstalk]

**Sen. Nicholas Kempe:** If I may in the meantime?

**The Chairman:** No, Senator. It is with Senator Jones, and when he is finished then I will ask if any other Senator wishes to address these heads.

**Sen. Marcus Jones:** We understand that the Ministry is dedicated to providing as much assistance to its students in the form of grants and scholarships for the students at Bermuda College. My question would be Mr. Chairman, What percentage of the student population is actually on scholarships? What would be the cost of tuition for a two-year associate [degree]? What is the average cost for a two-year associate degree at the college? I believe I have got some answers for the financial aid, which is \$150,000 that was dedicated for those who under normal circumstances may not have been able to afford to go to Bermuda College.

So, I guess my question there would be, What is the criteria for a student who is applying for financial aid? And I realise that the household income of their entire family would be considered. What would be the threshold of household income that the College would be considering to justify a student who actually needs the help to be able to go the Bermuda College?

And on that note, Mr. Chairman, I will take my rest, and allow time for my counterpart to furnish us with the answers.

Thank you.

**The Chairman:** Thank you, Senator Jones.

Would any other Senator wish to speak to these heads?

Senator Michelle Simmons, you have the floor.

**Sen. Michelle Simmons:** Thank you, Mr. Chairman.

I would like to start by first of all thanking all of the leaders at the Ministry of Education and at the Department of Education, and Senator Jones has already named them. So, in the interest of time, I am going to just say thank you to all of them. They are responsible for the administration and the moving forward of our public school system. Not an easy task, but I hope that they will realise that we all want them to succeed. We stand behind them, and we are very happy to have an opportunity to just reflect on the figures in the Budget Book. Hopefully, there will be something good that can come from all of this.

I would also like to thank all the teachers in the front line, all the principals, all the paraeducators, all the educational therapists, all the counsellors, the education officers, all the support staff, because they also play important roles in the education of our young people.

I am going to start on page B-141 and I am looking at cost centre 1601, the general cost centre, and in particular, the grants to external bodies. I also looked at page C-17, which provides some information about the grants to external bodies. But there is no information on which organisations are actually

receiving those grants. On page C-17 it says in line item 6869, Grants to External Bodies, and the amount budgeted for this in the next fiscal year is \$1,016,000. So, I would just like some clarity on which organisations or which individuals are actually receiving those grants.

Since I am on page C-17, I would also like to have a look at the Government scholarships and other scholarships. First of all, I am very, very happy that the Ministry has instituted several new scholarships, in particular for students in the public education system, where the need is greatest. I think we need to be very realistic about how we are going to move Bermuda forward in the future, because we need to make sure that our population is educated to take up those new positions, those new jobs that are being created, and the need, the greatest need is in public education. Because many families just do not have the deep pockets to be able to easily pay for the tertiary education of their children.

So, in those items, Government scholarships and other scholarships, I am just making a statement, and I am saying whatever the Government can do to even further enhance that would be greatly appreciated, and it would be in keeping with the Government's mandate to make sure that there are opportunities in this country for all.

So, I am going back to page B-140, and this could just be my lack of understanding. Employee numbers have decreased by nine people overall for the Ministry of Education, and I assume that this figure includes everyone who has any role to play in the Ministry or Department of Education. On page B-142, however, the amount for salaries, i.e., at the top of the page (and Senator Jones was looking at this earlier), has decreased by \$131,000. It seems as though that is not in keeping with the decrease in nine positions, and I had some speculation with myself as to why there was not a sharper decrease with nine positions disappearing, but I do not want to speculate. I am sure the technical officers have the answer to that question.

Some of my questions about the Ministry have already been addressed in the brief, and so I am going straight ahead to Head 17 for the Department of Education. I am on page B-145, and I am just going to touch on cost centre 1701, Central Administration, and, of course, I am going to the line item 27160, Substitutes. And, of course, hand-in-hand with that is line item 2709, in the next cost centre 1702. That is where the budget for paraprofessionals has been adjusted.

In the brief Senator Hayward shared with us that some paraeducators have been hired as substitutes. Is that as substitute teachers? That would be quite alarming to me, because paraeducators do not have the requisite qualifications to be in classrooms giving instruction to students as teachers. I am glad to see it has been rectified; but I think that we need to

ensure that wherever we can that the persons with the requisite qualifications are doing the roles for which they are qualified. So, thank you to the Department of Education for sorting that out.

I guess my question associated with that is . . . the budgeted amount for substitutes in 2019/20 is \$639,000. How many substitute teachers does that cover and how are they deployed? I know at the senior level, and maybe at the middle level there are allocated substitutes, or there were. I know I have been gone for a little bit, now. But there were allocated substitutes who were in the schools and they were functioning as members of staff. Because of the number of teachers in the senior level and also in our middle schools, those teachers could be quickly deployed to classrooms where they were needed.

So, I am just curious to know how many substitutes the \$639,000 will cover and also, how the substitutes have been allocated to schools. And if it is still the same at primary, and I guess at preschool, where people are called out in the morning, often at very short notice depending on circumstances.

On page B-145 still. In the briefing Senator Hayward did speak a bit about psychologists and school psychology. That is under cost centre 1702, Student Services, and the line item is 27063, School Psychology. I did not quite understand what was being said earlier in the brief, because . . . and I may have misinterpreted. I think Senator Hayward said, *The funding for psychologists is being redirected from line item 27072, which is Counselling, to 27063, which is the School Psychology line item.* If that is the case, why have both of those line items shown increases, and there is probably a good reason for it. Maybe there is something else that is being budgeted for there, but I just wanted some clarification.

The other question I have about the school psychologists is, How are they being deployed now? I believe there are now eight, and I wondered if they are deployed from a central location, or if they are based at the two ends and centrally, two ends of the Island and in the central parishes, and also, is eight sufficient? Because I realise that we have a number of students with unique needs and I wonder if the eight psychologists are able to fulfil the need for assessments, especially before students are placed on individual education programmes [IEPs].

Still on page B-145, and I am looking at line item 27061, which is Behaviour Management. I believe that Senator Hayward in the brief said that an additional educational therapist [ET] is being hired. Where is that ET being placed?

Still on page B-145, under cost centre 1703, Finance and Corporate, line item 27042, Buildings, Grounds and Equipment. I am pretty sure that last year there was an additional person who was hired, or was supposed to be hired, in that area. And I wondered why there has been a reduction of \$142,000 in that area for 2019/20, especially in view of the great

challenge the Department of Education has to provide ongoing maintenance to our schools. That is not an easy thing, and I think many of us have seen that a report was released yesterday about the state of our public schools. While I do not think we should be alarmed, we should be concerned that there is still much to do on an ongoing basis.

It is not a matter of riding in there and taking care of things and going away and never going back again. Maintenance in our schools has to be regular; it has to be ongoing. And in this climate, yes, we will have mould. But the trick or the key is, if we have an ongoing maintenance programme, then the likelihood of mould being able to take hold and stay there undetected will go away. So, I just need some clarification about why that has seen a reduction.

Okay, going over to page B-149. This is about line item 27074, Learning Support, and we are looking at full-time equivalents [FTEs] under employee numbers. Clearly, two more learning support teachers have been employed, or will be employed, and I just wondered where they were going. I am sure the listening public would like to know the answer to that, because there has been so much in the newspaper and in social media of late about the deployment of sufficient learning support teachers in the public education system. So, I was just wondering where those two learning support teachers will be deployed.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITOR

**The Chairman:** Excuse me, Senator, if I could just make a comment. I would like to acknowledge the presence in the Senate this morning of the Minister of Labour, Community Affairs and Sports, the Honourable Lovitta Foggo.

Welcome. It is very nice to have you here this morning. Thank you.

Please continue, Senator.

*[Committee of Supply, continuing]*

**Sen. Michelle Simmons:** Thank you, Senator . . . I mean Mr. Chairman. Okay . . . okay. I think . . .

*[Pause]*

**Sen. Michelle Simmons:** I'm sorry, I'm just checking.

**The Chairman:** That's fine, Senator.

**Sen. Michelle Simmons:** Oh, I know. Here it is. Still on that same page, line item 27160, Substitutes. I note that the number of substitutes accounted for by this line item has decreased by four. I just wondered how that had been effected? It seems as though the revised number for 2018/19 was at 12, and that is a



reduction from the 40 the previous year, and I wondered how it had been reduced further to eight, a reduction of four positions. And are they really substitute teachers or are they paraeducators?

Moving on to page B-150, I am looking at (and these are still employee numbers for people listening who do not have the Budget Book) line item 27520, Design, Development and Implementation. It is my understanding that those positions are education officer positions. And I do not know if anything else is included there. I have two questions there. There has been a reduction of one position. Is that for an education officer, and, if so, which position is it? Also, are there any vacant education officer positions? Okay.

I am on page B-151 now and going right through to page B-156. I, too, would like to congratulate the Department of Education for these performance measures. They have obviously every intention of keeping a close tab on how things develop, especially with regard to Plan 2022, which I brought along, because I have a couple of questions. The first measure I would like to just ask about is on page B-151, and it is the very first one. It reads under business unit 1701, Central Administration: *The percentage of examinees who attain the English, math and science International Certificates of Education (IGCSEs)*. I wondered if any grades are associated with that performance measure and, if so, what are they?

Also, on that same page, performance measure 8 (it is the eighth one down the page, I had to start numbering them) it reads: *Percentage of examinees who attain the IGCSE or other external certification*. Now, is that in any subject? Because, obviously the first measure I looked at refers specifically to English, math and science. Also, associated with that eighth measure that I mentioned, I am going to page 14 in Plan 2022, under Differentiated Learning Opportunities, and may I just quote from this, Mr. Chairman?

**The Chairman:** You may, Senator.

**Sen. Michelle Simmons:** Under Key Outcomes, it says: "By 2022, The Department" (and that is of Education) "will accomplish the following outcomes." And I am just quoting the second one: "70% of students taking GCSE's/ A-Levels, AP, or IB courses will pass them with a college-entry score." So, I just wondered if that performance measure in the Budget Book was directly linked to the key outcomes in Plan 2022? And I know that in Plan 2022 it lumps together IGCSEs, A levels, AP, IB. But I just would like to know how these are linked together.

On that same page, I am going further down to performance measure, or, yes, performance measure, I have numbered it 12. It says: "Percentage of performance appraisals completed for school and Department of Education staff 100 per cent is the performance measure." I asked about that last year in the

Senate, and I am really happy to see that the goal of the Department of Education is to have 100 per cent of performance appraisals completed for school and Department of Education staff. It is the only way, i.e., by giving people timely feedback that they can know if they are being effective, and if not, they can improve their performance. That was just a comment, not a question.

**The Chairman:** Senator, I am going to suggest that we break for lunch. It is 12:30. We still have 25 minutes remaining on these heads when we return from lunch, so we will pick up the debate on that when we return at 2:15.

So, Senators, we now adjourn for lunch. Thank you.

**Proceedings suspended at 12:30 pm**

**Proceedings resumed at 2:14 pm**

[Sen. James S. Jardine, Chairman]

## COMMITTEE OF SUPPLY

### ESTIMATES OF REVENUE AND EXPENDITURE FOR THE YEAR 2019/20

#### MINISTRY OF EDUCATION

[Continuation thereof]

**The Chairman:** Good afternoon Senators and listening public.

When we broke for lunch, we had been debating Heads 16, 17, and 41, under the Ministry of Education, and Senator Jason Hayward was making the presentation. We then went into questions, and when we retired for lunch Senator Michelle Simmons was asking questions. So we will begin there.

Senator Simmons, you have the floor.

**Sen. Michelle Simmons:** Thank you, Mr. Chairman.

I have just a few more questions. I am on page B-151, and I am looking at performance measures 7 (that is the seventh one from the top), which says, *Percentage of students who graduate on-time (as measured by the cohort graduation rate.)* And down near the bottom of the page (in fact, it is right at the bottom of the page), we have *Percentage of students who graduate on-time (as measured by cohort graduation rate S1 to S4)*. They seem to be the same. And I am just suggesting one would be enough.

Also, on that same page, measures 6 and 18 are extremely similar. *Percentage of schools that attain year level attendance averages of 95 per cent and higher for all year levels.* And then second from the bottom, *Percentage of schools who reach 95 per*

cent of student attendance or greater. I believe they are the same.

Moving on, because I am quite conscious of the fact that we do not have a lot of time, on page B-152, business unit 1703, Finance and corporate services, on measures 2 and 7 under that business unit, are they both required? Because one talks about the percentage of classrooms for each school staffed with full-time certified teachers at the start of the school year, and the target outcome for the next fiscal year is 96 per cent. And then second from the bottom of the page, the percentage of classrooms staffed with full-time, certified teachers by the first week of school . . . it should be 95 per cent. And the first week of school comes just after the start of the school year. And I wondered why we had both of those and why one measure is different from the other.

On page B-155, at the very bottom of the page, this is in business unit 1707 from Middle Schools. I would just like some clarification about whether this measure should be there or with the primary schools. I asked about that very same measure last year.

On page B-155, I do not understand the difference between measures 10 and 11. And I am sure I am missing something, but I would hope one of the technical officers can assist.

**The Chairman:** Just for clarification, that is the one that says *Percentage of classroom lessons demonstrating proficiency*. And the next one, again, has the same wording, *Percentage of classroom observation demonstrating proficiency*. Are those what you are referring to, Senator?

**Sen. Michelle Simmons:** Correct.  
And the measures are different.

**The Chairman:** Thank you.

**Sen. Michelle Simmons:** Still on page B-155 . . . I am going to pass over that.

And finally, on page B-156, under business unit 1709, curriculum and assessment, I will read out the measure at the top, which says *Percentage of primary and middle school curricula with priority standards, pacing guides and scope and sequence documents*. I was wondering . . . and I see the performance measures, the target outcome is 100 per cent. Currently, with teachers having to report their grades using a Standards basis, I was just wondering if all of our primary and middle school teachers who are the ones required, currently, to report via Standards-Based Grading if they all have Standards-Based curricula in place.

And then my last comment, not a question, because we really do not have time to do this, Bermuda College is also on our agenda. I just want to thank Bermuda College for all that it is doing to ensure that

we have an educated workforce in Bermuda. Of course, with my background, or at the senior level, I am particularly happy that they have advanced the dual enrolment programme. I have seen the excitement that some students have. They are very proud to say, while they are in high school, *I attend Bermuda College*.

That programme has assisted so many students to graduate with both their associate degree and their high school diploma at the same time. It has had a huge impact on quite a number. Of course, I am sure the college will continue to grow. It has already grown tremendously, and I would just like to offer my thanks and the thanks of the community at large, really, for all that Bermuda College is doing.

And, with that, I conclude my questions and comments. Thank you, Mr. Chairman.

**The Chairman:** Thank you, Senator.

Would any other Senator wish to speak on these heads?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Mr. Chairman.

First of all, I would like to thank the spokesperson for Education for allowing time for questions. Obviously, this is a beefy Ministry—

**An. Hon. Senator:** Junior Minister.

**Sen. Nicholas Kempe:** Junior Minister, my apologies.

I have a few questions, and I will try to keep them very brief.

The paraprofessionals and teachers were alluded to in earlier comments, but I guess I would like to scratch a little bit deeper on that. If we look at the 2017/18 actuals, there were 88—

**The Chairman:** Which page are you referring to, please?

**Sen. Nicholas Kempe:** We are going to be both on page B-145, when I speak to dollar value, and on page B-149 when I refer to number of employees.

**The Chairman:** Thank you, Senator.

**Sen. Nicholas Kempe:** The 2017/18 actuals show 88 paraprofessionals and 40 substitute teachers. And that is a total of 128 individuals between those two categories.

Now, I do not believe that the role of the paraprofessionals as substitute teachers is in fact substitutes; they have two completely different roles. But it seems like there has been an increase in paraprofessionals and a decrease in substitute teachers of about . . . they offset each other. So, in 2019/20, paraprofessionals go up by some 23, and substitute teachers goes down by some 32 individu-

als. But we end up with about the same, about 120, 125 individuals between those two categories. What the department is achieving between the actual spend on those two categories is about \$3 million. So, it would seem like we are substituting people without teaching certificates . . . or, sorry, we are substituting substitutes who have teaching certificates for people who do not have teaching certificates as a cost-saving measure.

Now, my question comes down to, How are we ensuring that teaching standards and quality of education are maintained through what appears to be an austerity measure? I am hoping for an answer on that, so I am not going to state any opinions on that.

When I look at the spend on training, I believe I heard that there is \$40,000 for the national educators' network, which I believe is in the grants and contribution line, and there was some \$130,000 increase in the training line between the actuals and the estimate. I just want to know if those are the two categories of increases, or if I am missing something there. And, I am focusing a lot on the funding of quality education and of advancing training, especially if that was one of the main elements of the Hopkins report for improving our outcome.

When we look at improving our outcome on page B-156, I am curious when will we start seeing the actual outcomes, revised forecasts, and target forecasts begin to increase. We see the *percentage of students who demonstrate proficiency in problem solving and reasoning at P5, M2 and S1; the percentage of students who demonstrate proficiency in writing; and the percentage of students who reach their literacy and numeracy targets*. The target outcomes do not seem to show any progression towards better outcomes. And I would like to see, as a result of an improving system, that those outcomes could show some continued increases.

One of the other questions has to do with the total employee count. I note that across government, and this is referring to page A-12 as a reference, there were some 318 more individuals employed by government between the 2017/18 actuals and the 2019/20 budget. But it appears that only three more net people, out of those 381, have been dedicated toward the Department of Education. I just want to know if that is because education has less of a need, or to just understand why such a small percentage of those 318 increased employees across government have found their way into education. I see that four went into Headquarters at the admin level. So I am just trying to understand what the justification is for that. Part of the Plan 2022—

**The Chairman:** Excuse me, Senator, just for a second.

Senator Hayward, you have a question?

**Sen. Jason Hayward:** [Microphone not turned on]

**The Chairman:** Senator Kempe.

**Sen. Nicholas Kempe:** I am trying to understand if the Department of Education is fully resourced from an employee standpoint. [There are] 318 added to government as a whole. Is adding three employees to the Department of Education sufficient in the Junior Minister's opinion?

So far as Plan 2022, one of the elements mentioned was the repairs, I believe. But it was also highlighted in a couple of school reports, both the recent one and the 2017 one. So I am wondering . . . and I am going to flip to the capital development related schedule, which is on page C-4, for those following along in the Budget Book. I note that the . . . sorry, you can also see a breakdown here of Education Minor Works, School Safety, for example. I note that both of those lines, the spending on capital development seems to have been halved, or more than halved, between the 2017/18 actuals and the 2019/20 estimates. And I just want to know, with those reduced spending figures, if it is going to be sufficient to remedy the works that have been highlighted.

And I have a few more questions, but I think that is sufficient for now. So, thank you.

**The Chairman:** Thank you, Senator.

Would any other Senator wish to speak to these heads?

No? Then Senator Hayward, I think you have quite a number of questions to wade through. And we actually have 20 minutes remaining. So there is time for you to answer those questions.

You have the floor, Senator Hayward.

**Sen. Jason Hayward:** Thank you, Mr. Chairman.

Under Head 17, clarification for substitutes and paraeducators, in September 2017 paraeducators were paid from the substitute teachers' budget. However, paraeducators were not employed as substitute teachers; they were employed as paraeducators.

There was a question regarding the hourly rate regarding substitute teachers and paraeducators. The hourly rate of paraeducators is less than the hourly rate of teachers. In September 2018 paraeducators' posts were moved to the student services cost centre. Regarding the allocation of subs, senior schools still use on-site allocated subs.

Mr. Chairman, on page [B-]141 there was a question regarding business unit 26000, General Administration, what—

**Sen. Nicholas Kempe:** Point of clarification.

**The Chairman:** Yes, Senator Kempe, you have a point of clarification? Was it on a matter that Senator Hayward just raised?

**Sen. Nicholas Kempe:** Yes it was, Mr. Chairman.

**The Chairman:** You have the floor.

### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** I would just like to know on those two line items, the paraeducators, paraprofessionals, and the substitutes . . . I believe I heard the Junior Minister correctly in that one bucket was paid out from the other. But, can he explain why the spending in 2017/18 is \$2.9 million more between those two categories combined, when compared to the 2019/20 budget? There is something more than just a transfer of funds. There is a net decrease of \$3 million as well.

**The Chairman:** Thank you, Senator Kempe.

Senator Hayward, if you are not in a position to answer that question, you can proceed with the other ones while that answer is sought for you.

**Sen. Jason Hayward:** What I will do is I will answer the . . . I will utilise the answers I have now to the questions that have already been presented. And the additional questions I will seek to answer.

**The Chairman:** Yes. Please proceed, Senator.

**Sen. Jason Hayward:** And I was on page B-141, business unit 26000, General Administration. And the question was, What caused the 50 per cent increase in expenditure when comparing 2018/19 to 2019/20 year-over-year expenditure.

And the response to that question is, the increase of \$386,000 reflects an increase in salaries of three particular areas—a comptroller and two CEDP [Community Education Development Programme] posts transferred to the Ministry, the establishment of the policy analyst post, and annual salary uplift.

On page B-142, business unit 26000, General Administration, there was another question regarding why the salaries line item decreased by \$131,000. The response to that question, Mr. Chairman, is that the decrease is the net balance of the transfer of posts into the Ministry and from the Ministry. Four CEDP posts were transferred from the Ministry of Education to the Department of Workforce Development, and the comptroller post was transferred into the Ministry of Education. The net effect was a decrease of \$131,000.

Mr. Chairman, there was a question regarding why was the Community Education Development Programme removed if the focus of the Ministry was lifelong learning. And the response to that question, Mr. Chairman, is that the CEDP was not a department, as I stated, but it was a programme. An operational review of that programme was undertaken in 2017 to assess its continued relevance and effectiveness. This actually supported the Government's objective which was to align the Department of Workforce Development, the Community Education and

Development Programme, and the Libraries and Archives with the Ministry of Education to ensure lifelong learning. The data collected from the operational review revealed a high participation rate in the CEDP programme by non-Bermudians, and a high percentage of registration in exercise and leisure courses.

The CEDP programme was not serving the vulnerable Bermudians which was its intent when it was established back in 1979. The CEDP programme was discontinued with key staff transferred to the Department of Workforce Development to more effectively reach the vulnerable Bermudians that registered with the department and to continue to encourage them with opportunities for lifelong learning, as lifelong learning services continue to be delivered by the Bermuda National Library for both children and adults at the two libraries.

Mr. Chairman, on page B-17, there was a question, What does the total \$1,016,000 in external grants comprise? This total covers:

- 1) The sum of \$479,000 set aside to fund a merit-based Bermuda College Promise programme as mentioned in my presentation. This programme will award public school graduates with a GPA of 3.0 or higher for scholarships to attend the Bermuda College.
- 2) The sum of \$537,000 to cover grants awarded to various external bodies who service students in the public school system with meaningful programmes.

Examples of these external bodies which receive grants are WindReach, a provider of therapeutic services for students with special needs who require wraparound services as well; Bermuda Zoological Society for students who participate in the Bermuda Zoological Society Science Programme that is run during the school year; Bermuda Sloop Foundation for middle school students participating in the school's voyages which focus on self-leadership and team building while exposing them to a potential career in maritime seafaring.

Mr. Chairman, another question was asked in reference to page B-147, programme 1707, which is Middle Schools. The removal of middle schools is a mid-term objective for the Government. The Ministry is currently undertaking consultation from various stakeholders gathering data and information that will position the Government to develop a work plan for the removal of middle schools based on informed decision-making. The cost will be reflected in the 2020 budget accordingly.

Mr. Chairman, regarding the Bermuda College, there was a question, What percentage of students are being assisted by the government's financial aid grant? The answer is, approximately 20 per cent of the student body which includes both the academic and PACE [Professional and Career Education] divisions.

Mr. Chairman, a question was asked regarding, What is the total cost of a two-year associates degree at Bermuda College? Mr. Chairman, the answer to that question is between \$10,000 and \$17,000, depending on the programme. Tuition for all programmes is set at \$155 per credit at a cost of \$9,610 for a 62-credit programme.

Mr. Chairman, the question was asked, What is the household income used for the government's financial aid? The answer to that question, Mr. Chairman, is, the College uses the median annual household gross income from the Department of Statistics. The amount of financial aid granted to the applicant is based on how their household income compares to the median annual household gross income. If the applicant's household income is 50 per cent or less than the median household income they will receive an award amounting to 70 per cent to 80 per cent of their tuition. If the applicant's household income is 66 per cent to 70 per cent of the median household income, they will receive an award amounting to 30 per cent to 40 per cent of tuition. Applicant's whose household income is higher than 70 per cent of the median household income are not currently considered for assistance.

Mr. Chairman, a question was asked under Head 17, and the question was, Identify the cost centre for Standards-Based Grading and Information Technology as referred to in the brief. And the answer is, Standards-Based Grading is captured under cost centre 27031 and the Information Technology is captured under cost centre 27050.

Continuing with questions under Head 17, Mr. Chairman, the question was, How many students are at each of the Success Academies? The answer is, Success Academy for primary, there are 6 individuals; Success Academy for middle and senior, there are 10 individuals.

Mr. Chairman, a question was asked regarding how many students from the Success Academies are registered into schools . . . re-integrated into schools. The answer to that question is that primary students are re-integrated into primary schools or middle schools. Middle school students are re-integrated into middle schools or senior schools. And senior school students graduate from the Success Academy.

Continuing under Head 17, Mr. Chairman, clarification was sought for performance measure for 17018 schools, in reference to the 50 per cent target for reading, writing and mathematics. Mr. Chairman, it should be important to note that these performance measures relate to the percentage of school improvement objectives for reading, writing and mathematics that are achieved. These performance objectives do not refer to students.

Mr. Chairman, continuing under Head 17, there was a question asked regarding, Are teachers reimbursed when they pay for supplies. The answer to

that question is, teachers are required to follow a protocol if they want to be reimbursed for supplies. If a principal approves of the purchase in advance, the teacher is reimbursed by the school.

Continuing under Head 17, Mr. Chairman, a question was asked, What is the reduction of the \$142,000 for 2019/20 in relation to buildings/grounds? The answer was, the \$142,000 was initially set aside for an assistant director of facilities. Based upon a review, the post was not necessary.

Continuing under Head 17, Mr. Chairman, regarding school psychologist, I am pleased to report that there are seven positions. Five positions are filled. The other two posts will be filled for the new school year. The psychologists are deployed by east, west and central zones.

There was a question regarding early childhood education, Is a quality assurance officer needed (was that the question)? The answer to that is, yes. The quality assurance officer works in collaboration with the Department of Health in providing support and guidance to private preschools and childcare facilities. The postholder works under the direction of the Director of Early Childhood Education in partnership with childcare providers and preschools to improve and enhance the quality of programmes and services provided by private childcare settings that serve children from birth to five years of age. The postholder is particularly responsible for fostering developmentally appropriate practices sharing high quality curricula and encouraging adherence to recognised standards of childcare for this age range.

Mr. Chairman, a question was asked, Are teachers reporting using Standards-Based Grading? The answer is, no. The teachers are currently using traditional grading this year. Teachers are converting percentages to a score of zero to four. So, there is an equivalence scale that has been developed, and teachers are utilising that scale to convert percentages into zero to four grades. We are now revising and developing proficiency scales for full implementation of Standards-Based Grading.

[The cost] of the transfer from St. David's office to the 44 Church Street office for the Ministry was approximately \$60,000.

I believe that answers the larger portion of the questions that were asked.

**The Chairman:** Thank you, very much, Senator Hayward.

Obviously, if there are any other questions that anyone wishes to ask subsequent to this debate, I hope Senators will feel free to approach Senator Hayward with those questions.

So, Senator Hayward, I would ask you to move your heads, please.

**Sen. Jason Hayward:** Mr. Chairman, I move that Heads 16, 17, and 41 be approved.

**The Chairman:** Is there any objection?

No objection.

So moved.

*[Motion carried: The Ministry of Education, Heads 16, 17, and 41 were approved.]*

**The Chairman:** Thank you very much, Senator Hayward.

Senators, we will now move on to the next head for debate this afternoon. And this is with the Ministry of Labour and Community Affairs and Sports. And one hour has been allocated to this particular debate.

In this case, we are going to be debating Workforce Development under Head 60, which is found on page B-263 of your Budget Book.

This afternoon, Senator Hayward will again be presenting these heads.

Take a few minutes to pause and catch your breath, Senator. You have had a busy day today.

## MINISTRY OF LABOUR COMMUNITY AFFAIRS AND SPORTS

### HEAD 60—DEPARTMENT OF WORKFORCE DEVELOPMENT

**Sen. Jason Hayward:** Mr. Chairman, I move that the Committee do now take under consideration Workforce Development.

**The Chairman:** Thank you, Senator. Please proceed.

**Sen. Jason Hayward:** Mr. Chairman, I am pleased to present the 2019/20 estimates of revenue and expenditure for the Department of Workforce Development, Head 60, found on pages B-263 to B-268 of the Budget Book, [and also includes pages C-13 and C-19].

The mission of the Department of Workforce Development, found on page B-263, is to *provide services to employees, employers and job searchers which strengthen the workforce in alignment with international standards, and promote sustainability and stability within the community.*

Mr. Chairman, the objectives of the department are:

- to provide employability skills assessment and career development services to job seekers in satellite locations, and more diverse delivery mediums;
- to enact legislative changes to transition the current National Training Board into the National Workforce Development Board;
- to transition the current Department of Workforce Development into a one-stop career centre;

- to develop an electronic job referral database for the one-stop career centre aligned with the National Workforce Development Plan; and
- to create a National Certification and Training Committee designed to meet the needs of employers and workforce demands.

*[Sen. Michelle Simmons, Chairman]*

**Sen. Jason Hayward:** Madam Chairman, as noted on page B-264, the Department of Workforce Development has been allocated a total budget of \$4,296,000 for fiscal year 2019/20. This budget is \$447,000 more than the 2018/19 budget allocation, reflecting a 12 per cent increase. Madam Chairman, this increase is primarily due to four staff and the associated programmes being transferred from the Community Education and Development Programme to the Department of Workforce Development. The budget for the Community Education and Development Programme totalled \$443,000.

Madam Chairman, the Department of Workforce Development comprises the three programmes as noted on page B-264—General Administration, Career Development and Training, and Labour Relations, [programme] 6002 which is attached to Ministry Headquarters. Programme 6001, General Administration, is responsible for the overall management and administration of the Department of Workforce Development. As seen on page B-264, business unit 70000, Administration, has been allocated a budget of \$651,000 for the fiscal year 2019/20. This budget is \$65,000, or 11 per cent more than the 2018/19 allocation, due to an increase in salaries for an IT temporary additional post for a two-year period.

The IT post will assist with upgrading and implementing changes to the various computer software applications within the department. The post will also be responsible for website, database and systems support to the department. Lastly, the post will provide technical support for PC users, help desk maintenance for the Bermuda Job Board, data collection and system analysis of operational workflows and services.

This section is staffed by four full-time employees, consisting of the Director, an Administrative Accounts Officer, a customer service representative and a temporary IT Officer, as stated on page B-266.

Madam Chairman, the purpose of programme 6003, Career Development, is to provide client assessment, job readiness and job search support. Where appropriate, clients may be referred for training and other support services that may increase the individual's prospects for suitable employment and job retention.

The Career Development Administration is also responsible for understanding current employment trends and the needs of job seekers to design services to reduce employment barriers. As a result, the

section works closely with employers, the Department of Financial Assistance to assist abled-bodied clients, and the Department of Immigration in regard to work permit policies. The 2019/20 budget allocation for the Career Development Programme is \$1,357,000, an increase of \$724,000 compared with the 2018/19 budget allocation.

Madam Chairman, business unit 70300, Career Development Administration, has been allotted a budget of \$443,000 for the fiscal year 2019/20. This represents an increase of \$254,000, a 134 per cent increase over the original 2018/19 budget allocation, owing mainly to the transfer of three staff from the Community Education and Development Programme to this section. The budget for Community Education staff totalled \$239,000. This section is staffed by five full-time employees consisting of the Career Development Manager, two community education coordinators, a programme assistant and an administrative assistant, as stated on page B-266.

The Career Development business unit, 70400, has been allocated a budget of \$914,000 for the fiscal year 2019/20, an increase of \$470,000 over the original 2018/19 estimate of \$444,000. This increase is due mainly to the transfer of \$400,000 for the Summer Employment Programme from business unit 70016, plus the transfer of \$144,000 for the Community Education and Development Programme operational costs, less salaries transferred to business unit 70000 in the amount of \$87,000 to fund the temporary IT post. This section is staffed by three full-time Career Development Officers, as stated on page B-266.

Madam Chairman, the purpose of programme 6004, Training, is to provide administration and oversight of the National Training Board activities. This section supports the apprenticeship programmes, the distribution of scholarships, professional designation training schemes and national certification of designated trades. The 2019/20 budget allocation for the entire training programme is \$2,288,000, a decrease of \$342,000, or 13 per cent, compared with the 2018/19 budget allocation.

Madam Chairman, business unit 70014, Training Administration, has been allocated a budget of \$283,000 for the fiscal year 2019/20. This budget is \$44,000, or 18 per cent, more than the original 2018/19 allocation, owing mainly to the transfer of one Community Education and Development Programme assistant. This section is staffed by three full-time employees consisting of a Training Manager, a programme assistant and an administrative assistant, as stated on page B-266.

Madam Chairman, monies budgeted for business unit 70015, Certification, remain relatively the same at \$616,000 for the fiscal year 2019/20. This is a small increase of \$1,000. The staff complement for this business unit is two Standard and Enforcement Officers, as noted on page B-266.

Madam Chairman, business unit 70016, Apprenticeship and Professional Development, has been allocated a budget of \$1,389,000 for the fiscal year 2019/20, a reduction of \$387,000, or 22 per cent. This decline is reflected in part by the move of the Summer Employment Programme funding of \$400,000 to the Career Development business unit 70400. The staff complement for this business unit is three Training and Assessment Officers, as noted on page B-266.

Madam Chairman, at this time, I will shift to page C-19, Grants and Contributions, which outlines additional monies budgeted of \$1,903,000 for fiscal year 2019/20. This budget is \$60,000 more than the original 2018/19 budget of \$1,843,000. These monies will fund the government-sponsored Scholarships, Apprenticeship Scheme, Sponsorship for Trainees, National Certification Training, and the Summer Student Programmes, as follows:

Monies budgeted for Scholarships remain the same, at \$525,000. This amount is forecasted for approximately 40 overseas and 60 local scholarship awards funded for 2019/20.

The funds allocated to the apprenticeship scheme remain the same, at \$446,000 for the purpose of supporting young Bermudians to gain entry to the workforce.

The funds allocated to Sponsorship for Trainees are \$114,000 for short-term training programmes, which are usually less than two years in duration. This budget remains the same as the 2018/19 allocation.

Funding for the National Certification Training Programme increased by \$20,000, to \$378,000. This certification training programme is steered by legislation and designed to ensure a benchmark standard for the designated trades. Currently, there are four designated occupations: electricians, automotive technicians, welders, and landscape gardeners.

Funding for the Summer Student Programme is increased by \$40,000, to \$440,000. A total of \$400,000 is allocated for the Summer Employment Programme, which provides career-related work experiences for college and university students. The allocated monies will fund approximately 80 students, giving them the opportunity to participate in a 10-week work placement during the summer months. The additional \$40,000 is for the Summer Internship Programme, a work shadow programme for high school students. The Summer Internship Programme was transferred from the Community Education and Development Programme.

Madam Chairman, revenue for 2019/20 is listed on page B-265, and is estimated at \$28,000. This budget estimates the expected revenues for fees charged to applicants registering for National Certification and Apprenticeship training in 2019/20. The statutory application fee for each applicant for national certification is \$265, and \$50 for apprenticeships. The budget estimates 100 new certifications at \$265 each, and 20 new apprenticeships at \$50 each.

Madam Chairman, the manpower estimates for the department, as outlined on page B-266, present twenty full-time posts, four more than in fiscal year 2018/19 due to the addition of four Community Education and Development Programme staff.

Madam Chairman, the performance measures for the Department of Workforce Development are found on pages B-267 and B-268.

The National Certification programmes are outlined in business unit 70015, on page B-267.

The number of persons sponsored for training during the year was 114, compared to 100 reported last year. The varied training programmes comprised the following:

- Canadian Association for Prior Learning Assessment Recognition (PLAR);
- Welding Inspector Training;
- Construction Association of Bermuda Safety Training;
- Bermuda Hospitality Institute (BHI) Guest-room Attendant Training; and
- Bermuda College Horticulture for Landscape Gardeners.

Madam Chairman, the department continues to provide professional development to ensure that Bermudians meet the standards for National Certification. A two-day training course was held in June 2018, through the Canadian Association for Prior Learning Assessment Recognition, to train members of the Occupational Advisory Committee and the Industry Assessment Panel. Participants developed a proficiency in methods for assessing individuals based on their informal learning, prior experience and on-the-job training.

There were 13 participants representing the automotive, electrical, and landscape industries, and the two Workforce Development Standard and Enforcement Officers, who completed this training. After the two-day training in PLAR assessment strategies, participants achieved certification as PLAR assessors to support National Certification. This creates a pathway for persons to obtain National Certification based on their work experience, demonstration and job portfolios.

Madam Chairman, significant progress has been made towards National Certification. The total number of registrants as of December 31, 2018, were:

- 226 electricians;
- 42 welders;
- 185 automotive service technicians; and
- 589 landscape gardeners.

There has been a reputable shift in the number of individuals who achieved National Certification this year. This is attributed to equipping the assessors with PLAR certification. As of December 31, 2018, the number of individuals certified included:

- 121 electricians;
- 29 welders;

- 168 automotive service technicians; and
- 99 landscape gardeners.

Madam Chairman, I am pleased to report that the total number of individuals certified as of December the 31<sup>st</sup>, 2018, was 417, compared to the 100 reported last year. The remaining non-certified registrants will continue to be assessed by the Occupational Advisory Committee for approval by the National Training Board.

Madam Chairman, the Apprenticeship and Professional Development performance measures are outlined in business unit 70016, on page B-267. The Scholarship Programmes included in this business unit are available to individuals who are 18 years old and who are interested in expanding their skills, knowledge and aptitude. Financial support is provided for local and overseas educational pursuits.

Madam Chairman, the Training Section awards scholarships based on local workforce needs, particularly in areas of under-representation by Bermudians. During the period 2018/19, the department provided funding for 42 students for overseas studies, of which 29 were new and 13 were continuing education. There were 58 students funded locally, of which 34 were new and 24 were continuing education. Additionally, 17 students were funded for General Education Diploma [GED] programmes. Therefore, the total number of students funded for this fiscal period was 117, a 23 per cent increase from the 95 reported last year.

Madam Chairman, the Career Development Section performance measures are outlined in business unit 70400, on page B-268. The Career Development Section prepares and supports individuals, particularly in the vulnerable population group, for work placement. As of December 31, 2018, a total of 1,499 persons were registered with the department as either unemployed or seeking alternative employment. In the previous budget year, 1,309 persons were registered with the Career Development Section. This was a 15 per cent increase in persons registered.

The department has been diligent throughout the community, encouraging registration for unemployed persons. As of December 31<sup>st</sup>, the department provided career development services for 799 persons during this fiscal year, of which 327 were new registrants. The career development services were varied and included:

- career and skill assessment;
- résumé critique and development;
- employability skills training;
- job search assistance; and
- career guidance.

As of December 31<sup>st</sup>, 364 career assessments were administered.

Madam Chairman, as a requirement of the 2015 Work Permit Policy, the Career Development Section received requests for referrals relating to 426 positions, which were restricted jobs within this fiscal



year. There were 420 suitable candidates referred. As of December 31<sup>st</sup>, there were 171 reported hires, compared to 116 for the previous year.

Within this fiscal year, significant upgrades have been implemented on the Bermuda Job Board, transitioning the referral process for restricted jobs, which were executed manually, to a fully electronic system.

This was a necessary enhancement to increase efficiency and shift to a paperless work environment. The soft implementation of a fully electronic referral system was incorporated in December 2018, utilising the Bermuda Job Board. Furthermore, the electronic Job Board was upgraded to encourage and solicit constructive feedback from employers who consider or hire applicants through referrals from the department. The feedback on individuals that were not hired is vital to address any development areas.

The Career Development Section increasingly utilises the Bermuda Job Board as a job search and referral tool to assist clients. Workshops are offered regularly and are designed to help persons with limited computer literacy skills to gain confidence and apply for jobs to increase their prospects of employment.

Madam Chairman, as of December 31, 2018, there were 14,639 candidates registered on the Bermuda Job Board, an increase of 2,308 from the previous year. The number of employers registered currently stands at 2,102, an increase of 228 from the previous year. There were 215 jobs posted as of December 31, 2018.

The Job Board continues to see considerable activity, with 155,335 job applications submitted to date since its initial launch in 2013. Since March 2016, there are 2,450 reported hires through the Bermuda Job Board, consisting of the following:

- 972 in 2016;
- 753 in 2017;
- 682 for 2018; and
- 43 hires to date for this year, 2019.

The Career Development Section facilitates employability skills workshops to equip job seekers with the tools necessary for employment success. As of December 31, 2018, 420 persons participated in training such as interview skills, résumé development and self-presentation skills.

The lower attendance to date is primarily attributed to no-shows and low registration. However, it is anticipated that the department will meet or exceed last year's total of 528.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITORS

**The Chairman:** While you take a breath, it's a long brief, Senator Hayward (thank you), I would just like to acknowledge the presence of the Minister of Labour

and Home Affairs and Sports, the Honourable Lovitta Foggo, in the Gallery, along with Permanent Secretary Mr. Christopher Farrow, and also the Director of Workforce Development, Mr. George Outerbridge. You are all very welcome.

*[Committee of Supply, continuing]*

**The Chairman:** Senator Hayward.

### Major Achievements

**Sen. Jason Hayward:** Madam Chairman, I shift to highlight some of the additional work that was undertaken during the 2018/19 fiscal year. The Career Development team engaged in a public/private partnership to respond to the hospitality industry needs and to meet the demand of the workforce. The Guestroom Attendant Training Programme sought to identify an avenue for persons on Financial Assistance to re-enter the workforce. The Career Development Section worked across ministries and with industry stakeholders to create the well-timed opportunity for Bermudians. The success of the training initiative is attributed to this public/private partnership. The key partners that worked with the department included the Bermuda Hospitality Institute, Fairmont Southampton, Hamilton Princess and Beach Club, and the Department of Financial Assistance.

The Bermuda Hospitality Institute was instrumental in identifying an experienced facilitator and training curriculum through the American Hotel and Lodging Educational Institute. The department recruited participants, administered skills assessments, vetted candidates and sponsored the training. Additional help with résumés and interviewing skills was also provided.

The Department of Financial Assistance ensured that unemployed able-bodied clients were referred to participate. This training was made available to Financial Assistance clients to support them in returning to the workforce and making a valuable contribution to Bermuda's hospitality industry.

The Fairmont Southampton and Hamilton Princess provided facilities for classroom instruction and guided the practical component, pairing trainees with housekeeping staff to master the Fairmont standard and evaluate work performance.

Madam Chairman, each training [session] was held for a two-week period, including one week of classroom instruction and one week of a practical, hands-on component. At the conclusion, each participant completed an exam to measure their knowledge. Participants successfully completing the programme received a broad-based certificate from the American Hotel and Lodging Association, as a Certified Guestroom Attendant, a professional certification which indicates the highest standards of competence as a hospitality professional.

Madam Chairman, a total of three cohorts participated in this joint initiative, with the final cohort completing in April 2018. A total of 53 persons participated in the training, with a total of 21 reported hires at the onset of the tourism season. Three participants went further to obtain the Certified Tourism Ambassador Certification [CTA] through a partnership with the Bermuda Economic Development Corporation and are now engaged in entrepreneurship training.

Madam Chairman, the Career Development team collaborated with the Ministry of National Security on the 100 Jobs Initiative held in the spring of 2018. The job fair was attended by a total of 283 persons, with 32 persons being offered employment onsite and a further 77 potential hires reported by employers at the time, pending background and reference checks.

Following the 100 Jobs Initiative, the department continued to follow up with employers and candidates to determine the outcome.

Their efforts resulted in 29 subsequent confirmed hires over several months following the initial recruitment drive. As of December 31<sup>st</sup>, the total number of confirmed hires for the 100 Jobs Initiative was 73. Based on the success of the initial event, continuation is planned for early spring 2019.

Madam Chairman, the Career Development team has contacted employers to determine the level of support required for those employed to assist with job retention. Officers have met with candidates who did not secure employment. Additionally, officers continue to follow up with their clients who attended the initiative, but were unsuccessful, offering supportive services to improve their readiness for the workforce. Individuals have been sourced from the pool of candidates for the Hospitality Training and have also been referred for subsequent opportunities not related to the 100 Jobs Initiative.

Madam Chairman, the department is keen to increase awareness of their services through a wide-spread community outreach programme. For this purpose, the department has hosted Career Development, Training and Registration Drives in Somerset at the Allen Temple Church, and at the Devonshire Recreation Club. The intent was to take the department's services "to the streets."

Madam Chairman, the Summer Employment Programme, coordinated by the Career Development Section, assists Bermudian college and university students in the development of their career goals by connecting work experiences to their academic learning. Work assignments are professional in nature and based on entry-level job descriptions. Interns receive placements within government, private, and non-profit sectors, where they develop leadership and decision-making skills, time management, conflict resolution, and career and work competency standards.

Madam Chairman, the Summer Employment Programme commenced in May, with 95 students being placed in internships based on their areas of

study. Each intern completed up to 10 weeks [work] and received a \$5,000 stipend for work performed. This was originally budgeted for 80 students; however, because of the increased demand, approval was provided to put 20 additional students to work in the summer programme.

**The Chairman:** Senator Hayward, I was just thinking I should give you a time check.

**Sen. Jason Hayward:** Okay.

**The Chairman:** We have roughly 29 minutes left. And I am sure there are Senators around the table who would like to ask some questions. So I hope you can leave some time for that.

**Sen. Jason Hayward:** I will do, Madam Chairman.

**The Chairman:** Thank you, Senator Hayward.

**Sen. Jason Hayward:** Madam Chairman, the department sponsored eight Bermuda Electric Light Company [BELCO] apprentices for training in the United Kingdom. Three apprentices attended Uniper Engineering Academy, and five apprentices received training from Western Power Distribution. All eight apprentices were hired by BELCO in July 2018 and commenced overseas training the following month. The programme is a four-year apprenticeship, which consists of 18 months of overseas training in the United Kingdom and the remaining four years consists of on-the-job supervised training with BELCO.

The department sponsored five Bermuda Air Conditioning Group of Companies apprentices for training at the Bermuda College this [fiscal] year. The apprenticeship is for a five-year period, including theory and supervised training monitored by the Training and Assessment Officer.

### Plans for the Upcoming Year

**Sen. Jason Hayward:** Madam Chairman, I will shift and try and highlight the work that will be undertaken in the 2019/20 fiscal year. The department, along with the National Workforce Development Plan Working Group, will lay the groundwork to support the implementation of the National Workforce Development Plan. The plan is very comprehensive and includes multiple recommendations. During this period, the department will work to achieve the following towards realising the plan for Bermuda:

- establish the National Workforce Development Board;
- create the framework for Bermuda's One-Stop Career Centre; and
- consult with key stakeholders to review the facility needs for the creation of Bermuda's first One-Stop Career Centre.

During the 2018/19 fiscal period, considerable consultation occurred with key stakeholders around the plan. Stakeholders and employers have given their support of the recommendations. The department recognises the importance of marketable work skills. During the consultation period, employers and human resource professionals consistently indicated the need for job seekers to develop and strengthen in the areas of soft and life skills.

Madam Chairman, these are critical characteristics needed for employee hiring and retention in the workplace, apart from the requisite technical skills. As such, with the transfer of staff from the Community Education and Development Programme, the Career Development Section plans to expand its offerings of employability skills training to include online and evening courses in community clubs, churches and schools. In other words, the Career Development Section will elevate the level of in-house training offered to clients and to the general public. Funds have been allocated to utilise experienced facilitators to deliver employability skills and additional training.

Madam Chairman, the Department of Workforce Development is making significant efforts to progress National Certification and recertification for electricians. In collaboration with Bermuda College, the department will launch an online training and testing platform, which will be facilitated through the Bermuda College National Training Alliance. This initiative will provide greater access to requisite courses for National Certification. Further, the online platform will be augmented by traditional on-demand classroom training. Both the online platform and traditional classroom training will be aligned with the 2017 National Electrical Code Standard.

Madam Chairman, the department is committed to ensuring that Bermudians are not disadvantaged and that they are prepared to meet the needs of the workforce. As I conclude my presentation, I would like to take this opportunity to acknowledge the hard-working staff of the Department of Workforce Development led by Director George Outerbridge. This group is at the forefront of assisting Bermudians in preparing for the world of work.

Madam Chairman, this now concludes my budget presentation for Head 60, Department of Workforce Development.

**The Chairman:** Thank you, Senator Hayward.

Would any other Senator like to speak to Head 60, Workforce Development?

Senator Robinson.

**Sen. Dwayne Robinson:** Thank you, Madam Chairman.

This was a very comprehensive brief. Most of my questions are actually answered, so I am very pleased by that. My two remaining questions are just for my personal clarification, Madam Chairman, the

average sponsorship per person, which is on page B-267, under business unit 70015, I just simply want to know the reason for the fluctuation in the amount of sponsorship per person. It probably could be because of the allocation or reallocation of funds. But just for my personal knowledge, I just want to ask that question.

Now, I would like to go to [page] C-19. I am looking at line item 6866, and I noticed there was a marked decrease in funding in this particular section, from 2017. But the funding has remained the same throughout the original estimate and the estimate of 2019/20. I was just wondering if less funds are being dedicated to the scholarships in this particular line item, or is there a marked decrease in those receiving or applying for these particular scholarships?

**Sen. Jason Hayward:** Which line item was that? For clarification, Madam Chairman.

**Sen. Dwayne Robinson:** Under the Department of Workforce Development, line 6866.

**The Chairman:** Thank you, Senator Robinson.

**Sen. Dwayne Robinson:** Thank you.

**The Chairman:** Would any other Senator like to speak to this head?

Senator Kempe.

**Sen. Nicholas Kempe:** Thank you, Madam Chairman. Thank you, Senator Hayward.

My questions were actually on a similar line. A lot of my questions were answered, but looking at the average sponsorship per person, I guess what I was trying to understand was is there a fixed bucket of money per sponsorship, and if more people applied than were expected does the amount per person get [reduced]? Or is it completely needs based, and it is [because] people who come and apply are above that median threshold and that is why the amount goes down? And how does that relate to the sitting target.

I think we already have the answers to why Career Development has increased this year and I believe it is because that is the entirety of the allocation from the Department of Education from the year we are in and from Cultural Affairs and Sports the year before. I think I have seen that same \$700,000 floating across a number of heads. But I did not want to make any assumptions.

Looking at the Job Board results, I am very pleased that this initiative is still going strong. Sorry, on page B-268, it is one of the performance measures. The board seems to be more and more engaging each year as it goes forward, exceeding forecasts, which is excellent news. It is also good to see that it is not just people registering jobs on the Job Board because they have to; but we are also see-

ing a number of individuals hired through the Job Board increasing and exceeding forecasts.

I guess my question comes down to . . . and I ask this because I do not have sort of cable subscription at home, is the cablevision channel that ran the Job Board adverts still running?

Looking at C-19, and, again, my colleague, Senator Robinson, has asked this. I noticed that this amount is similar to the amount in scholarships that were increased under the . . . I cannot remember whether it was the Department of Education or the Bermuda College line item. So I am wondering if the scholarships were transferred from Workforce Development to Education, or where that funding allocation went. I noticed that apprenticeships have been bolstered, but the actual scholarships line, I want to know if that was transferred to the Education budget in 2018/19.

Those are all of my questions. Thank you, Madam Chairman.

**The Chairman:** Thank you, Senator Kempe.

And, Senator Hayward, we recognise that you are getting answers to the questions, and I can talk for another half a minute . . . but I won't.

[Laughter]

**The Chairman:** Senator Hayward, do you have some answers?

**Sen. Jason Hayward:** Yes, the average sponsorship per person will fluctuate because the sponsorship is needs based. And so it is not a fixed amount set per head.

Scholarships remained flat with the cost centre; you will find the missing amount is actually the money that was transferred to Bermuda College.

The Job Board is still running on the cable television, free of cost on channel 87.

**The Chairman:** Are there any other Senators who may wish to speak?

Senator Hayward, if we cannot have answers to all of the questions, then maybe we can just defer until afterwards. But would you like to proceed and move your head . . . or do you have more answers?

**Sen. Jason Hayward:** I believe I satisfied the questions that were asked.

**The Chairman:** Okay.

**Sen. Jason Hayward:** And, with that, Madam Chairman, I would like to move that Head 60 be approved.

**The Chairman:** Is there any objection?

No objection.  
So moved.

[Motion carried: Ministry of Labour, Community Affairs and Sports, Head 60 was approved.]

**The Chairman:** Thank you, Senator Hayward.

Now, we are moving on to the next Ministry, which is the Ministry of Health. We are going to look at Head 24, which is the Hospitals, and Head 55, which is Financial Assistance. I believe that Senator Jason Hayward is up again.

Do you need to take a breath? Have some more water.

We will be going to page B-184 for the Hospitals, and we have two hours for both of these heads.

Senator Hayward.

## MINISTRY OF HEALTH

### HEAD 24—HOSPITALS

**Sen. Jason Hayward:** Madam Chairman it gives me great pleasure to present the budget for the Ministry of Health, Head 24, Hospitals, which can be found on pages B-184 to B-185 of the Budget Book.

Madam Chairman, the mission of the Ministry Headquarters is *to make Bermuda healthier*.

Some highlights of the Ministry's performance measures are better demonstrated in the Ministry of Health Roadmap 2019, which serves as the Ministry's annual corporate plan and provides a helpful overview of the Ministry as a whole. The Roadmap 2019 has been published on our website at [www.gov.bm](http://www.gov.bm) under the Health Library.

Madam Chairman, Head 24, Hospitals, represents the amount dedicated by the Government toward hospital care for subsidised persons, which is 100 per cent of children from birth to age 18, or 21 if in full-time local education; 100 per cent for indigent; and 70 per cent of hospital costs for seniors aged 55 to 74; 80 per cent of hospital costs for senior aged 75 years and older. This contribution by the Government, funded from the taxes all of us pay, serves to dramatically reduce the burden of insurance costs on families and seniors. It is a tremendous contribution to the community and [accounts] for almost 50 per cent of all hospital funding.

Madam Chairman, page B-185 of the Budget Book lists the allocations of the Hospitals Subsidy Budget to the various population it serves. However, it should be noted that these are prorated estimates and, in fact, the legislation requires the hospital to provide the care to the eligible subsidised population for the contribution appropriate in the budget.

Madam Chairman, Bermuda remains severely challenged, like many developed countries, in providing affordable health care services to an ageing and increasingly unhealthy population. Having the Island's only hospitals, and being the largest provider of health care services, Bermuda Hospitals Board [BHB] is fre-

quently a focus in discussions of how to manage costs.

I would like to start with a national view. Madam Chairman, whilst diagnostic technologies and services, specialist physicians and surgeons, and leading-edge therapies have all been developed and provided at our local hospitals, and increasingly in the private sector, these do not address Bermuda's biggest issues related to health: a growing senior population that has increased from 14 per cent in 2010 to [a projected] 20 per cent in 2020, and people with multiple chronic diseases called "multimorbidity." We cannot lose specialist services which serve many people on the Island very well.

But the bigger question is how the entire system can respond to the community's most pressing health needs. These tend to play out in the hospital at the moment, as it is frequently the only safety net for some of the most vulnerable and unwell people in our community. This is the big picture that we have to address, and BHB is a willing partner in seeking to address it. For just as government, businesses, and individuals in Bermuda cannot afford the spiralling health care costs, neither can our hospitals.

Both King Edward and the Mid-Atlantic Wellness Institute are working with increasing demand, comorbidity, limited ability to reduce the surge of people in need coming through the doors, and limitations on discharging people safely, all in the context of restricted finances and suboptimal facilities to manage the increase.

### BHB Financial Position

**Sen. Jason Hayward:** Madam Chairman, perhaps the most complex challenge facing our health care budget is that Bermuda Hospitals Board cannot fully reduce the country's burden of hospital costs on its own. An effective solution to reduce hospital costs requires the development of solutions outside of the hospitals, both to avoid admissions and to care for post-acute patients when they are discharged.

BHB is in the second year of its Financial Recovery Plan, which was developed in response to a one-off \$25 million budget cut to hospital subsidy in fiscal year 2018. The Financial Recovery Plan identified a total savings requirement of \$29 million over a four-year period. The expectation of a fixed income agreement being introduced in 2019 means that this plan is now being revised and further savings will have to be made.

Madam Chairman, in fiscal year 2018/19, BHB expects to achieve a break-even position, having delivered a deficit of \$21 million in the fiscal year ending 2018. This position is, however, non-recurrent and will be supported by a number of technical and one-off adjustments. These include changes to accounting policy on inventory, changes in depreciation policy, and a one-off change relating to the Nurses Superan-

uation scheme where provision for this payment is no longer required.

Although not cash-backed, this has allowed BHB to reach agreement on fee [charges] related to MRI and CT imaging without any requirement for additional funds, thus supporting the wider governmental financial position.

While there have been early successes in holding expenses close to the level last year, reduction in revenue related to dialysis and inpatient revenue are projected to decline to \$87 million, compared to \$91 million in 2018. Long-term care revenue for 2019 is projected to be \$27.5 million (compared to \$29.6 million in 2018), with average occupancy exceeding 95 per cent for both years. Dialysis revenue for 2019 is projected to be \$23 million, and has continued to cause significant pressure on BHB finances.

Madam Chairman, turning to financial year 2019/20, BHB expects operational expenses to increase by at least 1 per cent, reflecting the impact of inflation. This will add \$3.5 million to the forecast out-turn expenses position for 2019 of \$335 million.

BHB expects to continue to invest capital funds in its ageing infrastructure, but it is focused on its future strategic requirements by reserving funds within its capital programme for two key developments: (1) the development of an electronic health record which will benefit the entire population of the Island and will support strategies to improve population health; and (2) the production of a business case for the redevelopment of our KEMH and MWI sites. An initiative that will dramatically improve the facilities' health care is provided, while reducing annual running costs.

Madam Chairman, BHB has invested significant resources in the delivery of its Strategic, Clinical Services, and Financial Recovery Plans. These plans aim to deliver high-quality care within available resources. BHB will not negatively impact clinical quality or financial balance as a result of moving to capped revenue. However, in order to manage utilisation, which, along with inflation, is the main driver of costs, it may have to place clinical controls on the access to non-urgent care.

This may be accompanied by a review of the current clinical thresholds in place. The new funding model will require BHB to be more efficient in its use of resources. All processes and procedures will be carefully reviewed, and redeployment roles for staff will be sought where possible.

### Hospital Utilisation and Capacity

**Sen. Jason Hayward:** Madam Chairman, like most hospitals, Bermuda Hospitals Board has evolved and grown in line with international best practice and technology. It can treat infectious diseases, manage trauma, mental health and substance abuse issues, and provide the latest specialists and therapies for diseas-

es such as cancer. BHB has also followed international standards by transferring intellectual disability residents out of the institutionalised hospital setting into its group homes.

Madam Chairman, BHB currently sees over 36,000 attendees annually at the Emergency Department, admits about 500 patients per month for inpatient care, has over 1,100 child and adult mental health service users, undertakes over 8,900 surgeries per year in the operating room, conducts over 56,000 diagnostic imaging tests and 3 million lab tests, supports the births of over 500 babies, and cares for 142 dialysis patients, 102 long-term care residents, and 108 hospice patients per year.

Its skill set is deeper with a range of specialists including cardiologists, urologists, neurologists and emergency. It runs every day, all day, and responds to national disasters, flu outbreaks, and anytime someone in our community has an accident, a stroke, a heart attack or other life-threatening illness or accident.

At the same time, as people visiting the Emergency Department may have experienced, BHB is under increasing pressure. It is not just the numbers of people coming into Emergency, but it is the complexity of the cases and the multiple health issues they have, the length of time that they need for assessment and diagnostics, and the increased likelihood of their being admitted to hospital. Admissions are up nearly 20 per cent compared to last year. People are having to wait in the emergency room for a bed on the ward, and at one point in January, 19 of the 23 emergency beds were filled with people on the ward. And yet, discharging patients remains challenging.

Families may resist their senior's return, there may not be a nursing home space, community care services are not available enough to support seniors safely back in their homes, and sometimes it is just because it is raining, or a family member does not come to pick up them up.

Madam Chairman, this is a major issue in King Edward, but there are similar problems at the Mid-Atlantic Wellness Institute where beds are also limited. The secure ward, Somers Annex, is over-filled by 30 per cent, and the Somers Ward inpatient unit is nearly 80 per cent full. Even in Child and Adolescent Services, where normally occupancy has historically not exceeded much above 20 per cent, inpatient occupancy in the last two months of 2018 was 88 per cent and 85 per cent [respectively], and this continued into January.

In pure numbers, mental health inpatient numbers rose from 207 in 2016/17, to 277 in 2017/18, a 35 per cent increase.

Madam Chairman, fiscal year 2018/19 also saw the culmination of work between BHB, the Ministry of Health, and the Ministry of National Security to relocate a prisoner with a challenging mental health

diagnosis to St. Andrew's Hospital in Northampton, England. Secure facilities and trained specialist staff of the kind required to house a patient with this individual's complex mental health needs do not exist in Bermuda. Working with Government, BHB did successfully provide round-the-clock care while the individual waited to be transferred to the UK at a cost of \$400,000. BHB continues to liaise with St. Andrew's so that ongoing needs are assessed. It manages an annual budget of \$280,000 to support this individual's care.

There are also changing dynamics in the group homes due to the ageing of people with intellectual disabilities and mental health problems. About 55 per cent of the people in mental health group homes are over 65. That is a considerably higher rate than the community, and the increasing physical health issues that this population is experiencing are straining the service.

Intellectual disability group homes are similarly pressured by the increasing number of ageing residents and increasing numbers of intellectual disability service users who are currently residing in the community and need more support. But the staffed group homes, being at capacity, cannot accommodate them.

Madam Chairman, this increased pressure was predicted by BHB's 2018 Clinical Services Plan, a document publicly available on the BHB website. It includes input and insight from over 450 BHB staff leaders, community partners and members of the public. This plan looked ahead to 2023.

On the acute care medical side, if no changes are made to strengthen community health and post-acute care and so reduce admissions and help BHB discharge patients, 75 more hospital beds will be needed in just four years. But beds in hospitals are not easily the answer as patients, especially seniors, quickly lose physical strength in a hospital bed and are more prone to infection and mental health issues. Hospital beds are also vastly more expensive than community care. Our country cannot afford it and our loved ones deserve better in care.

### Reducing Utilisation

**Sen. Jason Hayward:** Madam Chairman, the Patient-Centred Medical Home has continued to care for people who have chronic illnesses who may be underinsured or not insured. Numbers have increased from 167 last year to 213. Last year, the Government provided the clinical data supporting reduced Emergency [Department] attendances, fewer admissions to hospitals and improved health outcome. And this has continued regarding referrals persons and demographics.

Of all referrals to this service, 57 per cent come from GPs, 11 per cent from the Department of Health, 29 per cent come from BHB hospitalists in the Emergency Department, and 10 per cent from specialists. Fifty-one per cent of patients are men; and

49 [per cent] are women, with the biggest age group being from 50 to 69 [years old]. Fifty-three per cent of patients are uninsured with the remainder on different health insurance policies. Nearly 50 per cent of patients are obese and 28 per cent of patients have five or more co-morbidities. The most prevalent diseases are hypertension (60 per cent) and diabetes (40 per cent).

### BHB Strategic Activities

**Sen. Jason Hayward:** Madam Chairman, against the clinical pressure to do more is the pressure to reduce costs while improving quality. These are key platforms of the BHB strategy, which took on the Institute of Healthcare Improvement's triple aim in 2016 to reduce the per capita cost of care while improving quality and the experience of patients.

As part of this strategic plan, BHB recently partnered with the prestigious Johns Hopkins Medicine International [JHMI]. While the primary goal of this association is to support the education and training of its clinical staff, BHB is working with Johns Hopkins specialists to assess its stroke service with a view to making improvements and is going to accept residents from JHMI on one-month rotations, starting in the Emergency [Department].

BHB is also working with the acclaimed patient safety and service improvement experts from the Institute of Healthcare Improvement, initially focusing on reducing the incidence of falls, pressure injuries, and central line infections. A service improvement programme is also underway with the support of KPMG who are providing people experienced in supporting hospital services to become more efficient.

Madam Chairman, two service improvement projects provide good examples of this work. Weekly multidisciplinary board meetings which discuss patient cases in detail are now supplemented by daily 30-minute bullet rounds where the activity for each patient is reviewed. Delays are picked up quickly and potential roadblocks to discharge are highlighted earlier so discussions with families and patients can start before problems arise.

Pilots have run in two inpatient wards in the Acute Care Wing. The result has been a reduction in length of stay in both wards despite increases in admissions. It should be noted that a reduction of one day in length of stay can increase up to 15 per cent more capacity in a ward, helping open up beds more quickly to more people. Comparing December 2018 to December 2017, on one ward length of stay fell by 2.4 days, despite admissions rising by 39 patients over the same time period, and on the second ward, length of stay fell by 3.1 days, despite admissions rising by 27 patients over the same period.

Meanwhile a project in surgery has seen a reduction in surgery cancellations—a record of zero cancellations between September and December

2018, was only broken when a surge of admissions that included a number of very serious flu cases, impacted King Edward in January. Improving communication with patients prior to surgery is reducing one of the biggest causes of cancelled surgeries, patients not showing up, or showing up but not having completed their pre-surgical preparations or being too unwell.

### Estates Management and Facilities

**Sen. Jason Hayward:** Madam Chairman, while the maintenance of the Acute Care Wing is paid for as part of the public/private partnership, the median age of the Bermuda Hospitals Board's General Wing and Mid-Atlantic Wellness Institute facilities is over 50 years old and has been subject to decades of underinvestment. How BHB can best maintain or replace its ageing facilities in the future is already being investigated. As already mentioned, an Estates Master Plan has been developed, looking at several options as to how best to deliver services from our facilities. Further work is underway to finalise the business case for investment, which will deliver annual revenue savings.

### BHB People

**Sen. Jason Hayward:** Madam Chairman, like many workplaces in Bermuda, BHB acknowledges that harassment, bullying and incivility contribute to a poor work environment. This past year, in response to an invitation by myself, the presidents of the two organisations partnered with me in my capacity as president of the Bermuda Public Service Union . . . the two organisations partnered with the Bermuda Industrial Union to roll out the Standing Strong Against Harassment, Bullying & Incivility Campaign. The campaign included a new policy, with tools to support employees and managers in combating harassment, bullying and incivility in the workplace.

The roll-out of the campaign featured over 30 presentations to 1,800 BHB staff, led by myself and the BHB Chief Operating Officer, Scott Pearman. Anchored by BHB's newly restructured Organisational Development Department, Human Resources is both supporting staff and managers by developing positive work environments and driving accountability via the introduction of an Attendance Management Programme which holds unjustified excessive leave while better supporting those staff with legitimate illnesses.

Bermuda Hospitals Board has also continued to offer opportunities to young people interested in health care careers. In 2018, a record 70 local students took part in BHB's Summer Student Programme and, for the second year, Bermuda Hospitals Charitable Trust donated \$350,000 to BHB to fund its scholarship programme and also support training for staff.

Madam Chairman, this concludes my presentation for Head 24, Hospitals.

**The Chairman:** Thank you, Senator Hayward.

Would you like to go on to the next head, Financial Assistance, after a brief pause? That is Head 55 in the Budget Book for those following, and it begins on page B-186.

#### HEAD 55—FINANCIAL ASSISTANCE

**Sen. Jason Hayward:** Madam Chairman, Head 55, Financial Assistance, found on pages B-186 to B-189 of the Estimates of Revenue and Expenditure.

The mission of the Department of Financial Assistance is *to ensure that Bermudians with insufficient financial resources have access to services in order to gain, maintain or regain a minimum standard of living while encouraging personal and economic independence.*

Madam Chairman, the total current expenditure is estimated to be \$51,484,000. This is \$200,000 less than the prior year because the grant funding for Teen Haven was transferred to the Department of Child and Family Services when the two departments were moved to separate ministries.

The Department of Financial Assistance budget constitutes 21 per cent of the budget allocation for the Ministry as a whole. This allocation of funds will continue to maintain grants, Financial Assistance programme support, and the child day care scheme during the fiscal period.

*[Change in Chairman]*

**Sen. Jason Hayward:** Mr. Chairman, before I present the budget, I would like to set the context about the Financial Assistance programme, as there are many misconceptions about the programme and the population it serves.

To begin, it is important to understand that most Financial Assistance recipients are seniors, disabled persons, and child day care recipients. Only 26 per cent are able-bodied adults. In fact, as at January 2019, there were 3,258 recipients in total, as follows: 1,184 pensioners, seniors; 896 persons with disabilities; 214 able-bodied unemployed; 352 persons with low earnings; and 612 child day care allowances.

Financial Assistance is committed to making work pay and its award structure provides a foundation for this as persons do not lose all benefits if they find some employment. More work is being done to advance this policy to help get more people back to work. Mr. Chairman, in light of the profile of the persons in need of such assistance and the type of support granted, it has become clear that in order to bring much needed improvements to the programme we have to focus on making the programme financially sustainable, improving efficiency, and ensuring a more equitable allocation of awards.

Mr. Chairman, I now move on to the presentation of this budget.

#### Capital Expenditure

**Sen. Jason Hayward:** There was no project planned for the year 2019/10

#### Manpower

**Sen. Jason Hayward:** The full-time equivalent [FTE] count for 2019/20 remains at 34, as detailed on page B-188. The caseloads at the department continue to remain steady, with Financial Assistance workers maintaining over 200 clients per worker.

Management Consulting Services has commenced a review of the organisational structure and operation of the department to determine the optimal design or framework to meet current and projected client demand. This was the first recommendation accepted from the 2018 Reform Group Report.

#### Output Measures

**Sen. Jason Hayward:** The Output Measures for 2019/20 budget estimates are listed as two business units at page B-187. They are, 65050, Grants and Administration; and 65080, General Administration.

*[Sen. Michelle Simmons, Chairman]*

**Sen. Jason Hayward:** Madam Chairman, cost centre 65050, Grants and Administration, is estimated at \$49,511,635. These funds maintain grants to Financial Assistance and the child day care programme. There is no change in the amount from the prior year, and all programmes remained static in activities whilst the department transitioned, with the introduction of a new director.

Madam Chairman, there are two types of grants awarded from these estimates. The first involves the issuance of funding to support community-based programmes such as the Society for the Blind, Meals on Wheels, STAR (Supportive Therapy for persons with AIDS and their Relatives), Salvation Army Shelters, and Teen Haven.

The total support to these helping organisations amounts to \$828,000. The remaining \$48,683,635 serves as the total budget divided between the assisted programmes for eligible individuals of \$45,283,635, and the child day care scheme of \$3,400,000.

Madam Chairman, this year, the department addressed recommendation number 5 of the Reform Group Report by eliminating the job search sheets once used by able-bodied and earnings-low Financial Assistance clients to perform job search activities. The recommendation read, "firmly establish the job search component for able-bodied unemployed financial as-



sistance clients under the Department of Workforce Development and target job searches as part of a case management plan that provides appropriate guidance.”

In a previous Ministerial Statement, there was mention that clients, who must participate in job search activities as a part of their eligibility requirement to receive a financial award, must now utilise the Bermuda Job Board. The officers at the Department of Workforce Development stand ready to assist them in finding suitable employment opportunities.

Madam Chairman, there were 38 investigated cases of alleged abuse during the reporting period. Some of the reported cases involved overseas travel, overstated timesheets from caregivers, receipt of financial assistance whilst being gainfully employed, undisclosed income, returned to the Island less than one year ago, and unreturned funds from rest or nursing homes where client passed without notification to the department.

Madam Chairman, a total of \$197,018 was owed at the beginning of the year. The investigative officers were successful in recouping \$29,729, leaving an outstanding amount of \$167,288 owing to the department. The department is working closely with the Attorney General’s Office to consider all options to obtain these funds.

Madam Chairman, the total estimate for cost centre 65080, General Administration, for 2019/20 is \$3,172,263. There is no change from the prior year. The largest expenditure in this unit is for the manpower that manages cases and conducts oversight; therefore, salaries represent the largest component, as can be seen in the analysis on page B-187. Nevertheless, salaries represent less than 6 per cent of the total spend on Head 55.

### Major Policy Changes

**Sen. Jason Hayward:** Madam Chairman, there were no policies changes this current year. However, as a result of reform planning and feedback captured from the various audit reports, the following proposed changes are being considered for the coming year:

- Re-examine the overseas travel policy in an attempt to reduce abuse of the financial programme. The penalties should be more punitive. The department should have the authority to refuse future applications from individuals where it can be proven that they disregarded the rules on multiple occasions. Perhaps better known as the ‘three strike rule.’
- Amend the Financial Assistance legislation to clarify the definition of a “senior” as being distinct from a person who receives a pension before the age of 65. There are instances where employers are providing the option of early retirement. In some cases these individ-

uals are still able to work, and should be treated as ‘able-bodied.’

- Amend the Financial Assistance Act 2001 to more clearly define “financial assistance” by indicating what a “minimum standard of living” actually means in terms of a basket of goods and services. The cost of living from year to year has constantly increased making this welfare programme difficult to sustain. Extensive research in respect to the ‘low income threshold’ and other market data like rental and utility costs will be examined to determine where changes should occur.

### Plans for the Upcoming Year

**Sen. Jason Hayward:** Madam Chairman, in keeping with the work performed by the reform group, the department will undertake to complete the following:

- Conduct more frequent public awareness media activities to ensure that the community is well informed.
- Request the Attorney-General’s Chambers to provide a legal opinion advising whether a person who inherits a property from a senior who has benefited from financial assistance could be statutorily required to pay back some portion of the funds to Government.

There has been much debate in the media in respect to this topic following its first announcement in the House. The department has many examples where parents convey property to their relatives without receipt of benefit. The parent is then removed from the home only to seek financial assistance. In this instance, the “reclaim” is two-fold: Where a senior conveys a property, receives no benefit of sale and then requests to be a recipient of financial assistance, the government should be able to recoup a percentage of the funds used to sustain the well-being of the senior from the inheritance;

Secondly, as expressly stated, if one inherits a property where the owner received financial assistance prior to their death, a portion of the sale should be provided to the government to recognise the benefit received during life.

Madam Chairman, nobody wants or intends to deprive seniors of their properties. But in the face of an ageing population and a rising need for assistance, the country has to find other ways to fund the long-term care of financial assistance recipients. It is fairest to taxpayers that seniors use their assets to fund their care, rather than the government paying and their next of kin keeping the assets.

- Review social policy in other jurisdictions to determine whether any mechanisms are in place to enable governments to recover financial benefits paid to seniors who own property.

- Financial Assistance staff will participate in extensive customer service training to improve client experience.

The department plans to work with the government nutrition team to promote a nutrient-rich shopping list. There are plans to increase the list of forbidden items, or those goods that cannot be purchased using a food card issued by the department. Currently the only items banned for purchase are alcohol and tobacco.

Madam Chairman, that ends my presentation of Head 55, Department of Financial Assistance.

**The Chairman:** Thank you, very much, Senator Hayward.

Would any other Senator like to speak?

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITOR

**The Chairman:** But before you do, I would like to acknowledge the presence in the Gallery of Dr. Jennifer Attride-Stirling, the Permanent Secretary for the Ministry of Health. Welcome Dr. Stirling.

*[Committee of Supply, continuing]*

**The Chairman:** Any other Senator wish to speak?  
Senator Robinson.

**Sen. Dwayne Robinson:** Thank you, Madam Chairman.

I am looking now at B-184, in the general summary 2401. My biggest question here as far as this section was the mental health initiative that the government had mentioned, and especially with us passing similar legislation to assist in these matters, I was interested as to why there had not been any additional funding to the Mid-Atlantic Wellness Institute. I figured that this would have been one of the leading places which would benefit from this additional awareness of mental health.

Now, moving over to the breakdown over here on page B-185. I noticed that the, as we all know, that the seniors are the largest subsidy. But I realised that the number here under Aged is the exact same number that is budgeted for 2018/19 that has been budgeted for 2019/20. However, we see in the revised estimate that this is already been eclipsed by \$9.2 million. So, I am wondering if that has already gone over, according to the revised estimate how exactly the Government intends to meet the 2019/20 estimate amount with an ageing population, Madam Chairman.

Moving to Head 55, I would like to ask if the same number of people are receiving financial assistance, [unless] this is just a result of efficiency, [why do] I notice that the amounts of expenditure and funding here are trending to decrease?

**The Chairman:** Which items are you looking at—

**Sen. Dwayne Robinson:** I am just speaking, speaking broadly, here.

**The Chairman:** Just in general, then.

**Sen. Dwayne Robinson:** As far as the 2019 estimates for pretty much all the categories. The decrease is not very large, but across the board there have been decreases in the budgeted amounts. So, I am just wondering if this is a result of the efficiency that was mentioned in the brief, or if there is just fewer people receiving financial assistance.

And my other question is, has the shift in directors, or the transition from one director to another, affected the 2019/20 estimate, and if so, can we get maybe a bit of a . . . I would not say a sneak peak, but a bit of a heads-up on what type of impact that might have if it did affect the 2019/20 estimate as far as funding goes.

Now, moving over to page B-188 where I have heard as well in the brief and from my own research that there will be increased scrutiny as far as how the awards are given and how they are received, I am wondering if we see here in the full-time equivalents that the staff has remained the same. I am just going to ask if this increased scrutiny is sustainable with the current staff? Will this be enough that they carry out that increased workload? Or is there a system that is currently in place to make it efficient that the current staff is able to keep up with this increased scrutiny as far as who is awarded?

And just to jump over to B-189, for my personal knowledge, I would like to ask under business unit 65080, number two. The goal here is to complete 700 site visits for financial assistance clients during the year. And as we see, this has not been achieved since 2017/18 and the target outcome of 2019/20 is only 500. So, it comes back to whether or not we have an issue here with resources or if this is just a strategy being employed by the Government.

But my question is, are there any negative implications for not visiting the targeted [number of] assisted clients? And if so, what might they be? And with that, I conclude my questions, Madam Chairman.

Thank you.

**The Chairman:** Thank you, Senator Robinson.

Would any other Senator like to speak?

**Sen. the Hon. Joan E. Dillas-Wright:** Madam President—

**The Chairman:** Senator Joan Dillas-Wright—

**Sen. the Hon. Joan E. Dillas-Wright:** Yes, thank you, Madam Chairman.

I would just like to, first of all, start with Head 24, the Hospital, and I wanted to ask a question about the patient-centred medical home. I mean, I am aware of, you know, the high numbers of patients that do turn up at the hospital. And some of them arrive because of financial situations or whatever, they will go to the emergency department rather than go to their GP and if they do have, as I say, financial problems, then that is where they will end up and it ends up putting quite a number of patients, you know, having to wait for beds. But I know that the hospital did introduce the patient-centred medical home [programme] and I wanted to find out how many diseases must the patient have, or the client in the emergency department is presenting. Is it—because it has been stated that the average individual will have about five medical issues or medical problems and it could be hypertension, diabetes and a whole host of things. So, I just wanted to know if there was a criterion for the number of diseases they must have to be entered into this patient-centred medical programme.

The other question I wanted to ask is, How many doctors are assigned to this programme? And do they volunteer or are they, you know, budgeted and paid by the hospital? So that was one thing.

I wanted to ask, just for my own edification I suppose, a little bit about the nurse superannuation scheme, and I am aware of it in the past and I just wanted an update on exactly . . . I know it has ended, and I just wanted to have some information about the scheme and whether or not there are any more nurses at the hospital, or staff at the hospital, who would have qualified or if they have all been dealt with.

I want to ask a question about dialysis because dialysis has certainly been a major issue in the Island and, so, I think I heard the Junior Minister say that there were about 140 people on dialysis. I just wondered, I know there has to be some communication with the dialysis programme in the community, and I just wondered whether they are also put on a . . . if we have patients who are on dialysis who qualified for a kidney transplant, whether or not the hospital has some means of working with them or do they do their own programme and with the overseas provider.

I was not sure, I have not checked with regard to the costing now of the dialysis, so if I can just be given some information about the current cost and the number of patients. I think he did say 140, but I just wanted to know whether or not that is a constant number or are we still adding to it. And the other thing is I know we have an arrangement with the New England Bank for transplants and I just wondered—I am sure that continues, but whether or not there has been any transplants this past year.

I may have some more, but I will just go over to the . . . I just wanted to ask a question about . . . yes, okay. The MWI . . . I think we are . . . as somebody who knows the hospital quite well, I think it is really disturbing that the number of clients who are

living in the group home, the residents are ageing. And so, aside from the fact that we have a number of, you know, in the regular population that we have these individuals . . . and I wonder if there are any plans for them in terms of how much help they are going to require because if they are ageing and they are also having the physical problems. I know that there is something in the budget about rebuilding . . . not rebuilding it, but doing some renovations to MWI. I just wondered if these clients who live in these residences in the community whether or not they have been factored into whatever the future holds for these clients.

With the St. Andrews hospital, I was pleased at long last to see that there was an arrangement with St. Andrews, although it is costing the board and MWI tremendous amounts of money. I think in the past there was always the view that Bermuda . . . we do not have that many patients at MWI who need a secure environment and what it would cost at the time to have built such a forensic unit. I mean, at one time it was talked about doing it at the other end, at the prison service, having part of it turned over. But anyway, \$400,000, is it dollars or is it pounds? I am not sure I heard it right. But that is a tremendous amount of money, and I wanted to know in terms of a time frame, is there continuous treatment or is there any plan for review after a year or two? Or is there any plan for—in the future—that this person can be brought back to Bermuda, you know, treated and returned? Usually such individuals commit criminal offences. So, I do not know if this individual was committed for a particular span of time.

I think I heard that . . . I just want confirmation that they said there were 75 for the group homes. I am sorry I am going back and forth (I just picked up my notes, here) . . . that 75 more beds are required for the learning disabled. And I just wanted to know, are these clients, patients, are they in MWI at the moment or are they waiting to be placed or are they in the community who have aged, and they need to be in a group home or an environment?

I was glad to hear that the Johns Hopkins . . . I mean medicine, that is a very, very good arrangement. It has been in the past and we know that Dr. Malcolm Brock is there, so we do have some history of some communication and they have been extremely good in providing nurse training as well as helping our doctors when they have to . . . creating their skills and things like that.

I will go over to financial assistance, and I may have to come back to the hospital, but I just wanted to ask . . . I was very concerned to see, I mean, this has always been a problem, but when you read that the case workers there have 200 clients—

**The Chairman:** Which page are you on?

**Sen. the Hon. Joan E. Dillas-Wright:** I am sorry, I beg your pardon. I am on page B-188, financial assistance.

**The Chairman:** Thank you.

**Sen. the Hon. Joan E. Dillas-Wright:** My question is, in terms of what is the ratio of clients that are healthy, clients per case worker, because there is always the issue of burnout with people who have, you know, the very high number of clients that they have to see. So, that was a question that I had for that. I may have another question on financial assistance, but those are my questions for the moment.

Madam Chairman, thank you.

**The Chairman:** Thank you, Madam President.

Would any other Senator like to ask questions? Senator Kempe.

**Sen. Nicholas Kempe:** Yes, thank you, Madam Chairman.

So, thank you again to the, I believe the spokesperson this time for leaving us time for question—

**The Chairman:** Junior Minister.

**Sen. Nicholas Kempe:** The Junior Minister of Health, as well?

**The Chairman:** He is the Junior Minister.

**Sen. Nicholas Kempe:** Okay, well there you go. My apologies, Junior Minister.

I would like to expand, I guess, on a couple of questions that have been asked by the two Senators that preceded me. When we look at the King Edward Memorial Hospital line, we see that the age subsidy is the one—

**The Chairman:** Can we have the page?

**Sen. Nicholas Kempe:** Yes, my apologies, Madam Chairman. It is on page B-185.

**The Chairman:** Thank you.

**Sen. Nicholas Kempe:** We see that there was that \$10 million, I guess, not an overspend, because we are not in the actuals yet, but the revised estimate is running at about \$10 million more than the original estimate. And given the fact that we do have an ageing population, and the trends are running for that weighted average in the community to be ever more senior in age, I guess I would like to know on two fronts, what is it that caused the overspend so far this year? And what has been put in place, or what information and trends that seem to buck the population

trends that we are seeing in census reports and that kind of thing justify that the subsidy amount be put again next year at the same amount it was budgeted for this year, when there has been such a large swing? It is the only line item that has such a large swing. So I would just be curious to find a little bit more about why it happened and why we think it will not happen again next year.

When I look at the Financial Assistance head, Head 55 on page B-187, I guess I am going to look at the employee number, or number of employees, from a slightly different angle.

We note that there is some wildly . . . not wild, it is not that huge of a fluctuation, but we have a fairly significant fluctuation between the 2017 actuals, the original for this year, the revised for this year and the estimate for that year. The difference between the highest and the lowest spending amount is about \$164,000. Is that due to changes in employees and there being uncovered posts? Is it due to overtime? Because \$164,000, given that there has been no change in the [number of] full-time equivalents during that entire period and yet \$164,000 swing in salary spend . . . my question is, given that I believe the average employment cost in the civil service is about \$85,000, what is the cause of that fluctuation? If it is overtime, has the department considered an additional hiring, because \$164,000 would cover approximately two more employees. So, I just wanted to get a little bit more information into what was going on there.

I am pleased to see that we have realistic target outcomes again. Last year the forecasts were increased both on the percentage of awards to day cares for the last month and increased with the number of site visits. However, there was no increase in funding. So, I was questioning how that would have occurred last year and the revised forecast and the target forecast seems in line with a department that has had a pretty static amount of resources attributed.

If I may, I am flipping to the grants and contributions page in Schedule 1 on [page] C-17, Madam Chairman. And I will give people a second to find it if they are flipping there.

The first line . . . and my apologies if I missed it from the brief, but the grants to external bodies line has had a fair amount of . . . So I just was not sure if that was transferred into other grants and contribution lines that are detailed in the budget or where that went. I am also curious with the LCCA medical care overseas, what has caused the almost 33, 40 per cent decrease in the revised estimate this year? That seems to buck the trend. The actual, the original budget and the estimate for next year all sit a little north of \$2.8 million, but this year so far, the revised estimate is at \$1.8 million. So, I just wanted to get a little bit more perspective into why we have that discrepancy on the revised estimate this year.

My other question is on Summerhaven. I would just like to know what it is that caused the origi-

nal estimate for this year to be almost half of the actual spend from 2017/18 because the revised estimate showed that it was back up to the 2017/18 levels and yet we are budgeting for a decrease again for 2019/20.

My last question, Madam Chairman, relates to health insurance. I am on C-18 now, on the following page. I just want to know what caused the almost \$1 million increase in reimbursement of the HI fund from the 2017/18 actuals to the 2018/19 original, revised and 2019/20 estimates.

Thank you, Madam Chairman.

**The Chairman:** Thank you, Senator Kempe.

Would any other Senator like to speak?

Okay, Senator Hayward, we are going to back to you for some answers to the questions.

Thank you.

**Sen. Jason Hayward:** Some money has been moved from the Financial Assistance [FA] department and is now under the Attorney General's Ministry.

**Sen. Nicholas Kempe:** A point of clarification.

*[Crosstalk]*

**Sen. Jason Hayward:** That is what you were asking for, Summerhaven or Teenhaven—

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Summerhaven.

**Sen. Jason Hayward:** Oh, Summerhaven. Let me begin with [Senator] Kempe's questions. The questions applicable to [pages] C-17 and C-18 that Senator Kempe asked are not covered under the Heads 24 and 55.

The number of persons on financial assistance has increased. But the budget is decreased due to efficiencies that will be achieved.

The director change did not impact the funding level at all.

When we talked about the structure of the Financial Assistance department, Madam Chairman, the question was asked and the answer is that, as I stated in the brief, the department is going through a management service review to ensure our programme is staffed appropriately. So at the end of that management service review, we would have the answers to the questions that were asked.

In terms of the touchpoints regarding the staff within FA, the visits are projected to increase because FA has now been able to acquire a vehicle for visits.

Madam Chairman—

**Sen. Nicholas Kempe:** I am sorry, just a point of clarification on that note.

**The Chairman:** What is your point of clarification, Senator Kempe?

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** It is about the number of visits in the performance measures for financial assistance.

**The Chairman:** I believe that is on page 189.

**Sen. Nicholas Kempe:** Yes.

**The Chairman:** [Page] 189.

**Sen. Nicholas Kempe:** I believe Senator Hayward is referring to business unit 65080, point number two, and the target outcome for 2019/20 is the same as the revised forecast for 2018/19 and the same as the actual outcome. Is that 500 expected to be greater than what is listed in the Budget Book due to the new vehicle?

**The Chairman:** Thank you, Senator Kempe. Senator Hayward?

**Sen. Jason Hayward:** I am not going to get into the technical side of the desired outcomes. Right now, we have a number of visits. The Senator asked, do you expect visits to increase next year? We were hindered in the number of visits we can do due to the lack of a vehicle. The visits will increase. Whether or not that has an impact on that particular line item or that performance indicated in the book, I do not know.

**The Chairman:** Thank you.

Do you have a few more questions?

**Sen. Jason Hayward:** Yes, I do, in regard to MWI.

We are actively considering how challenges of ageing clients can be addressed. That is a problem that we do acknowledge. In addition, St. Andrews forensic medical health . . . it will be more expensive to provide the treatment there. This case is being treated and his return is planned in three years. The intent is that the treatment will mean he will live in our community safely.

Patient-centred medical home, a question, Madam Chairman, was asked around that. And this has been very successful in reducing hospitalisation. Only one condition is needed for an individual to be eligible.

Contracts, doctors and . . . it is largely nurse led. Big programmes. Unfortunately, we do not have the information you require on the nurse's superannuation fund. But we will endeavour to get that response to you.

Madam Chairman to Madam President, these dialysis providers collaborate when patients move between them. Overall, there are 201 dialysis patients.

There were roughly around four or five kidney transplants this year.

Regarding MWI, on page B-184, they will receive some additional funds from the current year to support mental health, the Mental Health Act.

Under page B-185, the \$10 million, this is to cover subsidising dialysis premiums. Adjustments will be announced which will prevent subsidies incurring these claims. And so it is an adjustment that will be made. The announcement will be made, but it will prevent the subsidy incurring those sorts of claims and that is why you see the difference in that amount.

**Sen. Nicholas Kempe:** A point of clarification, Madam Chairman.

**The Chairman:** What is your point of clarification, Senator Kempe?

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Yes, I am just unclear if the \$10 million has been incurred this year. Where is it going to come from next year? Are we expecting fewer dialysis patients?

**The Chairman:** Thank you, Senator Kempe.  
Senator Hayward?

**Sen. Jason Hayward:** The \$10 million did occur this year. We are not expecting fewer dialysis patients, but what we are going to do is do a premium adjustment and, like I said, that will be announced that would prevent subsidies incurring on those claims. And so, the financial outlay would not be the same in the future.

**The Chairman:** Were those all the questions?

**Sen. Jason Hayward:** Madam Chairman, I believe that answers the majority of questions that were supplied by fellow Senators.

**The Chairman:** Okay. And if there are any others then hopefully, they can be followed up later.

**Sen. Jason Hayward:** Thank you. Madam Chairman, I would like to move that Heads 24 and 25 be approved.

**The Chairman:** Is there any objection?  
No objection.  
So moved.

*[Motion carried: The Ministry of Health, Heads 24 and 25 were approved.]*

**The Chairman:** Thank you, Senator Hayward. You have done very well.

*[Laughter]*

**The Chairman:** Three lengthy briefs.

We are now moving on to non-Ministry departments—sounds a bit strange, but non-Ministry departments. We are going to look at the Parliamentary Registrar, that is Head 63, found on page B-20 and we will hear the brief from Senator Vance Campbell.

**Sen. the Hon. Kathy Lynn Simmons:** No, from me.

**The Chairman:** Oh, oh, from the Attorney General, I apologise.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam Chairman.

Madam Chairman, I move that the Committee do now take under consideration Head 63 which is the Parliamentary Registrar.

**The Chairman:** Thanks. Do proceed, Madam Attorney General.

## NON-MINISTRY DEPARTMENTS

### HEAD 63—PARLIAMENTARY REGISTRAR

**Sen. the Hon. Kathy Lynn Simmons:** I would now like to present, Madam Chairman, the brief for the Parliamentary Registrar, which is Head 63, found on pages B-20 through B-23 of the Estimates of Revenue and Expenditure.

Senators are reminded that these are non-Ministry departments.

#### Mandate

**Sen. the Hon. Kathy Lynn Simmons:** The mandate of the Parliamentary Registrar is to serve the electorate of Bermuda, irrespective of their race, creed, colour, or political affiliation, with respect and unbiased attention to their needs, whilst pursuing the full objectives of the democratic process.

And you can find the department objectives on page B-20 and they are as follows:

- Maintain and ensure that the continuous registration process is ongoing, open, compliant and transparent.
- Maintain a complete, accurate and up-to-date register for voters.
- To protect the rights of qualified citizens to register and prevent the unlawful or fraudulent registration or removal of persons.
- To provide prompt and timely issuing of apostille certificates in efficient manner.

*[Change in Chairman]*

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, the Parliamentary Registrar is appointed by the Governor under the provisions of the Parliamentary Election Act 1978, and as such, is required to discharge the duties conferred or imposed under that Act. The Parliamentary Registrar is subject to the general direction of the Governor, and in the exercise of his statutory duties, is assisted by such number of public officers as may from time to time be authorised to be employed.

The Parliamentary Election Act 1978 (as amended) and the Bermuda Constitution Order 1968 are the instruments by which the activities of the Parliamentary Registry are governed. On occasion the Houses of the Legislature may pass other Acts such as the Capital Punishment Referendum Act 1989, the Independence Referendum Act of 1995, the Referendum Act of 2012 and the Municipalities (Election) Order 2011 that have a direct effect on the office's activities.

Mr. Chairman, the staff at the Parliamentary Registry consists of five full-time positions under the direction of the Parliamentary Registrar, Miss Tenia Woolridge. It is intended that the department will have two additional workers to assist with election preparations for the Bermuda Municipal Elections scheduled to take place in May 2019.

Mr. Chairman, the Parliamentary Registry continues to make strides in improving our processes and procedures for registration of voters and general maintenance of the Parliamentary Register. We continue to look at the quality of our service delivery (and I am speaking first-hand to that) and have committed to allowing staff to take the necessary training in order to ensure continued quality of service. As always we are committed to maintaining the Parliamentary Register to ensure it is accurate in accordance with the Parliamentary Election Act 1978.

In this current fiscal period the department conducted bye-elections for constituencies 22, Paget East, and 25, Warwick North East, on the 7<sup>th</sup> of June, 2018. These bye-elections saw a turnout of 52 per cent and 54 per cent, respectively. Both elections were conducted and managed with great efficiency and integrity, and there were no reported incidences of electoral fraud.

Mr. Chairman, the Parliamentary Registry is committed to continued dialogue with all stakeholders of the democratic process with a view to ensuring the integrity of the process and identifying areas for improvement. In the next fiscal period we intend to push forward with initiatives to improve the electoral process for all voters, including those with visual impairments who can benefit from tactile voting devices that will allow them to vote independently in the future.

This year during Voter Awareness Month in April, the Parliamentary Registry will hold a series of presentations throughout the senior schools, with a focus on educating new voters on the electoral pro-

cess in Bermuda and the voter registration process, giving voters the opportunity to ensure they are registered to vote correctly, to apply to register to vote for the first time, ensure they know which constituency they live in and if that constituency has proposed boundary changes that will take effect in the next General Election.

Furthermore, Mr. Chairman, the department will be pushing forward to integrate all the apostille receipting and invoicing within Accountant General Enterprise Resource Planning, known as the E1 system, thereby shifting away from the uses of several spreadsheets for reconciliation. In addition, it will manage and operate its own bank account to meet the demand and preference by international and major private sector clients for the domestic and wire transfer mode of payment rather than cheque. Overall, this initiative will align with the Internal Auditor recommendations for improvement in the audit trail and efficiency of the revenue stream.

#### **Administration—73000**

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, I now turn my attention to the specific estimates of expenditure and revenue in the five cost centres of the Parliamentary Registrar's Office.

The total budget allocation for the Parliamentary Registrar's Office in respect of fiscal year 2019/20 as shown on page B-20 of the Budget Book is \$1,571,000, which remains relatively unchanged to the original budget for 2018/19.

Mr. Chairman, with regard to administration, which is cost centre 73000, the proposed budget for the Administration of the Parliamentary Registry for 2019/20 is \$944,000, which is an increase of \$79,000, or 9 per cent over the original budget for 2018/19. This increase is mainly due to the alignment of bona fide administrative expenditure to Administration, cost centre 73000. The funds in this cost centre enable us to carry out the daily functions of the Parliamentary Registry to include:

- supplies and issuing of voter identification cards;
- supplies and issuing of apostille certificates;
- overtime costs associated with voter awareness month initiatives;
- general office supplies and cleaning;
- printing of all registration forms and parliamentary registers;
- content management of the website; and
- maintenance of the PRO+ electronic register and database.

#### **Boundaries Commission—73005**

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to the Boundaries Commission, cost centre 73005, the proposed budget for the Boundaries

Commission for 2019/20 is \$38,000 which represents a decrease of \$5,000 from the original budget in 2018/19.

### General and Bye-Elections—73010

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to General and Bye-Elections, under cost centre 73010, the proposed budget for the General and Bye-Elections cost centre for 2019/20 is \$250,000, which represents a decrease of \$61,000 from the original budget in 2018/19. This decrease is mainly due to the allocation of bona fide administrative expenditure to cost centre 73000. The proposed budget will serve to cover the costs of any Bye-Elections that may occur over the next fiscal period.

### Municipality Elections—73015

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to Municipality Elections, cost centre 73015, a proposed budget allocation for that cost centre of \$76,000 has been allocated to this cost centre for municipal elections. This will cover the next ordinary municipal election scheduled for May 2019, which will see elections for the Corporation of St. George's and Corporation of Hamilton.

### Electoral Reform Research—73017

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, with regard to Electoral Reform Research, cost centre 73017, a proposed budget allocation of \$263,000 to this cost centre is for electoral reform research and development.

The current global trend of mature democracies stands on some form of political finance regulations and regulated environments. It is necessary to ensure the effective management of money in politics and is important to maintain the integrity of the democratic process. The Parliamentary Registry will continue to press forward with research and deliberation with the government on this topic. The funds will be used for legal advice, research and any overseas training required.

### Subjective Analysis of Current Account Estimates

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, I would like to turn your attention to page B-21, subjective analysis of current account estimates.

Under that cost centre we see the salaries increase of \$8,000. The estimate for 2019/20 is \$515,000, as I said, an increase of \$8,000, or 2 per cent increase over 2018/19.

With regard to Advertising and Promotion, which is a decrease of \$33,000, and I will give details. The advertising and promotion budget is \$280,000 in 2019/20, which represents a decrease of \$33,000, or

a 11 per cent decrease over 2018/19. The aim of the advertising and promotion requires the use of a variety of media outlets and out-of-home advertising vehicles to ensure coverage of all demographics of the electorate.

Professional Services, that budget is \$261,000 in 2019/20, which represents a decrease of \$7,000, or 3 per cent over 2018/19. These services include independent legal advice, field registration officers and internal software maintenance of the electronic registration system known as the PRO+. Additionally, the office is working on improving the online registration process in an effort to make it more efficient and secure.

The Materials and Supplies budget is \$126,000 in 2019/20, which represent a decrease of \$3,000, or a 2 per cent decrease over 2018/19. This line item consists of expenses associated with office and election supplies including all stationary items, repair and replacement of any broken polling booths or ballot boxes, uniforms and badges for election officers and agents.

The Other Expenses budget is \$20,000 in 2019/20, which represents a decrease of \$1,000, or a 5 per cent over 2018/19 figure. This line item consists of expenses associated with training and development of staff, team building, and other administrative expenses that arise from the day-to-day operations of the Parliamentary Registry.

### Revenue

**Sen. the Hon. Kathy Lynn Simmons:** Mr. Chairman, revenue is generated from the issuing of Apostilles. Total revenues for the 2019/20 fiscal year are estimated at \$350,000, an increase of \$75,000, or 27 per cent over the approved budget 2018/19. The Parliamentary Registrar's Office continues to provide prompt and timely issuance of apostille certificates to our international and private sector clients.

And I will now draw your attention to the performing measures on page B-22, which are worthy of note. If you look closely, you will see that with regard to the number of new voter registration forms processed they are looking to have a target outcome that is increased with regard to Form 1, new registrations. That figure is anticipated to go to 500, and Form 2 to 250. The Registry will continue to review legislation, we see that category, with the view to strengthen and modernise the legislation to accommodate technological advances and efficient administrative processes. And Senators can read these performance measures accordingly.

So, Mr. Chairman, in closing, I would like to thank the staff of the Parliamentary Registry for their commitment and dedication to their duties over the past fiscal year.



**The Chairman:** Thank you, very much, Madam Attorney General for your presentation.

Would any Senator wish to speak to these heads?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Mr. Chairman.

Thank you, Madam Attorney General for your presentation. I still have a couple of questions, though, as it relates to the Parliamentary Registrar.

The first one relates to the relation between the salaries line and the full-time equivalents of employees. We see that both the revised . . . sorry, for those following along, it is on page B-21.

The revised 2018/19 estimate shows a spend of \$405,000 for six full-time equivalent employee members. And the 2019/20 estimate shows the exact same number of staff, however, a \$110,000 increase in salary spend. If you could provide some clarity on that figure it would be appreciated.

I would also like to know what is driving the increase of \$40,000 in the travel spend between the 2017/18 actuals and the 2018/19 both revised budget and estimate for the upcoming fiscal year. I am hoping this is an errata, Mr. Chairman, but if we look farther down the page under the Revenue Summary, at line 8440, Apostille Fees, we have a revised estimate of zero dollars, however, \$275,000 was budgeted, and for the next year we are budgeting an increase on this year's original budget of another \$75,000. So, this zero dollar apostille fee, I would just like to understand how that came to be, and how it is included in the book.

I also have a question about the election reform research, which is detailed on page B-20 under the general summary. It is line 73011 *[sic]*. We had over this year and the upcoming year, about half a million dollars in spend. And I know this is an initiative that goes back to—

#### POINT OF CLARIFICATION

**Sen. the Hon. Kathy Lynn Simmons:** Point of clarification.

**Sen. Nicholas Kempe:** Yes.

**Sen. the Hon. Kathy Lynn Simmons:** I am sorry, I don't see—

**The Chairman:** Yes, I was just going to ask the same question.

Senator Kempe, can you please refer to the page and the section that you are speaking of?

**Sen. Nicholas Kempe:** Yes, I am speaking of [page] B-20—

**The Chairman:** Yes.

**Sen. Nicholas Kempe:** —the General Summary, the last line, “election Reform Research” line item 73017.

**The Chairman:** Thank you, very much. Continue.

**Sen. Nicholas Kempe:** So, we have a revised estimate of \$273,000 and an estimate for the upcoming year of \$263,000. So, more than half a million dollars right there. However, this is an initiative that goes back to I believe the 2014/15 budget. The name of the line item changed, but if I am looking at the performance measures on page B-23, it appears to be the exact same initiative, which generally revolves around absentee voting.

My understanding was that there had been conclusions relating to absentee voting and the general premise of it was that you cannot have both secure and anonymous digital solutions to absentee voting because you need to verify that the person on the other end of the vote is someone eligible to vote. And without having fixed term elections, the Parliamentary Registrar felt that the timeline to send out postal ballots for the absentee voting was too short to implement. But I would just like to know what changed from that conclusion from two years ago to justify an additional half a million dollars, or more, in spend furthering that conversation. Is there something else about fixed term elections that we are unaware of? Could the Attorney General enlighten us on that?

Thank you, Mr. Chairman.

**The Chairman:** Thank you, Senator Kempe.

Would any other Senator wish to speak on this head?

If not, then Senator, Madam Attorney General, you can answer those questions please. Thank you.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman.

Unfortunately, the representative for this head is not here to answer those questions. And so what I can do—the comptroller was [planning] to come and I think we are a bit ahead of time—and so I will take it under advisement and come back, hopefully, today.

**The Chairman:** Thank you, very much, Madam Attorney General. So those answers will be furnished at a later date.

So, Madam Attorney General, if I could ask you to move your head please.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Mr. Chairman.

I move that Head 63 [Parliamentary Registrar], be approved.

**The Chairman:** Is there any objection?

No objection, so moved.

*[Motion carried: The Non-Ministry Departments, Head 63 was approved.]*

**The Chairman:** We have now reached the end of the debate for today on the various budget heads and, Madam Attorney General, I would ask you to—

*[Inaudible interjection]*

**The Chairman:** Oh, Senator Campbell is doing that? I would ask you to close out the debate for today, please.

**Sen. Vance Campbell:** Mr. Chairman, I move that the Committee rise and report progress, and ask for leave to sit again.

**The Chairman:** Is there any objection?

No objection.

So moved.

Thank you.

*[Motion carried: The Committee of Supply agreed to rise and report progress, and sought leave to sit again.]*

**The Chairman:** Thank you, very much, Senators, for all of your attention this afternoon.

### Senate resumed at 4:50 pm

*[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]*

**The President:** Good afternoon, Senators, we are now back in the Senate, having had a healthy debate on the department heads.

We will now move on to the business at hand, which is, continuation of the Orders of the Day.

The second order is the second reading and resumption of the Municipalities Reform Act 2019.

**Sen. Crystal Caesar:** It is my Bill.

**The President:** You can take the second reading?

## BILL

### SECOND READING

#### MUNICIPALITIES REFORM ACT 2019

*[Continuation thereof]*

**Sen. Crystal Caesar:** Madam President, I move that the Bill entitled the [Municipalities Reform Act 2019](#) be now read for a second time.

**The President:** Is there any objection to that motion?

No objection.

Senators, I do believe that every Senator has spoken on this Bill, and it was just left to me to make my contribution.

In the Senate on Wednesday, we deliberated on what was and is a weighty subject, namely, the modernisation of the municipalities in today's Bermuda, implying that Bermuda today is different from the Bermuda of yesterday. I listened very carefully to each and every one of you and to all of the views and sentiments of each and every Senator here.

The idea of setting a platform for the growth and development of the municipalities in Hamilton and St. George's as centres of commerce, tourism, with a culturally vibrant milieu, and a thriving community is laudable. Also the idea, or notion, that what obtained for Bermuda years ago for the respective municipalities of Hamilton and St. George's no longer applies today; certainly not in a modern Bermuda. But what, we may ask, is the hallmark of a modern Bermuda? And how is that to be measured?

What we are given to believe is that a modern Bermuda will be marked by more tourists, a culturally vibrant milieu, more economic activity and a spirit of vivaciousness by the citizens, you and I, and all those listening. Of course, more tourists, increased economic activity and a spirit of vivaciousness is not necessarily translating into a better and more decent Bermuda which, presumably, is to be built upon and around a 21<sup>st</sup> century technological apparatus characteristic of a smart city.

The fact that key personnel, such as the representatives of the municipalities have been able to impress upon Government that St. George's should have its own Municipality Act, apart from Hamilton, speaks to this fact. I just want to share that I was sent an email that was sent to the St. Georgian individuals, the residents and various others, and it was sent to me. And when I read it, I thought to myself, *Wait a minute now*, and I had already looked at *Bernews* and, if I may, I would like to read what this said.

The title is "Stand-alone Legislation for St. George's." And it says, "Government will develop 'stand-alone legislation for St. George's'" And this was attributed to the Minister, Walter Roban.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** I am sorry, Minister, I should have acknowledged that you, the Deputy Premier, are in the Gallery and is listening. I want to welcome you, sir. I do apologise.

*[Municipalities Reform Act 2019, second reading continuing]*

**The President:** And a spokesperson on his behalf said, “Home Affairs Minister Walter Roban on Friday reconfirmed his pledge that the Government would develop stand-alone legislation for St. Georges that recognises the unique qualities and heritage of the Old Town.”

Minister Roban went on to say, “MPs Renee Ming and Kim Swan made a solid case on behalf of the people they represent and serve, and we listened. Their call on the floor of Parliament for a model featuring the direct election of the Mayor and three Councillors while advocating for greater financial attention to support infrastructure, tourism marketing support for St. George’s and the preservation and enhancement of the World Heritage Status, is one that working together, we will pursue.”

So, I was struck by that, because the fact that key personnel, such as the representatives of the municipality, have been able to impress upon Government that the town should, by having its own Municipality Act apart from Hamilton, speaks specifically to this fact. I have just read the article for you.

Indeed, this fact also underscores that both municipalities cannot be conceptualised in the same way regarding the development of a smart city. Indeed, what St. George’s has, Hamilton does not. I think we all agree with that. Yet, each complements the other. The acquiescence of the Government to the request of St. George’s MPs on behalf of the residents for their own Municipality Act, separate and apart from Hamilton, in which they would elect their own mayor and at least three of the councillors, as opposed to the appointment by the Minister is a recognition of this fact. But if it is the case that the Government has been giving thought to reforming the municipalities, yet the Government has acquiesced to St. George’s request, then it means that the process in modernising the municipalities is emboldened, and that it will require additional time before the process can be brought to a satisfactory conclusion.

What has been promised to St. George’s, while in the public domain, is not reflected in this Bill that is before us today. Indeed, the Bill before the Senate entitled “The Municipalities Reform Act 2019” speaks to both the Hamilton and St. George’s municipalities. It seems to me, then, that because the effort to modernise the municipalities is a process, more time will need to be expended to formulate the right fit for Bermuda’s two municipalities. Consequently, at this point I will support any movement for more thought to be given to this objective. If it is another year waiting or if an amendment is made it will not be too long to get the right fit regarding the modernisation of Bermuda’s municipalities. I am not saying it is not needed; I am saying that I have an issue right now.

However, the Government is to be commended for wanting to inject new life into the municipalities. But in doing so, it needs to take the people along democratically which, in consequence, will take some

time. Otherwise it will experience backlashes, as is presently the case, that in the long run will evade its ultimate objective.

Therefore, Senators, I cannot support this Bill.

I think it goes without saying that Hamilton is the focus for the smart city, because it is the economic seat of Government and its physical location has the hallmark for such development. My reading of smart cities is that they are built around technology, perfecting commerce, business, transport, infrastructure, health care, city living. Smart city development requires a shift in thinking, and is aimed, if you will, at the young population. And I would not say that it is entirely, because I know I am at an age now, but there are people who need additional help when it comes to working with technology.

And I can tell you that I have been to Singapore . . . I have been to several places where a smart city exists. And there are ads all around, and you can pick up your phone and . . . it’s fantastic.

And I also think of Bermuda as . . . sometimes [while] growing up we could go somewhere where we could hear music. You know, we have been talking about how dead Bermuda is. And I think that one of the Senators has said that after hours there is not very much [going on]. So we do need a vibrant city, we do need change.

However, back to this, most, if not all Bermudians believe that . . . sorry, I left out a paragraph here.

Arguably the people in the cities of St. George’s and Hamilton are linked by a common democratic bond and share in what is now a cultural trait that taxation without representation is contrary, both to the culture and to the ethics of democracy. That is simply to say that most, if not all, Bermudians strongly believe in this principle grounded in the fight of our forefathers. Yet, this cultural norm has not been reflected in this Bill, and has not been reflected in any attempt to get the community’s feelings about the Government’s plan for those two municipalities.

If there was a community, or, more specifically, the residents of both Hamilton and St. George’s, specifically the residents and the country as a whole, they have not even been told about the survey results. It has been reported here by one Senator, and we were told it was a 90 per cent against, and probably 4 per cent or more for. So, if you want the people to be supportive, they must be given all of the information.

Government plans to modernise the municipalities, then. But what does that mean when St. George’s has a World Heritage Site that is culturally different? (I think I am repeating, and I am reinforcing my point.) The question is asked, because in recognition of this fact the two MPs from the old town have argued, and they argued really well for St. George’s having its own municipality, and they did make a very strong case. And we also know, as I have indicated, it

was accepted by the Minister, it has been shared with the public through *Bernews*, and the idea of each municipality being brought together as a quango no longer obtains, if this is what is in the public domain.

If, like any other Bill, the Municipalities [Reform] Bill is to be considered as a statement of intent, then the concessions made to St. George's MPs regarding the municipality of St. Georges clearly indicates that this Bill, the Municipalities Reform Act 2019 needs to be revised. That is my view. People do not have to agree with me, but that is my view.

The revision is all the more necessary because St. George's and Hamilton constitute the municipalities each of which were to be administered by a quango, that is what is reflected in the Bill, and that the Minister would appoint the mayor of each and at least four councillors. Now it appears that with St. George's to be given its own Act and the ability of the residents to elect their own mayor and three of its councillors, then the clauses in this Bill apply specifically to Hamilton. The premise for the formulation of a quango to administer each of St. George's and Hamilton, in my estimation, has now changed. And, as such, a new premise will now need to be formulated for the administration of Hamilton. Until that is done, I am not in a position to support the Bill that is before us today.

Those are my comments, Senators.  
Senator Caesar.

**Sen. Crystal Caesar:** Thank you, Madam President.

It looks like it is just you and I to speak today, as all the other Senators have had an opportunity to weigh in on this debate.

I had originally intended to begin with another statement, but, if I could, I need to clarify some information that I believe Senators may not understand. As we know, oftentimes news media quotes a Minister. And there is the [possibility] to misquote a Minister. And at this juncture I have to point out that *Bernews* actually has misquoted the Minister, as that was spoken of specifically, indicating that St. George's would be given its own municipality Act and that they would be able to elect the mayor and councillors. That is actually incorrect; the Minister and I have spoken in this regard, and he is aware of the article in *Bernews*, and this it is actually not the case.

The Minister has undertaken to give St. George's a stand-alone municipalities Act, but it does not mean that elections will be a part of that. So I need to make that clear to all at the table.

So, I believe we have made a decision based on hearing that somehow St. George's will now be given a stand-alone Act and they will be electing their councillors and mayor. That actually is not factual. So the decision-making around maybe how one has come to their decision may need to be revised.

We have had 96 years of the municipalities in Bermuda, both in the Corporation of Hamilton and in

St. George's. Growing up I had someone quite wisely say, and I am sure we have all heard it, *What is the definition of "insanity"? Insanity is doing the same things the same way and expecting a different result.* We all agree that the municipalities need attention, upgrading, upkeep in some form or fashion to keep trend, not just with Bermuda, but with the world. Examples cited are, specifically in Hamilton, that the dock is in really bad shape. We know that cruise ships are becoming more technologically savvy, a lot of them are newer, the older models are being replaced. And our current dock in Hamilton is unable to allow them to berth sufficiently.

We have heard not just in the past, but most recently just last week that the residents of North Hamilton, and businesses for that matter, have felt largely overlooked in support of their upkeep, maintenance and attention. Something as simple as trash pickup, where . . . if one were to go one or two blocks, Front Street trash cans are empty; North Hamilton's are full.

We have also heard that the fire hydrants actually belonged to the government and that is why they have not been updated or maintained. If I could re-read what the Bermuda Fire and Rescue Service Act 1982, section 19, actually says, with your permission, Madam President—

**The President:** Indeed, you may.

**Sen. Crystal Caesar:** "On 1 April 1983 any engine, equipment, vehicle and other movable property" (moveable property) "and assets belonging to the Corporation of Hamilton and used by that Corporation in connexion [*sic*] with its fire services shall be transferred to, and shall vest in, the Government."

I am not quite sure, but I do not believe that the fire hydrants move, nor do the underlying infrastructure move, so one may deduce who the fire hydrants belong to. And an example has been given that some years ago that they were not working, they have not been maintained, and, unfortunately, that led to the demise of one of our Front Street buildings.

In addition, it has been acknowledged by the Corporation of Hamilton that they have an ageing sewer system which pumps raw sewage into our ocean. Are they screened? Yes. But the water is not treated. Hamilton has a plan to update that pumping system. Updating does not actually include a more sustainable and environmentally sensitive water treatment process. And, therefore, it might be more efficient, but this water will still be untreated, and I, personally, think it is quite egregious in this more eco-friendly world in which we live that such an undertaking would even be considered. Who knows? We may be violating some sort of international ecological best practice.

Now I turn to St. George's and some of the examples that have been cited in terms of why St.

George's needs attention. We have all been there. It is an ageing city. It is a fact; the city is ageing. Therefore, the infrastructure is ageing. I spoke previously on the financial stability, the resources, both monetarily and through experience, at the Corporation of St. George. We had the auditors of KPMG give a *qualified* audit because of the lack of financial stability in the Town of St. George.

In addition, we have heard much about the new marina which is planned for St. George's. What one may not actually know is that the Municipalities Act does not allow for the newly envisioned marina to actually go forward. So remaining the same means no marina.

Government's vision is to see our municipalities become smart cities. And our learned Madam President has given us a definition of smart cities, but I would like to expand, as well, as to what a smart city is, because I hear it. We do not live in one, so I do not know what it is exactly. So I had to look it up. A smart city . . . the aim is to promote cities that provide core infrastructure and give a decent quality of life, which means social services, which the Corporation of Hamilton does not yet do. It is left to government to do. It includes access to water, electricity, a clean and sustainable environment—a clean and sustainable environment through the use of technology information and data. It enhances the quality and performance of services, such as, energy, transportation and utilities. Redundancies save money and streamline responsibilities. It reduces resource consumption, wastage and overall costs. And I could go on and on, but I think we get the idea.

The argument has been made that we should look to countries like New Zealand or Australia. And I ask why? Their populations are 4.8 million and 24.6 million people. Why are we comparing ourselves to countries with dissimilar demographics and size? Previously I spoke of Cayman, Barbados, and the Bahamas. Cayman's population is very similar to ours, 61,559 people; [Barbados], more, but similar demographics nonetheless, 285,719; The Bahamas, 395,361. So why are we comparing ourselves to populations that actually do not reflect the same demographics and size, one would ask?

It has been suggested that municipalities have a great working relationship with the government, and I beg to differ. I remind colleagues of the quite tenuous relationship to date that the corporations have had with government, and quite litigious. For instance, there have been at least four writs served by the corporation in relation to labour issues recently, right up to 2017/18. Three of these writs questioned the authority of the permanent arbitration tribunal because the corporation did not want to appear in front of the tribunal to resolve labour issues. I don't know about anyone else, Madam President, but that does not seem cooperative to me.

In addition, it has been cited that there are at least six other cases between 2013 and 2015 in which the corporation has brought an action against someone or the government. In addition, in 2015, the former Senator the Honourable Michael Fahy, had to take action to direct the Corporation of Hamilton due to actions that he deemed to be untenable by the Corporation. That is not a good relationship—quite litigious right up to just a year ago.

Much has been said about the abolition of elections. But I ask Members to think about why the municipalities were set up from the very beginning. The Municipalities Act of 1923 indicated that a municipal freeholder—and that definition is a person who owns a freehold estate valued at more than a certain amount—could vote. Now, let's think back to 1923. Was that one man, one vote? Who was protected by that Act, and why do we continue to want to hold on to that? I find it alarming that we cannot take ourselves out of what we are used to and think more progressively. Let's come into the 21<sup>st</sup> century.

It was a PLP Government in 2010 that enacted the Municipal Reform Act to make the process more democratic. And what did that PLP Government do? It allowed the residents of those municipalities [to vote]—not people who owned businesses, the residents, those who were most affected by what happened in those municipalities. Not to say that owners could not be [affected] as well, but up to that date [the residents] had not had a say in how the area in which they lived was maintained, upgraded and kept up.

Turn around in 2013, what happened? Businesses were then allowed to vote again. So, again, conceivably, let's think about it. A business owner lives in Warwick. They vote in the general election, so they have one vote. They own a business in Hamilton. That municipality has an election; they vote again. And they have a branch of that store in St. George's. That business owner votes again.

Now, at one point, it depended on how many businesses you owned. It could have been 1, it could have been 10, and you were able to vote based on the number of businesses you had. Is that fair? I ask Senators to think about that. That is how municipalities were set up originally. Is that what we want to continue? We heard in the Senate previously that we are eroding democracy. But I say no. I say we are actually moving it closer to what democracy is supposed to be—one man, one vote.

And what about the larger democracies? Bermuda, all of us, all 60[,000] plus residents of us . . . should we not all want the collective success of not just the Corporations of Hamilton and St. George's, but of Bermuda as a whole? Why should we allow one man or woman to vote in a general election then again in one municipality and then another, and another? That bothers me. It is not one man, one vote. It is not democracy. And most recently, if the corporation has its way, the democracy that we know today will be no

more. It will harken back to 1923. And we all know that this is harkening back to a despicable vestige of slavery from almost 100 years ago. That means residents will no longer be able to vote, only business owners. And why? Why should they be given the privilege?

Have we really not evolved as a society that we cannot see the problem in this? It is a sorry day in Bermuda when we want to protect white slave owners, or former slave owners' business assets. That is shameful. And I certainly hope that this is not what we are going to do today. And what about the ability to meet the needs of a country to show off our gems? St. George's was our original capital, our founding capital. We want to show it off in pristine condition. They do not have the money. They do not have the resources to do that. Why would we not allow economies of scale to assist?

And one thing that I wanted to point out that I did miss is that the sewage system in St. George's is actually not being planned by them, it is being planned by the government. What does that tell you? They do not have the ability to do it. We have the economies of scale. The government has the economies of scale to assist to make this happen, and the capital, Hamilton, again, where a growing number of visitors have begun to return to our shores . . . why would we not want that place to be a smart city to have all the amenities to be . . . why would I direct some of my Airbnb tourists there? I tell them to stay in Somerset. There is not much going on in Hamilton after a certain hour. Tourism is our second pillar of the economy, so we need to make sure that the entire Island is taken care of. We cannot allow 700 people to determine the future of this Island. Someone would come and say, *Oh, it is a beautiful island I have come to. But, Hamilton? I can't even get a Wi-Fi signal. I can't find out what's going on in that country.*

I ask Senators, remaining the same will do what for us, exactly? Don't we want to see change? Don't we want to see this country grow and excel together? Shall we not be brave and do something different for a change?

So, I am going to finish with a quote that I was originally going to start with, and that is, *What is the definition of "insanity"? Doing the same thing the same way and expecting a different result.*

Madam President, with that said, I move that the Bill entitled the Municipalities Reform Act 2019 be now read a second time.

**The President:** Yes, it has been moved that the [Municipalities] Reform Act 2019 be now read a second time.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITORS

**The President:** I was hesitating because I want to acknowledge the presence of the Premier of Bermuda, and also many of his Cabinet who are here in the Gallery.

I also wanted to acknowledge the presence of the Permanent Secretary, Ms. Rozy Azhar, and the Parliamentary Counsel. I wanted to acknowledge that they are all here. Thank you, for your presence.

*[Municipalities Reform Act 2019, second reading continuing]*

**The President:** Any objections to the second reading?

**An Hon. Senator:** Yes, we object.  
We would like to call a division as well.

**The President:** You need more than one . . . so all three of you are objecting?

**Another Hon. Senator:** I object to the Bill.

**The President:** The Clerk will take a division.

## DIVISION

*[Municipalities Reform Act 2019, Second Reading]*

### Ayes: 5

Sen. the Hon. K. L. Simmons  
Sen. Anthony Richardson  
Sen. Jason Hayward  
Sen. Crystal Caesar  
Sen. Vance Campbell

### Noes: 6

Sen. Nicholas Kempe  
Sen. Marcus Jones  
Sen. Dwayne Robinson  
Sen. Michelle Simmons  
Sen. James S. Jardine  
Sen. the Hon. J. E. Dillas-Wright

**The President:** The division is six to five, the motion is defeated.

*[Motion defeated: Second Reading of the Municipalities Reform Act 2019 was defeated by majority on division.]*

**The President:** Thank you, Senators.

We will move on to the third item on our Orders of the Day, and that is the second reading of the Land Tax Amendment Act 2019, Governor's recommendation signified.

Whose Bill is that?  
Senator Campbell, you have the floor.

## BILL

### SECOND READING

#### LAND TAX AMENDMENT ACT 2019

**Sen. Vance Campbell:** Thank you, Madam President.  
I move that the Bill entitled Land Tax Amendment Act 2019 be now read the second time

**The President:** Is there any objection to that motion?  
No objection.  
Carry on Senator Campbell.

**Sen. Vance Campbell:** Thank you, Madam President. The Bill now before the House is the [Land Tax Amendment Act 2019](#). This Bill provides for revised land tax rates for various annual rental value (ARV) bands.

Madam President, land tax is charged under the authority of the Land Valuation and Tax Act 1967 and the Land Tax Act 1967. It is assessed on the annual rental value of each valuation unit depending on whether the unit is a private dwelling or a commercial property.

The Tax Commissioner's land tax officer calculates the amount of land tax charged on all valuation units and demands notes are issued to taxpayers half-yearly. The amount of tax is determined by multiplying the ARV by the appropriate tax rates. Annual rental values are established every five years and are updated periodically to reflect improvements to property. The owner of each valuation unit is liable for tax.

Madam President, private dwelling units are taxed on an extremely progressive scale of tax rates. There are seven annual rental value bands with a minimum rate of 0.8 per cent and a maximum rate of 47 per cent. Bermudians who are 65 years or over, who own and occupy a private dwelling are exempted from tax on the first \$45,500 of the annual rental value. Commercial properties are currently taxed on the single rate of tax at 12 per cent.

Madam President, the progressive rate structure for private dwellings is heavily skewed to higher value properties, making the property tax highly sensitive to reassessments in value. To illustrate that the tax structure is heavily skewed, the assessed value of properties up to \$44,000 ARV band accounts for 84 per cent of the tax base, but is only 18 per cent of the tax revenue, while properties at the higher band with an ARV over \$120,000 account for 1.6 per cent of the properties, but provide for 43 per cent of the taxes collected.

Madam President, currently, the land tax bills range from \$28.80 per year to \$228,720 per year, further illustrating the highly progressive nature of the system.

Madam President, in their report presented to the Government, the Tax Reform Commission recommended that the land tax structure for residential property should be amended by levying a flat rate of \$500 for ARVs under \$22,000. This procedure would replace the bands under \$22,000 with a \$500 flat rate which will provide for a more equitable distribution of the land tax burden. The view of the Tax Reform Commission [TRC] was that the existing rate structure is not fairly weighted. It is clear from this proposal that the TRC considered that the tax rates for the two lowest bands were too low. An important principle in any

tax system is the ability to pay, and from this proposal it appears that the TRC are of the view that persons owning properties of \$22,000 or less could afford to pay \$500 per year, or \$41.66 per month for their properties. The Tax Reform Commission expects that this proposal for a residential tax rate reform to yield an increase in revenue of approximately \$8 million before seniors' exemptions.

Madam President, Senators will recall that the TRC also proposed a tax on residential rents which would have yielded \$26 million. During the prebudget consultation process, the Ministry carefully considered all land tax proposals and it was announced in the 2019/20 National Budget that Government would be amending the land tax rate structure for residential properties to generate additional revenue. The proposal is as follows: All properties with an ARV of \$1 to \$22,000 will pay a flat rate of \$300. All properties with an ARV above \$22,000 pay a flat rate of \$300 plus the [following] rates.

So, from \$22,001 to \$33,000 that rate would be 3.5 per cent, which is what it currently is. So that will not change. The next band, \$33,001 to \$44,000 at 6.5 per cent will not change. So the only change will be the flat rate of \$300.

And then five, \$44,001 to \$90,000, the rate would move from 12 per cent to 17 per cent. And then [band] six, Madam President, that is from \$90,001 to \$120,000, the rate moves from 25 per cent to 30 per cent. And above \$120,000, Madam President, that rate will move from 47 per cent to 50 per cent. Madam President, this proposal will yield an additional \$12.6 million in land tax revenue per annum.

A little more information about the impact of this proposal, Madam President. In the first band the average increase in tax per year is expected to be \$224. In the second band, the expected average increase is expected to be \$113. In bands three and four the increase is \$300, which is the flat base rate. In band five the average increase in tax per year is expected to be \$1,094. And in band six, \$3,299. And in the highest band, above \$120,000, the average increase in tax per year is expected to be \$5,542.

Madam President, the maximum dollar exemption afforded to seniors under the new rate structure [which] will be effective July 1<sup>st</sup> 2019, is \$1,941 per annum.

Madam President, the reality is that to maintain government services at a reasonable level and to avoid financial failure, the Government needs to increase revenue. Madam President, the Ministry of Finance is confident that this approach will provide the government with additional revenue from land tax and believes that the revised rate changes are both equitable and fair. The proposed amendments maintain the progressive nature of land tax with those who own the most expensive homes paying more land tax than others. These points are clearly evident when one examines the figures I have just provided.



Madam President, there may have been some misunderstanding in the public relating to these new land tax rates, and the Government would like to apologise for any confusion around them.

With regard to commercial land tax, Senators are aware that in the 2018/19 Budget Statement, as a temporary measure, land tax rates on commercial properties were increased by 5 per cent, raising an additional \$15 million in land tax revenues. This provision will expire on June 30, 2019, and the legislation provides for the rates to revert back to 7 per cent. It is now proposed to amend the land tax on commercial properties from 7 per cent to 9.5 per cent, and the land tax on tourist properties from 7 per cent to 8 per cent.

Madam President, with your permission, I would like to read the definition of a tourist property as contained in clause 2 of the Act.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Just before you do, I would just like to acknowledge the presence of the Financial Secretary, Mr. Anthony Manders. Welcome, sir.

Do carry on, Senator Campbell.

*[Land Tax Amendment Act 2019, second reading continuing]*

**Sen. Vance Campbell:** Thank you, Madam President.

Under clause 2 [new section 2](a) “‘tourist unit’ means a valuation unit which is used as or forms part of a hotel, cottage colony, guest house, lodging house, club or tourist accommodation for reward, but does not include a vacation rental unit as defined in section 15A(1) of the Bermuda Tourism Authority Act 2013.”

Madam President, vacation rentals will be taxed under the residential, or private, tax code under the appropriate band.

Madam President, Government has always maintained that everyone in Bermuda needs to do their part in helping to pay off the deficit. Therefore, the primary purpose of this Bill is to amend the land tax rates to ensure additional revenue to the Government so that this Government can continue to do the work the people elected us to do, which is to provide a better and fairer Bermuda.

Before I close, Madam President, I do want to go, with your permission, to [clause] 4 of this amendment Act.

**The President:** Yes, continue, Senator Campbell.

**Sen. Vance Campbell:** [Clause] 4, indicates that after section 2 of the principal Act insert section 2A, “In respect of any valuation unit (other than a private dwell-

ing) which is situated in any of the economic empowerment zones designated under section 2A of the Economic Development Act 1968, tax shall be charged, levied and collected at the rate of 7% of the annual rental value of the unit.”

This will remain the same; it is currently 7 per cent, it will remain at 7 per cent, Madam President. I just wanted to make that clear.

**The President:** Absolutely, I think it’s important that you do. Thank you.

**Sen. Vance Campbell:** Madam President, in closing, Senators are advised that the land tax valuation department is in the process of conducting the five-year revaluation of land, which is due to go on deposit the 31<sup>st</sup> of December *[sic]* 2020 and come into effect on January 1, 2021. During this process, the Ministry will have to make further adjustments to rates to maintain the level of land tax collected. Also during this time, the Ministry will look to transition the land tax structure so that it is less susceptible to large changes in valuation.

With those introductory remarks, Madam President, I conclude my presentation. Thank you.

**The President:** Thank you, Senator Campbell.

Would any Senator care to speak on this Bill? Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Madam President.

So, I listened to the spokesperson for Finance talk about how Bermudians may have been confused. And I would like to talk a little bit about why that may be.

If we look at the Bermuda Tax Reform Commission’s Report, yes, they did talk about a \$500 flat fee on the first two bands. But, they spoke of that as a replacement for everything in those first two thresholds. They did not prescribe adding \$500 to band three, band four and band five and basically everyone that pays tax getting hit with an additional fee. What they spoke about was replacing the percentage being levied at the lowest level so as to cover processing fees, which is a concept that the Finance Minister spoke to at the budget breakfast.

What we were sold in the Budget Statement was a proposed tax rate of 0.0 per cent, which is essentially what [clause] 3 [new section 2](a) gives us here, and replaces with the \$300 flat fee. But, what we are looking at on the amendment here is just that. That we are getting hit with this base charge on top of it. So, whilst we are talking about the progressive nature of land tax, someone who had a home paying at an ARV of \$11,000 for, they were paying \$88 on their land tax. Now, they are going to be charged \$300, which is an increase of some 240 per cent. And I understand we are starting with low values so the per-



centages will be quite high. But, even if we get it up to a kind of middle of the road assessment number, where we are into band three, for example, a home that has an ARV of between \$22,000 and \$33,000, the land tax is going to go from \$671 to \$971, which is a 30 per cent increase. And that is right in the middle bands of the ARV scale.

You look at band four, again, it is going to go from a land tax of \$1,386 to \$1,686, which is an 18 per cent increase. So, trying to pass off this additional charge as being thinking of the Tax Reform Commission I think is somewhat misleading, Madam President, because the Land Tax Reform Commission only spoke about replacing the percentage calculation on the lowest two bands for a flat fee so as to cover the collection and the basic contribution for trash collection and the other items that the Senator across from me mentioned. But what they did not speak to was adding an additional flat fee on top of bands that were in the higher levels. It was a replacement value.

So, I would also like to query the calculations that are put in here for the total yield for land tax slated to be at \$85 million. Is the figure that is in the Budget Book accurate? Or is it what is in the Land Tax Amendment? It is somewhat misleading.

**The President:** Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

Senator Michelle Simmons, you have the floor.

**Sen. Michelle Simmons:** Madam President, we seem to have two different things which have been presented. And I have tried to understand, but I am failing.

In the Budget Statement, the proposed tax rates in bands where the ARV is between zero and \$11,000 and also \$11,000 to \$22,000 . . . the proposed tax rate is 0.0 per cent. In the Land Tax Amendment Act 2019, for those two bands respectively, the rate of tax is given as 0.8 per cent and 1.8 per cent, which are the old rates. But, I am confused because I thought that those rates should be set at zero. I thought that was the proposal.

I understand about the flat rate. But I just need some clarification as to whether in the first band and the second band there are still respectively rates of tax at 0.8 per cent and 1.8 per cent, because it is totally different from what is in the Budget Statement. And that is my only question.

Thank you.

**The President:** Thank you, Senator Michelle Simmons.

Would any other Senator care to speak on this Bill?

Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Thank you, Madam President.

I, too, share exactly the same views as Senator Simmons. I was totally confused when I read this, because when we received our Budget Statement there was a Schedule in there which I thought made it quite clear that for ARV bands one and two the proposed tax rate was zero. And that each person falling within any of those bands paid \$300 once. When I see this, I see \$300 plus 0.8 per cent, which is where I get confused.

Perhaps I could receive some clarity on that, for those first two levels, one and two. I do not have an issue with the remaining levels, I understand there is a payment of \$300 once, and then you pay the sliding scale as you go up. But I was confused on levels one and two, where I thought that they paid \$300 only, and nothing else, [which I understood] when I looked at the Budget Statement book for 2020. So perhaps I could get some clarification of that.

Thank you, very much, Madam President.

**The President:** Thank you, Senator Jardine.

Would any other Senator care to speak on this Bill?

No? Then Senator Campbell, you have a few questions to answer. And as you are conversing with the Financial Secretary, we will give you a few moments.

[Pause]

**Sen. Vance Campbell:** Madam President, I am just getting clarification.

**The President:** Yes, I have already informed the Senators. We understand that you are conversing with the Financial Secretary to get the answers to the questions that have been posed. So we will give you the time you need.

[Pause]

**The President:** We are still waiting for Senator Campbell to get his responses to the questions, which are quite important.

[Pause]

**The President:** All right, Senator Campbell.

[Inaudible interjection]

**The President:** No, that's fine. It is important for the Senators to get their answers to the questions. So you have the floor.

And thank you, Financial Secretary, for . . .

[Pause]

**The President:** For the listening audience, we are still getting our questions answered.

*[Pause]*

**The President:** All right, Senator Campbell.

**Sen. Vance Campbell:** Madam President, I will start with some of the other questions, because we are still working on clarification.

**The President:** Carry on.

**Sen. Vance Campbell:** The first thing I want to stress is the Report of the Tax Reform Commission. The results, the points that they have in there are recommendations.

The Government did not have to go hard and fast with everything that they recommended. And in some cases, the Government has gone with a variation of what they have recommended. That is the first thing. They were only recommendations.

**Sen. Nicholas Kempe:** Point of clarification.

**The President:** Point of clarification, Senator Campbell. (He has to respond.)

**Sen. Vance Campbell:** I will accept.

**The President:** All right, carry on Senator Kempe.

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** When the Senator says a "variation," can he please confirm whether the variation is more or less than the Tax Reform Commission's report?

**Sen. Vance Campbell:** Madam President, I provided an example in my brief where I said the Tax Reform Commission recommended a flat rate, a base rate of \$500. And the Government has chosen to go with \$300. That is an example of what I am talking about.

**The President:** Thank you, Senator Campbell.  
Carry on.

**Sen. Nicholas Kempe:** Point of order, Madam President.

**The President:** What is your point of order?

#### POINT OF ORDER

*[Misleading]*

**Sen. Nicholas Kempe:** The Senator may be inadvertently misleading the Senate. For homes over \$22,000 the effective flat rate is now \$586, as op-

posed to \$500. So it is actually higher than what was in the Tax Reform Commission's report.

**The President:** Thank you.

*[Pause]*

**Sen. Vance Campbell:** To one of the other questions, I believe what we have to remember is there are two parts to this Bill. There is the residential and then there is the commercial. In the instance of the residential, some of the bands have increased. And in instances of commercial we have to remember they have come down from 12 per cent. So what we have in that \$85 million [which] I believe Senator Kempe was concerned about, that is the net effect of moving the residential bands up and the commercial bands down from 12 per cent to 9.5 per cent, and 8 per cent as far as the tourist accommodations.

**The President:** Thank you, Senator Campbell, for that explanation.

Carry on.

**Sen. Vance Campbell:** We are still waiting . . . we are trying to get on the same page in regard to this last matter, Madam President. So if you could give me a few more minutes. Thank you.

**The President:** Carry on.

*[Pause]*

**The President:** We are still waiting for answers to the questions. And we will give the Financial Secretary time to give his explanation (for the listening audience). We are still waiting for information.

Senator Campbell.

**Sen. Vance Campbell:** Madam President, I apologise for that. I am being advised by the technical people that in spite of our interpretation of what we see here, the maximum tax in bands one and two will be \$300.

The tax for bands three to seven will be the base rate of \$300 plus the applicable tax rate in that band. I am not sure if that clarifies the confusion that Senators have expressed.

**The President:** There are three Senators who want to respond. So, Senator Jardine.

**Sen. James S. Jardine:** Madam President, I think what I was trying to get at, and correct me if I am wrong, is that in the Budget Statement it said levels one and two were going to be 0.0 per cent, and that is now 0.8 per cent and 1.8 per cent [respectively].

**The President:** Senator Campbell, did you hear the—

**Sen. Vance Campbell:** No, I didn't, Madam President, I was—

**The President:** Senator Jardine, would you repeat?

**Sen. James S. Jardine:** Thank you, Madam President. I see Anthony shaking his head on the other side, so, presumably, I got that wrong.

**The President:** Senator Richardson.

**Sen. James S. Jardine:** But, what I am saying is that in the Budget Statement it showed the bottom two levels, one and two . . . the rate of tax was going to be zero and zero, and are you now saying that is not zero and zero but 0.8 per cent and 1.8 per cent?

**Sen. Vance Campbell:** That is what we are trying to get clarified.

**Sen. James S. Jardine:** Ah. Okay.

**The President:** Senator Kempe, do you want clarification?

**Sen. Nicholas Kempe:** Yes.

Could Senator Campbell please advise what the tax bill for a home valued under the ARV banding of \$22,001 . . . what it was prior to this tax amendment and what it will be after it passes?

**Sen. Vance Campbell:** Madam President, I did explain that. I do not have the exact dollar value, but the bill prior to this, the . . . sorry, you said band three?

**Sen. Nicholas Kempe:** A home valued \$22,001. I have it being \$586 and change, versus \$286 and change prior to this Bill. The Tax Reform Commission recommended that it be \$500. My point is that this Bill actually makes it more onerous than what the Tax Reform Commission was proposing. So any allegations that they have eased off of what the Tax Reform Commission [proposed] is misleading for all homes over \$22,000.

**The President:** We are awaiting a response from the Financial Secretary.

Senator Campbell, you are smiling.

**Sen. Vance Campbell:** I am smiling. I am.

**The President:** You have the floor.

**Sen. Vance Campbell:** The lightbulb has gone off, Madam President. When we calculate the land tax, we still have to account for tax in each band even though you may be in, say, band five. You still have to calculate an amount in band one, band two and three, and band four and then band five. So, that is why we still

have to have the 0.8 per cent and the 1.8 per cent in the bands one and two.

But for someone whose home only falls in band one, their tax will be \$300. For someone whose home falls in the next band, band two, their tax will be the same.

**Sen. Nicholas Kempe:** Point of clarification.

**The President:** Senator Kempe.

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Will the Senator concede that both the Tax Commission Report and the Budget Statement did not suggest that calculation format?

**The President:** Senator Campbell.

**Sen. Vance Campbell:** No. I think . . . No, I will not concede that, Madam President. I think it is a misunderstanding or a lack of understanding in how the land tax amount is calculated. And that is where the confusion is. And I am guilty of that myself in basically . . . this is something I should know.

**The President:** Thank you, Senator Campbell. Carry on.

**Sen. Vance Campbell:** I should know. But I think that is where the confusion is, that our mind thinks, *My land is \$33,001 so I go straight to that band and just think 6.5 per cent plus three*. But we have to calculate the incremental amounts in each band until we get to the value—

**Sen. Nicholas Kempe:** Point of order, Madam President.

The Senator may be inadvertently . . . I absolutely calculated each \$11,000 at its respective rate and added them up. Progressive payroll tax, progressive land tax are all added up the same way. So that is not a *confusion* on my part, the numbers are the numbers.

**The President:** Senator Campbell, carry on. That was not a point of order.

**Sen. Vance Campbell:** Madam President, I think I have explained what the confusion was. I see now it is from some of the other Senators who had that same confusion where it is now clarified so, with that, I think that is the last question that I had, or point that was unclear for the Senators.

**The President:** So you will do the second reading.

**Sen. Vance Campbell:** I will do the second reading.

**The President:** Thank you.

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Land Tax Amendment Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on, Senator Campbell.

*[Motion carried: The Land Tax Amendment Act 2019 was given a second reading.]*

#### SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on.

*[Motion carried: Standing Order 26 suspended.]*

### BILL

#### THIRD READING

##### LAND TAX AMENDMENT ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Land Tax Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?  
No objection.  
Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** Is there any objection to that motion?  
No objection.  
The Bill entitled the Land Tax Amendment Act 2019, is passed.  
Thank you, Senators.

**Sen. Vance Campbell:** Thank you, Madam President.

*[Motion carried: The Land Tax Amendment Act 2019 was given a third reading and passed.]*

**The President:** We will move on to the fourth item of the Orders of the Day, the second reading of the Dental Practitioners Amendment Act 2019.  
Senator Richardson, you have the floor.

### BILL

#### SECOND READING

##### DENTAL PRACTITIONERS AMENDMENT ACT 2019

**Sen. Anthony Richardson:** Madam President, I move that the Bill entitled the [Dental Practitioners Amendment Act 2019](#) be now read a second time.

**The President:** Is there any objection to that motion?  
No objection. Carry on, Senator Richardson.

**Sen. Anthony Richardson:** Madam President, I am pleased today to present the Bill entitled the Dental Practitioners Amendment Act 2019.

Madam President, the Ministry of Health is responsible for the legislation that provides the framework for the regulation of healthcare professionals. The Dental Practitioners Act 1950 is the legislation that guides the regulation of dentists, dental hygienists, and dental technicians. The Bermuda Dental Board (the Board) is the regulatory authority charged with ensuring high standards of professional competence and conduct for the dental profession and to advise the Ministry on issues pertaining to them. Accordingly, the Board and the Ministry's efforts to advance standards for professional practice are ongoing.

Madam President, the Bill entitled the Dental Practitioners Amendment Act 2019 proposes to improve the regulation of dentists by making explicit provision for appropriate indemnity insurance coverage and registering dentists for specified procedures.

Madam President, the Board has registration criteria that set forth what is required to satisfy an application for registration as a dentist. Required documentation includes those documents that attest to the education and professional qualifications, experience and character of an applicant. Additionally, the Board requires proof of indemnity insurance coverage for practice as a dentist, and this requirement is currently outlined in standards for the profession in their statement of conduct.

Madam President, indemnity insurance is a best practice standard for healthcare practitioners and it serves to protect the practitioners and the public from claims of negligence and malpractice. The Bill will update the Act and make indemnity coverage an expressed legal requirement for dentists. Most recently, this requirement was established in the Psychological Practitioners Act 2018. The proposed amendment for indemnity insurance coverage will not require any additional change to current practice because dentists already have a requirement for indemnity insurance coverage through established standards for their profession.

Madam President, the Bill clarifies that the statement of conduct prepared by the Board includes standards for ethical conduct, standards of practice

and scopes of practice for the dental profession. This amendment aligns the Act with the Ministry's other legislation for health professionals.

Madam President, the Bill proposes that the Board have authority to register dentists for specified procedures and to enter these qualifications on the register. The Board has identified several procedures which require additional oversight in order to maintain high standards of professional competence and conduct. These specified procedures include dental implants and restorations, sedation, sleep medicine and cosmetic procedures involving neurotoxin (Botox) and dermal filler injections. Some of these procedures carry an increased level of risk for patients that may require an increase in the level of indemnity insurance coverage.

Additionally, the Board needs to assure that dentists have received adequate education, training, and continuing education to perform these procedures. Madam President, the Board has best practice standards drafted for each of the specified procedures mentioned in this brief for inclusion in the statement of conduct for dentists. It is important to note that the proposal for the addition of standards will undergo consultation with the dental profession. This consultation process allows the Board to receive feedback and set reasonable and realistic timelines for compliance. Dentists who plan to perform or are currently performing these specified procedures will be given the opportunity to be a part of the discussion before they are held to any new standards.

Overall, Madam President, the Bill entitled the Dental Practitioners Amendment Act 2019 ensures that the Board can continue to uphold high standards of professional competence and conduct essential for the safeguarding of public health.

Thank you, Madam President.

**The President:** Thank you, Senator Richardson.  
Would any Senator care to speak on this Bill?  
No? Senator Richardson, you can carry on with the second reading.

**Sen. Anthony Richardson:** Madam President, I move that the Bill entitled the Dental Practitioners Amendment Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on, Senator Richardson.

*[Motion carried: The Dental Practitioners Amendment Act 2019 was given a second reading.]*

#### SUSPENSION OF STANDING ORDER 26

**Sen. Anthony Richardson:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on.

*[Motion carried: Standing Order 26 suspended.]*

## BILL

### THIRD READING

#### DENTAL PRACTITIONERS AMENDMENT ACT 2019

**Sen. Anthony Richardson:** Madam President, I move that the Bill entitled the Dental Practitioners Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?  
No objection.

**Sen. Anthony Richardson:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Dental Practitioners Amendment Act 2019 be now passed. Is there any objection?

No objection.  
The Bill is passed.  
Thank you, Senator Richardson and all Senators.

**Sen. Anthony Richardson:** Thank you, Madam President.

*[Motion carried: The Dental Practitioners Amendment Act 2019 was given a third reading and passed.]*

**The President:** We will now move on to item 14 on the Order Paper.

## MOTIONS

**The President:** There are none.  
Item 15.

## CONGRATULATORY AND/OR OBITUARY SPEECHES

**The President:** Would any Senator care to speak?  
No? We have had a full day.  
Item 16. Adjournment.  
Attorney General, Senator Kathy Lynn Simmons.

## ADJOURNMENT

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I move that the Senate do now adjourn until Monday, March 25<sup>th</sup>.

**The President:** Is there any objection to that motion?

No objection.

Senate stands adjourned until Monday, the 25<sup>th</sup> of March.

Thank you all, Senators.

*[At 6:14 pm, the Senate stood adjourned until 10:00 am, Monday, 25 March 2019.]*

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**BERMUDA SENATE****OFFICIAL HANSARD REPORT****25 MARCH 2019****10:01 AM***Sitting Number 11 of the 2018/19 Session**[Hon. Joan E. Dillas-Wright, President, presiding]***The President:** Good morning, Senators.**Some Hon. Senators:** Good morning, Madam President.**The President:** The Senate is now in session.  
Shall we pray?**PRAYERS***[Prayers read by Hon. Joan E. Dillas-Wright, President]***CONFIRMATION OF MINUTES***[Minutes of 18 March 2019]***The President:** The second item on the agenda, the Minutes of the 18<sup>th</sup>, 20<sup>th</sup> and the 22<sup>nd</sup> of March 2019.**Sen. James S. Jardine:** Madam President.**The President:** Senator Jardine, you have the floor.**Sen. James S. Jardine:** Madam President, I move that the Minutes of the meeting of Monday, the 18<sup>th</sup> of March 2019, be taken as read and that consideration of the Minutes of the meetings of Wednesday, the 20<sup>th</sup> of March and Friday, the 22<sup>nd</sup> of March 2019 be deferred.**The President:** Is there any objection to that motion?  
No objection. Senator Jardine.**Sen. James S. Jardine:** Madam President, I move that the Minutes from Monday the 18<sup>th</sup> of March 2019 be confirmed as a correct record of that meeting.**The President:** Is there any objection to that motion?  
No objection. The Minutes of the 18<sup>th</sup> of March are confirmed.*[Minutes of 18 March 2019 confirmed.]***MESSAGES****The President:** Item number 3, Messages.**The Clerk:** No messages, Madam President,**The President:** Thank you, Clerk.**REPORTS OF COMMITTEES****The President:** There are none.**ANNOUNCEMENTS****The President:** Senator Campbell, I believe you have a few announcements. You have the floor.**Sen. Vance Campbell:** Good morning, Madam President.**The President:** Good morning.**INFORMATION COMMISSIONER'S OFFICE  
ANNUAL REPORT 2018****INFORMATION COMMISSIONER'S OFFICE  
FINANCIAL STATEMENTS YEARS ENDED 31  
MARCH 2016 AND 31 MARCH 2017****CUSTOMS DUTY (BELCO NORTH POWER  
STATION) REMISSION ORDER 2019****CUSTOMS TARIFF STANDING AUTHORISATION  
(TEMPORARY IMPORTATION OF VESSELS  
AIRCRAFT AND TRANSPORT CONTAINERS)  
AMENDMENT NOTICE 2019****REVENUE (SIMPLIFIED ENTRY INWARDS)  
(HUMANITARIAN AID) AMENDMENT NOTICE 2019****CUSTOMS DUTY (BERMUDA TOURISM AUTHORITY)  
REMISSION AMENDMENT ORDER 2018****REVENUE (CUSTOMS TRAVELLER DECLARATION)  
AMENDMENT NOTICE 2018****CUSTOMS DUTY (FRYDAYS BERMUDA LIMITED)  
REMISSION ORDER 2018****EXCHANGE CONTROL AMENDMENT  
REGULATIONS 2018**



**Sen. Vance Campbell:** I hereby present for the information of the Senate the following reports: the 2018 Annual Report of the Information Commissioner's Office submitted in accordance with the provisions of section 58(1) of the Public Access to Information Act 2010, the Financial Statements of the Information Commissioner's Office for fiscal year ended 31<sup>st</sup> March 2016 and the Financial Statements of the Information Commissioner's Office for fiscal year ended 31<sup>st</sup> March 2017.

Madam President, I hereby present for the information of the Senate the following items: the Customs Duty (BELCO North Power Station) Remission Order 2019 as made by the Minister of Finance under the provisions of section 2 of the Customs Duty (Special Remission) Act 1951; the Customs Tariff Standing Authorisation (Temporary Importation of Vessels, Aircraft and Transport Containers) Amendment Notice 2019 as made by the Collector of Customs under the provisions of section 5(4) and the general provision of 2 of the Sixth Schedule to the Customs Tariff Act 1970; the Revenue (Simplified Entry Inwards) (Humanitarian Aid) Amendment Notice 2019 as made by the Collector of Customs, under the provisions of section 35A of the Revenue Act 1898; the Customs Duty (Bermuda Tourism Authority) Remission Amendment Order 2018 as made by the Minister of Finance under the provisions of section 2 of the Customs Duty (Special Remission) Act 1951; the Revenue (Customs Traveller Declaration) Amendment Notice 2018 as made by the Collector of Customs under the provisions of section 16(2) of the Revenue Act 1898—there is more—

**The President:** Carry on. I know you have the entire listing.

*[Laughter]*

**Sen. Vance Campbell:** Madam President, I object—I am filing an official objection to today!

*[Laughter]*

**Sen. Vance Campbell:** I do not see where anybody gets to speak today other than me. Anyway—

*[Laughter]*

**The President:** You are doing a good job. Carry on.

**Sen. Vance Campbell:** The Customs Duty (FryDays Bermuda Limited) Remission Order 2018 as made by the Minister of Finance under the provisions of section 2 of the Customs Duty (Special Remission) Act 1951; and the Exchange Control Amendment Regulations 2018, as made by the Minister of Finance under the provisions of section 2 of the Exchange Control Act 1972.

**The President:** Thank you, Senator Campbell.

## NOTICES OF MOTION

**The President:** There are none.

## PETITIONS

**The President:** There are none.

## STATEMENTS

**The President:** There are none.

## INTRODUCTION OF BILLS

**The President:** There are none.

### FIRST READING OF PUBLIC BILLS

#### LIQUOR LICENCE AMENDMENT ACT 2019

#### CUSTOMS TARIFF AMENDMENT ACT 2019

#### CUSTOMS TARIFF AMENDMENT (NO. 2) ACT 2019

**The President:** The following Public Bills have been received from the Honourable House of Assembly and are now read for the first time.

Their titles are, respectively: The Liquor Licence Amendment Act 2019; The Customs Tariff Amendment Act 2019; The Customs Tariff Amendment (No. 2) Act 2019.

### FIRST READING OF PRIVATE BILLS

**The President:** There are none.

## QUESTION PERIOD

**The President:** There are none.

## ORDERS OF THE DAY

**The President:** The Orders of the Day today is the resolution into Committee of the whole for further consideration of the Appropriation Act 2019 together with the Estimates of Revenue and Expenditure of the year 2019/20.

And Senator Campbell, you want to lead us into that? Thank you.

**Sen. Vance Campbell:** Madam President, I move that the Senate resolve itself into a Committee of the whole for further consideration of the Appropriation Act 2019 together with the Estimates of Revenue and Expenditure for the year 2019/20.

**The President:** Thank you, Senator Campbell. I will ask Senator Jardine to take the Chair for this.

Thank you.

### Senate in Committee at 10:09 am

*[Sen. James S. Jardine, Chairman]*

## COMMITTEE OF SUPPLY

### ESTIMATES OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR 2019/20

**The Chairman:** Senators, the Senate is now in Committee of the whole for further consideration of the Appropriation Act 2019, together with the Estimates of Revenue and Expenditure for the year 2019/20.

This morning the first matter of business is with respect to the Cabinet Office and we have allocated two hours for this debate. We will be debating Heads 9, 14 and 61 and we will start with Head 9 which is on page B-43, and I believe Senator Campbell will be presenting this Ministry and those heads.

Senator Campbell.

## CABINET

**Sen. Vance Campbell:** Thank you, Mr. Chairman.

Mr. Chairman, I move that the Committee do now take under consideration Head 9, Cabinet Office; Head 14, Department of Statistics; and Head 61, Department of Employee and Organisational Development.

**The Chairman:** Thank you, Senator. Please continue.

### HEAD 9—CABINET OFFICE

**Sen. Vance Campbell:** Mr. Chairman, it gives me great pleasure to present the budget for Head 9, the Cabinet Office, which can be found on pages B-43, B-46, and the Capital pages of C-4 and C-8.

Mr. Chairman, the Cabinet Office is at the heart of Government providing high level support services to the Office of the Premier, Ministers of Government and Cabinet Committees. It sets out strategic direction and coordinates cross-Ministry initiatives. The Cabinet Office acts as corporate headquarters for the public service, providing advice and guidance to Government departments and, by extension, to the people of Bermuda.

Mr. Chairman, the total expenditure is estimated to be \$15,334,000 for 2019/20 and represents an increase of \$2,104,000, or approximately 16 per cent more than the current budget of 2018/19. This is mainly due to the transfer of the Bermuda Economic Development Corporation grant in the amount of \$2,564,000 to the Cabinet Office. Emphasis must be

placed on the fact that this is, as stated, a transfer of funds and not an overall increase.

Mr. Chairman, the subjective analysis for the Cabinet Office is on page B-44 of the Estimates Book. Please allow me to highlight the material object code increases and decreases.

Under salaries, line item 1, estimated at \$3,980,000 represents a decrease of 3 per cent compared to the current estimate of 2018/19, or approximately \$110,000. This decrease is owing to the transfer of the management services section, seven full-time equivalents out of Cabinet Office to the new department of Employee and Organisational Development, department 61.

The full salary transfer amount of \$802,000 is not fully reflected due to the addition into Cabinet Office of three posts from the former Economic Development Headquarters. Also, the Head of Public Service post has now only been funded in 2019/20, although separated from the combined post of Secretary to the Cabinet in 2018/19. The funding to accommodate the salary was found within the department.

Wages, line item 2, is an increase—has an estimate, sorry, of \$240,000 which is an increase of 54 per cent, or \$84,000. This represents the addition of student employment wages in line with the internship programme initiative highlighted within the Throne Speech. Placement will be within Cabinet Office as well as in the London, DC and Brussels offices.

Travel, line item 6, shows an increase of \$75,000 which has been added to the budget to allow for travel and travel-related expenses for the previously mentioned foreign stationed interns. Approximately \$19,000 is also included within this amount to accommodate travel expenses for the Brussels office.

Mr. Chairman, advertising and promotion, line item 8, shows a decrease of \$48,000, or 44 per cent, which is entirely due to the Government notices now being electronically transferred.

Professional services, the next line item, has an allocation of \$1,205,000 in 2019/20, a decrease of \$533,000, or 31 per cent. This decrease results from the expiration of contracts related to professional services such as the National Socioeconomic Plan, [Bermuda] First \$250,000, Government Reform \$100,000, and those fees related to the setup of the Brussels office in 2018 which has now decreased by \$200,000.

Mr. Chairman, grants and contributions, the last line item, shows an allocation of \$7,764,000, a 50 per cent increase or \$2,589,000 over 2018/19. Of this amount, \$2,564,000 relates to the Bermuda Economic Development Corporation transfer to Cabinet. There is also a small \$25,000 youth grant that has been added to the budget. As initially stated, the Bermuda Economic Development Corporation grant transfer is the main contributing factor for the overall Cabinet Office budget increase of 16 per cent, or \$2,104,000.

Under manpower, Mr. Chairman, which can be found on B-45, there is a total decrease of three in 2019/20 compared to the 2018 full-time equivalent estimates. This results from the net effect of the transfer of the management services section seven FTEs out of the Cabinet Office to the new Department of Employee and Organisational Development, department 61, and the transfer in of three posts from the former Economic Development Headquarters. In addition, there is an FTE increase for the unfunded in 2018/19 Head of Public Service post, for which funds as mentioned earlier were found within the department.

Moving to capital expenditure, Mr. Chairman, you will note in accordance with pages C-4 and C-8, there are no capital development and/or capital acquisition funds allocated for the Cabinet Office.

Mr. Chairman, I will now turn my attention to output measures. The performance measures developed for the Cabinet Office are found on page B-46. Generally, most of the performance measures as set out in 2018/19 are forecasted to be achieved. To highlight a few, we see in business unit 19015, Policy and Strategy Section [PSS], that the original forecast of 25 per cent for liaising with departments and ministries to increase their uptake of advice and service at the initial stages of policy development was revised to 50 per cent.

Mr. Chairman, fortunately, there has been a greater awareness of the roll of the PSS with more direction from the Cabinet and the leadership of the public service to utilise the services. It is expected that the Government ministries and departments will continue to utilise the service of the Policy and Strategy Section to assist with the development of public policy and that successful interventions will be built upon in the year ahead. In particular, PSS anticipates more uptake for its services around stakeholder consultation and planning for the implementation of agreed policies which accounts for the 65 per cent target outcome for 2019/20.

Mr. Chairman, you will note in business unit 19020, Safety and Health, that, initially, five detailed audits and inspections of government buildings and facilities were planned to be undertaken. However, considering that it was required to give effect to and implement the Government's election campaign promise to undertake an urgent review of occupational safety and health in public schools, the original plan to conduct five detailed audits was rescheduled for the new financial year 2019/20. Consequently, all public school buildings and facilities had to be audited and inspected—pre-, primary, middle and senior schools. To date, a total of 68 schools were completed—68 audits were completed surrounding this area and as stated, the original five have been retained to be done in 2019/20.

Mr. Chairman, I would like to highlight a few of the department's plans for the 2019/20 upcoming

year. Mr. Chairman, the head of Public Services area will place great focus on Government reform. A strategic plan has been developed that sets out a comprehensive roadmap to achieving public service reform. The plan highlights the current state and articulates a vision and future state. The plan outlines clear, quantifiable objectives and is accompanied by a short-term plan which identifies near-term activities of importance.

Critical attributes of a successful organisation include a vision, purpose and a coherent strategy, the right strategic intent and, too, an operating model that enables execution of the strategy, *How do you do it?* The plan centres on our strategic intent and during the next fiscal year efforts will be directed towards realising the strategic intent that has been focused on implementing an effective operating model and putting in place the right organisational enablers.

Mr. Chairman, our vision is a future-forward Government for the people of Bermuda. Our purpose is to enhance the lives of the people of Bermuda. Mr. Chairman, short-term deliverables have been set out in four specific areas which will define the Government's approach to the re-shaping of its operations. These are processes, platform, people and perspective. All four of these are underpinned by performance. The operating model is comprised of five strategic areas with the fifth being performance which underpins the other four.

- Processes: Clear administrative processes and policies and sound fiscal management.
- Platform: Organisation structure, workplace and IT infrastructure designed for execution.
- People: Committed, capable, well-trained resources, receiving fair benefits for their work.
- Perspective: Customer service, mentality embracing growth and business development.
- Performance, which underpins the other four: Culture of measuring activity and results enabling true accountability.

Both aspirational and detailed objectives have been established and implementation has commenced.

Mr. Chairman, some of the short-term deliverables include, but are not limited to, development of a comprehensive asset register, including metrics to assess asset performance; implementation of an IT governance structure, consolidation of the human capital function which reports to a single director; implementation of a system-wide performance appraisal process across all job categories; centralisation of a talent management database; development of key performance indicators and metrics for all departments; and, finally, see the deployment [of a performance management programme for benchmarking.

Mr. Chairman, I would like to briefly speak on our economic policy and foreign affairs programme which has been allocated a total of \$1,702,000 as seen on page B-44 of the Budget Book. Whilst the DC

office is not yet staffed, it is anticipated to be open this fiscal year. The \$403,000 allocation is mostly made up of rent and salaries. The Brussels office has recently been established to develop links with the EU—EU institutions and delegations of EU member states to the EU, in the area of financial services, trade and investment, as well as tourism. It has been allocated \$341,000.

The London office continues to provide a service to the Government by upholding our relationship and guaranteeing a high-level dialogue with the UK Government, particularly through increased engagement with departments of Her Majesty's Government across White Hall, while working in cohesion with governments of the overseas territories on shared policy across territories.

The London office is responsible for engaging with both Houses of Parliament; the UK diplomatic corps, such as embassies and high commissions; the United Kingdom Overseas Territories Association; the Commonwealth Secretariat along with all UK-based Commonwealth Associations; Bermudians living in the UK (including students); the general UK public (to include private companies), civil societies and those who have a general or vested interest in Bermuda.

The primary function of the London office for the fiscal term 2018/19 was to continue to monitor the reputation or risk to Bermuda and defend Bermuda's regulatory regimes to the UK and Europe to ensure Bermuda upholds our global competitive standard. As we have seen with the passing of the amendment under the Sanctions and Anti-Money Laundering Act [2018] in the UK Houses of Parliament to implement registers of beneficial ownership through an order in council, there is still an increasing threat to Bermuda's financial services industry from UK Members of Parliament and UK-based NGOs who continue to apply political pressure.

Mr. Chairman, the London office leads on all lobbying efforts in both Houses of Parliament and the UK as a whole. Regular dialogue with UK Government Ministers and UK civil service is consistent and is managed by the London office.

These matters relate to Brexit, beneficial ownership, working with the Ministry of Finance to engage with the EU on the Code of Conduct Group (Business Taxation), overseeing the opening of Bermuda's representative's office in Brussels and all political level engagement, both in the UK and EU. The London office is the Government's official councillor service to Bermudians living and studying in the UK and Europe.

The range of immediate and, on occasion, urgent assistance required from the office is diverse. Throughout the years, the London office has identified key contacts amongst officials in the UK, therefore are able to deal with urgent situations effectively either in the UK or through British embassies across Europe.

Mr. Chairman, on the direction of the Government's priorities, the London office will continue to engage in the UK and Europe with the complement of a Brussels office.

Mr. Chairman, please allow me a few minutes to briefly touch on the role of the FinTech business unit which is to:

1. Strategically market Bermuda as the FinTech jurisdiction of choice to help grow the economy and create jobs.
2. Accelerate the onboarding process, thus making coming to Bermuda attractive—simple and stress-free for clients and companies.
3. Awareness, education and training programmes to ensure a highly skilled Bermudian talent pool.
4. Provide legislative, regulatory and compliance advice to the Government and all stakeholders.
5. Manage relationships and processes to ensure fulfilment of the various undertakings under the signed MOUs.
6. Work with the BDU [Bermuda Development Unit] and the BDA [Bermuda Development Agency] to ensure ongoing concierge services to support business development activities.

Mr. Chairman, funds have been set aside in 2019/20 to assist with developing a full banking solution, creating FinTech awareness among all sections of the community, enabling interested persons to acquire further training and/or certification as well as continued focus on business development and job creation.

Mr. Chairman, at this time I would like to take the opportunity to extend my thanks to the staff at the Cabinet Office for their ongoing contributions.

Thank you, Mr. Chairman. That concludes my presentation of Head 9.

**The Chairman:** Thank you very much, Senator.

If you would like to now move on to the next Head, which is the Department of Statistics, Head 14, found on page B-53.

## HEAD 14—DEPARTMENT OF STATISTICS

**Sen. Vance Campbell:** Mr. Chairman, it gives me pleasure to present the budget for Head 14, the Department of Statistics, found on pages B-53 to B-55 of the Budget Book.

### Mission

**Sen. Vance Campbell:** Mr. Chairman, the department's mission is to collect, process, and analyse and provide a body of statistical information that is timely,

accurate, relevant and reliable for dissemination to the Government and the general public.

The department seeks to fulfil its mandate by delivering quality data that aligns with international standards and best practices, to facilitate a culture of evidence-based decision-making for policies and programmes. As such, the Department of Statistics seeks actively to improve its statistical methodologies and increase the frequency of the delivery of statistics to support informed decision-making and help achieve Government policy objectives.

### Expenditure Overview

**Sen. Vance Campbell:** Mr. Chairman, the total current expenditure of the Department of Statistics found on page B-54 is estimated to be \$2,493,000 for 2019/20 which is unchanged from the 2018/19 fiscal year. Mr. Chairman, the Subjective Analysis of Current Account Estimates of the Department of Statistics is found on page B-54. The focus will be on the three line items with the greatest absolute change.

Salaries, line item one, decreased by \$60,000 (or 3 per cent) due primarily to a vacant post being unfunded due to the requirement to fund the salary uplift and adhere to the department's budget ceiling.

Mr. Chairman, Wages, line item two, rose by \$66,000. Monies have been allocated for wages to cover the cost of hiring a temporary relief while an officer is on study leave.

Mr. Chairman, the budget for Professional Services, line item eight, decreased by \$42,000 (or 53 per cent). Monies have been allocated for the remuneration of temporary survey workers. However, it was reduced to assist in funding the salary uplift.

### Capital Expenditure

**Sen. Vance Campbell:** Mr. Chairman, the Capital Acquisition for the Department of Statistics found on page C-8, makes provision for new capital expenditure in the amount of \$6,000. These monies will be spent to replace outdated netbooks with tablets.

### Manpower

**Sen. Vance Campbell:** Mr. Chairman, the Manpower for the Department of Statistics, on page B-54 decreased from 24 full-time equivalents in 2018/19 to 23. Presently, there are seven vacant posts. Recruitment is currently underway, and the department aims to fill these positions in the next couple of months.

### Output Measures

**Sen. Vance Campbell:** The Department of Statistics Output Measures are found on page B-55 of the Budget Book. Selected indicators under each business unit are outlined as follows:

Business Unit 24015: Administration:

- Indicator: Number of documents on the web-site allows easier and wider accessibility of publications and reduces printing cost. In 2017/18, at least 40 documents [would be] posted during the year—that was the target. The actual outcome: 46 documents were posted during the year.

Business Unit 24020: Core Statistics:

- Indicator: Timely completion of statistics that measure gross retail sales performance in the retail sector. The 2017/18 Retail Sales Index target was to complete six weeks after reference month. The actual outcome: Retail Sales Index completed six weeks after the reference month.

Business Unit 24025: Business Surveys:

- Indicator: Conduct semi-annual Labour Force Survey for delivery of more timely unemployment measures. The 2017/18 target was to release unemployment rates semi-annually, July 2017 and January 2018. This outcome was not achieved. It was cancelled. Staff resources were focused on the 2016 census tasks.

Business Unit 24055: Research and Surveys:

- Indicator: Use of technology during the conduct of business and household surveys for greater efficiency in data collection and reduced cost in processing survey data. The 2017/18 target was a minimum of 50 per cent response rate for e-Employment Survey. The actual outcome was 57 per cent response rate for the e-Employment Survey.

### Plans for the Upcoming Year

**Sen. Vance Campbell:** Mr. Chairman, the department will produce the following core publications in the upcoming year:

- Monthly: Retail Sales Index and Consumer Price Index;
- Quarterly: Balance of Payments and International Investment Position; and Gross Domestic Product by Expenditure;
- Semi-Annually: Labour Force Survey Reports;
- Annually: Bermuda Digest of Statistics; Bermuda Job Market Employment Briefs; annual Gross Domestic Product; the Information, Communication and Technology Profile; Environmental Statistics Compendium; and the Tourism Satellite Account Report.

Mr. Chairman, the department will participate in activities such as the quarterly hotel gross receipts surveys, surveys of construction projects, the semi-annual Labour Force Survey, the annual Employment Survey and the Economic Activity Survey.

Mr. Chairman, the department conducts *ad hoc* surveys, provides survey samples, undertakes

in-depth research and analysis of data. In addition, the department provides statistical advice and provides professional consultancy in the collection, processing and analysis of data for government departments.

Mr. Chairman, the department will engage in activities such as processing and providing trade statistics, fulfilling statistical data requests from local and international organisations, and making presentations to internal and external stakeholders. Mr. Chairman, it is anticipated that the Department of Statistics will undergo a comprehensive review by the Management and Consultation Section of the Cabinet Office as we seek to maximise efficiency in terms of the use of technology, staffing and service delivery.

Mr. Chairman, I would like to take this opportunity to acknowledge and thank the hard-working staff of the Department of Statistics led by Director, Mrs. Melinda Williams, and her team of statisticians and support staff for their commitment.

Thank you, Mr. Chairman. This concludes my budget presentation for Head 14.

**The Chairman:** Thank you, Senator Campbell. If you would like to continue with Head 61, which is the Department of Employee and Organisational Development, which is on page B-70.

#### HEAD 61—DEPARTMENT OF EMPLOYEE AND ORGANISATIONAL DEVELOPMENT

**Sen. Vance Campbell:** Mr. Chairman, it gives me great pleasure to present the budget for Head 61, the Department of Employee and Organisational Development, found on pages B-70 and B-71 of the Budget Book.

##### Mission

**Sen. Vance Campbell:** Its mission is to develop, enhance and deliver government-wide employee and organisational development strategies, systems, programmes, and initiatives.

#### ANNOUNCEMENT BY THE CHAIRMAN

##### SENATE VISITORS

**The Chairman:** Senator, if I can just interrupt you for a second, just to acknowledge the presence of the following people in the Senate this morning: the Ministry Controller, Gabriela Richardson, welcome, and the Director of Statistics, Melinda Williams.

To both of you, welcome to the Senate this morning.

Thank you, Senator Campbell. Would you like to continue?

*[Committee of Supply, continuing]*

#### Expenditure Overview

**Sen. Vance Campbell:** Thank you, Mr. Chairman.

Mr. Chairman, the subjective analysis for the department is found on page B-70 of the estimates book. The total expenditure is estimated to be \$1,672,000 for 2019/20.

- **Salaries:** The estimate of \$1,999,000 for 2019/20 does not represent new funding but results from the salaried FTEs transferred from both the Cabinet Office (Management Services section) as well as the Accountant General's Department (Compensation section). In addition, there is one funded post that was transferred from the former Economic Development Headquarters.
- **Repair and Maintenance:** As with Salaries, the \$68,000 allocation in 2019/20 for Repair and Maintenance is not new funding, but the budget amount transferred into the new department from the Management Services and Compensation sections.
- **Receipts Credited to Programmes:** [These] are \$437,000. The \$437,000 represents a recharge of partial salary costs for Compensation staff in the amount of \$58,000 and total salary costs of the Benefits FTEs in the amount of \$379,000 to the various Public Funds including the Public Service Superannuation Fund [PSSF] and the Ministers and Members of the Legislature Pensions Fund [MMLPF] for expenditure borne by those funds.

#### Capital Expenditure

**Sen. Vance Campbell:** Mr. Chairman, you will note that in accordance with pages C-4 and C-8 there are no Capital Development and/or Capital Acquisition funds allocated for the new department.

#### Manpower

**Sen. Vance Campbell:** Mr. Chairman, as seen on page B-71, employee numbers, there are a total of 21 FTEs for the Department of Employee and Organisational Development in 2019/20. This figure is derived from the already mentioned transfer out of Head 9, Cabinet Office, Management Services section (seven FTEs) to the new department, as well as transfer out of Head 11, Accountant General's Department, Compensation section (13 FTEs).

In addition, there is one post within Administration which was redefined from a post transferred out of the former Ministry of Economic Development Headquarters.

### Output Measures

**Sen. Vance Campbell:** There are no current output measures. These will be determined as a part of the business planning process.

### Major Policy Direction

**Sen. Vance Campbell:** Mr. Chairman, there have long existed deficiencies associated with the existing HR organisational structure resulting in the Government's inability to adequately address the human and organisational capital within the public service. HR services are currently delivered in a fragmented and dispersed manner which results in duplication of effort, inconsistent service delivery, and an inordinate amount of time [needed] to execute basic functions such as recruitment of staff.

Mr. Chairman, the new Department of Employee and Organisational Development is the first step in the restructuring of the government-wide delivery of Human Resource services. Mr. Chairman, phase 1 of the re-organisation will include the establishment of the new department. This phase is the amalgamation of MCS (Head 9) and Compensation and Benefits (Head 11). The new department will be led by a Chief Employee and Organisational Development Officer. It is expected that recruitment for the lead post will commence in the coming weeks.

Mr. Chairman, phases 2 and 3 of the implementation of the new structure will result in the transfer of existing HR staff and associated funding from the following satellite HR units and department: Department of Human Resources (Head 26), Bermuda Police Service (Head 7), Ministry of Public Works (Head 36), Bermuda Fire and Rescue Services (Head 45), Government Post Office (Head 13), Department of Education (Head 17), Department of Health (Head 22), and the Department of Public Transportation (Head 35).

Mr. Chairman, once the posts and postholders from the various departments have successfully transferred to the new department, the existing positions will no longer exist. The existing Department of Human Resources (Head 26) will phased out.

Mr. Chairman, the implementation of the new structure is a core component of the Government Reform initiative. The Public Service can expect increased accountability, user-centricity, strategic leadership, and an HR partnering attitude.

The new structure will cause a proactive approach to industrial and employee relations, reduced time to recruit via modernised workforce planning and recruitment processes, and will improve capability to deliver value to the public by developing the talent pool and filling critical skills gaps. Moreover, the service will benefit from integrated employee management services, leveraging of technology and data, and

the strategic repositioning of the role of HR with respect to organisational capital development.

Mr. Chairman, this concludes my presentation of Head 61.

Thank you, Mr. Chairman.

**The Chairman:** Thank you, Senator Campbell, and that concludes the presentation from the Government on the Cabinet Office on Heads 9, 14 and 61. We have approximately an hour and 25 minutes left for questions, so there is quite a bit of time there.

Would any Senator wish to speak on these heads?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Mr. Chairman, and thank you, Senator Campbell, for leaving time for questions.

I have a few questions, and I guess the best way to do it is to go in page order. I am starting on page B-44, which is part of Head 9, or Cabinet Office.

I was trying to follow along with your statement about the various buckets and where they came from. I am looking at the increases to the general administration line first, which is line 19000, and it would appear that most of the increases from 2017/18 to 2018/19 have to do with the incorporation of the BBDA granting contribution line and most of the increase from 2018/19 to 2019/20 is the BDC line. However, these increases do not match the increase in grants and contributions that came in from 2017/18 to 2018/19. The general administration line went up by \$5.7 million when the BDA grant is only \$5.1 million. So, if you can just help me out where that extra \$600,000 came from. On 2018/19 to 2019/20, that one actually does match a little bit closer, so I do not have a question about that increase.

I also note on the travel line you spoke about a \$75,000 increase, which was \$19,000 for the Brussels office, and \$56,000 for the interns. I believe that is what you said. So, if it is not, please correct me. I would just like a breakdown on how many interns and how many trips that \$56,000 worth of travel is for, and I would also like to know why the Brussels office travel expense is listed under the travel line when the London and Washington offices do not appear to be treated in that same way from an accounting perspective. Their travel costs, I am assuming, are covered in the individual office budget lines, which kind of leads into the next question.

What exactly is included under the \$341,000 for the Brussels office? It would appear, as I just said, that the travel expenses are elsewhere. And if I look over in the employee numbers on page B-45, there does not appear to be any employees listed for the Brussels office. So, I am just curious what is in that . . . if I could get a breakdown of that \$341,000 for the Brussels office, because its spending does not appear

to match the way the London and Washington offices are being treated.

My other questions, I guess, we spoke about how . . . sorry, you spoke about how the . . . or, rather, Mr. Chairman, the Senator spoke about how the professional services contract for Government reform has been discontinued, and we saw a decrease from 2018/19 to 2019/20. And this is professional services on B-44. However, the number is still quite a bit higher than the 2017/18 actuals. And I would just like to understand what else is included in that professional services line, as it is still running at almost double the 2017/18 numbers.

Under the grants and contributions, we did not hear much detail on the BDC, or it is listed under the grants and contributions page by its old acronym, SBDC. And I just wanted to know, with an increased budget of \$1 million per year for the last three years, what are the improved outcomes that we have seen from the organisation? And if we could get a breakdown on that spending.

I am going to flip over to the performance measures on page B-46, and the Government reform agenda initiatives to be implemented. We heard an awful lot of, I guess, a kind of a textbook definition of what reform is and how KPIs [key performance indicators] work and, you know, strategy, vision, strategic intent . . . we got a little bit of meat after that about the asset register, the IT management systems government, consolidation of HR, performance measures, these kinds of things.

And I am just curious, with the consolidation of HR, what savings are we looking to see from the current account expenditure of the Government reforms—in dollar value—and if Government is looking to manage any consolidation of personnel positions.

I note that there were three agenda initiatives implemented in 2017/18, one in 2018/19, and we are expecting another three in 2019/20. With the professional services contract finishing, I am not sure how many more are coming down the line and what savings we are expecting to see there.

**The Chairman:** That is with respect to business unit 19040?

**Sen. Nicholas Kempe:** Correct. This is the second to last performance measure.

When we are looking at the programme initiatives resulting in increased efficiencies, we see that there are two programmes that are resulting in efficiencies in 2018/19 so far, and another five targeted for next year. I would like to know what these efficiencies are and what the dollar value is of the expected savings. The business unit was mentioned and within that business unit—

**The Chairman:** Which business unit?

**Sen. Nicholas Kempe:** This was the . . . well, I am assuming because it was not quite clear from the statement, but there was speak of the FinTech unit. I believe that fell under the business development unit, which is line item 19070 on page B-44. From the statement, their job is to monitor the status of the various FinTech MOUs. And I would like an update, if possible, on the following MOUs:

Arbitrade: promised a \$1 million donation to the incubator at Park Place, they promised a \$45,000 donation to the Gang Rehabilitation Fund, they promised a \$25,000 donation to Mirrors, they promised a \$25,000 donation to the Family Centre;

Shyft [Network]: promised a \$10 million investment in Bermuda to create new jobs, reskill workers, et cetera;

Binance: promised 40 jobs, 30 of which are Bermudian, and a \$10 million university sponsorship for Bermudians, they promised a \$5 million investment in Bermudian blockchain companies;

Medici Ventures: promised 30 jobs in Bermuda;

Omega One: promised 20 jobs for Bermudians and 10 per cent of a token sale to be donated to sport and community clubs in Bermuda.

So, I would just like an update on those MOUs which is part of the mandate of the FinTech unit under the business development unit.

It also said for the FinTech unit that their responsibility is for trying to assist finding a banking solution for FinTech ventures. And I am curious as to why, seeing as banking was the main challenge as per public statements for gaming, and gaming has been put under the Ministry of Finance due to their specialised expertise, or closer expertise in banking there, I am curious why, if banking is seen as the fundamental challenge for FinTech, that is under Cabinet and not under Ministry of Finance, and what banking credentials the members of the FinTech unit have, seeing as we are spending for monitoring the banking solution through that line item.

I will flip to the Department of Statistics now, Mr. Chairman, starting on page B-53. I understand from the statement that the \$66,000 wages is to cover a, I believe, a sabbatical post.

**The Chairman:** You are on page B-54.

**Sen. Nicholas Kempe:** Yes, [page] B-54, correct. That the \$66,000 in wages covers the sabbatical, or I am not sure of the exact explanation that was given, post from the salaries. And that makes sense because we see \$66,000 more in wages and \$60,000 less in salaries. But I believe I also heard something, and please correct me if I am wrong, about there being seven vacant posts.

I am not sure if I misheard that from the statement, but I would expect with seven vacant posts for there to be a much larger variance in the revised



estimate for salaries versus the budget. But the revised estimate really just covers that, not even that vacant, the sabbatical post. So, seven posts over a 23, 24 strong workforce, especially if the revised estimate does not show that there are seven less . . . I would just like some understanding about how those monies have been spent, if there are actually seven vacant posts, et cetera.

And, now, Mr. Chairman, if I may, I will flip to page B-55.

**The Chairman:** Mm-hmm.

**Sen. Nicholas Kempe:** And I will flip, it is just over, and we are looking at the performance measures. I am curious as to why the department believes that there has been such a sharp decrease in the page views for the Department of Statistics website from 24,000 in the actuals for 2017/18 down to 15,000 in this year's revised forecast and next year's target outcome. There have been considerable amounts of money dedicated towards increasing the Department of Communications budget, the communications line items across Government, ads and promotions across Government. I believe it is in the almost, \$2 million range when we add them up, so I am wondering why we are seeing a decrease in the website with such an increase spend on communications and promotion.

I would also like to look farther down (still on page B-55, Mr. Chairman) in business unit 24020, Core Statistics and Publications. The actual outcome for 2017/18 for retail sales was that the index should be completed six weeks after the reference month.

Now, it does not appear that we are off target this year under the revised forecast, so six weeks have passed from both December and January, and I am wondering why these statistics have not been shared publicly. We note from the National Economic Report for 2018 which was submitted in another place with the Budget Statement that the retail sales value showed a decrease of some 3.4 per cent. Volume was not listed on there, but it does appear that the Government has received these finished statistics, so I am curious if the rest of the report has not been finished, and if it has, why it has not been released publicly.

When we go down a line item to the consumer price index, I guess I would like to ask the same question. The targets do not seem to have been changed. So, this is why I am wondering . . . it kind of loops back to the question about the unfilled posts. It does not appear that they have been, but I think I heard in the statement that there were unfilled posts. So I guess I am struggling one way or the other. The revised forecast does not appear to show any delays from the target outcomes, but we are now five weeks almost on the nose for February. So I am not certainly trying to make hay there, but we are well past the January target rate for the consumer price index, and that has not been released either. So, I just wanted to

ask for an update on that, and if these revised forecasts or the target outcomes for next year are realistic given the non-public release of these stats so far this year.

And, now, Mr. Chairman, if I may, I will go to page B-70. I can see where these, or a lot of this expenditure, came from . . . and I guess I am linking both the salaries line on page B-70 of essentially \$2 million, and the full-time equivalents on page B-71. The seven management consulting services seems to be a straight pass through of the seven that were under Cabinet Office on page B-45 for \$801,000 and the 13 is . . . if I understand correctly from the statement, the nine people from the Accountant General's compensation section on page B-120 at [\$626,000]. So, the other four people (I could not remember if they were listed in the statement) must cover the additional \$600-or-so-thousand dollars that gets us to \$2 million, or \$1.999 in the salary line. I guess my question is . . . we have pulled these departments in and it seems a bit like the cart is being put before the horse here, Mr. Chairman, and we do not have any performance measures to govern the spending of this \$2 million.

It also would seem from the statement (and I would appreciate a correction if I misheard) that essentially the Department of Human Resources is going to be pulled into this Department of Employee and Organisational Development. And the Department of Human Resources [will be] discontinued. I am just struggling to understand the logic behind that, when it would appear that these management consulting services and compensation benefits could have simply been put in under the Department of Human Resources, seeing as they are ultimately just going to be doing the Department of Human Resource's roles.

I would like to understand why doing it this way is seen as a more efficient way of doing it. It would appear that we are going to end up with an additional director's position, which, to me, seems counterintuitive to the whole concept of government reform. I would like to know what savings, other than simply shuffling from one department to the other . . . and, again, I would appreciate if for those extra four people under compensation and benefits I could get confirmation whether they came from within government or if they are new hires. And I would like to know what expected savings in dollar value this whole reorganisation is expected to bring to government.

And I would have liked to have asked some questions about the performance measures, but of course, as I have mentioned, they are not there. I know I asked a lot of questions rather quickly, so I am happy to give some time for some responses.

**The Chairman:** Thank you very much, Senator Kempe.

Would any other Senator wish to speak on these Heads?

Senator Michelle Simmons, you have the floor.

**Sen. Michelle Simmons:** Thank you, Mr. Chairman.

I only have a few questions. First of all, the Cabinet Office under Head 9—

**The Chairman:** Page B-43.

**Sen. Michelle Simmons:** Thank you, very much.

**The Chairman:** And page B-44, I would imagine.

**Sen. Michelle Simmons:** Actually, quite a number of those questions that I had were asked by Senator Kempe, so I am not going to repeat them. But I would like to go to page B-46 where we have the performance measures. And I am going to business unit 19020, Safety and Health.

My question is about the Safety and Health audits which were undertaken. It was very impressive that because of the need to do extensive audits, detailed audits of all of the schools on the Island, 35 audits—that is what is in the Budget Book—were completed in 2018/19. I believe the number was even higher in the brief. I believe Senator Campbell said that, in total, 68 audits were conducted. I may have heard that incorrectly, but that is what I heard.

My question is, in view of what we are seeing with regard to our schools, I note that the target outcome for this coming year, 2019/20 has been reduced back to the five that were intended for last year. The question is, Would it be possible to see more audits done because, again, I think there is a need for ongoing review.

We have to keep in touch with those school buildings and make sure that they are not falling back into the state they were last year. I do not know any details about how these audits are done, but I wondered if there [could be a] slightly less than completely thorough audit, but a kind of review that could take place to make sure that the schools are moving forward in terms of the physical plant. Also, I was wondering, also associated with that performance measure if . . . or I was wondering how it was possible to do that number of audits.

Did it require additional staff to be pulled in on a temporary basis? Or did it involve people working a lot of overtime? But that is a huge number of audits, and it must have required extraordinary measures. That was my only question under that head.

Going to the new Department of Employee and Organisational Development—

**The Chairman:** On page B-70?

**Sen. Michelle Simmons:** On page B-70, thank you very much, Mr. Chairman. The only question I have is, I realise that recruitment will start soon for the lead

post. I wondered how soon is Government intending to have this new department up and running? To me, it sounds like a great idea to pool all of these HR functions together in one department, but I was just wondering what the target date is for having it up and running.

And with that, I will end my questions. Thank you, Mr. Chairman.

**The Chairman:** Thank you, Senator Simmons.

Would any other Senator wish to speak to these heads?

*[Inaudible interjection]*

**The Chairman:** Yes, I was just giving . . . if anybody else has any questions first, and then I will certainly allow Senator Kempe to speak again.

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Mr. Chairman, and thank you Senator Simmons. I actually have another question about the Safety and Health audits undertaken. When we look at the—

**The Chairman:** [Page] B-46, I believe you are referring to.

**Sen. Nicholas Kempe:** The performance measures are on [page] B-46 and the spend appears to be on [page] B-44, under line item 19020, Safety and Health.

It looks like the 35 audits performed this year in 2018/19 were achieved with \$119,000, which is no higher than what was budgeted for, although only five audits were budgeted for. So, I guess my question links to what Senator Simmons says, but almost on the inverse. If there was no other overtime line or additional . . . the other personnel costs seem to be flat across this period. My question is, with \$115,000 being budgeted for next year why only a target of five audits? So, I guess mine is looking at it from a little bit the other way.

**The Chairman:** Thank you, Senator Kempe. Would any other Senator wish to speak to these heads?

If not, then I think Senator Campbell has quite a few questions and if you would like to take a few more minutes, Senator, to obtain all of your answers, please feel free to do so.

**Sen. Vance Campbell:** Thank you, Mr. Chairman.

*[Pause]*

**The Chairman:** Just in case the listening public have just tuned in, Senator Campbell is in the process of obtaining answers to a variety of questions that were put to him during the debate on these heads under the

Cabinet Office and the Department of Statistics. He will be returning with answers to those questions shortly. So, if you are tuning in for the first time and you hear nothing—

*[Laughter]*

**The Chairman:** —the Senate is actually in session. We are here; we are just waiting for answers to quite a number of questions which were put to Senator Campbell. So, thank you for waiting for those answers.

**Sen. Vance Campbell:** Mr. Chairman, I will start with some of the answers I have received so far.

**The Chairman:** Thank you, Senator Campbell, please—

**Sen. Vance Campbell:** There are a lot of questions, so—

**The Chairman:** Yes, there are.

**Sen. Vance Campbell:** The technical staff are working hard over there on the remaining answers.

**The Chairman:** We have plenty of time left on this particular debate, so we can proceed when you are ready.

**Sen. Vance Campbell:** I will start with questions on the . . . I cannot start with that because they are not here . . . okay—

There was a question, Mr. Chairman, around interns and the travel expenses of \$56,000, or thereabouts. Is that correct?

**Sen. Nicholas Kempe:** Yes.

**Sen. Vance Campbell:** Okay. So, first of all, travel does not only include the airfare, it includes accommodations and sustenance. The breakout of the interns will be: one intern in London, one intern in Brussels, one intern in the DC office, and two in the Cabinet Office.

The London office has an allotment of \$25,000, Brussels \$20,000, there is \$25,000 for Cabinet and an allotment as well for the DC office.

**Sen. Nicholas Kempe:** Point of clarification.

**The Chairman:** Yes, Senator Kempe, your point of clarification on that response.

**Sen. Nicholas Kempe:** Yes, the interns that are assigned to the Cabinet Office here in Bermuda, they have a travel expenditure of \$20,000?

**Sen. Vance Campbell:** While the technical officer has briefly stepped out, I will continue to go on.

Just to provide a breakdown of the expenses for the Brussels office . . . there is no salary involved in the Brussels office. There is a consultancy fee that amounts to \$177,000. There is accommodation of \$77,000. The intern of \$20,000. Travel expenses of \$19,000 and miscellaneous office expenses for things such as office supplies, repair and maintenance, et cetera.

**Sen. Nicholas Kempe:** Point of clarification, Mr. Chairman.

**The Chairman:** Yes, Senator Kempe?

**Sen. Nicholas Kempe:** I thought from the statement that the \$19,000 in travel expense for the Brussels office was included under the travel cost line as opposed to the Brussels cost line. Am I misunderstanding that?

*[Pause]*

**The Chairman:** Senator Campbell.

**Sen. Vance Campbell:** Yes, Mr. Chairman. The breakout of the expenses at the bottom of the page are for the entire, you know . . . let me just go there. So when you look at salaries, it is for the entire head. So, when you are looking at travel, it is also for the entire head. So, when you break it out into the various components, the \$19,000 for the Brussels office will sit as part of the \$341,000. What we are doing is taking the above numbers and pulling them down into the type of expense in the bottom numbers. The top is where they rest, the department or the unit. Down below is the total expenses extracted irrespective of where they lie as far as units or area. So, I think that is where maybe the clarification will help, that clarification.

**The Chairman:** Thank you, Senator Campbell.

**Sen. Vance Campbell:** There was a question, Mr. Chairman, I believe around the Business Development Agency . . .

**The Chairman:** Business Development Unit on page B-44, and it was 19070, I believe.

**Sen. Nicholas Kempe:** Point of clarification, just on the last question while the Senator is thinking.

**The Chairman:** I think Senator Kempe, if you could just allow Senator Campbell an opportunity to work through the questions he has.

**Sen. Nicholas Kempe:** Okay—

**The Chairman:** Rather than interrupting him with—

**Sen. Nicholas Kempe:** —before he went on to the next question—

**The Chairman:** —more points of clarification, otherwise he is never going to finish one point to move on to the next. Thank you.

**Sen. Vance Campbell:** Okay, there was a question, Mr. Chairman, concerning the difference when we are looking at 19000, General and Administration, on page B-44, the difference between the 2017/18 actual and the 2018/19 original. So, that difference is comprised of the Bermuda Business Development Agency grant of \$5,125 and PSNT [Public Service Negotiation Team] fees for \$180. That is the bulk of the difference of \$5,394.

There was also a question on the [number of] views on the webpage, if we move to the Department of Statistics. The 15,000 views was the original forecast. The 23,835 reflects the actual outcome for 2017/18.

**The Chairman:** Sorry, Senator Campbell, could you tell me where you are referring to that? Are you on B-53?

**Sen. Vance Campbell:** [Page] B-55.

**The Chairman:** B-55. So you are referring to the Administration Unit—

**Sen. Vance Campbell:** Where we see, yes, under Administration it says “Monitor usage of Department of Statistics’ web pages on the Government of Bermuda’s website.”

**The Chairman:** The first point.

**Sen. Vance Campbell:** The first point. And it says actual outcome 2017/18 was 23,835. So, the original forecast was 15,000. The 23,835 is the actual outcome. Again, the forecast for 2018/19 is 15,000 and we have not reached the end yet, so we do not know the actual.

**The Chairman:** All right. Thank you, Senator Campbell.

Senator Kempe, you had a—

**Sen. Vance Campbell:** That is the same forecast has been projected for 2019/20 as well.

**The Chairman:** Thank you, Senator.  
Senator Kempe?

**Sen. Nicholas Kempe:** Yes, point of clarification. I am not sure if that answered my question. My ques-

tion was with an actual outcome of some 24,000 page views in 2017/18, to what does the . . . why is it 40 per cent less in the revised forecast for this year and 40 per cent less than the revised target for 2019/20 outcome—spending on ads and promotions, communications, BCI, et cetera, has been increased by almost \$2 million in that same period?

To what do we owe such a sharp decrease in the web page views for Government’s million-some-dollar website?

**The Chairman:** Thank you, Senator Kempe.

**Sen. Vance Campbell:** Mr. Chairman—

**The Chairman:** Senator Campbell, you have the floor.

**Sen. Vance Campbell:** —it is a projection and the department decided to just remain consistent with the 15,000.

**The Chairman:** Thank you, Senator.

**Sen. Vance Campbell:** Under Head 14, Mr. Chairman, there was a question around the vacant posts. The budget was not reduced significantly for salaries because the seven vacant posts were funded and hence are already reflected in the budget. In addition, as a result of the posts being, the budgeted amounts in this area are at the lower PS scales and also the salary uplift, the need to fund the salary uplift is factored into this as well.

**The Chairman:** Senator Kempe—

**Sen. Vance Campbell:** So, as a result of the need to fund the salary uplift, one of the vacant posts was left unfunded.

**The Chairman:** Thank you, Senator Campbell.

Senator Kempe, you have another question?

**Sen. Nicholas Kempe:** Point of clarification, Mr. Chairman. I understand the Senator when he says that positions remain funded, but if there were no warm bodies in those chairs getting paid, I am curious as to why the revised estimate for spending is not much lower. And I would also ask, do we expect to see these savings for funded posts that have no employees in them when we see the actuals come out next year?

**The Chairman:** Thank you.  
Senator?

**Sen. Vance Campbell:** The answer to that is two-fold. One, is the intent. Even though it was revised, the intent was to fill the positions that were funded. Also, in the interim, in order to meet targets there was over-

time being accumulated, and so some of those funds were used to cover the overtime.

**The Chairman:** Senator Kempe, you had a further question?

**Sen. Nicholas Kempe:** Yes, I am still struggling with this answer, Mr. Chairman.

So, for every month that a replacement employee is not hired, there should be a month's less salary. Is the Senator saying that the overtime costs have been essentially identical or very close to what it would have cost to fire a full-time employee?

**The Chairman:** Thank you, Senator Kempe. Senator Campbell—

**Sen. Vance Campbell:** No. What I am saying, Mr. Chairman, is that the intent was to fill the vacant posts. The positions have been funded. From a budget perspective that was left intact, it did not change.

There was no reallocation to take from those positions that were funded and applied against overtime or anything. There was just the use of those funds that were made available for the funded positions to cover the overtime.

**Sen. Nicholas Kempe:** My last point of clarification, Mr. Chairman.

**The Chairman:** Senator Kempe.

**Sen. Nicholas Kempe:** So the difference between what was budgeted for a full-time position and what was actually spent on overtime, was that money diverted towards other initiatives, or will the consolidated fund and the taxpayers see savings because the positions were not filled?

**The Chairman:** Senator Campbell.

**Sen. Vance Campbell:** Mr. Chairman, there will be savings as a result.

**The Chairman:** Thank you, Senator Campbell.

**Sen. Vance Campbell:** Mr. Chairman, there was a question around the release of statistical information which also includes the consumer price index. The target completion of the retail sales in that consumer price index has remained on schedule. And the release of the information is contingent upon the department receiving authorisation. And at this time, that authorisation is in the works.

This is under section 6(2) of the Statistics Act 2002.

**The Chairman:** Senator Kempe.

**Sen. Nicholas Kempe:** Yes, point of clarification, Mr. Chairman. So, is the Senator saying that the Minister has had in his possession the December completed retail sales index since January 15<sup>th</sup>, approximately, and the January sales index since February 15<sup>th</sup>, approximately?

**The Chairman:** Senator Campbell.

**Sen. Vance Campbell:** According to the information that I have been provided, the consumer price index and the retail sales index for the months under question were completed on time as per their target date.

**The Chairman:** Thank you, Senator.

**Sen. Vance Campbell:** There was a question around professional services.

**The Chairman:** With respect to Head 14, or . . . ?

**Sen. Vance Campbell:** I am trying to find that . . . I might ask, Mr. Chairman, if the Senator can repeat his question.

**The Chairman:** Certainly, Senator Campbell.

Senator Kempe, would you repeat the question?

**Sen. Nicholas Kempe:** Sorry, Mr. Chairman, I have asked a number of questions. I believe my only question about professional services actually related to Head 9 on—

**The Chairman:** B-44.

**Sen. Nicholas Kempe:** [Page] B-44, correct.

Yes, I remember the question. I can restate it if you wish.

**The Chairman:** Please do, Senator Kempe.

**Sen. Nicholas Kempe:** In Senator Campbell's statement, he mentioned that the decrease of some \$500,000 in this year's estimate for the professional services fund item related to the expiration of a professional service contract relating to government reform. My question was, what other professional services are included in that \$1.2 million budgeted for next year, especially what else has been included on top of the \$774,000 from the 2017/18 actuals. It is an almost 100 per cent increase still on the actuals from two years ago. What is justifying that spend?

**The Chairman:** Thank you, Senator Kempe.  
Senator Campbell.

**Sen. Vance Campbell:** Mr. Chairman, under that is an amount for DC lobbyists for \$250,000; CARICOM

Annual Fees \$187[,000]; the PSNT for \$180[,000]; there is Ministry without Portfolio consultant of \$130,000; there is the cost of the Brussel's representative, \$177,000; under FinTech there is \$60,000 for contractors educational services; there is the contract for Cabinet Office, miscellaneous repair and maintenance for \$54[,000]; the London office has \$27,000 for contracts, consultants, contractors, miscellaneous office repairs, the rents, et cetera, for \$27,000; Government Reform, there is \$27,000; Protocol contractors, for receptions and events, there is \$25,000, Age Concern, there is \$12[,000]; and there are a number of small contracts that fall under the Policy and Strategy of the BDU, et cetera, a total of \$68,000.

**The Chairman:** Thank you, Senator Campbell.

Senator Kempe, do you have another question?

**Sen. Nicholas Kempe:** Yes, I just want to make sure I did not mishear the Senator. The Minister without Portfolio has a consultant costing the taxpayer \$130,000 a year? I just want to make sure I did not mishear that.

**The Chairman:** Thank you, Senator Kempe.

Senator Campbell.

**Sen. Vance Campbell:** That is correct. And that has been in the public domain, Mr. Chairman.

**The Chairman:** Thank you, Senator.

**Sen. Vance Campbell:** I am just going to check and see if there are any more answers coming.

**The Chairman:** Just for purposes of the listening public, we are again working through answers to a variety of questions on the debate this morning dealing with the Cabinet Office. So there will be a pause from time to time while Senator Campbell consults with the technical staff from the department to obtain answers to the variety of questions. So if you hear periods of silence, it is because answers to various questions are being sought. So thank you for your attention.

*[Pause]*

**The Chairman:** Senator Campbell, would you like to continue?

**Sen. Vance Campbell:** Mr. Chairman, I do have a couple more responses. One is around the question on the Safety and Health audits, as to why roughly the same amount was budgeted when there were 35 versus 5 planned audits. Initially there were only five audits planned, but with the focus being on getting the

audits done at the schools [first], the shift took place. But there was no adjustment in the budget.

**The Chairman:** Thank you, Senator.

Senator Kempe, you have a follow-up question to that?

**Sen. Nicholas Kempe:** Yes, thank you, Mr. Chairman.

So, the answer that the audits took place is great, but did they take place for the same . . . did 35 audits take place for \$119,000? And, if they did, why are we only getting five audits for \$115,000 in spend next year? We should either see the same audits or less spend.

**The Chairman:** Thank you, Senator Kempe.

*[Pause]*

**The Chairman:** The listening audience will appreciate that for the Junior Minister to have answers to some fairly detailed questions at his fingertips during such a debate is unusual. Therefore, the technical officers are here to provide the necessary answers to the questions.

*[Pause]*

**The Chairman:** Senator Campbell.

**Sen. Vance Campbell:** Yes, Mr. Chairman.

In regard to that, the department targeted five audits but the department is at the . . . they do have the direction of the Government, and if the Government wishes to increase the number of audits there is a provision in there already for that. The intent is to establish a rolling process for doing the audits whereby the assets can be maintained going forward . . . or the assets of the Government can be maintained going forward in this regard.

**The Chairman:** Thank you.

Senator Kempe, do you have a further question?

**Sen. Nicholas Kempe:** Yes, Mr. Chairman, that answer still does not answer the question.

If 35 audits were achieved or were performed with \$119,000 of spend, why are we spending \$115,000 next year and only getting five audits?

**Sen. Vance Campbell:** Mr. Chairman—

**Sen. Nicholas Kempe:** Who is directed to do it is irrelevant—

**The Chairman:** Only one person at a time.

Senator Kempe, continue.

**Sen. Nicholas Kempe:** Who is directed to do it is irrelevant. We are talking about the budget here and the taxpayer funds allocated to outcomes from that dollar spend.

**The Chairman:** Senator Campbell.

**Sen. Vance Campbell:** Mr. Chairman, it is a budgeted number and if the five audits cost \$4, then the savings will be realised. If they cost \$10,000 the savings will be realised to the Government and the people of Bermuda.

**The Chairman:** Thank you, Senator Campbell.  
Senator Kempe.

**Sen. Nicholas Kempe:** Yes, that answer, Mr. Chairman, raises a further question. That \$119,000, is it an outsourced, per audit expense line, i.e., if they only do five audits we are only going to spend \$5,000, and if we do 35 we will spend \$119,000? Or is this a staff member who is hired, and whether they do five or 35 the expenditure is going to be the exact same?

**The Chairman:** Thank you, Senator Kempe.  
Senator Campbell.

**Sen. Vance Campbell:** Yes, Mr. Chairman, I have a correction. That amount is for the salary of the individual who conducts the audits. So, the more audits that are completed, then the better value the public receives for its money.

**The Chairman:** I think that dealt with that question, thank you, Senator Campbell.  
Please continue.

**Sen. Vance Campbell:** Mr. Chairman, can I ask Senators if there are any significant questions that I have not answered? That would be the quickest way, because I do have a lot of paper in front of me.

**The Chairman:** Senators, you have heard the comment from Senator Campbell.  
Senator Michelle Simmons, you have the floor.

**Sen. Michelle Simmons:** Thank you, Mr. Chairman.  
I had asked a question about the new Department of Employee and Organisational Development. I was just trying to get clarification on how soon the intent is to have that department up and running.

**The Chairman:** Thank you, Senator Simmons.  
Senator Campbell.

**Sen. Vance Campbell:** Mr. Chairman, I am not able to get that information at this time, but I will endeavour to provide it for Senator Simmons in the future.

**The Chairman:** Thank you, Senator Campbell.  
Senator Kempe.

**Sen. Nicholas Kempe:** Yes, Mr. Chairman, thank you.

I too had asked about a status update on the millions of dollars in MOUs that the FinTech unit is responsible for managing. And I have not heard an answer.

I also have a follow-up question (sorry to circle back, but the Senator was answering other questions), with the Brussels office breakdown, there was some \$70,000 listed broadly as accommodation. Is there any breakdown of that amongst the various employees and interns? Or is that all for the contract consultant? How is that \$70,000 in accommodation broken down?

We heard that \$177[,000] was for the consultant and \$20,000 was for interns. But I am not sure if part of the accommodation spend also went towards the intern spend.

**The Chairman:** Thank you, Senator Kempe.  
Senator Campbell.

**Sen. Vance Campbell:** Yes, Mr. Chairman, the \$77,000 is the rent for the consultant.

**The Chairman:** Thank you, Senator Campbell.  
Senator Kempe.

**Sen. Nicholas Kempe:** Yes, I also asked questions about the Government Reform Initiative on page B-46, trying to understand what, if any, savings in dollars will be achieved from these initiatives, or expected to be achieved from the initiatives. I also asked a similar question about Head 61 (I want to say), the Organisation Employee Development. And I also asked a question about Head 61, as to why that seemed—it sounded like its function is simply to replace the Department of HR—why these two lines were not just added to the Department of HR instead of creating another director post, and what savings are expected to be seen from doing it this way, as opposed through HR.

**The Chairman:** Thank you, Senator Kempe.  
Senator Campbell.

**Sen. Vance Campbell:** Mr. Chairman, I am unable to get the answers to those questions, and the answers to the FinTech initiative. But I will endeavour to provide those to the Senator in the future.

**The Chairman:** Thank you.  
Senator Kempe, you had one further question?

**Sen. Nicholas Kempe:** More of a curiosity thing. There was some \$180,000, I believe, mentioned twice about PSNT, but the full meaning of that acronym I do not believe was described. I just want to know what PSNT meant.

**Sen. Vance Campbell:** That is the Public Service Negotiating Team's budget.

**The Chairman:** Thank you very much, Senator Campbell.

**Sen. Vance Campbell:** Thank you, Mr. Chairman.

**The Chairman:** I think all of the questions have been answered.

Senator Campbell, would you like to move your heads please?

**Sen. Vance Campbell:** Mr. Chairman, I move that Heads 9, 14, and 61 be approved.

**The Chairman:** Is there any objection?  
No objection. So moved.

*[Motion carried: Cabinet Office Departments, Heads 9, 14 and 61, were approved.]*

**The Chairman:** Thank you, Senator Campbell.

**Sen. Vance Campbell:** Thank you, Mr. Chairman.

**The Chairman:** We move now to the next Ministry up for debate, which is the Ministry of Public Works. And we have allocated three hours for this debate. We will be looking at Heads 36, 53, 68, 81 and 82. And Senator Campbell will be up again for this debate. And we will commence with Head 36, on page B-214.

I am just going to give Senator Campbell a few moments to collect himself after the last set of debates before we move on to the Ministry of Public Works.

## MINISTRY OF PUBLIC WORKS

**Sen. Vance Campbell:** Mr. Chairman, I move that the Committee do now take under consideration Head 36, Ministry of Public Works, Headquarters; Head 52, Bermuda Housing Corporation; Head 68, Parks; Head 81, Public Lands and Buildings; and Head 82, Works and Engineering.

**The Chairman:**  
Please continue.

### HEAD 36—MINISTRY HEADQUARTERS

**Sen. Vance Campbell:** Mr. Chairman, Head 36, Ministry of Public Works Headquarters, can be found on pages B-213 through B-219.

Mr. Chairman, the Ministry of Public Works is responsible for maintaining Bermuda's critical assets and infrastructure. In fact, Public Works is the lead agent in delivering the infrastructure requirements upon which so many of the services provided to this Island depend on.

Some of the assets and infrastructure that the Ministry is responsible for building and maintaining include:

- [There are] 617 roads, amounting to 225 kilometres of road surface;
- [There are] 751 buildings maintained by Public Lands and Buildings with an insured value of over \$1.5 billion;
- [There are] 85 public docks and purpose-built berths servicing cruise ships, cargo ships and hundreds of private vessels and yachts each year;
- [There are] 5 reservoirs with a capacity of 2.5 million gallons of Bermuda's precious and very limited fresh water resource;
- [There are] 75 amenity parks, beaches and school grounds protected under the Bermuda National Parks Act 1986; and
- Ocean View and Port Royal golf courses (That responsibility starting in 2018/19.).

Mr. Chairman, it cannot be overstated how critical this vast and diverse ministry is to Bermuda, and why it is so important that every possible opportunity must be grasped to maximise the economic benefits that the capital expenditures of this Ministry provide. This includes establishing private sector partnerships to ensure that the Government's assets and infrastructure are maintained whilst simultaneously generating economic opportunities within the construction sector of our Island community.

Therefore, the maintenance and enhancement of our infrastructure and facilities must remain a priority because infrastructure development is a vital component in encouraging a country's economic growth. For example, infrastructure development will help provide the adequate capacity for the future growth Bermuda so desperately needs. It will help enhance the visitor experience when they come to Bermuda and, more importantly, it will help provide a key source of job creation and economic empowerment going forward.

Mr. Chairman, the budget allocation to the Ministry for 2019/20 is found on page B-213 and the allocated amount is \$73,447,000 and this represents a decrease of \$521,000, or 0.70 per cent decrease from the original 2018/19 budget.

Mr. Chairman, the anticipated revenue for the Ministry is \$16,766,000, a decrease of \$3,502,000, or 17.3 per cent when compared to the 2018/19 revenue budget.

Mr. Chairman, the Ministry's total capital budget for 2019/20 is \$35,782,000. This includes the Capital Development budget of \$32,588,000, found on



pages C-5 to C-6, and Capital Acquisitions budget of \$3,194,000, and that can be found on B-212 to B-213.

The Ministry Headquarters' budget of \$7,942,000 versus \$9,013,000, a reduction of \$1,071,000 reflects an adjustment in the WEDCO grants and a reduction in office relocations in order to meet Finance Ministry's imposed cash spending limits.

Mr. Chairman, the Ministry's established number of employees, which is referred to as full-time equivalents, for the fiscal year 2019/20 is 711, an increase of 4 when compared to the established number for the current fiscal year as seen on page B-213. Of note though, on that page is the actual number of staff, presently of 600.

Mr. Chairman, the overarching objective of the Ministry Headquarters, Finance and Administration, Head 36 is *to provide centralised support to the departments within the Ministry which include: Public Lands and Buildings; Works and Engineering; Land Valuation; Parks; and Land Title Registration, to ensure delivery of their varied services and operating programmes.*

The services provided by the Ministry of Public Works Headquarters are organised into the following six programmes, which are found on page B-215:

- Head Office Administration—3601;
- Accounts—3610;
- Purchasing—3611;
- Telecommunications—3612;
- Human Resources—3613;
- Architect Design—3614.

Mr. Chairman, Head Office Administration, programme 3601, is comprised of Headquarters Administration, including Safety and Health, and Central Filing. Headquarters Administration, under the direction of the Permanent Secretary, provides oversight and management support to the entire Ministry of Public Works. It also ensures that the Minister's policy objectives are met and, specifically, is responsible for the implementation of the Ministry's Throne Speech initiatives, yearly business plan, management of safety and health matters, compliance, and numerous special administrative projects.

Mr. Chairman, during 2018/19, the Safety and Health Office provided safety and health training to staff by offering a total of 315 hours of safety training, which was attended by 311 employees. The Ministry also conducted documented risk assessments to ascertain the risk that Ministry employees and the public are exposed to as a result of our activities. The training and assessments will continue into 2019/20 so as to be in compliance with the requirements of the Occupational Safety Act 1982, and the Occupational and Safety and Health Regulations 2009.

Mr. Chairman, the second area of support under the Head Office Administration is Central Filing, which provides records management for all human resource records, Cabinet documents, capital projects

and contracts, and maintains records for the Ministry's legislative functions.

The operational budget for the Head Office Administration, programme 3601, is \$2.19 million for fiscal year 2019/20, a decrease of \$84,000 over the current year. This decrease is attributed to a reduction in consultant fees.

Mr. Chairman, the Accounts programme, 3610, provides accounts payable, accounts receivable, payroll, capital asset recording, non-financial and financial reporting functions for the operating departments within the Ministry.

This section also prepares and distributes weekly payroll, vendor cheques and invoices for services provided by the Ministry's operational areas, as well as collection and recording of online bank payments, credit card, cash and cheque receipts. Through their use of the centralised accounting system this section manages the yearly budget preparation and provides monthly management reports, a process that enables the effective and efficient monitoring and control of the Ministry's current account budget along with the Ministry's capital development and capital acquisitions budgets.

Mr. Chairman, the Accounts section's focus for the fiscal year 2019/20 will continue to be on improving the project and work order reporting system, improving the debt collection for the Ministry, and working with the Accountant General on improving processes involving the E1 system. This includes payroll process, debt collection, vendor payments, and general reporting.

Mr. Chairman, the operational budget for the Accounts programme 3610 is an amount of \$1,164,000 for fiscal 2019/20; an increase of \$216,000 from the revised fiscal year 2018/19 attributed to incoming staff transfers, an additional post, and two trainee positions.

Mr. Chairman, the Purchasing programme 3611 provides a centralised procurement, inventory management, warehousing, disposal and tendering function to the other departments and programmes within the Ministry, and to other external departments from time to time. The assistant purchasing and supply officer, quarry position, remained vacant in 2018/19 due to an unsuccessful hiring campaign. It is anticipated to be filled in mid-2019. This position is considered critical to the Purchasing programme and has been vacant for a considerable period of time and has proved a challenge to fill. Therefore, a trainee position will be created for succession planning purposes.

Mr. Chairman, the Purchasing section's focus for the fiscal year 2019/20 will be on creating supply chain-related policies, procedures, and end-user instructions for the Ministry, further refining and centralising their tendering function, establishing supply contracts through competitive bidding, and working with the Accountant General to maximise use of section-

specific functions and capabilities of the E1 system, with a specific focus on inventory control, contract pricing, and key performance indicator reporting.

Mr. Chairman, the Purchasing programme 3611 operational budget is \$1,369,000 for 2019/20, an increase of \$306,000 and accounts for two staff transfers and salary adjustments.

Mr. Chairman, the Telecommunications programme 3612 provides a suite of services such as replacement of telephones and related equipment and management of mobile service contracts for the Ministry. The programme also provides advice to department heads regarding call flows, resulting in greater efficiencies, and managing the implementation of new technologies to maximise cost savings.

Mr. Chairman, the Government owns and operates a portfolio of seven telecommunication tower sites across the Island. And the towers are located at Somerset Police Station, Alton Hill, Warwick Camp, Com Ops, Prospect, the Quarry, and at Ft. George.

Historically the telecommunication tower facilities have been managed by the Bermuda Police Service [BPS] as they were primarily installed to support their operational telecommunication requirements. In support of this use, the Department of Public Lands and Buildings assisted the BPS in managing the letting inquiries from third party telecom operators seeking to locate their own telecommunication equipment on the Government's tower portfolio. The department of Public Lands and Buildings also managed any lease arrangements for third-party operators who have approached the Government to use their buildings or land for their telecommunication installations.

In April 2017, the Ministry took over responsibility of the towers and commissioned structural surveys for each tower to establish their current condition and also conducted surveys of each equipment cabin, air conditioning and generator sets.

Mr. Chairman, the structural surveys highlighted a lack of regular maintenance of the telecom towers, which has resulted in every tower displaying various stages of corrosion. The recommendation of the survey was the adoption of an aggressive maintenance programme with a focus on rust identification and remediation. In some instances the safety equipment for climbing the towers is in such poor condition that it poses a risk to life for anyone who may climb the tower. Additional issues identified included improper air conditioning design in maintenance and equipment rooms, lack of a backup generator at the Quarry site, and a lack of regular maintenance of the generators at the other sites. Some sites had substantial foliage overgrowth and maintenance is required to improve and maintain access and safety.

As these sites and infrastructure are critical to operations and are of national importance, we have implemented a programme and continue to carry out remediation works during this budget year for the issues identified. We will continue with proper planned

maintenance schedules and make necessary adjustments to minimise the risk of failure in the future.

Mr. Chairman, the Telecommunications programme 3612 has been allocated an operational budget of \$838,000 for fiscal year 2019/20, a decrease of \$19,000 as a result of the reduction in local calls.

Mr. Chairman, the Human Resources programme 3613 provides recruitment, employee relations and training, and development services to the various departments and staff within the Ministry. The role of the Human Resources team is to liaise and partner with the Department of Human Resources to provide Human Resources advice and guidance, as well as provide administrative support throughout the Ministry. Mr. Chairman, in 2019/20 the Human Resources section will continue to focus on the Ministry's Basic Employee, Foreman and Superintendent Training programme (known as BeFAST), succession planning for difficult to fill jobs and retirements, and the management of the trainee and apprentice programmes.

Mr. Chairman, the BeFAST programme is now in its sixth year and has proven to be successful. The programme's objectives are to advance training, create career opportunities, and build new working relationships with peers and staff, ultimately creating a team that speaks the same language, resulting in providing better service to our internal and external customers. The "Effective Team Member" and "Leading Effective Teams" are the two core courses under BeFAST, and they are delivered by the Bermuda College's Professional Adult Career Education Department (otherwise known as PACE). Last year the Ministry offered the Certificate in Leadership and Management Course, which is a comprehensive course designed to give practicing first-line managers a solid foundation in their formal development as a manager. This year the Ministry will offer "Leading Effective Teams."

Mr. Chairman, other training will continue to be offered internally including computer training on the Microsoft Office suite of programmes, and the Ministry will continue to partner with the Bermuda Industrial Union to coordinate the workshop on understanding the collective bargaining agreement. The Ministry's Safety and Health Officer will also coordinate courses on safety and health in the workplace, emphasising hazard identification and control. In addition, ongoing emergency response training, such as fire marshal, CPR, and first-aid training will continue in 2019/20.

Mr. Chairman, it is a fact that our workforce is ageing. Therefore, our Ministry will focus heavily on succession planning to ensure we have sufficient employees trained and prepared to fill core and difficult to fill critical positions in the future. The Quarry Vehicle Maintenance and Operations and Highways sections continue to be the main areas of focus. The Ministry of Public Works also has in place a training programme

in which three trainees are currently enrolled. This programme focuses on training Bermudians for professional positions that are difficult to fill.

Mr. Ricardo Graham-Ward, a former bursary student, is in training as a civil engineer and has joined as a graduate member of the Institute of Civil Engineers and the Institute of Structural Engineers in the UK. He is currently assigned to the Structures section and is also on a secondment programme with Ramboll, an engineering company in the UK that has been contracted by the Ministry for the design and engineering work for the new Swing and Longbird bridges.

Mr. Jamar Dill is in training as a civil engineer as well and has joined as a graduate member the Institute of Civil Engineers and the Institute of Structural Engineers in the UK. He is currently assigned to the Electrical section and is currently on a secondment programme with Aecon.

Mr. Zeeko Johnstone is in training as a civil engineer and has joined as a graduate member the Institute of Civil Engineers and the Institute of Structural Engineers in the UK. He is currently assigned to the Electrical section and is currently on secondment programme with Aecon.

Mr. Chairman, in addition, the Ministry also plays a part in the Government-wide bursary scheme and we currently have two bursary students: one in Land Valuation, Ms. Andesha Busby, who is presently studying for a bachelor's degree in real estate; and Ms. Tabia Butterfield, who is presently studying for a bachelor's degree in civil engineering. The Ministry is in need of additional bursary students in the areas of Land Valuation; Estates and Buildings, and Surveying for 2019/20.

Mr. Chairman, with your permission, I would like to repeat that, if someone is listening in: the Ministry is in need of additional bursary students in the areas of Land Valuation; Estates and Buildings, and Surveying for 2019/20. And the Ministry Headquarters is in the Post Office building on the third floor, if you need to find it.

*[Laughter]*

**Sen. Vance Campbell:** Mr. Chairman, the current account budget for the Human Resources section, 3613, is \$589,000 for fiscal year 2019/20, an increase of \$82,000 for salary uplift and summer student employment.

Mr. Chairman, the objective of the Architect Design programme, 3614, is to deliver architectural design support for Government's capital development projects in a professional, fiscally prudent, and timely manner. Further, it provides opportunities for Bermudian graduates in architecture and related disciplines to obtain the necessary experience and training to acquire professional designations in their chosen field.

The total budget for the Architect Design programme, 3614, for 2019/20 is \$59,000. This represents a reduction of \$214,000, which includes capital project recharges.

Mr. Chairman, the budgeted number of employees for the Ministry of Public Works Headquarters is 52. This can be seen on page B-217. The headcount has increased by four for the 2019/20 fiscal year on account of three transferred posts and one additional post.

Mr. Chairman, Public Works Headquarters, will aim to:

- conduct 4 Safety and Health Assessments with corrective actions in a year;
- conduct 20 Safety and Health training [programmes] for Ministry employees;
- improve their procurement cycle time by 5 per cent;
- double the number of career outreach initiatives to target our young population for careers in the Ministry; and
- improve on the finalisation of capital project files.

The Department's Architect Design also aims to improve on the efficiencies realised by using an in-house team compared to the private sector.

Mr. Chairman, with regard to the major capital projects being managed by the Ministry of Public Works Headquarters, the overall 2019/20 capital expenditure plan for the Public Works Headquarters is \$7,942,000, the details of which can be found on page C-5 of the Capital Accounts Estimates. And the Capital Developments include:

- Minor Works, 75050—there is no provision;
- Miscellaneous Small Projects, 75053—\$150,000;
- WEDCO Capital Grant, 75054—\$1,973,000;
- Office Relocation/Alterations, 75099—\$1 million;
- WEDCO South Basin Land Reclamation, 75334—\$4,819,000.

Mr. Chairman, the Ministry of Public Works Headquarters also provides a capital grant of \$4,800,000 to the Bermuda Housing Corporation. This is found on page C-5 of the Capital Accounts Estimates.

Mr. Chairman, the overall 2019/20 Capital Acquisitions planned for the Public Works Headquarters is \$2,783,000. Details are found on page C-12 under Schedule C of the Capital Accounts Estimates, and include:

- Cost centre, 76495, Vehicles and Equipment, \$2 million towards replacement of aged GP vehicles as well as equipment;
- Cost centre, 76868, Communications Equipment, \$783,000 towards the Prospect tower replacement, Fort George building enclosure,

and anti-climb barriers with high gates for the remaining towers.

Mr. Chairman, that concludes my presentation for the Ministry of Public Works, Headquarters, Head 36. Thank you, Mr. Chairman.

**The Chairman:** Thank you, Senator Campbell.

We will now move on to Head 53, Bermuda Housing Corporation, found on page B-223.

### HEAD 53—BERMUDA HOUSING CORPORATION

**Sen. Vance Campbell:** Mr. Chairman, as you know, the Bermuda Housing Corporation, Head 53, is not a department within the Ministry of Public Works, but rather a quasi-autonomous non-government organisation, commonly referred to as a quango, which receives financial support in the form of a grant from the Government as indicated on page B-223.

Therefore, I will provide a general overview of their operations, some of the highlights of the past year, and plans for the upcoming year.

Mr. Chairman, the mission statement of the Bermuda Housing Corporation is *to provide accessibility to adequate affordable housing and promote independent living to enhance the quality of life in Bermuda*. The vision statement is *every Bermudian will reside in an adequate and safe environment*.

The Bermuda Housing Corporation's grant allocation of \$6,050,000 represents no change from the previous year. The allocated grant will be used to subsidise the annual cost of repairs, normal maintenance of properties, support services for families and individuals, rental assistance via Rent Geared to Income to clients of the Corporation, and for the continuation of the H.U.S.T.L.E. Truck programme.

Mr. Chairman, in addition to the operating assistance grant, the BHC will receive a capital grant of \$4.8 million for 2019/20, which can be found on page C-21, the same as last year. The capital grant will be used to pay the interest and principal amounts due on the Corporation's outstanding bank loan of \$35,850,000. There are no other changes between the 2018/19 and 2019/20 grant allocations.

Mr. Chairman, the Bermuda Housing Corporation's head office is located at the recently renamed Seven Arches Building, East Entrance, 44 Church Street, in the City of Hamilton. The Seven Arches Building is the name chosen for the building to reflect the Bermuda Housing Corporation's aim to be the archway to affordable housing for Bermudians, whether it be rental units or home ownership.

The staff presently consists of 41 full-time personnel and 5 young bright Bermudian interns. Of their total number of full-time staff members, four H.U.S.T.L.E. Truck members operate from office space at the Harmony Club and four staff members under the Support Services Department directions

and operate from a satellite office in the Southside Complex in St. David's.

The current structure of the BHC consists of seven departments:

- Project Management, 2 employees;
- Property Operations, 10 employees;
- Finance, Collections, and Home Ownership Services, 8 employees;
- Support Services, 10 employees;
- Administration, 5 employees;
- Human Resources, 2 employees; and
- H.U.S.T.L.E. Truck, 4 employees.

Mr. Chairman, the primary functions of the Bermuda Housing Corporation are to provide housing for Bermudians, promote home ownership, to undertake and carry out housing schemes, and to undertake such other functions in connection with housing as the Minister responsible for housing may require.

The Corporation continues to provide methods for Bermudians to gain entry into the housing market, whether it is by way of becoming first-time homeowners or renting affordable units that are available. The Corporation continues to strive to provide adequate, achievable and affordable housing which will benefit the residents of the Island of Bermuda.

Mr. Chairman, the Corporation continues a public/private partnership with Clarien Bank to assist hard-working Bermudians to obtain their first home. To date the HomeStart programme has assisted 14 Bermudian families in their quest to become first-time homeowners. The initiative has been very successful in providing properties for sale at affordable prices. The sale price of these properties has been significantly reduced in return for sweat equity to bring the properties back to a healthy, habitable state. Many of the properties on offer were previously vacant and derelict so unhealthy eyesores have been removed from the Bermudian landscape.

Mr. Chairman, the Corporation administers a number of programmes in pursuit of its mission including: managing and leasing a large inventory of properties comprising of houses, apartments, and rooming houses. Some of these properties are owned by the Corporation and others are leased from the private sector. The BHC manages 500 Government and private sector residential units Island-wide and 6 transitional homes, comprising 180 rooms.

The BHC also manages and controls the H.U.S.T.L.E. Truck programme. This is an acronym for "Helping the Unemployed Sustain Themselves with Limited Employment," which has been in successful operation since 2007. This year marks the 12<sup>th</sup> anniversary of the programme. Mr. Chairman, it was Thursday, April 5, 2007, that the Bermuda Housing Corporation brought the H.U.S.T.L.E. Truck programme to life by contracting eight young men and women of Middletown Lower to paint over graffiti on walls of BHC's property in that area. It was very encouraging to see the young men and women take

pride in their work and, in one case, it was extremely gratifying to hear one of the men chastise his friend who was sitting on a wall that was newly painted, chiding him for marking up the wall with his sneakers. Mr. Chairman, he had taken ownership of his work.

Since then the Corporation, through the H.U.S.T.L.E. Truck programme, has helped over a thousand unemployed Bermudians in need of short-term temporary employment and assisted many of them with finding full-time jobs. In addition, the programme has provided much valued assistance to our seniors, community groups, churches and schools, and neighbourhoods.

The Corporation works with local banks to assist Bermudian clients to retain their homes by advising on the best steps to manage mortgage payments when they are under threat due to the continuing challenges of our economic times.

Mr. Chairman, the Corporation continues to find ways to reduce expenses and generate positive cash flows. Through efficient use of current staffing levels, redistribution of duties, retraining and in-house seminars, the Corporation has been able to use available staff to ensure daily operations are performed to expectations and, in some cases, exceeding expected levels. Further additional efficiencies and cost savings are underway as the Corporation is working towards the integration of the administration of the Bermuda Land Development Company operations with the operations of the Bermuda Housing Corporation.

In addition, the Corporation has been meeting with the West End Development Corporation and is in the process of negotiating a Memorandum of Understanding between BHC, BLDC and WEDCO which will address opportunities for cost savings and operational efficiencies for properties owned by BHC/BLDC in the western end of the Island and to be maintained by WEDCO.

Mr. Chairman, the BHC is in the process of transforming the Grand Atlantic condos into Bermuda's newest tourism venture, the Bermudiana Beach Resort condo hotel. The painting of the buildings in traditional Bermuda colours and the complete renovation of the show units continue apace. Very shortly we expect there to be a public announcement on the exciting news of an anchor brand hotel chain who would be managing the property—more information on this to follow as presently we are under a nondisclosure agreement until the final details are ratified.

Mr. Chairman, the Bermuda Housing Corporation continues to have empathy for many of its clients who have suffered a decline in their income through unemployment or underemployment. The Corporation has regular meetings with clients to help them navigate through these difficult social, economic and financial times. It is worth noting that the Corporation does not evict clients for an inability to pay rent, but rather when the difficult decisions are made to evict, it is because of clients' irresponsible or unhealthy be-

haviour after multiple meetings, cautions, and intervention programmes.

**The Chairman:** Senator Campbell, if I could just interrupt you. It is now 12:30. The Senate will now adjourn for lunch and will be returning at 2:15 this afternoon.

The Senate is adjourned.

**Proceedings suspended at 12:30 pm**

**Proceedings resumed at 2:15 pm**

*[Sen. James S. Jardine, Chairman]*

## **COMMITTEE OF SUPPLY**

### **ESTIMATES OF REVENUE AND EXPENDITURE FOR THE YEAR 2019/20**

## **MINISTRY OF PUBLIC WORKS**

### **HEAD 53—BERMUDA HOUSING CORPORATION**

*[Continuation of debate thereon]*

**The Chairman:** Good afternoon, Senators and listening public. It is now 2:15, and we are going to continue with the debate, which was started this morning, from the Ministry of Public Works. And when we broke for lunch, we were on Head 53, which is the Bermuda Housing Corporation. And it was being presented by Senator Campbell.

Senator Campbell, you have the floor.

**Sen. Vance Campbell:** Thank you, Mr. Chairman.

Mr. Chairman, the Rent Geared-to-Income initiative gives real relief to clients by assisting them with the rent of only 25 per cent of their combined household income, regardless of the employment status of family members. Part of this programme includes a mandatory 10 per cent savings portion of the monthly household income to guide clients into positive saving habits for long-term goals.

Mr. Chairman, the BHC operates six rooming, or transitional, houses that contain a total of approximately 180 beds. The various houses are located throughout the Island and provide a safe habitat for BHC clients. The rooming houses cater to households that need immediate, safe or emergency accommodation. The Support Services Department holds regular meetings with rooming house residents to hear concerns and address complaints from the residents of the facilities.

Mr. Chairman, the satellite offices at the largest rooming houses, at Southside, are charged with regular meetings with clients who have fallen on hard times. The support given includes economic, social and psychological guidance to occupants to assist them in graduating out of the facility into more tradi-

tional Bermuda living. Since its 2007 inception, 380 families have transferred out of the rooming house facilities.

Mr. Chairman, Gulfstream multi-unit rooming house comprises 78 rooms and currently houses 54 families from various backgrounds. Some families have adjoining rooms to ensure adequate privacy for parents and children. The Gulfstream residents are appreciative of the opportunity, and regular house meetings are held to listen to and allay concerns before they become problematic to society. Unfortunately, some clients have not been compliant with meeting requests to discuss issues and only react when given ultimatums or penalties for their errant behaviour.

Mr. Chairman, Building 632, known as Langley House, is a 61-bed rooming house, also located at Southside, St. David's. The rooming house is used specifically to house men in need of affordable, safe accommodation. There are currently 50 men residing in the rooming facility. The Corporation has qualified social workers working out of this satellite office, including a former police officer, to monitor and correct antisocial behaviour.

Mr. Chairman, the Corporation is in the process of transforming the Harmony Club property into studio and one-bedroom units, which will be used primarily to house seniors who can live independently. The Harmony Club property is also used as the H.U.S.T.L.E. Truck offices, and the gatehouse building is used to provide emergency accommodations for persons in immediate distress or in need of immediate re-housing.

Mr. Chairman, the BHC has recently initiated an intern programme for five young Bermudians, who are working with the Corporation for one year. This intern programme is used to ensure that our young people have guidance and counselling as they make firm decisions on their career choices. The interns are young, progressive and impressionable. They are:

- Tameka King, who has passed her overseas exams in law and who is working out of the Corporation's Property Operations Department;
- Mr. Shane Simmons, who is keenly interested in project management and who is also working with the Property Operations Department;
- Miss Kinda Bassett, who is assisting in the Projects Development Department, and assisting project managers in their architectural drawings and project management;
- Mr. Traonda Davis, who is keenly interested in computers and [is] working with the IT Department with support from IT tech firm Smith Technologies; and finally,
- Mr. Joshua Thompson, who is working with the Finance team and joins with the Property Operations when needed.

Mr. Chairman, the Projects Department, consisting of two employees, assists with advice regard-

ing major repair work necessary on existing buildings owned by the Corporation to ensure longevity of the Corporation's assets. The department has recently been restructured with the project managers overseeing multiple dwellings that come under the BHC remit to ensure that effective and cost-conscious maintenance programmes keep the units in liveable condition. They also are responsible for initial drawings of projected capital projects, as well as the project management of the properties through to completion.

Projects planned for the year include:

1. conversion of blocks B and D at Harmony Club into one-bedroom and studio units;
2. restoration and conversion from five units to nine units of the Chelsea Apartments in St. George's;
3. renovation and conversion of the former St. David's preschool building into loft apartments; and
4. renovation and conversion of the former St. George's Police Barracks into a rooming house.

Mr. Chairman, the Property Operations Department is responsible for the maintenance of BHC's housing stock of approximately 700 units Island-wide, including the rooming houses. The department's responsibilities include the regular maintenance of buildings under the control of BHC and providing advice and assistance to clients of BHC on housing-related matters. The department comprises three property officers, six maintenance officers and one administrative assistant. The department conducts regular maintenance checks of buildings under the management of the Corporation and is responsible for small maintenance works, along with coordinating more difficult tasks with trusted and able [outside] contractors.

Last year, the Property Operations Department completed approximately 2,700 maintenance requests. The requests for maintenance that this capable department handles are wide-ranging, and they tackle everything from simple plumbing, electrical, water, sewage and roof repairs to landscaping, painting, flooring and major renovations.

Mr. Chairman, the Finance Department has a total staff of nine employees, consisting of one finance manager; two assistant finance managers, one of whom is responsible for reporting and the other for IT; one account supervisor; three finance officers; and one cashier.

The Finance Department carefully monitors the Corporation's spending and compliance, ensuring that policies and procedures are adhered to and that clients act responsibly in paying their bills in a timely manner. The Finance Department fields questions of a financial nature, provides mortgage advice and assists clients with understanding their financial obligations to the Corporation.

Mr. Chairman, the Support Services Department is the department responsible for ensuring that

adequate housing is found for BHC clients. The department conducts regular inspections of BHC housing inventory to ensure that clients are compliant with their rental contracts. The department consists of 10 persons: one manager; one rentals caseworker; two transitional house caseworkers; two junior transitional house caseworkers; three rental inspectors; and one intake officer.

There is a current waitlist for BHC accommodation of approximately 108 clients. Mr. Chairman, the Minister does not believe that this is an accurate reflection of those in need, simply from the number of requests that come directly to him at his office. Many people have given up hope that BHC can assist them. To that extent, Mr. Chairman, the Minister launched a survey last week, I believe it was Wednesday, and with your permission, I would like to provide an update on the results so far.

**The Chairman:** Certainly. Please proceed, Senator.

**Sen. Vance Campbell:** So, since last week Wednesday, and this is as of yesterday, around midday yesterday, there have been 955 responses that have been received. Of those responses, 53 per cent report that they are adequately housed. And conversely, 47 per cent report that they are not adequately housed. Of the respondents, 50 per cent own their own homes. According to the respondents, \$300,000 is considered an affordable purchase price for a one-bedroom unit, \$400,000 for two bedrooms and \$500,000 to \$700,000 for three bedrooms. Most of the respondents are seeking cheaper accommodations—that is, 37 per cent—followed closely by those needing a large accommodation, 34 per cent, due to crowding or growth in the family. And lastly, most are seeking two-bedroom accommodations.

And we will provide further updates to the results of the survey as they become available.

The Support Services Department offers myriad services to clients, which include money management, housekeeping, social and behavioural problem eradication, child care, and health and safety guidance. In addition, the department offers advice on support from other agencies that stand ready to assist clients who are in need of professional counselling.

Mr. Chairman, the Administration Department consists of the general manager, one executive assistant, one receptionist and two office assistants. The Administration Department is responsible for the orderly daily business of the Corporation.

Mr. Chairman, the Human Resource Department has a total staff of two. The HR Department ensures that staff has the required skills to efficiently and successfully carry out their daily roles at the Corporation, ensures employee welfare, and provides mentoring and training services.

Mr. Chairman, the H.U.S.T.L.E. Truck programme continues to be of valuable assistance to un-

employed persons who actively seek work. The H.U.S.T.L.E. Truck operates from the Harmony Club and caters to 20 temporary employees per week. The H.U.S.T.L.E. Truck continues to be of valuable assistance to Bermuda, with the ability to adjust to the needs of the community as they arise.

The current cost of this programme is approximately \$1 million per year—that is, 20 people per week, for up to three months total employment per year, taking one week off each month to look for regular employment. At this level, the Corporation is able to rotate through approximately 260 different people per year. The programme is available for any unemployed Bermudian. At present, there are approximately 35 people on the waitlist daily, who are advised to return the following day for an opportunity to work.

The H.U.S.T.L.E. Truck office keeps a database of information on the unemployed and their skill sets for the specific purpose of making a good fit when partnering with employers. The office regularly receives requests from employers for qualified and suitable potential employees. Upon receipt of those requests, the database is checked and those persons who have the required qualifications are sent on interviews in the hopes of achieving full-time traditional employment.

In practice, the H.U.S.T.L.E. Truck has fundamentally replaced the bulk-based pickup section that was closed in the Ministry of Public Works some time ago, as a cost-saving measure, by collecting and cleaning neighbourhoods of illegally dumped bulk waste items such as mattresses, sofas, furniture and appliances, on a weekly basis. Last year, 11 former members were successful in gaining full-time employment and several members were given guidance on starting their own businesses as entrepreneurs.

One of the programmes within the H.U.S.T.L.E. Truck has a team of four persons working in conjunction with a property officer to learn construction skills. This team works to bring vacant and derelict Corporation properties back online.

The programme is about to start on a new initiative, which will assist members with gaining a foothold into the door of full-time employment, by teaching them transferable skills in computing operations.

Mr. Chairman, the H.U.S.T.L.E. Truck also continues the partnership with the Department of Corrections in providing temporary employment to inmates who are seeking parole or are about to be released from the corrections facilities. The officers liaise with senior corrections officers and commit to employing qualified former inmates to assist them in gaining meaningful workplace experience.

Mr. Chairman, the Bermuda Housing Corporation has a very important role to play in Bermudian society, assisting vulnerable people, including seniors, mental health patients, inmates, young people and those who have fallen on hard financial times. They continue to come up with courageous, innovative

plans to help Bermuda combat the escalating cost of living, which is causing stresses in many Bermudian families. They are committed to their task and willingly embrace new challenges.

In closing, Mr. Chairman, I would like to thank the Board of Directors and the management and staff of the Bermuda Housing Corporation for their stellar service to Bermuda.

**The Chairman:** Thank you, Senator Campbell.

We can move on to Head 68, which is Parks. And that is found on page B-224.

**Sen. Vance Campbell:** Right through to page B-230, Mr. Chairman.

**The Chairman:** All right.

### HEAD 68—PARKS

**Sen. Vance Campbell:** Mr. Chairman, the Department of Parks, under the Ministry of Public Works, is responsible for the administration of protected areas listed under the Bermuda National Parks Act 1986. This Act incorporates changes and amendments from the Bermuda National Parks Amendment Act 2009, and the Bermuda National Parks Amendment Act 2017. The areas under the Act are inclusive of nature reserves and amenity parks, which include beaches and recreational parks under the Department of Youth and Sport.

The department is also responsible for landscape and horticultural maintenance of roadside verges, schoolgrounds, clinics, rest homes, post offices and other government properties such as Clifton, Laurels, Montpelier [Arboretum] and Government House, as well as propagating plants necessary for these grounds.

As per the Act, the department is also tasked with providing safe protected areas where patrons, residents and visitors can enjoy active and passive recreational pursuits. There is also an education component, where patrons learn through exploring cultural history by way of forts, graveyards and barn kilns, or learning about the environment, natural resources, flora and fauna.

Mr. Chairman, the department has an objective to maintain and manage all protected areas to a high standard. In the peak spring and summer season, the department provides a highly trained and professional lifeguard service at four public beaches, and is mandated by the Bermuda National Parks Act 1986 to enforce the Bermuda National Parks Regulations 1988. Ultimately, the department has to protect, conserve and preserve open spaces for present and future generations.

Mr. Chairman, the current account expenditure estimate allotted to the Department of Parks for the 2019/20 fiscal year is \$9,644,000, and that can be found on page B-225. This represents a 2 per cent

decrease of \$164,000 compared to the 2018/19 original estimate.

The department budget is divided into the various programmes, including Administration and Planning, Park Ranger Service, Lifeguard Service, the Park Maintenance Section encompassing Government House, Maintenance and Development, Eastern Parks, Tree Service, Western Parks, School Grounds, Tulo Valley, the Botanical Gardens, Forts and Historical Sites, and the Railway Trails. The Annual Exhibition is listed, but is not funded.

Mr. Chairman, the Department of Parks has 143 posts, which can be seen on page B-227, within its remit, which remains unchanged from 2018/19. However, it is important to note that the department operated during the 2018/19 budget year within only 118 posts most of the year. The capital development estimate for the department for the year is \$500,000, found on page C-5.

An amount of \$200,000 is for parks improvements to include the installation of a new lifeguard tower, installation of one more outdoor fitness equipment centre, repairs to buildings in Botanical Gardens and restoration of designated parks. It also includes \$300,000 for a purpose-built administration and maintenance building at Marsh Folly.

Through this brief, Mr. Chairman, the Minister would like to reiterate that there will be no maintenance facility constructed at Botanical Gardens.

An additional \$400,000 under capital acquisitions (and that can be found on page C-13) has been allocated for vehicle acquisitions for the Maintenance Section, to replace an ageing, mechanically challenged fleet of vehicles, inclusive of chippers, which are an integral part of the Emergency Measures Organisation (better known as the EMO).

Mr. Chairman, revenues for the department are projected to be \$104,000 in 2019/20, which is a \$16,000, or 18 per cent, increase from the 2018/19 original estimate. The projected increase can be attributed to the updated fees introduced in the Bermuda National Parks Amendment (No. 2) Act 2017.

Increases in the demand for special permits for events such as beach weddings for tourists at Warwick Long Bay, Justin's Cove, Stone Hole Bay and Captain Bay in South Shore Park, as well as Fort St. Catherine, have been widely documented in the media.

Secondly, there has been a marked increase in organised functions such as birthday parties, where laser tag occurs, in addition to bonfires on various beaches.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITORS

**The Chairman:** Senator, if I could just interrupt you for a second to acknowledge the presence in the



Senate this afternoon of the Permanent Secretary for Public Works, Randy Rochester.

Welcome, sir, this afternoon.

And I understand that there are other representatives from the Ministry here, as well. Welcome. Very nice to see you here this afternoon.

Senator, please continue.

*[Committee of Supply, continuing]*

**Sen. Vance Campbell:** Thank you, Mr. Chairman.

Fort St. Catherine, with the World Heritage designation, continues to attract interested patrons.

Mr. Chairman, camping and special permit fees for functions at various beaches are expected to collect \$20,000. Concessions fees will amount to \$7,000. A full \$60,000 will be raised from the activities at Fort St. Catherine. Lifeguard service fees will provide \$1,000. And horticultural produce is expected to provide \$5,000. Lastly, Botanical Gardens and arboretum facilities, the rental of buildings and grounds is estimated to provide \$10,000.

Mr. Chairman, I would like to report on key activities in the respective sections of the Parks Department for the upcoming 2019/20 budget cycle. And I will start with administration and planning, which is 78050, on page B-225. Administration, which will have a budget of \$1,448,000, is the hub of the department and encompasses the Park Planning Section, which will be planning and implementing the following projects for the budget year: installation of a third fitness equipment station at Death Valley Park in the West. This follows the successful installation of the fitness equipment stations at the arboretum and Mullet Bay in St. George's.

The final phase of the installation of the new lifeguard tower at John Smith's Bay Park will be completed following the implementation of recommendations from the Department of Planning. The new lifeguard tower is already on Island.

Mr. Chairman, the management plans for Southlands and Botanical Gardens will be updated. Staff in various divisions will be trained in geographic information systems to improve documentation of data and resources.

With the assistance of the Estates Section, licences or leases will be drafted for concession operations at various parks and beaches. The boat ramp at Stone Crusher Corner in Kidney Field Park will be improved. The sale centre building and the greenhouse at Tulo Valley Plant Nursery will be replaced in order to increase the production of plants for Bermuda Government properties.

Mr. Chairman, the department will also enter into a Memorandum of Understanding with the Ag Show Ltd. for another three years, from 2020 to 2022, to assist with the planning and operation of the popular annual exhibition. This assistance includes personnel, buildings, grounds, props, infrastructure and

utilities. New signage, park benches and picnic tables will be placed in the parks and beaches.

Mr. Chairman, Southlands Park will be brought to the forefront in order to restore the grounds for safe, educational and productive use by the patrons. The three arable parks will be returned to production, with one designated as a community garden. The department will continue to network and collaborate with industry partners in order to achieve goals and objectives that are beneficial and progressive for the park system, inclusive of organisations, such as, the Keep Bermuda Beautiful, the Bermuda Tourism Authority, Bermuda Zoological Society, Mirrors, the Garden Club, Botanical Society and the Skills Development Programme, to name a few.

Administration will continue to process special permits and collect fees for the various functions in parks. This section also provides support services to the Minister's legislated board, the National Parks Commission.

Mr. Chairman, the Administration section has suffered with a lack of substantive employees in senior management positions, which has resulted in revolving acting appointments and a lack of clarity with leadership and understanding of park management operations. This will be addressed as a priority in the fiscal year to ensure that the department focuses on the following: strategic planning, updating and developing management plans (as per the Act), targeted training and development of staff and the integration of synergies with the various sections. This will result in stability, improved staff morale and increased productivity.

Mr. Chairman, the Park Rangers Service small team has operated, like many other sections, with a shortage of staff. The budget for the 2019/20 fiscal year is \$459,000. This section has taken the lead with some of the public/private partnerships, which are bearing positive achievements. The section has been directly involved with the Friends of the Bermuda Railway Trail and assisted with most of the landscape culling of invasive vegetation before the installation of the six new bridges in Flatts, as phase one of the scheme. Phase two will involve bridging Flatts Inlet. Employees of the Park Service Section will provide assistance in this project.

Mr. Chairman, the section has also fostered a working relationship with the Bermuda Police Service, primarily the Community Action Team, which has provided valuable assistance when enforcing the Bermuda National Park Regulations 1988. At Southlands Park, they were directly involved with culling invasive species with the Bermuda Zoological Society and PricewaterhouseCoopers in order to start the process of restoring the park on the western boundaries. This initiative will continue.

Mr. Chairman, the Park Ranger Service also works closely with the Bermuda Bicycle Association and Fat Tire Massive to provide assistance in main-

taining trails in designated parks. The parks patrol boat has been upgraded with a new outboard motor and patrols so that the Island base parks and nature reserves will be more consistent. The campground at Higgs and Horseshoe Island Parks will be cleared, as will the military graveyard and lime kilns at Ferry Point Park. A joint initiative with the Ministry of Tourism and Transport will see traffic coordinators on duty at the Horseshoe Bay parking lot in order to organise and control the taxi and minibus fleets for transporting passengers primarily to and from the cruise ships in Dockyard.

Mr. Chairman, the Lifeguard Service has a budget of \$472,000 for 2019/20. This year will see the installation of the new lifeguard tower at John Smith's Bay Park, which is a pilot tower to test how they will work in our climate. This will ensure that lifeguard services return to this popular beach. The department anticipates that there will be 30 seasonal and reserve lifeguards trained and certified under the Royal Life-saving Society (RLS) and will be challenged to try and meet the expanded cruise ship tourism season, which will operate from April to November 2019.

The Lifeguard Service works alongside the Park Ranger Service and will continue to provide the following services: They will once again provide lifeguard and water safety support during the swim portion of the second ITU Bermuda International Triathlon swim familiarisation, on Friday, 26<sup>th</sup> April, with the main event held on Saturday, the 27<sup>th</sup> of April 2019. In conjunction with the Park Ranger Service, it will also provide training and certification of 20 staff in the Department of Parks in either the American Heart Association basic life support or Bermuda Red Cross community CPR, AED [automated external defibrillators] and First Aid with the instructors who have been certified.

Mr. Chairman, the combined budget will be \$6,847,000. This section comprises the following, and I am talking about the Park Maintenance Section:

- Government House, cost centre 78015, with a budget of \$254,000;
- Maintenance and Development, cost centre 78020, with a budget of \$871,000;
- Eastern Parks, cost centre 78030, with a budget of \$1,039,000;
- Tree Service, cost centre 78035, with a budget of \$567,000;
- Western Parks, cost centre 78040, with a budget of \$1,368,000;
- School Grounds, cost centre 78045, with a budget of \$553,000;
- Tulo Valley Plant Nursery, cost centre 78055, with a budget of \$394,000;
- Botanical Gardens and the Arboretum, cost centre 78065, with a budget of \$1,481,000; and lastly,
- The Railway Trail, cost centre 78101, with a budget of \$320,000.

Mr. Chairman, the combined sections provide landscape and horticultural maintenance and the necessary bedding plants for the Island's parks, beaches, nature reserves, roundabouts, schools and government properties. In addition to the maintenance performed by these employees, in 2019/20, they will make improvements to Blue Hole Park, repairs to the platform at the Lagoon, repair and replace the fencing in Spanish Point Park, Astwood Park, Chaplin Bay, Admiralty House Park, Mullet Bay Park and Shelly Bay Park.

They will repair and upgrade bathroom facilities in the parks, install park benches and picnic tables at various parks and beaches such as John Smith's Bay, Astwood Park, West Whale Bay and South Shore Parks and Warwick Long Bay playgrounds. They will replace gates at parks, beaches and the Railway Trails, and they will be involved in the restoration and improvement of parks, including Cody Island, Admiralty House, Shelly Bay, Ferry Point, Kindley Field, South Shore Park and Southlands. This will involve the major clearing of invasive species and replanting with native and endemics.

In 2018, there was the implementation of an in-house horticultural landscape training and development programme for employees in the Park Maintenance Section. Employees attended class, conducted field trips and were trained professionally to international standards. The temporary environmental educational officer, who developed and structured the programme modules to the varied employees, was instrumental in successfully graduating 25 employees at level 1 certification as landscape gardeners with the Department of Workforce Development.

Mr. Chairman, at Tulo Valley Plant Nursery, plans are progressing for the repairs to the slat house and replacement of both the greenhouse and sales centre, as outlined above. This Government plant nursery will play an instrumental role in the roadside beautification initiative by propagating ornamental ground covers to be planted at the roadside, to compete with and minimise the growth of weeds.

Mr. Chairman, the restoration and improvement of Botanical Gardens is still a work in progress. The process for the updating of the management plan has started for Botanical Gardens, which will assist in progressing forward the initiatives to improve the property and return the property to former glory. The networking with key industry partners will be key in achieving this objective. Improvements to the Botanical Gardens include repairs to the Exotic House, the Cactus and Succulent House, replacement of the education building and a proposed open plan barn in the stables section near the main ring.

The upgrading of the collections will continue, and plant labels will be installed. Benches and picnic tables will also be replaced. Fencing will be installed to control traffic flow, and parking, with the former

garage and maintenance yard site, being repurposed in the short term at the parking lot.

Mr. Chairman, the budget for the Railway Trail is \$320,000. The Railway Trail continues to be one of the most actively used parks in the system year-round for both residents and tourists, and has major events such as the popular End-to-End the first week in May. And it benefits by way of the constant promotion by the Bermuda Tourism Authority. Mr. Chairman, in 2018/19, staff were tasked with again providing the landscape maintenance of the Railway Trails, and they have been able to achieve this objective within budget. The same will apply for 2019/20.

Mr. Chairman, projects planned for the Railway Trail in 2019/20 include replacement of damaged gates, installation of park benches, repairs of damaged fences, culling of invasive plants and restoration of uneven surfaces primarily in the western sections. The department will network with Friends of the Bermuda Railway Trail and their industry partners for the surface restoration project in phase two of Flatts Inlet.

Mr. Chairman, the budget for 2019/20 will be \$418,000. The primary management responsibility for this section is Fort St. Catherine, a World Heritage Site, and other forts in the eastern parishes. However, jurisdiction for managing forts extends to other parks in the national park system. The section is somewhat hindered, as a management decision has resulted in no defined leader. However, staff continue to market the fort with the Bermuda Tourism Authority and destination-based magazines and publications. Revenues and patrons should definitely increase, correlated with the projected increase in tourists for the 2019 season. In 2019/20, Fort St. Catherine will continue to be a venue of choice for weddings and corporate events.

Projects planned for the fiscal year include painting of the guns at Fort St. Catherine, Alexandra Battery, Gates Fort and St. David's Battery; replacement of the entrance bridge to Fort St. Catherine; and refurbishment and replacement of the signs at West Whale Bay Fort.

Mr. Chairman, in closing, I take this opportunity to thank the staff of the Department of Parks, who through their many challenges such as lack of stable leadership and equipment challenges, have continued to work to the best of their abilities to achieve the goals and objectives, as well as to complete the planned projects. Thank you, Mr. Chairman.

**The Chairman:** Thank you, Senator Campbell.

That concludes the presentation on Head 68.

And we will now move to Head 81, which is Public Lands and Buildings.

[Pause]

## HEAD 81—PUBLIC LANDS AND BUILDINGS

**Sen. Vance Campbell:** Mr. Chairman, Head 81, Public Lands and Buildings, can be found on pages B-231 to B-233, and the capital expenditure on C-13.

Mr. Chairman, it is the responsibility of the Department of Public Lands and Buildings to efficiently manage the government property portfolio to enable the delivery of effective public services. Mr. Chairman, the Department of Public Lands and Buildings is responsible for managing the government estate of over 2,000 acres and some 751 buildings. The land and buildings uses are diverse and range from arable lands to a zoo, with all manner of land and building use in between. The department provides a critical support role to ministries and departments to ensure that their real estate needs are met in order for them to provide services to the public. Without the real estate, there are no public services.

Mr. Chairman, I will highlight throughout my presentation the four programmes, or sections, within the department, as well as the plans for the upcoming fiscal year, that are designed to meet that responsibility.

Mr. Chairman, on page B-231, you will note that there are four main programmes for the Department of Public Lands and Buildings. And they are as follows:

- 8100, Administration;
- 8101, Buildings;
- 8102, Estates; and
- 8103, Land Surveys.

Mr. Chairman, the total budget allocated to the Department of Public Lands and Buildings is \$19,472,000, and that can be found on page B-231, for the fiscal year 2019/20, as compared with \$19,507,000 for the original fiscal year 2018/19. This represents a decrease of \$35,000, and this decrease reflects the Government's continued drive to increase efficiencies whilst reducing costs. Mr. Chairman, the total number of staff or full-time equivalents for the department is 152 for the budget year 2019/20. And that is found on page B-232.

Mr. Chairman, the Estates Section is responsible for the management of the Government Estates, the building section responsible for its maintenance and repair, and the Land Survey Section responsible for mapping cadastral surveys. The fourth programme is the Administration, Training and Apprenticeship Programme, which comprises mainly the director of the department and the trainees and apprentices.

Mr. Chairman, the budgets for the programmes are as follows:

- 8100, Administration, \$274,000;
- 8101, Buildings, \$9,086,000;
- 8102, Estates, \$9,790,000; and
- 8103, Land Surveys, \$322,000.

Mr. Chairman, the decrease in programme 8100 is due to the some of the apprentices in 8100 graduating and moving into substantive posts in programme 8101. This led to the increase in the 8101

Buildings Programme. There was further requirement to make savings across the board and include the 2 per cent salary increase. Mr. Chairman, this was done by reducing the budget for overtime so that only emergency callouts are budgeted for. In addition, the increase is owing to more aged buildings requiring more repairs. The decrease in programme 8102, Estates, is owing to posts being frozen following retirements and vacation of those posts. The programme 8103, Land Surveys, has increased due to the filling of a post that has been vacant since 2012.

Mr. Chairman, programme 8100, Administration, Training and Apprentices, has a total budget of \$274,000. This is split between two cost centres, namely, Administration, \$227,000, and Training and Apprenticeship, \$47,000. Mr. Chairman, the Administration Programme objective is to provide administrative support for the Estates and Building Sections. It has a budget of \$274,000 split into two cost centres. When compared with the \$406,000 allocation during the fiscal year 2018/19, this budgeted amount represents a decrease of \$132,000, or 33 per cent.

Mr. Chairman, the Administration cost centre, 91000, has a specific budget allocation of \$227,000 for the fiscal year 2019/20, as compared to the \$158,000 for fiscal year 2018/19. This represents an increase of \$69,000, or 44 per cent. However, cost centre 91001 has a budget allocation of \$47,000, achieving a savings of \$201,000, giving an overall decrease for programme 8100 of \$132,000.

Mr. Chairman, the Buildings Section, 8101, has a total budget of \$9,086,000. The buildings programme is split between two cost centres, namely, Services Management, 91002, and 91003, Maintenance. So, you have under Services Management, \$1,030,000. And under Maintenance, you have \$8,056,000.

Mr. Chairman, the Buildings Programme, as seen on page B-231, has a mandate to effectively manage the maintenance, repair and renovation of all government buildings. This programme has a total budget of \$9,086,000. When compared with the \$8,834,000 allocation during fiscal year 2018/19, this represents an increase of \$252,000, or 3 per cent, over the prior year. Again, with an ageing infrastructure, more repairs are a necessity.

Mr. Chairman, I would like to highlight some of the achievements of the Department of Public Lands and Buildings during the 2018/19 financial year and the plans for the 2019/20 financial year. Mr. Chairman, the Buildings Section carried out a number of capital projects during the 2018/19 financial year in addition to the day-to-day maintenance and repair tasks. Most notable are the public schools and the Hamilton Health Clinic, but also included are continued works at the K. Margaret Carter Centre and St. George's Community Centre. Ongoing major works are being carried out at the St. David's Lighthouse

site, Brangman Home and Government House, to name a few.

Mr. Chairman, over \$3 million has been spent in 2018/19 on schools. The works were managed by teams from both the Ministry of Education and Public Works. Major projects involved the Dellwood Gym roof and auditorium floor replacement, Purvis Primary Assembly Hall porch roof replacement and the Lyceum Preschool retaining wall replacement. The major works also included the interior and exterior painting of Dellwood, Prospect Preschool, T. N. Tatem, Gilbert Institute and Harrington Sound, which was done by the in-house team. Contracts were also awarded to companies to refinish wooden floors at Gilbert Institute, Harrington Sound, Prospect Preschool and T. N. Tatem.

Additionally, each school had a list of regular maintenance and repairs that were tackled over the summer vacation to prepare the schools for the new school year.

*[Sen. Michelle Simmons, Chairman]*

**Sen. Vance Campbell:** Madam Chairman, for 2019/20, there are a number of planned capital works that will take place. Madam Chairman, the schools continue to be a high priority, with the major works being currently planned for the Easter and summer breaks. Some \$3 million have been budgeted for these works.

Madam Chairman, the scope of works at each school is being developed between the facilities team at education and the Ministry of Public Works, following a comprehensive list of works received from a health and safety inspection that took place at each school. A tender is being placed for private companies to conduct condition surveys of each school. These surveys will provide a benchmark for the current condition of the schools and identify and prioritise short-, medium- and long-term works, together with costs. Madam Chairman, the condition surveys will continue to be rolled out to key government buildings to minimise the risk of building failures and government service interruptions.

To support this focus on planned preventative maintenance, there are two building surveyors and a secondee from the Maintenance Team in the third post. These posts will assist with the inspection of properties, the creation of schedules of condition, and budgeting and planning of remedial and preventative maintenance work.

Madam Chairman, I am happy to advise that the refurbishment to this house, in which we sit, is intended to begin May of this year in order to meet its 400<sup>th</sup> anniversary next year. This aged facility, like many other buildings in Bermuda, is so long overdue for refurbishment. Other projects scheduled include the remodelling of the House library to accommodate a new office for the Opposition and a new bathroom

for the visiting public. In addition, upgrades to the electrical, plumbing and the HVAC systems will be done, as well as the installation of new windows. There will also be some internal layout changes, as I mentioned earlier, and the exterior of the building will be sealed. A budget of \$800,000 has been allocated to complete this work. This project is being managed by the Architect Section, Madam Chairman.

Madam Chairman, programme 8102, Estates, has a total budget of . . . (Excuse me, Madam Chairman. I need some water.)

**The Chairman:** I am sure your voice is going to sound a little different this evening. But you are doing very well, Senator.

**Sen. Vance Campbell:** We could just cut this short right now in the interest of saving my voice.

**The Chairman:** Oh, no.

*[Laughter]*

**The Chairman:** We love hearing from you. All of this is good information.

**Sen. Vance Campbell:** I try. I try.

**The Chairman:** Thanks.

**Sen. Vance Campbell:** So, Madam Chairman, programme 8102, Estates, has a total budget of \$9,790,000. The Estates Programme is split between two cost centres, 91004, Property Asset Management, with a budget of \$4,149,000; and Insurance, with a budget of \$5,641,000. The mandate of the Estates Programme is to effectively manage the government estate to provide insurance cover on all government property and to facilitate and secure office and residential accommodations for government departments, as needed.

Madam Chairman, the Estates Section provides property and land-related management services to all government ministries and departments. This service includes insurance, acquisition, letting, rental and disposal of land and property across the Island. This section is the custodian of the foreshore and seabed and is responsible for licences and leasing of the same.

Madam Chairman, the Property Asset Management cost centre, together with the insurance cost centre, have a total allocation of \$9,790,000, as compared with \$9,978,000 for fiscal 2018/19. This represents a decrease of \$188,000. Madam Chairman, Property Asset Management, cost centre 91004, has a total allocation of \$4,149,000 for fiscal 2019/20. When compared to the \$4,131,000 for fiscal 2018/19, this budgeted amount represents an increase of

\$18,000. The reason for the increase is due to staffing and electricity.

The budget for insurance, Madam Chairman, is \$5,641,000, compared to \$5,847,000 for 2018/19. This has decreased by approximately \$206,000. The decrease is largely due to recharging the insurance premiums to the quangos and other entities that are on the government insurance policy.

Madam Chairman, \$1 million has been budgeted for office relocations. Funds will be used to refurbish government spaces, where possible, to bring in departments currently renting space in the private sector. Madam Chairman, the new space standards for government accommodations has now been successfully implemented with the first phase being spearheaded by the Estates' own office leading by example. The new model office has proven to be a welcomed environment by the team, and neighbouring departments who share space with the section. The team has also successfully completed the refurbishment for the fourth floor of the Government Administration Building, the former cafeteria, for the Compliance Section of the Registrar of Companies. In addition, refurbishment was completed for the National Security Headquarters in the Global House.

All were done according to the new space standards. The intention is to ensure that all properties are brought back up to code and standards, as required under the Safety and Health Act and other statutory requirements.

Madam Chairman, this more efficient modern-style office, with flexible and agile working environment, is now the standard for all moves to new office accommodation. The working practices of each department are being reviewed with the objective of providing more efficient accommodation and, ultimately, less costly public services, whilst maintaining or improving service levels.

Madam Chairman, with the objective of improving management and communication, the department has completed drafting the Occupancy Agreement template that it will be entering into these agreements with all departments occupying government accommodation over the course of the fiscal year 2019/20. These agreements will clearly define occupancy responsibility and budget liability between the Department of Public Lands and Buildings and the occupying department.

It is important that occupying departments are aware of the facilities cost for providing their services. They will be required to work in partnership with the Department of Lands and Buildings on these agreements to ensure value for money from their premises.

Madam Chairman, the department will continue to look at opportunities to rationalise and share property resources across the government. If property resources are deemed to be surplus to current and future requirements, then they will be considered for disposal. Sales of surplus properties either by sale of

freehold, or a loan for repairing lease, will generate revenue and also reduce maintenance costs and provide economic opportunities for entrepreneurs.

Madam Chairman, I now move to programme 8103, Land Surveys. This is cost centre, 91007, on page B-231. This programme has a budget allocation of \$322,000, with four employees or full-time equivalents for the fiscal year 2019/20, as compared to a 2018/19 budget of \$289,000, with three employees, or full-time equivalents. This represents an increase of \$33,000, or 11 per cent. And the increase is attributable to the intended recruitment for one post. This section provides traditional and specialised land surveying expertise and guidance for the Bermuda Government.

For example, they establish, maintain and update a national control monument network across Bermuda, ensuring that private land survey companies have a standardised and internationally compatible coordinate system to utilise. They also perform and advise on hydrographic surveying and survey projects pertaining towards the global positioning system, better known as GPS, which includes monitoring the gravity field under Bermuda.

Madam Chairman, daily there are many small projects undertaken and completed by the department. Many go unnoticed by the public and are carried out with little or no disruption to government services. Irrespective of size or scope, great emphasis is placed on ensuring that the work is carried out to the highest possible standards by the staff, who continue to take pride in their work.

Madam Chairman, as I conclude the budget brief for Head 81, the Department of Public Lands and Buildings, it is important to note that charismatic leadership alone does not get the job done. It is the hard work, professionalism and dedication of the staff.

Madam Chairman, I would like to take this opportunity to recognise the staff at Public Lands and Buildings and thank them for their hard work over the years.

Thank you, Madam Chairman.

**The Chairman:** Thank you, Senator Campbell.

We are moving along, as soon as you catch your breath and shuffle your papers, to the next head under this Ministry, the Ministry of Public Works.

And it is Works and Engineering. We are beginning on page B-234 in the Budget Book.

[Pause]

## MINISTRY OF PUBLIC WORKS

### HEAD 82—DEPARTMENT OF WORKS AND ENGINEERING

**Sen. Vance Campbell:** Madam Chairman, the mission of the Department of Works and Engineering is to

ensure the effective and prudent management of all operations and engineering services relating to the construction, erection, improvement, maintenance and repairs of government infrastructure. Madam Chairman, the Department of Works and Engineering is responsible for the provision of essential services to the Bermuda public and the maintenance of highly visible major elements of the government infrastructure.

The range of varied and unique activities covered by the department includes garbage collection and disposal, road maintenance and repairs, bridge maintenance, government vehicle maintenance, as well as safe water extraction, treatment and distribution. Services, such as, disposal of hazardous substances, disposal of vehicles and construction materials, recycling, composting, maintenance and repairs of the government's infrastructure, which includes roads, bridges, docks and street lighting are also carried out by this department.

Madam Chairman, there are seven operational sections of the department: highways, structures, electrical/mechanical, solid waste, water/wastewater, Tynes Bay Waste to Energy Facility, and the quarry facility. All of them are critical to the effective operation and maintenance of the government's infrastructure. It is within this framework that I present the Works and Engineering Department's budget brief for the fiscal year 2019/20.

Madam Chairman, I will now present the seven programme areas, each with a number of sub-programmes, or cost centres, as shown on pages B-235 and B-236 of the Approved Estimates of Revenue and Expenditure, namely, programme 8200, Administration; programme 8201, Engineering; programme 8202, Highways; programme 8203, Waste Management; programme 8204, Quarry Transport; programme 8205, Quarry Products; and programme 8206, Water and Sewage.

**The Chairman:** Just a brief interruption, Senator Campbell. We are on page B-235, yes?

**Sen. Vance Campbell:** That is where we are starting, yes.

**The Chairman:** Okay. Thank you.

I will just give you a little time check so that you are aware of how things are going. We have another hour and 10 minutes for your brief and for questions.

**Sen. Vance Campbell:** I will keep that in mind.

[Laughter]

**The Chairman:** Just so that you are aware.

**Sen. Vance Campbell:** Madam Chairman, the estimated budget for the Department of Works and Engineering for the 2019/20 fiscal year is \$29,647,000, which represents a decrease of \$941,000 from the 2018/19 original budget. Programme 8200, Administration, provides for the salaried senior management team of the department. The mandate of the senior management team is the efficient management of the seven sections of the Ministry, including Highways, Structures, Electrical, Mechanical, Solid Waste, Water and Sewage, Tynes Bay Waste to Energy Facility and Quarry Operations.

Madam Chairman, a \$259,000 budget has been allocated for the fiscal year 2019/20. This represents an increase of \$22,000 when compared to the 2018/19 budget allocation. This is due to an increase in training budget attached to this cost centre, primarily for safety-related training. Referring to the performance measure under business unit 92000, Administration, on page B-238, for fiscal 2017/18, the total Occupational Safety and Health Administration (OSHA) accident frequency rate for the department is currently 4.5. This is comparable to last year's score of 4.4 and meets the desired outcome of 5 or less. The average number of training days per managerial staff is forecast to be seven, as compared to six of last year.

Madam Chairman, the full-time equivalent for the cost centre 92000, or page B-237, is one. This is no change from the revised 2018/19 budget.

Madam Chairman, the mandate of the Engineering Services Programme, which is programme 8201, on page B-235, is to provide quality electrical, mechanical and structural engineering services. A budget of \$1,787,000 has been allocated for this programme, and this represents an increase of \$122,000 compared to the 2018/19 budget. This programme includes cost centres 92001 and 92002, along with 92003. The increase is due to the addition of a new electrical superintendent post under the Electrical and Mechanical Section.

The electrical and mechanical management in the electrical support manage the provision of planning, design, construction and installation and maintenance services for electrical and mechanical systems associated with the government's facility. Madam Chairman, cost centre 92001, Electrical and Mechanical Management, is estimated at \$748,000, representing an increase of \$211,000 from the original 2018/19 budget. This section provides support on electrical and mechanical issues to other sections and departments throughout government.

Madam Chairman, referring to the performance measures, page B-238, for cost centre 92001, Electrical and Mechanical, the percentage of hours billed to projects for other government departments is forecasted to be 15 per cent for 2018/19. The performance target for 2019/20 is, again, 15 per cent, and should be achieved. Madam Chairman, the full-time

equivalents for the cost centre are nine. This is three more than the original estimate for the fiscal year of 2018/19 and represents a recent organisational change that will add two control technicians and one electrical superintendent post to the section.

Madam Chairman, cost centre 92002, Electrical Support, is mainly used to provide the budget for street lights. Cost centre 92002, Electrical Support, has been allocated \$504,000, the same as last year.

Madam Chairman, referring to the performance measure, page B-238, for cost centre 92002, the Electrical Support, the number of new street lights to be installed in fiscal 2018/19 is forecast to be 50. The performance measure for the average number of street lights out of service remains at 4 per cent, which is under the desired target of less than 5 per cent per year.

Madam Chairman, the Structural Engineering Services, cost centre 92003, managed the provision of structural inspections, design, construction, maintenance, project and contract management services, as well as acting as the government's functional authority on structural and related civil engineering matters. The budget for cost centre 92003 is \$535,000, which represents a decrease of \$89,000 against the original 2018/19 budget. Madam Chairman, with regard to the performance measures within business unit 92003, six inspections have been carried out on bridges and fourteen on docks during the year, to date. The full-time equivalents for the cost centre are six, representing no change from fiscal 2018/19.

Madam Chairman, the mandate of programme 820, the Highways Programme, is to develop and maintain the public road infrastructure to ensure the safe passage of motorists and pedestrians. This entails all work associated with planning, design and construction of road schemes, and includes activities such as resurfacing, drainage, signage, road markings, retaining walls and bus shelters. They also are mandated to provide tactical advice to other government ministries and agencies on highway-related matters, to manage the improvement of public roads, to assist citizens with their private road improvement needs under the Private Road Improvement Act and to act as the government functional authority on highways, engineering and related matters.

Madam Chairman, a \$3,718,000 budget has been allocated to this programme, representing a decrease of \$138,000, as compared to the 2018/19 original. Madam Chairman, cost centre 92004, Management, has a budget of \$526,000, which represents a decrease of \$35,000 compared to the original 2018/19 budget.

Madam Chairman, the performance measure for cost centre 92004, Highways Management, indicates that the forecasted number of communications received by the team from members of the public during fiscal 2018/19 is 720. Madam Chairman, the full-

time equivalents for the cost centre Highways Management are nine. There is no change from last year.

Cost centre 92005, Road Asphalt and Signs, budget is \$694,000, which represents a decrease of \$83,000. Madam Chairman, the performance measure for business unit 92005, Asphalt and Signs, shows that the amount of road centre-line marked out during fiscal 2018/19 is likely to reach 12.2 kilometres. The forecast for the road resurfacing is 4.4 kilometres, which is below projections of 10 kilometres, due to cost-saving measures. The full-time equivalents for the cost centre 92005, Asphalt and Signs, are 17, the same as in fiscal 2018/19.

Madam Chairman, the budget for cost centre 92006, Public Roads Maintenance, is \$862,000, which represents an increase of \$49,000 when compared to the original 2018/19 budget. This unit is responsible for the maintenance of retaining walls, sidewalks and other masonry work, as well as the highways' draining systems. Madam Chairman, the performance measure for cost centre 92006, Public Roads Maintenance, shows that three new bus shelters were erected during fiscal 2018/19. Also, 600 feet of new sidewalk is expected to have been completed, which is on par with the estimate of 500 feet. Madam Chairman, the full-time equivalents for the cost centre 92006, Road Maintenance, are 25, the same as last year.

Madam Chairman, the budget for cost centre 92007, Public Road Cleaning, is \$1,636,000. This represents a decrease of \$69,000 compared to the previous year. Madam Chairman, the performance measure for business unit 92007, Public Road Cleaning, indicates that the target for fiscal 2018/19 was some 3,550 kilometres of public road cleaned by mechanical means. This was well below estimates due to the unavailability of the mechanical sweeper, which is in need of replacement after 15-plus years of service. There were also 16 emergency call-outs for fiscal 2018/19, in line with estimates. The full-time equivalents for the cost centre 92007, Public Roads Cleaning, are 25, the same as last year.

Madam Chairman, the budget for cost centre 92008, Private Roads, remains unfunded due to budget constraints. However, the Ministry was able to progress one private road for fiscal 2018, due to funding from outside of government. The performance measure for cost centre 92008, Private Roads, indicated that the number of private roads on the waiting list for improvement under the Private Roads Improvement Act 1969 is 36, one less than the previous year.

Programme 8203, Waste Management, is on page B-235. Madam Chairman. The mandate of the Waste Management Programme is to arrange for the collection and safe disposal of Bermuda's solid waste. The aim of the Waste Management Section is to serve the people of Bermuda by providing a comprehensive waste management programme utilising the best technologies for disposal, recovery of materials and

energy resource, protecting public health and safeguarding the environment. This includes education regarding waste reduction, reuse and waste recycling; waste collection, composting, land creation; high-temperature mass burn incineration with energy recovery; waste-to-energy; special and hazardous waste disposal; the management and maintenance of Tynes Bay Waste to Energy Facility in a reliable, safe and cost-effective manner; and to act as the government's functional authority on all matters relating to solid waste, environmental engineering, waste-to-energy and process engineering.

Madam Chairman, a budget of \$17,188,000 has been allocated to this programme for fiscal 2019/20. This represents a decrease of \$1,014,000, as compared to the 2018/19 original budget. This decrease is accounted for by a reduction in overtime for the collection section that will result from the continued one-day-per-week collection and the encapsulating of consolidated ash at the airport for Tynes Bay, instead of casting of ash block, which will reduce overtime and the purchase of bulk cement.

Madam Chairman, the budget for cost centre 92009 management, education and enforcement is \$342,000, which represents an increase of \$15,000. The performance measure for 92009, Solid Waste Management, was forecasted in fiscal 2018/19 to have carried out 35 educational lectures during the year. These include both schools and corporate entities, and target such aspects as waste reduction at source. This helps to keep Bermuda in line with global trends. The Solid Waste Section is also forecasted to place 500 advertisements for 2018/19. All promotional activities such as radio advertisements, interviews and print advertisement are targeted specifically for waste-related events. The full-time equivalents for the cost centre Solid Waste Management are three.

Madam Chairman, the budget for cost centre 92011, Recycling, is \$1,093,000, which is a decrease of \$197,000 when compared to original fiscal 2018/19. This decrease is attributed to a decrease in contracted services. Madam Chairman, measures for cost centre 92011, Recycling, indicate that the amount of recycling materials collected per month for fiscal 2018/19 is projected to be 70 tons, and the amount of e-waste picked up to be 20 tons. The e-waste was below estimates due to a shift in recycling for e-waste items, of which many are deemed unrecyclable. The targeted outcomes for 2019/20 are 75 tons for recyclables and 30 tons for e-waste. The full-time equivalents for the Recycling Programme are five, the same as fiscal year 2018/19.

Madam Chairman, the budget for cost centre 92012, Airport Disposal Facility, is \$1,250,000, which is a decrease of \$46,000 from last year's original budget. The performance measure for cost centre 92012, Airport Disposal Facility, shows that it is forecasted that 27,000 loads of materials will be delivered to the airport disposal facility and the number of car



scrap will be around 1,500 during fiscal 2018/19, on par with estimates. The full-time equivalents for the cost centre 92012, Airport Disposal Facility, are six, with no change from 2018/19.

Madam Chairman, the budget for cost centre 92013, Composting Operations, is \$1,793,000, which represents a decrease of \$11,000 when compared to the original fiscal 2018/19. The full-time equivalents for the composting operation are 10.

Madam Chairman, cost centre 92014, Special and Hazardous Waste, has a budget of \$1,379,000, which represents a decrease of \$18,000. The performance measure for cost centre 92014, Hazardous Waste, forecasted for fiscal 2018/19 that 45 twenty-foot containers will be exported overseas for processing. The full-time equivalents for the Hazardous Waste Section are six. This is the same as the estimate for fiscal 2018/19.

Madam Chairman, the budget for cost centre 92029, Collections, is \$3,677,000, which is a decrease of \$742,000 when compared to the original fiscal 2018/19. The decrease is anticipated through reduced overtime to the one-day-a-week collection. The performance measure for cost centre 92029, Collections, indicates that, on average, 421 tons of domestic waste continues to be collected during the week. The full-time equivalents for the cost centre are 59.

Madam Chairman, the Tynes Bay Waste to Energy Facility provides refuse disposal and renewable energy for the country. It is anticipated that during fiscal 2018/19 [*sic*] that there will be 20 tours of the facility, as indicated in the performance measure for cost centre 92016. That is located on page B-239. The facility is also forecasting that there will be no complaints from the members of the public from the public drop-off facility. And the number of employed power engineers has remained at 16 compared to last year.

The budget for cost centre 92016, Tynes Bay Administration, is \$574,000 and represents an increase of \$32,000 from the 2018/19 budget. The full-time equivalents for the Tynes Bay Administration section are five.

Madam Chairman, the budget for cost centre 92017, Tynes Bay Operations, is \$4,802,000 representing an increase of \$68,000 from the original 2018/19 budget. The performance measure for cost centre 92017, Tynes Bay Operation, anticipates that 70,000 tons' worth of solid waste will be treated at the Tynes Bay Waste-to-Energy Facility during fiscal 2018/19. This is an increase of 5,000 tons from the original forecast. The amount of electricity generated and sold to BELCO is forecasted to be 25,000 kilowatt-hours in 2018/19. This is a reduction from the estimate due to non-turbine-related steam losses within the plant, due to ageing auxiliary equipment now due for replacement.

Madam Chairman, the revised forecast for the amounts of ash concrete the facility produces is 7,000 cubic yards. This is an increase over last year due to the additional three new cement trucks acquired in January of 2017. The full-time equivalents for Tynes Bay operation are 31, the same as the previous fiscal year, or 2018/19.

Madam Chairman, the budget for cost centre 92018, Tynes Bay Maintenance, is \$2,193,000, a decrease of \$133,000 from the original fiscal 2018/19. The performance measure for cost centre 92018, Tynes Bay Maintenance, indicates that the availability of the plant is forecast to be 90 per cent for stream 1, 90 per cent for stream 2 and 95 per cent for the turbine, respectively, for fiscal 2018/19. The full-time equivalents for Tynes Bay Maintenance remain the same at 16.

I will now move to programmes 8204, Quarry Transport; and 8205, Quarry Products, on page B-235. Madam Chairman, the mandate of the two quarry programmes is, collectively, (1) to manage the fleet and equipment leasing, mechanical maintenance, quarry operations; and (2) to act as the government functional authority on all matters related to the fleet management, vehicle and other mechanical engineering and maintenance activities.

Programme 8204, Quarry Transport, has a budget of \$2,484,000, representing an increase of \$6,000 as compared to the original 2018/19. The budget for cost centre 92019, Quarry Administration, is \$595,000, representing an increase of \$9,000 from the original fiscal 2018/19. The full-time equivalents for Quarry Administration remain at two.

Madam Chairman, the budget for cost centre 92020, Quarry Vehicle and Equipment Operation is \$2,573,000, which has decreased by \$189,000 from the original 2018/19. The performance measure for cost centre 92020, Quarry Vehicle and Equipment Operation forecasted in fiscal 2018/19 that 14 per cent of the government fleet would remain out of operation. Full-time equivalents for the cost centre 92020, Quarry Vehicle and Equipment Operation, are 30.

Madam Chairman, the budget for cost centre 92021, Quarry Vehicles and Equipment Maintenance, is \$4,816,000, which is an increase of \$186,000. The full-time equivalents for the cost centre 92021, Quarry Vehicles and Equipment Maintenance, are 49.

Madam Chairman, the budget for cost centre 92034, Quarry Receipts, an internal, recharged budget with a negative value, is set for \$5,500,000 and is the same as for fiscal 2018/19.

Madam Chairman, a \$2,177,000 budget is in place for programme 8205, Quarry Products, and a \$3,140,000 rechargeable budget for Quarry Products has been allocated to this programme. The performance measure for cost centre 92023, Asphalt Plant, shows that unplanned down time on the plant was 100 hours. Only 7,500 tons out of a projected 11,500 tons of asphalt is anticipated for fiscal 2018/19. This is due

to less asphalt demand as a result of budget constraints. The full-time equivalents for the asphalt plant remain unchanged at seven.

Programme 8206, Water and Sewage, is on page B-236. Their mandate, Madam Chairman, is to provide planning, design, construction, operation and maintenance of the government water extraction, treatment and distribution systems, and the wastewater collection and distribution systems; to produce potable water on a cost-recovery basis to meet demand; to provide septage receiving facilities for private sanitation truckers and for limited public facilities; and to act as the government functional authority on all matters related to water and wastewater engineering. Madam Chairman, a \$5,174,000 budget has been allocated to this programme. This represents an increase of \$52,000 as compared to the original 2018/19 budget.

Madam Chairman, the budget for cost centre 92025, Water and Sewage Administration, is \$1,056,000, which represents an increase of \$31,000 as compared to the original 2018/19 budget. The performance measure for cost centre 92025, Water and Sewage Administration, indicates that there are forecasted to be 1,060 metred customers for fiscal 2018/19, which is below estimate. The administration area within this section has so far achieved 95 per cent response within 24 hours to inquiries by customers during fiscal 2018/19. Madam Chairman, the full-time equivalents for the cost centre, Water and Sewage Administration, are five. And that is found on page B-237.

The budget for cost centre 92026, Water Supply and Treatment, is \$2,771,000, which is a decrease of \$46,000. This budget ensures that there are sufficient funds allocated to pay for contractors who supply supplementary bulk water, remote monitoring and control system support, and to pay for the electricity charges associated with water treatment plants within the infrastructure. Madam Chairman, the performance measure for cost centre 92026, Water Supply and Treatment, on page B-240, forecasted that 260 million gallons of potable water will be produced during this fiscal 2018/19. The full-time equivalents for the cost centre 92026, Water Supply and Treatment, are nine.

Madam Chairman, the budget for cost centre 92027, Water Storage and Distribution, is \$919,000, which represents an increase of \$75,000, to address an anticipated increase in mains breakage due to the age of the distribution network, which is slowly being upgraded. Madam Chairman, the performance measure for cost centre 92027, Water Storage and Distribution, is forecasted for fiscal 2018/19 that the average lost service hours due to a mains break is 48 hours, which is in line with the target. The number of mains repairs made for the year was 23. Madam Chairman, the full-time equivalents for the cost centre, Water Storage and Distribution, are nine.

The budget for cost centre 92028, Sewage Collection, is \$428,000 and has been decreased by \$8,000. Madam Chairman, the performance measure for cost centre 92028 is the amount of time, as a percentage, that the Tynes Bay receiving facility is operational. For 2018/19, this figure was 98 per cent. The performance measure also tracks the number of blockages experienced in sewer mains across the Island. That number was . . . I am not sure if it was 15 or 10. It seems that we have got both here, in my brief. Whichever the number is correct, it was below the estimate.

*[Laughter]*

**The Chairman:** I think the correct number is 10.

**Sen. Vance Campbell:** Yes.

The full-time equivalents for the cost centre, 92028, Water Sewage and Distribution, is one.

Madam Chairman, total staffing levels within the Department of Works and Engineering are shown on page B-237. Employee number estimates for the 2019/20 budget are 344.

Madam Chairman, I will now provide Members of the Senate with a summary of the status of the major capital projects being managed by the Department of Works and Engineering. The overall 2019/20 capital expenditure plan for the Department of Works and Engineering is \$13,731,000. Details are found on page C-6 of the Approved Estimates of Revenue and Expenditure.

The Swing Bridge refurbishment, cost centre 75096. Madam Chairman, the 2019/20 estimate for this cost centre is \$2,500,000. This budget will be used to continue feasibility and engineering design work to facilitate the construction of a new crossing. Plans and specifications will be completed by the end of this year for the Swing Bridge and Longbird Bridge.

Roadworks, cost centre 75042. The estimate for this cost centre is \$1,500,000. This budget comprises major maintenance work to the road network, which includes road resurfacing, as well as road improvement schemes such as junction improvements, road widening and new sidewalks. With the reduced funding, only emergency repair works are planned for 2019/20.

Water Projects, cost centre 75044. Madam Chairman, this programme is for planned and unforeseen small to medium water and sewage projects, including a requirement every year to provide equipment and general facility upgrading to meet ongoing treatment to environmental- and safety-related issues. The 2018/19 estimate for this cost centre is \$270,000. This funding will primarily be used for an advance metering system to reduce a non-revenue water [loss] through early leak detection.

Madam Chairman, Water Sewage Capital Maintenance, cost centre 75345. This new line item

will be used for various system refurbishments as required by the ageing plant and infrastructure. Essentially, the new CP was created for better tracking and asset management. The 2018/19 estimate for this cost centre is \$447,000.

Improvements to Street Lighting, cost centre 75046. Madam Chairman, the estimate for this cost centre is \$560,000. This budget is used to cover ongoing LED modernisation projects currently being delivered by BELCO.

Bus Shelters, cost centre 75048. Madam Chairman, the 2019/20 estimate for this cost centre is zero. This budget was reduced as a cost-saving measure.

Private Roads Street Lighting, cost centre 75051, has a budget of \$25,000. This budget will, as in previous years, be used to provide extra lighting on private roads, which can help with the safety of an area.

St. George's Sewage Plant, cost centre 75061, has a budget of \$500,000. And this budget supports implementation of the previous St. George's water and wastewater plant, which has been expended to include the greater Island. The majority of the funding will be used for further study and implementation.

Asbestos disposal, cost centre 75064. Madam Chairman, the 2019/20 estimate for this cost centre is \$500,000, which will be used to continue the repacking of containers that have deteriorated too far at the Government Quarry, and also to ship adequately packed materials to the United States for permanent disposal.

Madam Chairman, Structural Refurbishment of Bridges, cost centre 75116, has an estimate of \$500,000. This budget will be used to carry out essential repair work on Watford Bridge, as well as the survey of all bridges across the Island.

Refurbishment of Ferry Docks and Public Lands, cost centre 75117, has an estimate of \$1,850,000, which will be used to carry out maintenance on several docks around the Island, including Heritage Wharf and the Hamilton Ferry dock.

Reconstruction of Retaining Walls has a zero budget. No work is planned for this initiative during the upcoming year, due to cost reduction.

**The Chairman:** May I just interrupt for a minute, Senator Campbell?

**Sen. Vance Campbell:** Yes, you may.

**The Chairman:** We have 40 minutes left.

**Sen. Vance Campbell:** I am getting there. I am almost there. It is a big Ministry.

**The Chairman:** Okay. Thank you.

**Sen. Vance Campbell:** Stabilise Roadside Rock Cuts, cost centre 75142, has a budget of \$200,000. The area slated for stabilisation is along the Railway Trails near the Winton Hill area in Hamilton Parish.

Foreshore Protection Work, cost centre 75144. Madam Chairman, the cost centre is used to carry out repairs and mitigating measures to the foreshore. The 2018/19 estimate for this budget is \$500,000 to address critical areas of North Shore Road.

Causeway Refurbishment, cost centre 75207, has an estimate of \$500,000. This funding will enable the Ministry to carry out further work to fix critical undermining of the structure which was identified by a survey performed earlier this year.

Tynes Bay Waste Treatment Expansion, cost centre 75210. Madam Chairman, capital funding for the fiscal 2019/20 is \$100,000. These funds will be used to carry out further feasibility studies for future plan expansion and retrofits.

Dangerous Walls and Rock Cuts, Highways. Madam Chairman, the 2019/20 estimate for this cost centre is \$250,000. This cost centre is used to carry out repairs to collapsed walls and rock cuts. Additionally, as most cases of this damage occurs due to vehicle accidents, the government will increasingly be seeking insurance coverage from the vehicle owners to pay for damage.

Quarry Refurbishment. Madam Chairman, the 2019/20 estimate for this cost centre is \$100,000, which will be used to fund upgrades at the quarry depot. Two new buildings have been added to the site, which were relocated from Morgan's Point, the former Artemis Building.

Pembroke Canal Upgrade. Madam Chairman, this programme is for the upgrade of the Pembroke Canal. And the 2019/20 estimate is \$150,000.

The Reverse Osmosis Plant's Electrical Systems. Madam Chairman, this programme has been created for the needed upgrade of all electrical control and remote monitoring systems in each of the water facilities. And the 2019/20 budget for this is \$250,000.

Tynes Bay Capital Maintenance. Madam Chairman, the 2019/20 estimated total cost for this cost centre is \$1 million and will be used for the purchase and installation of a new ash-handling crane.

Morgan's Point Works, cost centre 75324, has a budget of \$50,000. These funds will be used to address any further contamination discovered during the Morgan's Point site development.

Solid Waste Capital Maintenance, cost centre 75043. Madam Chairman, the 2019/20 estimate for this cost centre is \$400,000. It will be primarily to replace ageing equipment and infrastructure at four sites—special waste in Sally Port, recycling at the Government Quarry, composting at Marsh Folly and the land reclamation at the Airport Waste Management Facility.

Madam Chairman, I would like to provide you with a summary of the status of the major acquisitions being managed by the Department of Works and Engineering, the details of which can be found on pages C-12 and C-13 of the Approved Estimates of Revenue and Expenditure 2019/20.

Under Quarry Vehicles and Equipment, cost centre 76495, Madam Chairman, the vehicles and equipment to be replaced under the 2019/20 budget are those that have surpassed useful economic life and are in poor and/or dangerous condition. The focus for next year will be the replacement of essential heavy equipment such as payloaders, millers and crane trucks that are essential to the Ministry's road maintenance and cleaning services. The 2019/20 estimate for this annual allocation is \$2 million.

And with that, I thank you, Madam Chairman, and that concludes my presentation on the Department of Public Works.

**The Chairman:** Senator Campbell, thank you very much for that marathon brief. We appreciate it.

**Sen. Vance Campbell:** It is a big department, Madam.

**The Chairman:** Yes, it is.  
Would any other Senator like to speak?  
Senator Robinson.

**Sen. Dwayne Robinson:** Let me just sort myself out real fast.

**The Chairman:** Okay.

**Sen. Dwayne Robinson:** It was quite the brief.

**The Chairman:** As Senator Campbell said, it is a very big Ministry.

[Pause]

**The Chairman:** Are you going back to Head 36?

**Sen. Dwayne Robinson:** Yes.

**The Chairman:** On page B-214?

**Sen. Dwayne Robinson:** Yes, Madam Chairman.

**The Chairman:** Okay. Senator Robinson.

**Sen. Dwayne Robinson:** Okay. So, just looking at line item here 46111, under heading, Office Administration.

**Sen. Vance Campbell:** Are we on 213?

**Sen. Dwayne Robinson:** On page B-215.

**Sen. Vance Campbell:** Page B-215.

**Sen. Dwayne Robinson:** Some of these questions might have been in your brief. But I just want to ask for clarification, as well. We have here a very large jump from the 2017/18 actual. So, I was just wondering if I can get just a concise answer as to the budgeted increase here to the 2017/18 original estimate and the 2018/19 revised estimate.

#### POINT OF ORDER

**Sen. Vance Campbell:** Madam Chairman, would that not have formed part of last year's budget debate? It is a point of order; are we not here discussing 2019/20?

**The Chairman:** We are indeed. And I am not absolutely clear about Senator Robinson's question.  
Would you mind posing it again?

**Sen. Dwayne Robinson:** Yes. So, I was just wondering what initiatives led to the increase here in 2018/19 from the previous 2017/18 estimate?

**The Chairman:** And I think that Senator Campbell does have a point. That would have been debated in last year's budget debate. So, we are here to compare 2018/19 with 2019/20.

**Sen. Dwayne Robinson:** Got you.

**The Chairman:** So, do you want to look at that again and rephrase your question?

**Sen. Dwayne Robinson:** Yes. Give me two seconds, Madam.

**The Chairman:** Okay. That is okay.  
Would any other Senator like to speak?  
Senator Jones.

**Sen. Marcus Jones:** Yes, Madam Chairman.

I just wanted to offer a point of clarity. Through the course of the debates for this budget, from most of the heads that have been debated and discussed, there has been a justified reason to go back to 2017/18 numbers. One of the main reasons is because they are actual numbers. They are not numbers that are budgeted, they are actually hardened stone. And so, once trying to justify the numbers of this present year that we are in and launching into the year to come, I believe that there is relevance and importance in at least referring to the numbers in 2017/18.

**The Chairman:** Okay. Senator Jones, that is a point. But we have to link it to the current year and the year going forward. Thank you.

Would any other Senator like to speak?  
Senator Jardine, you have the floor.

**Sen. James S. Jardine:** Madam Chairman, I have quite a few questions, and I do not want to take up the time that the Opposition may wish to ask questions. So, I am going to perhaps defer until they finish their questions first. And then, any time remaining that gives an opportunity for Senator Campbell to answer, I will jump in, if you are happy with that.

**The Chairman:** Okay, that's fine.

**Sen. James S. Jardine:** Thank you.

**The Chairman:** Thank you, Senator Jardine.  
Senator Robinson, back to you.

**Sen. Dwayne Robinson:** Okay. I would like to rephrase my question then, Madam Chairman.

I would like the increase explained from the 2018/19 original to the 2018/19 revised, because, as we can see here, it was an overshoot. And I just would like to know . . . why that increase?

**The Chairman:** And we are looking at line item—

**Sen. Dwayne Robinson:** Line item 46111, under programme 3601.

**The Chairman:** Thank you. Just so that we are absolutely clear.

**Sen. Dwayne Robinson:** Yes.

**The Chairman:** Was there anything else?

**Sen. Dwayne Robinson:** Yes. Line item 46118 under Training and Development, I wanted to know . . . the revised estimate of 2018/19 shows a \$92,000 reduction from the original estimate. What changed to cause this reduction? And, hopefully, it is still providing adequate training options.

Now, going to page B-216.

**The Chairman:** Yes.

**Sen. Dwayne Robinson:** I was wondering at this one here, under Transport, in the current account estimate, what caused the reduced spending here, as well? So, we have the original estimate here, that's at \$200,019. And the revised estimate is \$84,000. So, I am just wondering if we are using cost-saving measures here? Or just what was the cause of that reduction?

**Sen. Vance Campbell:** Madam Chairman, point of clarification.

**The Chairman:** Yes. Senator Campbell.

**Sen. Vance Campbell:** I would like the Senator to just indicate which item on page B-216 he is talking about?

**The Chairman:** Yes. It is okay.

**Sen. Vance Campbell:** The reason I am asking is that I am trying to write the question and listen at the same time.

**The Chairman:** You are right.

**Sen. Vance Campbell:** It does not always work.

**The Chairman:** Senator Robinson.

**Sen. Dwayne Robinson:** So, we are in the accounts estimate at the top of page B-216 under Transport, right below Training.

**Sen. Vance Campbell:** Right.

**The Chairman:** Is that clear, Senator Campbell?

**Sen. Vance Campbell:** Yes, it is, Madam Chairman.

**The Chairman:** Thank you, Senator Robinson.

**Sen. Dwayne Robinson:** Thank you.

Also, looking at Salaries and Wages in that same section, we have the salaries and wages increased even though the employees have decreased over here in the full-time equivalents. So, I am just wondering what would be the cause of that? That might have been covered in the brief, but I just would like to know the cause of that.

And, since we are over in the full-time equivalents, I would like to look at line item 46118. I heard an emphasis on training and a lot of training initiatives being said in the brief regarding this particular head. However, I noticed that there is only one full-time equivalent in employment under Training and Development. So, I was just wondering if that is sufficient to keep up with all of these training initiatives, going forward. And I also see that there is no intent to hire anybody else in that section in 2019/20.

Now, heading back over to expenditure, we have other expenses.

**The Chairman:** Can you tell us which page you are on?

**Sen. Dwayne Robinson:** Page B-216, Madam Chairman.

**The Chairman:** Okay. Thank you.

**Sen. Dwayne Robison:** Thank you.

We have other expenses here. And I was just wondering if I can get some clarification on what these other expenses are and whether or not there was a bit of cost saving here, or whether or not that spending was deviated somewhere else.

**The Chairman:** Okay.

**Sen. Dwayne Robison:** Looking at Professional Services, I was wondering if the consultant that was listed for the Minister of Public Works is listed in this item, or is the consultant listed under Salaries? I just want that clarification for myself.

Jumping down to Materials and Supplies, still on the same page B-216, I am just wondering if we become a bit more efficient here, learning to work a bit less, or is there an adequate surplus of materials to explain why the revised 2018/19 budget has come so far underneath the original 2018/19 estimate, Madam Chairman?

Okay. I am just going to skip ahead here to the Housing Corporation. So, that is page B-223.

**The Chairman:** Yes.

**Sen. Dwayne Robison:** I saw that there was no increase to any of the grants and contributions. And I heard a lot of housing projects, including the Grand Atlantic work, being mentioned underneath there. I just wanted to know if the current grants and contributions are adequate enough to sustain all of those additional workloads and whether or not we require more funding there.

I also was wondering if there was a precise breakdown, Madam Chairman, of the grants and contributions provided to the quangos so that we can see how those cost centres are being broken down. I know that they were mentioned briefly in the brief. But it would be nice to be able to see that in the budget, a slight breakdown of exactly how these grants and contributions spread out over to the quangos.

Performance measures. There were a lot of great initiatives listed underneath the Housing Corporation, and I was just wondering if maybe there could be an inclusion of performance measures so that we could have a bit of insight as to how successful these particular initiatives are and how we can improve them, and whether or not they are operating as successfully as they could be.

So, heading over now to Parks.

**The Chairman:** Head 68.

**Sen. Dwayne Robison:** Yes, page B-225.

**The Chairman:** Correct.

**Sen. Dwayne Robison:** So, we have line item 78000, there under general summary. What caused the decrease from the 2018/19 original estimate? Has the Government had issues as far as recruitment regarding the Park Ranger Service?

**The Chairman:** Just so that everyone is aware, we have about 16 minutes left—

**Sen. Dwayne Robison:** Yes. I am trying to gallop through that brief—

**The Chairman:** —for the questions and responses.

**Sen. Dwayne Robison:** Yes. I am trying to get the pertinent questions done here.

Okay. Page B-226, under line item Travel, I was wondering what the increase was here. But now that we cannot refer to the . . . Well, I was just wondering what the increase here was from the 2017/18 actual. We had a large increase between the 2018/19 original and the revised. So, I was just wondering what the cause of this travel increase was, and how is it pertinent to the operation of parks, Madam Chairman.

Okay. Line item under materials and supplies, we have a 2018/19 revised estimate that shows a \$28,000 increase from the original. What is the cause of this increase? Because in one line item, we went a bit low on supplies, and then this line item was going a bit high.

*[Pause]*

**Sen. Dwayne Robison:** So, I am just going to jump to Head 82, on page B-235.

**The Chairman:** Okay. Works and Engineering.

**Sen. Dwayne Robison:** Yes, ma'am. I am trying to get some questions in on this.

**The Chairman:** Yes.

**Sen. Dwayne Robison:** So, under engineering, we had line item 92002, Electrical Support. And we have an overspend here in the revised 2018/19 estimate compared to the 2018/19 original. And then, we see that the same \$50,004 is estimated in 2019/20. So, I am just wondering if this overspend was accounted for or whether or not it was not accounted for, Madam Chairman.

I just believe those are all of my pertinent questions.

**The Chairman:** Okay. Thank you, Senator Robison.

**Sen. Dwayne Robison:** Thank you.

**The Chairman:** May I suggest that Senator Campbell respond to the questions at this point? Because there are only 12.5 minutes left.

Senator Jardine, I know you have some questions.

**Sen. James S. Jardine:** Madam Chairman, I am quite happy to leave my questions. I had quite a lot of questions. And I am happy to raise them with Senator Campbell after the session.

**The Chairman:** Okay. Thank you.  
Senator Campbell.

**Sen. Vance Campbell:** The first questions I would like to address are concerning the Bermuda Housing Corporation. Madam Chairman, quangos are not usually required to produce performance measures. They answer to a board, and, in turn, the board provides annual reports to the Legislature. So, that information can be obtained . . . the questions from the Senator, the information, the answers can be obtained from those annual reports.

**The Chairman:** Thank you.

**Sen. Vance Campbell:** Madam Chairman, Senator Robinson had questions about the decrease in staffing cost within the Parks. I believe it is on page B-225, where the original 2018/19, the revised is reduced. I believe that was the question. The 2018/19 revised was reduced from the original. And the Parks Department is actively working to fill posts to bring them up to full strength.

**The Chairman:** Senator Campbell is just having a quick consult with one of the technical officers. And I am sure that we will get a response to the next question in a minute.

*[Pause]*

**Sen. Vance Campbell:** Madam Chairman, I believe Senator Robinson had a question on HR. I am trying to see where that question is on my paper. Could I ask for clarification from the Senator?

**The Chairman:** Of course. Yes, definitely.

Senator Robinson, do you remember that question? I do not remember your asking a question about HR.

*[Pause, inaudible conversations]*

**Sen. Vance Campbell:** In regard to the Senator's question regarding training and development having only one full-time equivalent.

**The Chairman:** Yes.

**Sen. Vance Campbell:** There is also a full complement of staff in the HR who can assist with training.

There was a question as to whether the Minister's consultant was listed under Professional Services or under Salaries. And that is listed under Salaries.

**The Chairman:** For the listening audience, we are just awaiting a response. Senator Campbell is consulting.

*[Pause]*

**Sen. Vance Campbell:** Madam Chairman, there was a question on Other Expenses. These are expenses such as lawn service, gifts and team-building activities. I believe the Senator had a question as to what they were and why there was a decrease. And the reason for the decrease was that the team-building exercises were cancelled. They did not happen. So, that is why there was the decrease.

*[Pause]*

**Sen. Vance Campbell:** There was a question from the Senator regarding the decrease in transport costs. And that was the result of those costs being moved to the quarry operations for vehicle maintenance.

**The Chairman:** Were there any further questions?

**Sen. Vance Campbell:** I am just checking that now, Madam Chairman.

There was a question on cost centre 92002, I believe. Is that correct? If I could ask for clarification.

**The Chairman:** Which head? Oh, okay.

**Sen. Vance Campbell:** That would have been under Works and Engineering.

**The Chairman:** Works and Engineering, yes.

Would you mind repeating the cost centre again?

**Sen. Vance Campbell:** It was on page B-235.

**The Chairman:** Okay.

**Sen. Vance Campbell:** And it was the electrical . . . because there was a change in the original 2018/19 estimate to the revised, 504 to 600.

**The Chairman:** Okay, yes. Cost centre 92002, Electrical Support.

**Sen. Vance Campbell:** And that increase was due to internal costs for project management of the ongoing LED lighting replacement contract that was not budg-

eted for the previous year. And the new budget accounts for both the project management cost and the projected decrease in overall costs due to less energy usage from the continued replacement of LED lights.

**The Chairman:** Okay. Thank you.

**Sen. Vance Campbell:** Madam Chairman, I believe that is most of the questions. And if I have missed any, I would endeavour to . . . if the Senators can touch base with me after today's sitting, I will endeavour to get those answers to them.

**The Chairman:** And I believe that Senator Jardine and Senator Kempe will also have questions for you. But right now, we are out of time.

So, Senator Campbell, would you like to move these heads in the Ministry of Public Works?

**Sen. Vance Campbell:** Madam Chairman, I move that Heads 36, 53, 68, 81 and 82 be approved.

**The Chairman:** Is there any objection to that motion?  
No objection.  
So moved.

*[Motion carried: The Ministry of Public Works, Heads 36, 53, 68, 81 and 82 were approved.]*

**The Chairman:** Thank you, Senator Campbell.

## MINISTRY OF FINANCE

**Sen. Vance Campbell:** Thank you, Madam Chairman.

Madam Chairman, I move that the Committee do now take under consideration Head 10, Ministry of Finance Headquarters; Head 58, Interest on Debt; and Head 59, Sinking Fund Contribution.

**The Chairman:** Senator Campbell, I believe this is you once again.

**Sen. Vance Campbell:** That is correct.

**The Chairman:** I think you are going to earn something very special by the end of the day.

*[Laughter]*

**The Chairman:** Hopefully, you will still have a voice.  
So, we are going to the Ministry of Finance.

**Sen. Vance Campbell:** That is correct.

**The Chairman:** We will let you shuffle your papers, catch your breath.

**Sen. Vance Campbell:** Get some water.

**The Chairman:** Yes. And we are beginning on page B-116.

## HEAD 10—HEADQUARTERS

**Sen. Vance Campbell:** Madam Chairman, the 2019/20 budget estimates for the Ministry of Finance Headquarters, Head 10, may be found in section of the Estimate Book on pages B-116 through B-119; and in section C on pages C-4, Capital Purchases, and C-10, Capital Acquisitions; and in C-16, Grants.

The Finance Ministry, Madam Chairman, comprises six departments led by Ministry of Finance Headquarters, and includes the Accountant General, Customs Revenue, Social Insurance, the Office of the Tax Commissioner, and Registrar of Companies. Allocations to cover the interest on government debt and contributions to the Sinking Fund, which was cancelled this fiscal year, are also included in the Ministry of Finance budget.

The Ministry has a total staffing establishment of 157 posts and an aggregate current account budget of \$220.8 million, and is responsible for collecting \$974.2 million, or 87.1 per cent of all government revenue. A snapshot of key information for the Ministry of Finance is shown on page B-115 of the estimates book.

The department's current account allocations are as follows:

- Head 10, Ministry of Finance HQ, a budget amount of \$5,895,000, which is an increase of \$845,000;
- Head 11, Accountant General, \$86,153,000, a decrease of \$308,000;
- Head 12, Customs. The Customs budget has been moved to the National Security Ministry. The Ministry of Finance maintains responsibility for the Customs tariff and revenue collections;
- Head 28, Social Insurance, \$4,825,000, a decrease of \$425,000;
- Head 38, Office of the Tax Commissioner, with a budget of \$3,761,000, an increase of \$310,000;
- Head 39, Registrar of Companies, with a budget of \$3,709,000, which is an increase of \$522,000;
- Head 58, Interest on Long-Term Debt, \$116,500,000, which is a decrease of \$7,500,000; and
- Head 59, Sinking Fund Contribution, zero dollars budgeted, a decrease of \$64,233,000, as the Sinking Fund was cancelled this fiscal year.

Madam Chairman, the Minister in charge of the finance portfolio is Minister of Finance, the Honourable Curtis L. Dickinson, JP, MP, supported by Junior Minister of Finance, the Honourable Wayne L. Furbert, JP, MP.



The executive and senior officials in the Ministry of Finance HQ are Financial Secretary, Mr. Anthony Manders; Assistant Financial Secretary, Economics and Finance, Mr. Stephen Gift; Assistant Financial Secretary, Regulatory Unit, Ms. Pamela Burrows; Assistant Financial Secretary, Treaty Management and Administration, Mr. Wayne Brown; and Director of Budget, Ms. Tina Tucker.

Madam Chairman, having the national Budget Statement presented on Friday, February 22<sup>nd</sup>, was the official start of the Budget Debate in the House of Assembly. It gives me great pleasure to present the budget for selected departments in the Ministry of Finance.

Madam Chairman, the Finance Ministry's key goals and objectives are to facilitate balanced economic growth and development, to provide strategic direction and an overall framework for financial management and control of government activities, and to safeguard Bermuda's economic interests in the face of challenges and threats in the changing global economy.

Detailed objectives or core functions are: (1) to facilitate balanced economic growth and development by development and diversification of the financial services sector by increasing investor confidence to attract foreign direct investment, providing support for small businesses; (2) provide strategic direction and an overall framework for financial management and control of government activities by optimising the yield from government's revenue base, assuring the alignment of resource allocation, policy priorities, instituting and adhering to the principles of prudent budgeting, using output and performance measures to evaluate programme expenditure; (3) safeguard Bermuda's economic interests by meeting international standards of financial supervision and regulation, establishing and maintaining economic intelligence networks, and establishing and maintaining strategic economic alliances.

Madam Chairman, other key department objectives are as follows: to prepare, implement and closely monitor the national budget; to arrange all government borrowing requirements efficiently and at the most competitive rates; to report on the country's economic performance to the public; to maintain effective relations with credit-rating agencies; to oversee and manage the public pension funds; to ensure and support a fair, coherent and predictable development of financial services regulations; and to be proactive in treaty negotiations with respect to tax information exchange agreements.

Madam Chairman, the Ministry's core functions are discharged through six broad programme areas:

- policy planning and management;
- fiscal planning and control;
- regulatory;
- economic and financial intelligence;

- treaty management and administration; and
- the Office of NMLAC.

In discharging its functions under the overall policy direction of the Minister of Finance, the Ministry of Finance Headquarters seeks to achieve the following outcomes: a Bermuda that maintains its position as a domicile of choice for international business; a Bermuda where citizens have confidence in government stewardship of the public purse; a Bermuda where funding and resources are available for key programmes and initiatives; and a Bermuda where citizens regard government's policy responses to economic and financial challenges as appropriate and in the national interest.

Madam Chairman, in seeking to fulfil this mandate, the Ministry of Finance Headquarters has a staff establishment of 19 permanent full-time posts, and its total budget for 2019/20 is \$5.895 million.

Madam Chairman, ministerial restructuring resulted in the transfer of the Bermuda Casino Gaming Commission to the Ministry of Finance Headquarters. Following this transfer, the Ministry of Finance Headquarters budget allocation in 2019/20 is \$845,000, or 17 per cent, higher when compared to the original estimate for 2018/19. This increase is primarily due to the following: transfer of . . . sorry. I believe that was 2017/18.

This increase is due to the following:

- transfer of the Bermuda Casino Gaming Commission to the Ministry Headquarters, \$500,000;
- a 2.0 per cent salary uplift and increased staff, \$160,000;
- maintenance of the new exchange of tax information portal for the Treaty Unit of \$95,000;
- increasing CARTAC contribution, \$50,000;
- increase in overseas EU consultant costs, \$40,000; and
- increase in training for AML/ATF by the NMLAC, \$35,000.

And these amounts were offset by a reduction in subscriptions.

The budget for Ministry Headquarters includes an operational element for each of the six programme areas within Ministry Headquarters, plus grant funding to the Pension Commission and Gaming Commission.

Madam Chairman, cost centre 20000, Policy Planning and Management, has a \$10,000 decrease to the budget allocation. Madam Chairman, the Policy Planning and Management Unit provides overall direction and management of Ministry Headquarters and supervisory oversight of the five departments in the Ministry of Finance, namely, the Accountant General's Department, HM Customs Revenue, the Office of the Tax Commissioner, the Registrar of Companies and the Department of Social Insurance.

In addition, this unit undertakes strategic planning, administration and other activities associated with the daily operation of the Ministry of Finance

Headquarters. Information technology, financial and administrative support, budget development, accounting, personnel and administration, and general office administration are also included in this cost centre. Finally, the unit also coordinates initiatives in economic diplomacy and organises the review and development of economic and financial policy.

The budget for this unit in 2019/20 is \$1.215 million. This is \$10,000 lower than last year. The budget decrease reflects the removal of the funding for the Assistant Financial Secretary, Policy position, offset by an increase in the CARTAC contribution and overseas professional services fees for relationship management in Europe.

Madam Chairman, Senators are aware that in 2018, the Ministry was involved in continuing the reform of our tax system with the establishment of the Tax Reform Commission. Also, the Ministry continued with its mandate to boost international transparency and credibility through the Fiscal Responsibility Panel [FRP]. Senators will recall that the role of the Fiscal Responsibility Panel is to provide Bermuda's Parliament, Minister of Finance and Financial Policy Council with an annual published assessment of the territory's fiscal strategy, focusing on progress in meeting the territory's medium-term objectives for public spending, taxation, borrowing and debt reduction.

Madam Chairman, the panel had meetings with various institutions and individuals during the course of its discussions in Bermuda during the period November 19<sup>th</sup> to 24<sup>th</sup>, 2018. During these discussions, the panel heard views about Bermuda's economic prospects, risks to those prospects and challenges in the short, medium and longer term. While the panel consulted many individuals and organisations, it should be noted that they are an independent panel and the judgments and recommendations made are their own.

During the week of November 19, 2018, the Fiscal Responsibility Panel visited the Island and met with the Ministry of Finance and a wide cross section of Bermuda society, and published its fourth report in December. This was the second report since the change of Government and, importantly, provided an independent assessment of some of our policies.

Madam Chairman, it is pleasing to note that the FRP wrote, "Securing faster growth. *This is a necessary precondition for all other aims*, including making effective progress in debt reduction. The government's aim of diversification away from reliance on insurance and tourism is sensible but will be easier said than done: the island has few natural advantages. But compared with many island competitors, Bermuda has a world-class legal and regulatory structure. The focus on attracting new fintech business is appropriate as long as care is taken not to attract activities that could carry severe reputational risk."

The FRP also noted the following: "Government efficiency. *We welcome the Government's bottom-up approach to improving efficiency*, moving resources to priority areas and looking for ways to improve efficiency across Government, in particular by seeking to develop effective and linked-up IT. We recommend appointing a 'champion' (with possibly a separate champion for improved IT) in the Cabinet Office or Finance Ministry to drive the process and be held accountable for results."

Madam Chairman, the Government shares the FRP's views in these areas of securing faster economic growth and improving government efficiency, which are two of the important cornerstones of the 2019/20 National Budget, along with our commitment to begin reducing our debt next fiscal year.

Madam Chairman, I will now touch briefly on tax reform. Senators will recall in the 2017 Throne Speech, this Government committed to creating a Tax Reform Commission [TRC]. And as a result, the Tax Reform Commission was formed under the Tax Reform Commission Act 2017.

The purpose of the commission was to conduct a review of Bermuda's system of taxation and revenue collection and make recommendations on tax reform to Parliament. More specifically, the Tax Reform Commission was given the following mandate by the Minister of Finance: (1) to examine Bermuda's tax system and determine any measures that may be taken to best enable a system of taxation and revenue collection that is equitable, effective, efficient, competitive and transparent; (2) increase public sector revenue yield from 17 per cent of GDP to a minimum of 20 per cent to 22 per cent of GDP; and (3) prepare and submit a report and recommendations in accordance with section 7 of the Tax Reform Act.

Madam Chairman, a seven-member team was assembled in order for the TRC to be able to carry out its duties, and the report was published on November 17, 2018. The TRC determined that if the proposed tax policy recommendations, which include suggestions for both tax increases and tax cuts, are implemented, an additional yield of approximately \$147 million could be generated over the next two-to-three-year period, increasing government revenue to approximately \$1.26 billion, 20 per cent of GDP, by 2020, compared with 17 per cent of GDP in 2017.

Madam Chairman, some of the more substantive proposed recommendations put forward by the commission included the following:

- a progressive tax on commercial and residential rentals, yielding an additional \$41 million in revenues;
- introducing a general service tax, yielding \$27.5 million in new revenues;
- introducing a withholding tax on overseas services provided locally, yielding \$27.5 million in new revenue; and

- aligning company fees with a company's assessed capital, yielding an additional \$25.5 million in revenue.

Madam Chairman, the Government closely evaluated and then considered all recommendations included in the report. And as per this Government's normal custom and practice, the appropriate consultation with the various stakeholders was conducted before any major changes were made to our tax system.

Madam Chairman, tax reform is nothing new. Senators may recall that the former Government engaged CARTAC to complete a review of Bermuda's tax system and its administration in 2015. The report was completed in September of 2015. Many stakeholders requested access to this document, but the former Government refused to share its contents. This Government tabled the CARTAC review in Parliament on the 6<sup>th</sup> of October 2017 so that parliamentarians and member of the community could be made aware of the recommendations.

Madam Chairman, the report indicated that the main objective of the tax review was to increase tax revenues. The former Government's preference was to increase the revenue provided by the existing taxes, although it was open to proposals that would expand the tax base and improve equity.

The main goal of the reform was to increase revenues by about \$100 million to \$150 million over a three-year period. This Government did it in a transparent manner with the publication of the Tax Reform Commission report, while the former Government did it behind closed doors with no public scrutiny.

Senators are aware that the Government released the pre-budget report in advance of this budget, and the Policy Unit was heavily involved in the publication of that report. The pre-budget report spoke of the choices we face and discussed them in the context of the risks that we face. In addition, the report contained some policy options that were under consideration by the Government.

Madam Chairman, the Ministry would like to thank all stakeholders who provided submissions during the consultative pre-budget process. It is an example of the approach this Government will take to ensure that we conduct our business in an open and transparent manner.

This report was a tremendous success and fully met its objective to provide greater transparency and public participation in the budget process. In total, just over 50 submissions were received from the public, and the Ministry had numerous meetings with key stakeholders, as well as one public town hall meeting. This report assisted the Ministry in framing the 2019/20 budget, which by all accounts has been positively received by the public. It is the Ministry's firm belief that the release of the pre-budget report was one of the primary reasons for this positive feedback, and we look forward to preparing and releasing the pre-budget report for 2020/21.

The largest share of the \$1.2 million budget for the Policy Unit is professional services and salaries. The salary provision for the Policy Unit is \$366,857. This covers three posts, including the Financial Secretary and two administrative officers. The Assistant Financial Secretary position is vacant and unfunded. The funding for this post was transferred to other units in HQ to cover the cost for increased staffing requirements in those units.

Madam Chairman, changes are ongoing in order to improve the way we approach the handling of public money. The Policy Unit will continue to oversee this transformation of the management of public financial management and will be involved in the following projects in 2019/20:

- continue with the development of an open budget structure to provide more transparency in the budgeting process;
- continue to re-evaluate the Tax Reform Commission to determine if any recommendations will be implemented;
- work with the Cabinet Office to roll out the Government Reform Strategic Plan;
- work with the BCGC [Bermuda Casino Gaming Commission] to progress gaming in Bermuda; and
- work with key business stakeholders to create incentives for companies to increase jobs in Bermuda by providing payroll tax relief for new positions created—the Job Growth Strategy Programme.

Madam Chairman, I will conclude this snapshot of some of the work that is carried out by the Policy Unit within Ministry of Finance Headquarters by noting that this unit is responsible for coordinating all of the legislative items that support the national budget. The process includes providing drafting instructions to the Attorney General's Chambers for Bills, Orders and Regulations; coordinating with other ministries where necessary; and preparing legislative briefs to assist Ministers and Junior Ministers in steering the legislative items through the approval process in the Legislature. There were more than 14 items of legislation associated with the 2019/20 National Budget.

Madam Chairman, the Fiscal Planning and Control Unit, or the Budget Team, is primarily responsible for the management, collection and collation of consolidated fund budget data, the monitoring and control of overall government expenditures on both capital account and current account and the achievement of government revenues. The unit is also tasked with the responsibility of reviewing and developing the government's annual capital expenditure plan. The budget for this unit in 2019/20 is \$518,000, which is \$23,000 more than last year. The Budget Team provides advice and guidance to department heads and controllers on both the formulation of ministry budgets and on budget monitoring and control.

The team provides two formal training sessions each year designed for ministry/departmental staff who have responsibility for budget preparation and/or budget monitoring and control. As part of the budget monitoring and control exercises, all ministries and departments are required to review expenditure performance and to confirm on a monthly basis their current and capital account expenditure performance with the Budget Office.

In November 2018, the Director of Budgets attended a CARTAC regional workshop on fiscal risk management held in St. Kitts. This workshop is a part of CARTAC's commitment to strengthen the capacity of its member countries' efforts for a sound public management system. The workshop covered several fiscal risk components, for example, identifying and analysing the nature and main sources, managing macro-economic risks, including continued liabilities, government assets, guarantees, PPP's, quangos, natural disasters, monitoring and disclosure introduction of IMF, new fiscal stress test, developing a fiscal risk statement and implementing fiscal risk management frameworks. Many of the Government's fiscal risks were identified and disclosed in both the 2019/20 pre-budget and the Fiscal Responsibility Panel's report.

Madam Chairman, the Government has already demonstrated its ability to prudently manage expenditures, which can be seen in the revised current expenditure forecast. The projected 2018/19 operating expenses of the Government are \$932 million, a modest 0.3 per cent increase. This was despite the 2.0 per cent salary increase awarded to some public officers in 2018/19. That, Madam Chairman, is a sign that this Government will be prudent with the spending of public funds.

Madam Chairman, during the finalisation of budgeting packages for the 2019/20 budget cycle, ministries that had submitted their returns had requested a total current and capital account appropriation of \$1.094 billion, some \$100 million above the Finance Ministry's original limit of \$994 million. The Budget Office worked closely with these ministries and, after carefully considering the current level of spending required to operate the government in its current form and the various obligations of the government, managed to reduce the total appropriation to \$991 million.

Controlling government expenditure has been and still remains a focus of the Government. To this end, the Government established an Efficiency Committee to review the functioning of all government departments and to recommend improvements in the efficiency of operations. The Efficiency Committee presented its report to the Minister in September 2018 and has highlighted how savings and greater effectiveness can be obtained by the Government in the areas of financial assistance, purchasing of materials, inventory management and handling of staff vacan-

cies. Looking forward, the Efficiency Committee also emphasised the importance of developing a detailed overall strategic plan to guide spending priorities of the Government over the medium to long term, as critical.

This Government has already . . . (Excuse me, Madam Chairman.)

**The Chairman:** Do take a sip, Senator Campbell.

**Sen. Vance Campbell:** The voice is failing. I do not know if I am going to make it.

*[Laughter]*

**The Chairman:** You will get there. But you have backup, so do not worry.

**Sen. Vance Campbell:** The Government has already implemented some of the recommendations of the Efficiency Committee and is carefully considering and quantifying others in advance of the 2019/20 budget cycle.

Madam Chairman, in order to determine high-priority policy programmes, the Budget Office will reintroduce zero-based budgeting in the upcoming fiscal year. Policy prioritisation at the start of the budget process will facilitate a better alignment of the allocation of limited resources with Government's overall policy initiatives and objectives. Zero-based budgeting is a method of budgeting in which all expenditures must be justified, along with a systematic review of the performance of current programmes.

The fundamental aim of zero-based budgeting is to reflect the current and proposed future programmes and services required by the Government's national plan. This budget process allows the Government to examine methods for allocating limited resources in order to identify the most efficient and effective methods for utilisation of resources in the achievement of specific goals and targets.

A salary provision of \$412,190 accounts for 83 per cent of the Budget Team's allocation for 2019/20. The provision covers the posts of Director of Budget, Principal Budget Officer, Budget Officer and Budget Assistant. For the fiscal year 2019/20, the department has set objectives to

- provide support for the open budget process, enhanced by the monitoring and reporting to Cabinet;
- provide support to the Efficiency Team, which will continue to scrutinise spending across all individual departments and formulate action plans to increase efficiencies, thus reducing future costs;
- re-introduce zero-based budgeting; and
- bring all supplementary appropriations current.

The Regulatory Unit, cost centre 20020, sees an increase of \$120,000. The budget for this unit in 2019/20 is \$436,000, an increase of \$120,000. The Regulatory Unit is the lead policy division within the Ministry of Finance Headquarters in relation to the Financial Services sector. The Regulatory Unit is accountable to the Financial Secretary for the effective discharge of the Unit's function and, through the Premier and Minister of Finance, to Cabinet and Parliament. The head of the Unit, the Assistant Financial Secretary-Regulations, carries out the Minister's financial services policies through the Ministry of Finance, the Bermuda Monetary Authority, the Attorney General's Chambers, the National Anti-Money Laundering Committee, the Bermuda Public Accountability Board and specialist global partners.

The Regulatory Unit operates in response to a broad range of opportunities and risks, which allows the Ministry to contribute actively to a continuous flow of information on potential threats and opportunities to Bermuda and its reputation. These opportunities and risks are constantly changing. The Regulatory Unit's planned response to these challenges through various goals focuses on advancing the Unit's priorities and reflecting the outcomes that the people of Bermuda deserve.

These goals are to (1) ensure and support the fair, impartial, efficient and transparent development of regulation at the national and international levels; (2) strengthen capacity to secure regulatory solutions to economic security issues; and (3) strengthen public diplomacy and support bilateral and multilateral engagement.

The Regulatory Unit is involved in virtually every policy and management area, from regulatory reform and financial stability to anti-money laundering and trade and development issues at home and abroad. The scope of the Regulatory Unit's activities are as follows:

- to support the Minister of Finance and the Financial Secretary in coordinating the financial services regulatory policy initiatives of the Government;
- to oversee the Ministry of Finance component of the financial services legislative programme, together with the Bermuda Monetary Authority and the Ministry of Legal Affairs;
- to provide policy advice to the Financial Secretary and the Minister of Finance on anti-money laundering policy initiatives, together with the National Anti-Money Laundering Committee, pursuant to section 49 of the Proceeds of Crime Act 1997;
- to provide policy advice to the Minister of Finance and the Financial Secretary on matters related to the regulatory component of financial services and audit directives issued by the European Union, together with the Cabinet

Office, the Brussels office, the London office and EU specialists; and

- to provide policy advice to the Insurance Advisory Committee on matters related to the insurance sector.

In this environment of declining resources, the Regulatory Unit is uniquely positioned at the intersection of the financial services industry, regulatory and law enforcement agency, as well as domestic and global partners. The unit is able to network these varied perspectives to bring a comprehensive insight into the development and protection of our economic security. This unique position allows the unit to develop and support multiple partnerships that have a broad domestic and international impact. In order to achieve its priorities, and pursuant to the Ministry of Finance legislative agenda, the Bermuda Monetary Authority business plan, the Ministry of Finance EU engagement strategy and the National Anti-Money Laundering strategy, the Unit will undertake the following key strategic ownership goals in 2019/20, as follows:

Matters related to the European Union.

*[Noise from electronic device]*

**Sen. Vance Campbell:** Madam Chairman, I assure you, that is not the plan.

*[Laughter]*

**The Chairman:** While we are having a giggle, and while you pause for a minute to rest your voice—

**Sen. Vance Campbell:** Although it does not sound like a bad plan.

## ANNOUNCEMENT BY THE CHAIRMAN

### SENATE VISITORS

**The Chairman:** I would just like to welcome the Junior Minister of Finance, Mr. Wayne Furbert, to the Chamber, and also the Financial Secretary, Mr. Anthony Manders.

Gentlemen, you are both very welcome.

*[Committee of Supply, continuing]*

**Sen. Vance Campbell:** Matters related to the European Union. The Unit's goal is to lead efforts to coordinate Bermuda's compliance with the European Union audit directive, together with the Bermuda Public Accountability Board. This work includes the completion of the European Commission's 2018 technical review of Bermuda's audit framework.

The Unit will work with the Assistant Financial Secretary on treaties to coordinate the Finance Ministry's response to the EU Code of Conduct Group's work on developing a common EU list of noncoopera-

tive tax jurisdictions. This includes providing technology and strategic advice on all aspects of Bermuda's corporate and regulatory framework.

The Unit will work with the Financial Secretary in the Treaty Unit to complete and coordinate the Ministry of Finance EU engagement strategy, together with the Cabinet Office, the Bermuda Monetary Authority, the Brussels office and EU counsel. This will include preparation for annual visits by the Minister of Finance to meet with key EU stakeholders. This work also includes working with public and private sector stakeholders, participation in strategy sessions and expansion of the analytical support efforts to public and private sector stakeholders.

Matters related to the Financial Action Task Force standards. The Unit's goal is to contribute to and support the implementation of Bermuda's Anti-Money Laundering strategy, together with the National Anti-Money Laundering Committee. This work includes the provision of strategic and policy advice, as well as the completion of various technical effectiveness and risk assessments. This work also includes preparation for the next phase of Bermuda's AML/ATF assessment in 2019.

To maintain momentum, the Assistant Financial Secretary of the Regulatory Unit was appointed to the NMLAC CFATF Assessment Task Force, with effect from August 2017. The Assistant Financial Secretary will continue to represent the Ministry of Finance on the following NMLAC committees:

- the Legislation Committee;
- the National Threats and National Vulnerabilities Committee;
- the Supervisory Committee;
- the Sanctions Committee; and
- the Proliferation Committee.

[The Unit will] work with the Ministry of Finance Teams, the Bermuda Monetary Authority and the Cabinet Office on matters related to transparency and beneficial ownership of legal persons and legal arrangements.

Madam Chairman, matters related to the United Kingdom. The Unit will work with the Cabinet Office on matters related to Brexit and the Financial Services sector, together with the Bermuda Monetary Authority and specialist partners. This work includes the provision of tactical and strategic advice on matters related to equivalence in a post-Brexit environment.

The Unit will work with the Ministry of Finance team, the Ministry of Economic Development, the Bermuda Monetary Authority, NMLAC and the London office on matters related to the implementation of the exchange of notes between the Government of the United Kingdom and the Government of Bermuda, irrespective of the sharing of beneficial ownership information on a by-request basis, dated 9<sup>th</sup> of April 2016. This work includes amendments to the beneficial ownership framework as required.

The Unit will work with the Ministry of Finance team, the Bermuda Monetary Authority, NMLAC and the London office on matters related to the commitment given by the Government of Bermuda to the Chancellor of the Exchequer dated 9<sup>th</sup> of May 2016, to exchange beneficial ownership information on an automatic basis. This work includes the provision of technical and strategic advice on the development of a global standard by the G20.

Matters related to the Organisation for Economic Cooperation and Development (the OECD). The Unit will work with the Treaty Unit to coordinate the response of the Ministry of Finance to the 2016 OECD exchange of information peer review of Bermuda. This includes providing technical and strategic advice on all aspects of Bermuda's corporate and regulatory framework. This also includes participation in onsite and offsite meetings with the OECD, together with the private sector, NMLAC and the Bermuda Monetary Authority.

Matters related to the United States of America. The Unit will work with the Cabinet Office to enhance the Bermuda-US engagement strategy. This work includes the provision of technical and strategic advice on matters related to financial services.

The list of international commitments may seem daunting, but they are critical to maintaining a strong reputation. In 2018 and 2019, the Regulatory Unit was primarily focused on matters related to beneficial ownership and transparency, tax transparency, together with the matters related to Bermuda's CA-FATF AML/ATF assessment and economic substance. Additional milestones achieved by the Regulatory Unit, 2018/19, include completion of the Ministry of Finance component of 17 regulatory and development policy initiatives in the areas of financial services, FinTech, anti-money laundering and economic substance; completion of training in advance of project management, FATF standards and OECD economic substance requirements.

The Regulatory Unit serves seven different markets with different dynamics. With this background, the Unit has consistently demonstrated its capacity to manage across functions and encourage colleagues and stakeholders to unify around common goals. The Unit's primary role forward in the next year will be to continue to work with NMLAC agencies and the Treaty Unit to meet Bermuda's international commitments.

Madam Chairman, Bermuda faces a number of external tax and regulatory threats. These threats pose a real and present danger to our economy. During the upcoming year, additional funds have been provided to the Regulatory Unit to hire a policy advisor in order to protect our economic security. A salary provision of \$357,094 accounts for 83 per cent of the Regulatory Unit's allocation for 2019/20 which covers three posts, including the Assistant Financial Secre-

tary, Regulatory Unit, a post advisor, and one administrative officer.

Economic and Financial Intelligence, 20030, shows a decrease of \$47,000. Madam Chairman, the Economic and Financial Intelligence Unit provides research and analysis of economic and financial conditions to help facilitate sound decisions on public policy and fiscal management. Responsibilities of the staff in the Unit include economic forecasts, economic modelling, projections of GDP and the development of key economic indicators. Analysis and commentary on economic and financial statistics are provided in an annual . . . *[coughing]*

**The Chairman:** Do you need a backup plan right now, Senator Campbell?

**Sen. Vance Campbell:** We may have to put a backup plan into place.

*[Laughter]*

**The Chairman:** You have willing backups.

**Sen. Vance Campbell:** Not until they start reading. Then they will become less willing, I am sure.

*[Laughter]*

**The Chairman:** Okay.

**Sen. Vance Campbell:** This is exciting stuff, is it not? I see you over there getting all worked up, you know. Exciting stuff.

*[Inaudible interjection]*

**The Chairman:** Please continue, Senator Campbell.

**Sen. Vance Campbell:** Analysis and commentary on economic and financial statistics are provided, and an annual and mid-year review and outlook are produced. The budget for this Unit in 2019/20 is \$422,344, which is \$47,000 less than the budget allocation for 2018/19.

Madam Chairman, the Unit also manages the relationship with credit rating agencies and is responsible for government debt management policy. Madam Chairman, the Unit constantly reviews our debt management policy in order to take advantage of favourable market conditions. When financing the deficit, the Ministry's most important objective is to provide the Government with stable financing at minimal costs under the prevailing market conditions. The Economic and Financial Intelligence Unit therefore maintains relationships with both domestic and international banks in order to be kept abreast of capital market developments. It will provide an opportunity to either refinance current government debt at less ex-

pensive rates and/or provide the best opportunity in which to finance the current year's fiscal deficit.

As mentioned in the 2019/20 budget, Government will not incur new borrowing, as there will be a fiscal surplus. However, the Unit will work with financial institutions to determine if it makes sense to refinance current government debt at a lower interest rate.

Madam Chairman, the Unit also provides advice to various government boards and is closely involved in the administration of numerous Customs duty relief regimes, including duty relief provided to hotels, restaurants and retailers. In addition, this Unit oversees the public pension funds, along with the Bermuda Public Funds Investment Committee.

Madam Chairman, the investments of the Public Sector Pension Plans continue to perform well. I can report that, as of December 31<sup>st</sup>, 2018, the contributory pension fund [CPF] assets totalled \$1.767 billion versus \$1.898 billion in 2017. Meanwhile, the public service superannuation fund [PSSF] assets totalled \$575.9 million in 2018 versus \$622.1 million in 2017. For 2018, the contributory and superannuation plans posted returns of 3.0 per cent and minus-2.2 per cent, respectively. The contributory pension fund trailed the policy index by 0.6 per cent, while the superannuation fund exceeded the policy index by 0.3 per cent. Three- through ten-year returns for the funds all outperformed the actuarial required rates of return. In the short term, the CPF and the PSSF are in good financial shape. As at December 31<sup>st</sup>, 2018, the CPF total assets represented approximately 11.1 times the annual value of benefits to be paid in the fiscal year, while the PSSF assets represented approximately 7.2 times the annual value of benefits.

Madam Chairman, economic diversification in the Bermuda context can be defined as the process of shifting the economy away from a dual-income source to multiple sources from a growing range of sectors and markets. The importance of diversifying the local economy is to encourage positive economic growth and development. In a nutshell, economic diversification increases the resilience of an economy. In the Minister's Budget Statement, he outlined the challenges we face as a country and how these challenges, which emanate from both international and domestic sources, can pose significant risk to our economy if not managed judiciously. With this in mind, the Economic and Financial Intelligence Unit will continue to work with various stakeholders on legislation that will facilitate the expansion of the banking sector.

Having in 2018 made amendments to the Banks and Deposit Companies Act 1999, allowing for different licences and classes of banks to facilitate financial institutions that not only can create additional jobs, but also can provide FinTech businesses with banking services, the next step will be to determine if the amendments were adequate enough or too re-

strictive, and thus hamper rather than encourage new quality entrants.

Madam Chairman, in the Minister's budget brief, he also mentioned that Government will do two things to help reduce the mortgage pressures for hardworking Bermudians. Firstly, by working with private sector banks to pilot a mortgage guarantee programme, and secondly, by creating a government-backed mortgage lender to relieve pressure on public sector employees by providing them with reduced mortgage rates. The unit will be the key driver of turning these two ideas into reality.

Madam Chairman, other notable tasks to be achieved by the Economic and Financial Intelligence Unit in the upcoming fiscal year include reviewing the Government's debt management policy and making any changes deemed appropriate; continuing work with the Attorney General's Chambers and the Bermuda Pension Commission to amend the National Pension Scheme (Occupational Pensions) Act 1998 in order to introduce new provisions, as well as to enhance existing provisions; continue to work with CARTAC to develop econometric models for the forecasting of key economic indicators and government's medium-term fiscal data; continuing to work with the Government Employees Health Insurance Committee to assist in redesigning the health plan; conducting a review of our pension arrangements to determine whether public and private pensions are set at appropriate levels; continuing the review of all government pension plans to determine sustainability of the funds; and work with the Ministry of Health on the financing of the health care reform.

The salary provision of \$299,664 covers two posts, including Assistant Financial Secretary, Economics and Finance; and the Economic Advisor. The other major item of cost in this unit is a provision for consulting services for special studies of \$99,500.

Treaty Management and Administration, 20040, sees an increase of \$120,000. Madam Chairman, the budget for the Unit in 2019/20 is set at \$1,002,000, an increase of \$120,000 from last year's budget of \$882,000. This increase is related to ongoing costs of the new exchange of information portal for the automatic exchange of information for tax purposes, which went live in June of 2017; and one additional staff member, a senior automatic exchange of information officer, to assist in the administration of the portal and all matters related to automatic exchange of information. This will bring the Treaty Unit's resources to a total of four staff.

Madam Chairman, the Treaty Unit is responsible for the following areas:

1. negotiating tax information exchange agreements, other agreements relating to tax information exchange, and associated agreements with member countries of the EU, G20 Organisation for Economic Cooperation and Development, and other countries;

2. being responsible for relationship management regarding tax matters with the USA, European Commission and members of the European Union; and additionally,
3. the Unit manages and administers requests for exchange of information on the by-request basis and on the automatic exchange of information basis.

Madam Chairman, the work of the Unit continues to diversify from the original core activity that led to its creation, i.e., the processing of international tax cooperation EOIR [exchange of information on request], to now include the growing global regime for AEOI, which is the automatic exchange of information. (The EOIR is the exchange of information on a by-request basis.)

Madam Chairman, since the Treaty Unit's formation in 2007, global cooperation in tax matters has intensified significantly. I only need mention the economic substance, and everyone will immediately understand the intensified threat. The EU noncooperative jurisdictions' initial threat of December 2017 is ongoing and will continue for at least the next few years with assessments by both the EU and the OECD in monitoring and assessing the noncooperative jurisdictions list begun by the EU. This is clear evidence of the intensification of this threat, and it may therefore be necessary to add even further resources to the Treaty Unit.

Madam Chairman, the proactivity of the Treaty Unit has included continued negotiation of tax information exchange agreements, both multilateral with now over 120 treaty partners and bilateral, and other agreements relating to tax information exchange and associated agreements. This represents a global network of treaties, inclusive of member countries of the EU, G20, OECD and other jurisdictions. This outreach included fostering good relations with the OECD and several treaty partners that enabled Bermuda to make FinTech presentations at the OECD and for the Premier to hold a bilateral meeting with a treaty partner at the political level at the Davos 2019 conference.

At the same time, Bermuda, through the Treaty Unit, had accomplished a number of firsts in signing key tax agreements and joining important OECD tax committees. And Bermuda attained France's White List for France's country-by-country tax-related automatic exchange of information regime, the first UK Overseas Territory to attain France's country-by-country White List. These accomplishments were made possible through relationship-building with tax officials in key countries and proactively signing appropriate tax agreements whereby these accomplishments have distinguished us, apart from other jurisdictions, and created what the Ministry refers to as the "Bermuda standard."

Madam Chairman, it is critical for Bermuda to hold onto our "largely compliant" rating for implementation of international standards of transparency and



exchange of information for tax purposes by the OECD Global Forum. As it should be noted, an OECD rating of less than “largely compliant” in the areas of exchange of information on the by-request basis and exchange of information on the automatic basis would negatively impact the EU Code [of Conduct] Group’s noncooperative jurisdictions list criteria.

*[Crosstalk]*

**The Chairman:** Senator Caesar is going to assist at this point.

Just so that everyone is aware, we have about 58 minutes left. And we are on the first head.

**Sen. Crystal Caesar:** Okay.

Madam Chairman, fiscal year 2019/20 will be an important and busy time for the Treaty Unit as the country continues further negotiations with the EU Code of Conduct Group and will be subjected to assessments by it, as well as the OECD, for compliance with economic substance, as well as the automatic exchange of information standard.

The salary provision for the Treaty Unit in 2019/20 is \$439,572. The other major recurring item of cost in this unit is for the ongoing cost of the new exchange of information portal travel for attendance at the OECD Global Forums, meeting with European Commission officials in Brussels and OECD officials, relationship-building with tax officials in key countries, and being proactive in identifying when there is need to negotiate and sign new treaties to protect Bermuda’s interests.

Office of the National Anti-Money Laundering Committee, 20100. Madam Chairman, the purpose of the office of the National Anti-Money Laundering Committee, or office of NMLAC, is to provide secretariat support to NMLAC, coordinate and manage the administration of NMLAC national initiatives such as the assessment of Bermuda’s national money laundering and terrorist financing risks, and reviews of Bermuda’s anti-money laundering and anti-terrorist financial regimes by external bodies. The office works with NMLAC member agencies to ensure that Bermuda has a strong, effective regime to combat money laundering, terrorism financing and the financing of proliferation, and also collaborates with international counterparts in support of Bermuda’s efforts to help address these issues on a global scale.

The office of NMLAC’s budget for the fiscal year 2019/20 is \$802,000, representing an increase of approximately \$139,000 over the 2018/19 allocation. The additional allocation will provide funding for NMLAC’s critical programme, a key focus of which is the finalisation of the report arising from the current assessment of Bermuda’s compliance with global standards for the combating of money laundering, terrorist financing and the financing of proliferation. Activities towards this end have been part of the office’s

programme over the last three fiscal years, but were funded during that period by an allocation made from the Confiscated Assets Fund in 2016, with the balances managed and rolled over into each successive year. Those funds are now depleted, necessitating a budgetary allocation to support the continuation of this vital work.

Madam Chairman, during the financial year 2018/19, the assessment of Bermuda’s anti-money laundering and anti-terrorist financing regime went into high gear. This assessment is being carried out by a team of assessors under the leadership of the Caribbean Financial Action Task Force (CFATF). During this period, Bermuda had to send the CFATF assessment team written submissions on the effectiveness of the regime, and also had to participate in the assessor’s onsite visit to Bermuda. Therefore, a key focus for this year, 2018/19, for the office of NMLAC has been to coordinate the preparation of Bermuda’s written submissions and to make the preparations for, and manage, the administrative arrangements in relation to the onsite visit of the assessment team.

In the meantime, the office was simultaneously taking steps in conjunction with NMLAC to drive the policy and legislative development activities, which were required to close identified gaps in the regime. Following the conclusion of the onsite visit, Bermuda received the first draft of the mutual evaluation report from the assessors. And the office continued its role in organising and managing the review of, and response to, that report. The Chair of NMLAC, supported by the office team, kept Cabinet and the relevant Cabinet committee apprised of all of the developments throughout this review. This also entailed an articulating on behalf of NMLAC agencies in providing recommendations in relation to strategic matters of concern that required Cabinet’s attention.

As part of Bermuda’s preparations for the various stages of the assessment, which had commenced in the previous fiscal year, the office also continued to provide support to NMLAC agencies through facilitating ongoing technical training and guidance to such agencies by international experts in AML/ATF matters. These experts have assisted and continue to provide support to NMLAC teams in preparing submissions and in developing strategies and action plans to address remaining technical issues.

Madam Chairman, during this same period, the Bermuda team achieved a significant milestone with the publication, for the first time, of a report on Bermuda’s national money laundering and terrorist financing risk. This document provided a consolidated report on the findings of the national risk assessment on terrorism, financing and money laundering, respectively, which were conducted by NMLAC in 2016 and 2017. This was a critical component underpinning Bermuda’s work to achieve technical compliance with international standards, and the report was part of the

information considered by the assessors and the assessment, which is underway.

More important, the work carried out in these risk assessments as well as the public communication to stakeholders of the findings have been important components of Bermuda's ongoing development of a truly risk-based AML/ATF framework.

Madam Chairman, the approval of a report that fairly rates and represents Bermuda's AML/ATF regime will be a critical area of focus for NMLAC during this financial year. Given the important outcome of this assessment to Bermuda's ongoing economic success, the office of NMLAC will be required to play a leading role in the coordination and facilitation of all aspects of this work. However, other components of Bermuda's AML/ATF programme will also have to be advanced during this time. Therefore, the key initiatives that the office of NMLAC team will be working on in financial year 2019/20 are as follows:

- In accordance with the CFATF assessment procedures, coordinating the participation of NMLAC agencies in identifying and appropriately managing issues noted in Bermuda's draft Mutual Evaluation Report, preparing submissions in response and in having meaningful deliberations and negotiations with the CFATF assessment team in relation to the draft report.

Bermuda will receive the second draft of the Mutual Evaluation Report (or MER) early in the new fiscal year and then will be required to provide a comprehensive response to the assessors on this draft. Prior to the issuing of the next draft report, a series of focused discussions and deliberations facilitated by the office will be required, consisting primarily of conference calls and a face-to-face meeting between the Bermuda team, the assessors and the secretariat.

The third draft of the report will be provided by the assessors in mid-September and will be subject to discussion and approval by the CFATF plenary in November.

- Coordinating the preparations of Bermuda team's presentation and submissions at the CFATF working group meetings and plenary in November 2019 to facilitate the best outcomes in those discussions.
- Coordinating and facilitating Bermuda's communication with the assessment team and the secretariat in relation to the plenary and working document.
- Coordinating and facilitating Bermuda's participation in and responses to issues raised during the global quality and consistency review of the Mutual Evaluation Report after the CFATF plenary in November 2019 and into early 2020.
- Facilitating the management of Bermuda's AML/ATF 2019/20 legislative agenda to seek parliamentary approval in relation to the mat-

ters on the national action plan that require legislative action. The items on the legislative agenda are intended to address a few remaining gaps to fully align the legislative framework with the requirements of the international standards, as well as to strengthen the effectiveness of Bermuda's regime.

- Managing NMLAC's calendar of events, which has already been planned for the calendar year 2019 to include the review and update of the national AML/ATF policy and the national AML/ATF strategy and action plan, and commencement of planning for the next terrorist financing and money laundering national risk assessment. And finally;
- Assisting in the implementation and advancement of the initiative in the national strategy and action plan.

In order to progress all of these initiatives, the chair and office team will continue to work closely with the National Anti-Money Laundering Cabinet Committee, NMLAC member agencies and other stakeholders.

The salary provision for the office of NMLAC in 2019/20 is \$452,317. There have been specific new allocations for overseas consultants of \$75,000, and local training of \$15,000 to allow the office to continue to provide technical support for NMLAC's work, using recognised international specialists. The other major recurring item of cost in this unit is for travel for attendance at international conferences, including CFATF plenaries and Bermuda's annual membership contribution to the CFATF, \$57,400.

Madam Chairman, the estimated cost of operating the Ministry of Finance Headquarters in 2019/20 is approximately \$5 million, 41 per cent of which is accounted for by salaries, or \$2,391,000. The salary allocation is apportioned between the functional units in the Ministry Headquarters, as follows:

- cost centre 20000, Policy Planning and Management, \$377,000;
- cost centre 20010, Fiscal Planning and Control, \$447,000;
- cost centre 20020, Regulatory Unit, \$357,000;
- cost centre 20030, Economic and Financial Intelligence, \$305,000;
- cost centre 20040, Treaty Management, \$444,000; and
- cost centre 20100, Office of NMLAC, \$462,000.

Training. This funding is used for training and continuous professional development of Ministry Headquarters staff. The increase is mainly due to increased training requirements for the NMLAC office. This training is required for preparation of the CFATF assessment in 2018/19. There will also be training needs for new staff in the Treaty Unit in relation to the exchange of information portal.

Travel has had no change, at \$136,000. And this allocation makes up for provision for travel costs in connection with relation to maintenance in the United States, the United Kingdom and Europe. Travel involved for overseas treaty negotiations, OECD meetings, EU Code of Conduct meetings, and NMLAC travel to CFATF plenaries are also covered in this allocation. The international environment for Bermuda is currently hostile through no fault of our own. Therefore, more than ever it is critical that we travel and actively engage in the appropriate places in the appropriate forums, and in the appropriate manner to get the Bermuda story out there.

Communications, at \$39,000, also had no change. This is to provide for the cost of telephone accounts, which are now devolved into two departments, having previously been paid centrally by the Ministry of Works and Engineering. Advertising and Promotion, as well, no change at \$8,000. The Ministry had previously placed advertisements and/or supplements in quality business journals, magazines and newspapers that had the high likelihood of being read by senior executives in the C-suite of their organisations. This advertising is now mostly performed by the Business Development Unit within the Ministry of Economic Development, but the Ministry still places some supplements. Therefore, funding is allocated.

Professional Services increased by \$45,000 to \$1,025,000. Professional Services is allocated across the following programmes in the Ministry of Finance Headquarters [and includes]:

- Policy Planning and Management, \$580,000;
- Regulatory Unit, \$40,000;
- Economic and Financial Intelligence, \$80,000;
- Treaty Unit, \$75,000; and
- Fiscal Planning, \$25,000.

A core sum of \$300,000 is earmarked for maintaining effective relationships in Europe. With the ever-increasing external threats to our economic survival, it is crucial that we aggressively engage with the relevant entities. These consultants help the Government to actively engage in the appropriate places, in the appropriate forums, and in the appropriate manner to get the Bermuda story out there, as I said previously.

This allocation also includes funding for the work of the Fiscal Responsibility Panel and the Efficiency Committee. Also, the Ministry has to provide the Bermuda Public Accountability Board with funding to cover consulting expenditures associated with the costs for the Canadian Public Accountability Board to undertake inspections of Bermuda's public-based accountants. And there has been an increase in legal fees for lawyers who represent the Treaty Unit.

Rentals, at \$12,000, has not changed. And this allocation provides for leasing of the photocopier and other rental equipment.

Materials and Supplies has decreased by \$21,000, to \$84,000. This provision funds general of-

office supplies, as well as printing costs of the three budget documents, namely, the Budget Statement, Economic Review and the Approved Estimates of Revenue and Expenditure, all of which are competitively tendered each year. The change is due to the better procurement of goods and supplies and a reduction in printing costs.

The line item under Expenses, there was an increase of \$30,000 to \$183,000, and this includes an annual membership fee to the Caribbean Regional Technical Assistance Centre, or CARTAC. This membership allows the Government to participate in various workshops and conferences at no additional cost. And an annual contribution to the OECD Global Forum for Transparency and Exchange of Information for Tax Purposes is also included in this allocation. The amount also represents miscellaneous items, including subscriptions for journals, periodicals and other online news and information-monitoring sites and board fees. The change is due to an increase in the CARTAC contribution offset by lower subscription costs.

Grants and Contributions. There is an increase of \$500,000 to \$1.557 million. The 2019/20 budget of \$1.557 million is made up of the following items: Grants to the National Pension Commission of \$1 million, the Bermuda Casino Gaming Commission of \$500,000 and CFATF at \$57,000. The increase is due to the transfer of the Bermuda Casino Gaming Commission (or BCGC) to the Ministry of Finance. The Ministry will provide a \$500,000 grant to the Gaming Commission to cover their operations. The Commission will seek external financing with local institutions to cover their other operational costs.

Can you bear with me one second? I am just trying to make sense of what I am reading.

**The Chairman:** Of course. While you are doing that, I will just give a time check. We have roughly 40 minutes left. And we have two more heads to cover in this Ministry. And we would like some time for questions, if possible.

*[Crosstalk]*

**Sen. Crystal Caesar:** Sorry.

**The Chairman:** Thank you, Senator Caesar.

**Sen. Crystal Caesar:**

The department generates revenue of \$400,000, and this represents a guarantee fee for the \$165 million Morgan's Point guarantee.

There are capital acquisitions in cost centre 76152, which is the National Trust furnishings fund of \$25,000. It is unchanged. This provision is to fund new furnishings for the public rooms at Government House.

Cost centre 76153, the National Trust Maintenance Fund, again unchanged at \$5,000. This provision funds the refurbishment of furnishings for the public rooms at Government House.

And cost centre 76867, the OECD Common Recording System, an increase of \$55,000 to \$95,000. This represents the ongoing capital cost associated with the specialised web portal for USA FATCA [Foreign Account Tax Compliance Act] and OECD country-by-country recording and common reporting standards.

I will now briefly discuss the Pension Commission and the Gaming Commission.

**The Chairman:** I believe the items you just mentioned are on page C-10, for people who are still trying to catch up.

**Sen. Crystal Caesar:** All right. Okay. Madam Chairman, on page C-16, the Pension Commission. The Pension Commission is a corporate body established under the National Pension Scheme (Occupational Pensions) Act 1998 and has the following functions:

- to administer the Act and the regulations;
- to consider and determine applications for the registration of pension plans;
- to consider and determine financial hardship withdrawal application;
- to promote and ensure compliance by pension plans with the provisions of the Act and regulations;
- to monitor the administration and funding of pension plans and to enforce the provisions of the Act and regulations in respect of administration funding;
- to verify the payment of benefits under pension plans;
- to promote public education on pension plans and their benefits;
- to advise the Minister on any other matter relating to pensions, including the development of laws relating to pension plans;
- to provide such information relating to its functions as the Minister may require;
- to investigate complaints relating to a pension plan and a pension fund; and
- to perform any other functions provided for in or under this Act.

*[Sen. James S. Jardine, Chairman]*

**Sen. Crystal Caesar:** Mr. Chairman, I will move on to the Bermuda Casino Gaming Commission.

The Bermuda Casino Gaming Commission is an independent corporate body established under the Casino Gaming Act 2014. Bermuda has introduced the integrated resort casino model of gaming, which is aimed at providing an exciting entertainment option for

resort guests and locals to enjoy responsibly. Gaming will be offered as an amenity at the resort in addition to others such as dining, spas and shopping.

Mr. Chairman, if you would just bear with me, I am going to try and whittle down some of this so that we do have some time for questions.

**The Chairman:** Thank you very much, Senator.

*[Pause]*

**Sen. Crystal Caesar:** Mr. Chairman, in the interest of time, that is all I will say on the Bermuda Casino Gaming Commission.

I would like to move on to Head 58.

**The Chairman:** That is on page B-138?

*[Inaudible interjections]*

**Sen. Crystal Caesar:** You will have to bear with me. I am jumping in, so I am doing the best I can.

**The Chairman:** Thank you, Senator. You are doing very well.

#### HEAD 58—INTEREST ON DEBT

**Sen. Crystal Caesar:** Okay. Head 58 is Interest on Debt, page B-138. And there was a decrease of \$7.5 million, or 6 per cent, to \$116.5 million.

Mr. Chairman, the 2019/20 budget allocation for interest on debt, as I said, is \$116.5 million. The 2019/20 estimate of that amount represents the ongoing debt service cost for the following debt instruments: The first is US\$100 million of a Government of Bermuda private placement note due on May 1<sup>st</sup>, 2019, at an interest rate of 7.38 per cent, annual interest \$7.38 million. And the interest for 2019/20 will be \$1.2 million as the notes mature on May 21<sup>st</sup>, 2019.

The second is US\$80 million Government of Bermuda private placement note due on November 10<sup>th</sup>, 2019, with an interest rate of 5.93 per cent, annual interest of \$4.744 million. The interest for 2019/20 will be \$3.01 million as the notes mature on November 10<sup>th</sup>, 2019.

Next is US\$140 million unsecured senior notes maturing on December 4<sup>th</sup>, 2022, with an interest rate of 5.73 per cent, annual interest of \$8.2 million.

The following is US\$475 million unsecured senior notes maturing on January 3<sup>rd</sup>, 2023, with an interest rate of 4.138 per cent, annual interest of \$19.66 million.

Moving on, there is a BD\$50,000 local bond maturing on December 16<sup>th</sup>, 2023, with an interest rate of 4.75 per cent, annual interest of \$2.375 million.

Next is US\$550 million unsecured note, maturing on February 6<sup>th</sup>, 2024, with an interest rate of 4.854 per cent, annual interest of \$26.7 million.

Next is US\$665 million unsecured senior notes maturing on January 25<sup>th</sup>, 2027, with an interest rate of 3.717 [per cent], annual interest of \$24.7 million.

And finally, US\$620 million unsecured senior notes maturing on November 1<sup>st</sup>, 2029, with an interest rate of 4.75 [per cent], annual interest of \$29.45 million.

And that ends my contribution on Head 58, Interest on Debt.

## HEAD 59—SINKING FUND

**Sen. Crystal Caesar:** Moving on, Mr. Chairman, to Head 59, Sinking Fund, page B-139.

The Sinking Fund had a decrease of \$64,223,000 (they were dollars this year, Mr. Chairman). Effective March 31<sup>st</sup>, 1993, the Government Borrowing Sinking Fund (or GBSF) was established as a separate legal entity for the repayment of government borrowing under the provisions of the Government Loans Act 1978. During each financial year, the Consolidated Fund of the Government is required to pay to the GBSF 2.5 per cent of the public debt outstanding in the Consolidated Fund at the end of the preceding year.

Until the Government Loans Act of 1978 was amended in 2009, the GBSF was only to be applied to reduce or cancel public debt. The assets are invested in accordance with the Public Funds Act 1954 and are shown as a reduction of debt issued on the Consolidated Fund Statement of Financial Position. The assets are currently invested in US Government and agency securities, investment-grade corporate securities and money market funds. The primary objective of the investment strategy of the assets of the Sinking Fund is principal protection. The one-year return of the fund as of February 28, 2019, was 2.47 per cent.

At the end of this fiscal year, it is anticipated that the Sinking Fund balance will total approximately \$217.8 million. During fiscal year 2019/20, a total of \$180 million of the proceeds in the fund will be used to repay two tranches of maturing private placement notes. This will reduce our interest costs by \$12.1 million per year and lower our weighted average cost of borrowing from 4.591 per cent to 4.437 per cent.

Mr. Chairman, in uncertain times, fiscal rules must accommodate volatility in the funds available for future budgets. Sluggish international growth may continue to limit Bermuda's ability to increase the GDP, generate or sustain employment opportunities, and increase government revenues to support the provision of services. On occasion, there is a financing gap between the stimulatory policies that we would like to see in place to protect jobs and the policies that we can finance from revenue. Governments

must either borrow funds to bridge this financing gap, or they must cut spending to accommodate the actual revenue.

Spending reductions ultimately result in public sector downsizing, which creates weaknesses in the private sector. Mr. Chairman, over the last decade, Bermuda has experienced recurring budget deficits and a growing national debt, coupled with periods of negative economic growth. Significant attention has been focused on our approximately \$2.5 billion of debt, with calls to reduce expenditure, deficits and, consequently, the debt.

The Government is mindful of the effects of the debt burden on the country's fiscal posture and is taking the necessary steps to prudently manage our debt through strategic financings designed to lower interest costs, extend maturities and reduce debt while providing the Government with the space to execute on its economic growth strategy.

Mr. Chairman, as announced in the 2019/20 budget, due to the uncertainties facing the Bermuda economy, mainly in relation to economic substance requirements, the Government reconsidered our fiscal strategy for the 2019/20 budget, as laid out in the Pre-Budget Report. Accordingly, as announced, the Government will suspend the mandatory annual contribution to the Sinking Fund rather than borrow additional monies to make this annual contribution.

This decision has been made in light of the following factors: Apart from the private placement notes referenced above, the next maturity of government debt will occur in 2022. The interest expense associated with borrowing to fund the mandatory Sinking Fund contributions will be greater than the investment return generated on those funds, and the Government is forecasting continued operating surpluses, which it intends to contribute to the Sinking Fund for use to make open-market purchases of its existing indebtedness.

Mr. Chairman, the Government Borrowing Sinking Fund is still an important part of the Government's debt management policy, as its primary purpose is to reduce or cancel public debt. Mr. Chairman, all we are doing is inserting a level of flexibility in the process to allow government to make the appropriate responses during times of uncertainty. In this case, instead of having to borrow in order to make a mandatory contribution of \$67 million in the fiscal year, we are proposing the following: Cancel the mandatory contribution of \$67 million to the Sinking Fund. Make a contribution of up to 75 per cent of the 2019/20 surplus in the 2020/21 fiscal year. During the next session, legislation will be brought forward to provide for this proposal.

Mr. Chairman, as the Government is projecting a small deficit for 2019/20, the Government does not anticipate any long-term borrowing in this fiscal year, and at March 31<sup>st</sup>, 2020, it is estimated that the gross public debt will stand at \$2.5 billion; and debt of

the net Sinking Fund will be \$4.57 billion once we apply the projected surplus to the Sinking Fund.

In closing, I wish to assure the public that the Government is sensitive to the challenges which arise when debt is unsustainably high. And, to reiterate, the Government has a plan of action to reduce the public debt and to guide the country to a sustainable fiscal path. With those remarks, Mr. Chairman, I end my comments on Heads 10, 58 and 59.

**The Chairman:** Thank you very much, Senator Caesar and Senator Campbell, because it was a dual team effort there.

*[Laughter]*

**The Chairman:** Very much appreciated.

We have approximately 25 minutes remaining. Would any Senator wish to speak to these heads?

Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Mr. Chairman. Thank you, Senators.

That was a very detailed brief on Head 10. And I guess despite the level of minutia, there were a couple of clear areas that were not addressed that I would have liked to have seen addressed. And I will try and focus my questions there.

First of all, the various pension funds, the CPF and the PSSF, were described as being in good shape in the short term. But there was no mention at all in the statement (and this was before things were abbreviated) . . . there was no mention of a plan to affront the long-term underfunding problem. And I would certainly like to hear what Government's plan is to address that. I believe it is well over \$1 billion now in underfund.

Especially seeing that this is of, I guess, even more importance now that we have seen the departure from the target of 2.5 per cent of outstanding debt, whether you want to retire it or put it into the Sinking Fund, we have seen a massive departure from those targets for the next three years. So, I am especially concerned about what the plan is to address the long-term underfund of the pension.

I look at the Grants line. For those listening, I am on page B-116, Head 10, looking at the Grant line for the Gaming Commission. I am not sure if this is something that was transferred in from another Ministry. I could not find it, looking through previous grant contribution lines, but there is a half a million dollars dedicated for 2019/20 to the Gaming Commission. But, obviously, it is showing zero on the years prior.

I just want to know if that is a brand-new grant or if that has been transferred in from another Ministry? And I would also like to know if the Ministry of Finance feels that a banking solution can be achieved

for gaming if the amendment to the Gaming Act in December 2017 is not rolled back.

I also have a question, if we look at the capital development line for the Ministry of Finance Headquarters, and this is found on page C-4. There is a half a million dollars a year dedicated towards the Bermuda infrastructure fund. And I would like to know what public sector projects, or otherwise, are being supported by that half a million dollars a year, because I am not aware of any. I would just like to know that we are getting value for money with that. Between 2017/18, 2018/19 and 2019/20, there were \$1.5 million spent on that fund.

I would also like to know, there was talk of the Efficiency Committee, which seems to fall under HQ. And there was a lot of talk about transparency with the Pre-Budget Report. But I would like to know when and if there is any intention of making that report that was finalised on September 2018 public, and in a dollar value, how much savings are projected to come out of that report?

Flipping over to page B-118, I am looking at the employee numbers in full-time equivalents. And I would like to know, I guess on a couple of fronts, first, who is responsible for the banking for gaming within the Ministry? I do not see any obvious increases to staffing across the various business units. Is it just the Minister, or is there some other level of civil service support to see this initiative through?

I also heard in the statement (and please correct me if I misheard) that the Economic and Financial Intelligence business unit will be responsible for overseeing the two mortgage initiatives that the . . . (I am sorry; not you, Mr. Chairman.) If Senator Campbell could advise me about the two mortgage initiatives that were in the Budget Statement, primarily the guarantee facility for bank finance loans, as well as the direct lending initiative coming from Government to the civil servants. If the Economic and Financial Intelligence business unit is going to be responsible for this, I would have expected an increase in full-time equivalent units to manage such a technical and rather large process.

Shooting over to the performance measures, on page B-119, I notice that the percentage variation on current account expenditure was positive, I guess, from a budgeting standpoint. But it came in at 3.3 in the actuals in 2017/18, and the revised forecast for 2018/19 is 1 per cent over. The variance targets are plus/minus 2 per cent. With a \$7 million surplus projected, that is a very fine window. And I just wanted to know what, if any, additional measures are being put in place to ensure that there is no borrowing, or we do not have to dip into what is left of the Sinking Fund if the surplus target is not met for 2019/20.

I also wanted to know . . . on the GDP performance measures, the revised forecast for 2018/19 on page B-119 is showing 1.0 [per cent] to 2.0 per cent. But I believe in the National Economic Report it was

revised down to 0.5 to 1.0 per cent. So, I wanted to know what, in the economic context that we live in, makes the Ministry believe that the target outcome for 2019/20 will be better than the 2018/19, what I believe should be the revised forecast as per the Budget Statement and the National Economic Report.

I am not terribly concerned, I guess, about seeing progress on the government net debt to revenue at this stage. Any form of contribution towards retiring notes will improve that measure. I am more concerned about the interest to revenue targets because, obviously, we are more exposed to international lending rates as we come to refinance notes as we go forward. And I guess I will use that opportunity to segue into interest on debt, on page B-138. Right now, our interest on debt is \$117 million, basically. And for those listening at home, I guess I find it instructive to compare that to some of our other larger ministries.

And, Mr. Chairman, I know you have a few questions. I will make sure I am wrapping up in the next few minutes.

**The Chairman:** Please continue. Do not worry about my questions.

**Sen. Nicholas Kempe:** The interest on debt at \$116.5 million or \$117 million is, when you compare it to National Security, at \$135 million; when you compare it to the Ministry of Education, [is] at \$137 million; when you compare it to hospitals, [is] at \$145 million, and even Financial Assistance [is] at \$51 million. One can quickly see that the interest on debt is crowding out public services. So, when you borrow money, you are not just borrowing from your lenders. You are also borrowing from your future self. And the debt was created, if one looks back at the last 20 years of deficits and debt, and especially on the CapEx side, by a lack of discipline in managing of public funds.

So, I can understand the Minister's rationale as it relates to negative carrying costs for this year only, with the suspension of the Sinking Fund. But I am very concerned about our exposure to fluctuation and interest on debt in coming years. If we are not aggressively focusing our targets and our saving or retirement of notes, discipline towards tackling the outstanding debt going forward . . . If we look at the interest on debt, and Senator Caesar gave us a breakdown of upcoming notes that are due, we are aware that this fiscal year upcoming, we have a \$100 million note at 7.38 per cent. Now, that will be retiring the most expensive note that we have out there. But it is also one of the smaller notes.

So, my concern is that with the departure from a savings discipline, when it comes time to retire the \$615 million in 2022/23, the \$600 million in 2023/24, the \$665 million in 2026/27, or the \$620 million in 2028/29, that if we do not have the savings to start aggressively knocking down these notes, when we

refinance, we are refinancing less capital, that if interest rates take an upward correction we could be exposed to some wild variance on our interest on debt.

Take, for example, one of the notes that worries me the most, and that is the \$665 million that is due to be retired or refinanced (most likely) in 2026/27. That note is running interest at 3.717 per cent, or \$25 million per year. Just to put it into perspective, if, for example, that needed to be refinanced at the rate of the note that we are retiring this upcoming fiscal year, that would move the interest on debt on that note alone—again, it is 7.38 per cent—to \$49 million a year, which is \$24 million more in interest than we are presently paying on that note.

So, again, I am concerned about the departure from discipline. I am concerned about the fact that, unlike most countries, or a lot of countries that print their own currency and can borrow in their own currency, there is the key exposure of inflationary recessions because of borrowing in foreign currency. When we look at the kind of key levers that a government has to retire debts, it is monetary policy, which we really do not have since we do not print our own currency. We are pegged to the US. Austerity is a key one, and that seems to be a bad word with this Government. I am not sure why. But when we have a long-term debt crisis like this, we really need to be mindful of what limited levers we have to address it.

I am also, I guess, still unclear, because I have only heard vague intentions as it relates to the Sinking Fund. The 2.5 per cent contribution, or, if one wants, a retirement of outstanding notes (I am not terribly concerned which way that goes depending on cancellation and refinancing fees), but the 2.5 per cent target of kind of debt tackling of the outstanding debt was a laudable savings goal or retirement-of-debt goal. This replacement of up to 75 per cent of surplus is an incredibly vague commitment. What if nothing? And if the whole 75, what is going to happen to the surplus?

We have the \$7 million projected for this year, and there has been nothing said in any of the statements that I recall of what would be done with that. Next year there is a projected surplus of which 75 per cent of would be \$15 million, as opposed to some \$60 million if we go by the 2.5 per cent outstanding debt calculation. And in 2021/22, the full 75 per cent, if that were actually dedicated towards the debt, and it is not clear it will be, would only be \$39 million. So, again we are going to have a significant amount of the \$615 million due to retire in 2022/23 if we are not tackling this outside debt.

So, I would like to hear what the Government plan is to meet the performance measures set out in Ministry of Finance Headquarters, because this departure from savings discipline is not going to make much of a dent on the retirement of debt.

Thank you, Mr. Chairman.

**The Chairman:** Thank you, Senator Kempe.

I am going to forgo my questions because there are only about eight minutes left for Senator Campbell to answer the questions.

So, I am going to turn it over to Senator Campbell.

*[Pause]*

*[Crosstalk]*

**The Chairman:** Thank you, Senator Campbell. I think you are ready to answer some of the questions.

**Sen. Vance Campbell:** Thank you, Mr. Chairman. I do have some answers to some of the questions.

The concern of how the Government plans to address the underfunding of the pensions, there has been the formation of a Pension and Benefits Working Group, inclusive of actuarial assistance.

The Government has recently . . . the increase, the contributions . . . and the Government also eliminated the automatic cost-of-living increase. So, the work of the Pension and Benefits Working Group, inclusive of the work of the actuary who is on that group, the increased contributions and the elimination of the automatic cost-of-living increases are steps in the direction to address the underfunding.

The question around the half a million-dollar grant to the Gaming Commission, as to whether this was a new grant or transferred in, there was no grant last year. And the Gaming Commission had gone out to the market and borrowed money. The question around whether there is a banking solution to be found for gaming is still being worked on.

Mr. Chairman, the Senator had a question concerning the infrastructure fund and what is being supported by that. At this point in time, Mr. Chairman, there are discussions going on as to what various public/private sector proposals can be supported with these ones. But no final decision has been made in reference to the use of these funds.

That is all I have so far. If you bear with me, I will get some more.

**The Chairman:** Please continue, Senator. That is fine.

*[Pause]*

**The Chairman:** We have three minutes left.

## **ANNOUNCEMENT BY THE CHAIRMAN**

### **SENATE VISITOR**

**The Chairman:** While we are waiting, just for the listening public, I would just like to acknowledge the presence in the Chamber this afternoon (it is still just

. . . well, I guess it is this evening now) of the Minister of Finance, the Honourable Curtis Dickinson.

It is very nice to have you here with us this evening, sir.

*[Committee of Supply, continuing]*

**The Chairman:** Yes, there are two minutes left. Maybe a quick answer? Very quick.

**Sen. Vance Campbell:** Mr. Chairman, a few more answers.

The mortgage initiatives, outside assistance will be sought to assist with that. And funding is in place for that.

The employee who is responsible for finding or overseeing the banking for gaming is the Assistant Financial Secretary for Economics and Finance, along with the Minister, given the Minister's background.

The report of the Efficiency Committee is in hand. No decision at this time has been made as to whether it is going to be released—whether it will be, or when it will be, released to the public. However, we did hear of measures that have already started in the Office of the Tax Commissioner, where additional resources were provided so that outstanding monies owed to the Tax Commissioner have and will be collected. And we heard that \$3 million have been collected to date as a result of these measures.

**The Chairman:** Thank you, Senator Campbell. Senator Kempe, you have one minute.

**Sen. Nicholas Kempe:** Okay. Thank you, Mr. Chairman, just a clarifying question.

Senator Campbell said that there was funding allocated to support the mortgage initiative. But I would appreciate it if he could let me know what line item that is.

**The Chairman:** All right. I think that we are at the end of our time. So, Senator Campbell, maybe if you would share the answer to that question with Senator Kempe after Senate that would be very good.

**Sen. Vance Campbell:** Okay.

**The Chairman:** Thank you.

Senator, would you like to move your heads, please?

**Sen. Vance Campbell:** Thank you, Mr. Chairman.

Mr. Chairman, I move that Heads 10, 58 and 59 be approved.

**The Chairman:** Is there any objection?

No objection.

So moved.



*[Motion carried: The Ministry of Finance, Heads 10, 58 and 59 were approved.]*

**The Chairman:** And, Senator, if you would like to move your remaining heads into the budget, please?

**Sen. Vance Campbell:** Mr. Chairman, I move that . . . Do I have to do them individually?

**The Chairman:** Yes.

**Sen. Vance Campbell:** Okay. Mr. Chairman, I move that the following heads be approved, non-Ministry Department Heads 1, 2, 5, 56, 85, 92, 98 and 101; Cabinet Office Department Heads 13, 26, 43, 51, 67 and 80; Ministry of Finance Heads 11, 28, 38 and 39; Ministry of Legal Affairs Heads 3, 74, 75 and 88; Ministry of Education Heads 18 and 19; Ministry of Tourism and Transport Heads 30 and 34; Ministry of Health Heads 21, 22 and 91; Ministry of Public Works Heads 49 and 97; Ministry of Labour, Community Affairs and Sports Heads 71, 20 and 52; Ministry of National Security Heads 83, 7, 12, 25 and 45; Ministry of Home Affairs Heads 93, 29, 32, 50, 79 and 89; and Ministry of Economic Development and Tourism Head 95.

**The Chairman:** Is there any objection?  
No objection.  
So moved.

*[Motion carried: All remaining heads were approved.]*

**The Chairman:** Please continue, Senator Campbell.

**Sen. Vance Campbell:** Mr. Chairman, I move that the Capital Accounts estimates be approved and stand as part of the Bill.

**The Chairman:** Is there any objection?  
No objection.  
So moved.

**Sen. Vance Campbell:** Mr. Chairman, I move that clauses 1 through 6 of the Bill, together with Schedules A to C, inclusive, be approved and stand as part of the Bill.

**The Chairman:** Is there any objection?  
No objection.  
So moved.

**Sen. Vance Campbell:** Mr. Chairman, I move that the preamble be approved.

**The Chairman:** Is there any objection?  
No objection.  
So moved.

**Sen. Vance Campbell:** Mr. Chairman, I move that the title stand as part of the Bill.

**The Chairman:** Is there any objection?  
No objection.  
So moved.

**Sen. Vance Campbell:** Mr. Chairman, I move that the Report of the Committee on the Bill entitled the Appropriation Act 2019 be adopted by the Senate.

**The Chairman:** Is there any objection?  
No objection.  
So moved.  
Thank you very much, Senators.

*[Motion carried: The Appropriation Act 2019 and the Estimates of Revenue and Expenditure for the Year 2019/20 were considered by a Committee of the whole Senate and approved without amendment.]*

**Senate resumed at 6:26 pm**

*[Sen. the Hon. Joan E. Dillas-Wright, President, in the Chair]*

## **REPORT OF COMMITTEE**

### **APPROPRIATION ACT 2019**

#### **ESTIMATES OF REVENUE AND EXPENDITURE FOR THE YEAR 2019/20**

**The President:** Senators, we are now back in the Senate.

Is there any objection to the Report of the Committee?  
No objection.  
Senator Campbell, over to you.

**Sen. Vance Campbell:** Madam President, I move that the Bill be now read a third time.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on.

## **BILL**

### **THIRD READING**

#### **APPROPRIATION ACT 2019**

**Sen. Vance Campbell:** Madam President, I move that the Bill entitled the Appropriation Act 2019 do now pass.

**The President:** Is there any objection to that motion?

No objection.  
The Appropriation Act 2019 is passed.

*[Motion carried: The Appropriation Act 2019 was given a third reading and passed.]*

**Sen. Vance Campbell:** Thank you, Madam President.

**The President:** Thank you, Senators.

And I would also just like to say that it has been a fulsome debate, and I want to thank all Senators who participated in it. And I would like to especially thank Senator Jardine and Senator Michelle Simmons, who have conducted the process.

We will now move on to . . . Well, Senators, the other orders, we understand that they have been carried over. So, that concludes the Orders of the Day.

## MOTIONS

**The President:** There are none.

## CONGRATULATORY AND/OR OBITUARY SPEECHES

**The President:** Would any Senator care to speak to that?

Senator Jones, you have the floor.

**Sen. Marcus Jones:** Thank you, Madam President.

I would just like to extend hearty congratulations to Bermuda's Senior National Football Team that won 3–1 over the Dominican Republic. We know it was a historical win. And that qualifier means that they are going to be placed in the Gold Cup for the first time. So, it is a historic event, and we would just like for congratulations to be extended to Bermuda's national team.

Thank you.

**The President:** Senator Jones, I am sure the entire Senate body would join you in those sentiments.

Would any other Senator care to speak on Congratulatory and/or Obituary Speeches?

Senator Kathy Lynn Simmons.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I would like to acknowledge the efforts of our Special Olympians, who returned home today to much celebratory moods. And really, they need to be acknowledged. And the public acknowledgement that came from the Government was very, very welcome. The Premier and Cabinet Ministers invited them into the Cabinet Office. And they have done us proud. So, on behalf of the Senate, I would like to extend my

congratulations to the Olympians and their parents and supporters.

**The President:** Thank you, Senator Kathy Lynn Simmons. And I am sure, again, we all join in those sentiments.

Would any other Senator care to speak?

No? Then we move on to Adjournment.

## ADJOURNMENT

**The President:** Senator Kathy Lynn Simmons, Attorney General and Government Leader in the Senate.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I move that the Senate do now adjourn until Wednesday, March 27<sup>th</sup>.

**The President:** Is there any objection to that motion?

No objection. Would any Senator care to speak on the motion to adjourn?

Senator Jones, you have the floor.

**Sen. Marcus Jones:** Thank you, Madam President.

It has been a very long and telling time that we in the Senate have had. Many issues have been raised that have caught the attention of the community. And then, there is one subject that I would like to leave a few words on and be a counterbalance to, I believe, some statements that were made in regard to the Municipalities Act.

*[Inaudible interjections]*

**The President:** You cannot reflect on a debate that we have already had. You cannot reflect on the Municipalities Bill.

**Sen. Marcus Jones:** Okay. Am I allowed to reflect on things that were spoken on the night of—

**The President:** Not at all. No. No. There will be no comment, Senator. Once we have passed the Bill in this Senate, you certainly cannot comment in the same session. So, no, that is not allowed.

**Sen. Marcus Jones:** Okay.

**The President:** You need to remind yourself of the Orders of the Senate.

Would any other Senator care to speak on the motion to adjourn?

No? Then, Senators, the Senate stands adjourned until Wednesday, the 27<sup>th</sup>. We will meet then.

Thank you.

*[At 6:31 pm, the Senate stood adjourned until 10:00 am, Wednesday, 27 March 2019.]*

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**BERMUDA SENATE****OFFICIAL HANSARD REPORT  
27 MARCH 2019  
10:01 AM***Sitting Number 12 of the 2018/19 Session*

*[Sen. the Hon. Joan E. Dillas-Wright, President, presiding]*

**The President:** Good morning, Senators.  
The Senate is now in session.  
Shall we pray?

**PRAYERS**

*[Prayers read by Sen. the Hon. Joan E. Dillas-Wright, President]*

**The President:** Please be seated.

**CONFIRMATION OF MINUTES**

*[Minutes of 20<sup>th</sup> and 22<sup>nd</sup> of March 2019]*

**The President:** Item 2, Minutes of 20<sup>th</sup>, 22<sup>nd</sup> and 25<sup>th</sup> of March 2019.  
Senator Jardine.

**Sen. James S. Jardine:** Madam President, I move that the Minutes of the meetings of Wednesday, the 20<sup>th</sup> of March and Friday, the 22<sup>nd</sup> of March 2019, be taken as read, and that consideration of the Minutes of the meeting of Monday, the 25<sup>th</sup> of March 2019, be deferred.

**The President:** Is there any objection to that motion?  
No objection.

**Sen. James S. Jardine:** Madam President, I move that the Minutes of [Wednesday, the 20<sup>th</sup> of March](#) and [Friday, the 22<sup>nd</sup> of March 2019](#), be confirmed as correct records of those meetings.

**The President:** Is there any objection to that motion?  
No objection.  
The Minutes of the 20<sup>th</sup> and the 22<sup>nd</sup> of March are confirmed.  
Thank you, Senator Jardine.

*[Motion carried: Minutes of 20<sup>th</sup> and 22<sup>nd</sup> of March 2019 confirmed.]*

**MESSAGES**

**The Clerk:** There are no messages, Madam President.

**The President:** Thank you.

**REPORTS OF COMMITTEES**

**The President:** There are none.

**ANNOUNCEMENTS****PARLIAMENTARY SEMINAR**

**The President:** Senators, I would like to remind you [of] the Parliamentary Strengthening Seminar on May 1<sup>st</sup> and the 2<sup>nd</sup>, for which you have received an invitation from the Speaker of the House. [This] is a reminder, and would you please RSVP to Mrs. Place.  
Thank you.

**NOTICES OF MOTIONS**

**The President:** There are none.

**PETITIONS**

**The President:** There are none.

**STATEMENTS**

**The President:** There are none.

**INTRODUCTION OF BILLS**

**The President:** There are none.

**FIRST READING OF PUBLIC BILLS**

**The President:** There are none.

**FIRST READING OF PRIVATE BILLS**

**The President:** There are none.

**QUESTION PERIOD**

**The President:** There are none.

## ORDERS OF THE DAY

**The President:** The first Order of the Day is the second reading of the Liquor Licence Amendment Act 2019.

Senator Kathy Lynn Simmons, Attorney General and Government Leader, you have the floor.

## BILL

### SECOND READING

#### LIQUOR LICENCE AMENDMENT ACT 2019

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

Madam President, I am pleased to share with the Senate today the [Liquor Licence Amendment Act 2019](#) to usher in needed reform to our liquor licensing regime.

The salient features of this Bill are: (1) to reconstitute the Liquor Licensing Authority; (2) to create a new type of permit for restaurants offering catering services; (3) to create new classes of licence in relation to itinerant restaurants and special events; (4) make provision for ministerial guidance to be issued; (5) provide for inspectors to be appointed to ensure enforcement of the Liquor Licensing Act 1974; and finally, (6) to provide long overdue updated permit and licence fees and fines for licence applications and violations.

Madam President, at present, appointments to the Liquor Licensing Authority, except the Chairman, are made by the Governor on the advice of the Minister responsible for liquor licensing. The Governor was forwarded a copy of the Bill for comment. And in a letter dated the 4<sup>th</sup> of March 2019, he advised regarding the changes of appointment. And I quote, Madam President, “At present, appointments to the Authority are made by myself as Governor on the advice of the Minister. The proposed change to appointment by the Minister is therefore not in itself substantive so there is no objection to the amendment.”

Madam President, the Senior Magistrate, as Chair of the Liquor Licensing Authority, was consulted during the drafting of the Bill and provided suggested changes that were included in the amendments to enhance the Bill. Further, there has been considerable feedback provided by those in the industry. All of these recommendations were particularly instructive and carefully considered.

Madam President, expanding the scope of the liquor licensing regime is necessary to cover instances where there are gaps in persons being eligible to obtain a liquor licence. Those familiar with the principal Act will know about the al fresco dining permit provided in section 21A of the Act. This permit allows for a restaurant licence holder to obtain a permit to sell

alcohol in an open-air area adjoining the licensed premises that is designated in a sketched plan submitted with the application for the al fresco dining permit.

The Act presently does not afford the opportunity to sell or supply alcohol at a catered event at an off-site venue. Accordingly, Madam President, the amendment provided in clause 10 of the Bill gives the holder of a restaurant licence the ability to apply for a permit to serve alcohol when providing catering services at off-site venues.

A catering permit is attached to a restaurant licence granted under the Act, and there is no fee for the catering permit. Therefore, the holder of a restaurant licence can apply for a permit to sell or supply alcohol at a venue that is not adjoined to the restaurant. To be eligible for the permit, the restaurant has to operate a catering business as part of its business. This paves the way for restaurants to have the opportunity to enhance their business by obtaining this permit and expand their service to customers.

Madam President, provisions have also been added to grant two new classes of licence. The first is an itinerant restaurant licence, which will allow the holder of a licence under the Public Health (Food) Regulations 1950 to operate an itinerant restaurant, to apply for a licence to serve alcohol at a gathering or event.

Madam President, there are case terms which are provided for in the definition section of the Public Health (Food) Regulations. If you do not mind me quoting—

**The President:** Absolutely. Carry on.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you.

“‘Itinerant restaurant’ includes—(i) any restaurant operating for a temporary period in connection with a fair, carnival, circus, public exhibition or similar gathering; (ii) any moveable stand or vehicle from which food is sold;” (and that is relevant today) “and (iii) any kitchen in which food is prepared for any such restaurant, stand or vehicle.”

Connecting the new itinerant restaurant licence to the health licensing legislation ensures that not just anyone who cooks for and provides food at a gathering or event can obtain this licence.

Madam President, the second new class of licence is a special event licence. A special event licence is for temporary or infrequent events that fall outside the parameters of the criteria for the classes of licence presently available under this Act. This licence will allow for the supply of alcohol at private or promotional events, or the sale of alcohol at a public event. Examples of a special event include a sip-and-shop at retail stores and the increasingly popular wine tasting events.

Madam President, it is important to highlight that the new classes of permit and licences address concerns raised by the Bermuda Tourism Authority.

The Authority advises that due to a lacuna in the Act, destination weddings, which more often than not require catering services, were in jeopardy due to the inability to [serve] alcohol at the wedding. Serving alcohol at these weddings is presently unlawful. So, with the expanded classes of permits and licences, alcohol will now be able to be lawfully supplied at destination weddings and other such special events.

Madam President, it is worth noting that Forms 17 to 19, inclusive, under clause 22 of the Bill, are quite instructive as to the requirement for a catering permit, an itinerant restaurant licence, and a special events licence. The form of permit and licence will clearly specify the event, the location, the complete address, and the date and times, for the sale or supply of alcohol at the event.

The new permit and licences will be granted subject to the same conditions as an existing permit or licence, as provided for in section 15 of the [principal] Act.

Madam President, particular attention was given to reform the governing body that grants and renews liquor licences in clauses 5 and 20 of the Bill. Presently, there are three liquor licensing authorities that are divided into separate licensing districts, as provided in section 3 of the Act. Each licensing district encompasses three of the nine parishes, and persons are appointed from each parish within a district.

In 1974, this model presumably ensured that the membership would be more attuned to related issues within each district, such as the suitability of the proposed venues for alcohol sales. However, Madam President, today, with increased mobility, the geographical criteria used to constitute the Liquor Licensing Authority in section 4 of the Act, is no longer justifiable. Ease of transportation and communication means that there is no geographical remoteness or isolation.

Further, the restrictions in the Act regarding appointments to the liquor licensing authorities have presented unnecessary impediments and are not aligned with a modernised liquor licensing regime.

Accordingly, these three separate districts will now be removed and replaced with a single authority, as provided in clause 5 of the Bill. Madam President, presently, the liquor licensing authorities have a combined 10 members, who are appointed by the Governor. The chairman of each licensing authority is the Senior Magistrate, who is statutorily appointed under section 4(1) of the Act.

Among the anticipated benefits of reforming the governance structure of the Liquor Licensing Authority is the enhanced representation from different professional backgrounds and sectors of the [community]. The Bill provides that the Minister responsible for liquor licensing, not the Governor, will appoint members to the new single [liquor] licensing authority. The new Liquor Licensing Authority will include members

from the following sectors: legal; security; drug treatment and social work; hospitality; and retail.

Madam President, in his letter, the Governor stated that he did not see any difficulty in the proposal to remove the three licensing districts provided in the Act or to include in the Liquor Licensing Authority persons with knowledge in hospitality and retail.

Madam President, comparable jurisdictions, such as the Cayman Islands, Turks and Caicos Islands and the British Virgin Islands have all modernised their liquor licensing regime. They more adequately reflect the multi-faceted considerations that inform the decision to grant or renew a liquor licence. In many cases, the liquor licensing agency is fully independent of the judiciary, thereby maintaining an arms-length relationship for the courts to hear appeals where applications for licences are unsuccessful.

Madam President, the Bermuda Police Service presently has various powers of enforcement under Part V of the Act, and an officer has been assigned to enter and inspect licensed premises. These policing powers include the power to search a licensed premise and will remain in force. However, the Bermuda Police Service has conceded that there is a need for additional officers to carry out the prescribed activities. Consequently, amendments to Part V of the Act will allow ministerial discretion to appoint persons as may be required as inspectors to ensure compliance with the Act.

The proposed expansion in the classes of licence will increase the need for the Minister to have this discretion. These measures will enable the reconstituted single [liquor] licence authority, in collaboration with law enforcement, to better ensure compliance with the Act and any terms and conditions of a licence or permit.

Madam President, to decrease the chances of diminishing standards over time under the new law, provision is made under clause 3 for ministerial guidance to be published from time to time. This will have the added advantage of informing the public of their obligations under the Act, including how one is eligible and able to apply for a licence. It is anticipated that this will also have the added effect of encouraging compliance with licensing requirements.

It should also be pointed out, Madam President, that the process for obtaining a liquor licence or permit is quite involved and seemingly onerous on an applicant. There are presently over 12 procedural steps in an application that must be adhered to before a licensed application is considered. This is further justification to streamline the administration, as proposed by this Bill.

Enhanced provisions for guidance are advantageous to expedite these steps and to decrease the chances of any errors which prolong the application process.

Madam President, the streamlining of the application process will eventually include online applica-

tions to assist applicants in a less onerous process. The sittings of the Liquor Licensing Authority will still be required, but allowing online applications will assist with not only with the modernisation of the application process, but also with the timely scheduling of the annual and special sittings of the Liquor Licensing Authority.

Madam President, this takes us to the final issue of updating the 23 fees and 30 fines under the Act. The most recent increases to the licensing fees were in 2016, in amendments to the Act that introduced the tourism event licence.

The PLP, as Opposition at that time, reviewed the Bill and particularly the increases in fines, and suggested to the former Attorney General that no additional expenses be placed on members' clubs, which include sports and community clubs, by way of an increased fee.

During the second reading of the Bill, the former Attorney General stated, as reflected in Hansard, "In terms of the licences, we have agreed to keep members' clubs licenses at the same level—which was \$375."

Madam President, we are mindful that members' clubs still may be in a similar financial position and with their benefit to the community, while there was an increase in the other licensing fees, this fee remains the same.

Madam President, it has been almost 45 years since the Liquor Licensing Act came into operation. And the amendments to the fines are the most comprehensive to date. The increase is intended to be a deterrent for contravention of the provisions of the Act, or any terms and conditions of a permit or licence. Accordingly, the fees and fines were examined to ensure that they are up to date. It should be noted that the fee for a Class A licence went from \$2,000 to \$3,000. It may appear to be a significant increase; however, Madam President, it reflects an increase of \$83 per month. With respect to the fines, consideration was given to ensure that they provide sufficient deterrents.

Before closing, I would like to take this opportunity, Madam President, to thank the men and women who have served the liquor licensing authorities over these years and who continue to serve. Special thanks are extended to the Senior Magistrate and Chair, the Worshipful Juan P. Wolffe, not only for his suggested changes to the Bill, but also for his contributions made to the authorities over the many years.

With that, I conclude and thank you, Madam President.

**The President:** Thank you, Madam Attorney General.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** And before I open the floor, I would just like to acknowledge in the Senate the Permanent Secretary of Legal Affairs, Marva O'Brien, as well as the parliamentary counsel. Welcome to you all.

Would any Senator care to speak on this Bill? Senator Kempe, you have the floor.

*[Liquor Licence Amendment Act 2019, second reading debate, continuing]*

**Sen. Nicholas Kempe:** Thank you, Madam President, and thank you, Madam Attorney General for the summary.

I would appreciate, I guess, just for my own clarity, if you could walk me through the enforcement policy. I understand that there is a summary conviction for the fine, but what if the event . . . I am especially looking at the ad hoc events. What are the next steps if the event does not cease?

How would the non-police inspectors appointed by the Liquor Licensing Authority manage events that continue operating without a licence? I am assuming that they do not have any powers of arrest, and this kind of thing.

I would also like to know . . . I recognise that certainly with putting in fines that are relatively on par with the licence fee, that simplifying the application process was necessary, so I commend those 12 steps being reduced down.

I am looking particularly, I guess, at the payoff for a one-time event operator between having to go through whatever the simplified application process is [with] the one-time fee of \$200 versus the fine of \$500, with there not being a lot of margin.

If you could . . . I was not sure if that simplified process only applied to the kind of standard Class A, B, et cetera, licences, or if it was much simplified for the one-off compared to the existing process?

And when is the online application process expected to be available.

Thank you.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITOR

**The President:** Senators, I would just like to acknowledge another person in the Senate who is the policy analyst, Mr. Livingston Wedderburn.

Welcome to you, sir.

Would any other Senator care to speak? Senator Jardine, you have the floor.

<sup>1</sup> *Official Hansard Report* (House of Assembly), 27 May 2016, page 1878

*[Liquor Licence Amendment Act 2019, second reading debate, continuing]*

**Sen. James. S. Jardine:** Thank you, Madam President.

Madam President, certainly, I applaud anything that sort of streamlines processes, and combining the three into one Liquor Licensing Authority makes a lot of sense in our small Island.

It is, I gather, that all these different licences are there for a purpose. It should be rather interesting for whoever who is trying to monitor all of this because we have catering permits, we have itinerant restaurant licences, which are defined, and we have special event licences, and then [in clause 12] section 22C(3) we have the following, which says: "The licensing authority may grant a special event licence for an event of an infrequent or temporary nature that is not within section 22C(1)."

So there is a very broad spectrum of granting privileges which are given for a variety of events. And I understand there are obviously criteria that everybody has to meet in order to obtain a special event licence. But it seems like, again, one would have to have a pretty good understanding of how these licences are granted. And so I think having one authority to monitor all of this makes a lot sense because they will have to get up to speed fairly quickly, I am sure, with the number of licence applications that will be made.

I did have a comment about the fines perhaps being a bit low. I think, perhaps, one could monitor that over the first year or two that they are in place, and if we find that there are a lot of violations, then perhaps those could be increased in order to discourage any improper use or non-obtaining of licences, and so on.

In terms of the increase in fees, I do not recall the period of time that Madam Attorney General said, but it was, certainly, I think, 45 years or some extended period of time since these fees have been raised, and so I think that raising them from \$2,000 to \$3,000, it is a pretty significant jump. There is no question about that. But when you think back over the period of time [since] there has been an increase, I suppose it is reasonable to assume that.

So I support this Bill. I think the Government is obviously trying to modernise, as we have heard earlier, some legislation which has been in place for a long period of time, and so I would support this Bill, Madam President.

Thank you.

**The President:** Thank you, Senator Jardine.

Would any other Senator care to speak on this Bill?

No? Then Madam Attorney General, there are a few questions.

You have the floor.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

With regard to the enforcement provision, there is no intention for any inspector to have the powers of the police. What is necessary is for the police to be informed, so the oversight with the ministerial appointments in terms of inspectors is simply to gather the information necessary for enforcement. So there is no intention to extend those powers.

With regard to the simplification of the process, all licences will be subject to the same simplified process.

With regard to the online application process, this is being worked on. What we are going to do is probably allow this session to continue as is while we make the amendments that are necessary. The process is quite extensive, as I said earlier, and the Senior Magistrate has basically undertaken to streamline the administrative part of it during the upcoming session. So not every applicant will be required to go before the committee and that is because some of them are just renewing. And so when we have new applicants it will be imperative for us to ensure that they have in place [all that] is necessary, Madam President, to ensure that they are in compliance.

With regard to the various categories of licences, and it does seem quite intricate when you look at the Act, what is important to note is that there are different levels of compliance necessary for the different classes. Because a major event requires, for instance, more security and more oversight, and so what we are trying to do . . . I mean, there was the thought to actually streamline it so that we have one licence. But the different activities surrounding the sale of alcohol . . . there are just so many issues.

But what we try to do is balance the economic interest so members of the public can choose to engage in this as a business enterprise with the prevention aspect. And therein lies the challenge. And so during the process of formulating the Bill, what we had when I came into office was various vendors who sent in their concerns, particularly with respect to wine tasting and other such activities, which were improperly regulated. And in order to maintain the balance of the economic advancement of businesses, as well as the prevention in deterrences we actually had to make specific provision for the categories of licences and permits which were out there and not properly regulated. So there you see the itinerant licence and the like that we have.

With regard to persons understanding the rules, it is imperative that we have the guidance provision. And so as we go along the road to further modernisation, I will be issuing guidance to ensure that everyone understands what this process involves and what the expectations are with regard to compliance.

So what we have today is the first step toward modernisation. And I am extremely keen to refine the process, because that is where I think we are having most of the challenges in terms of persons who want to engage. But I will say that it is incumbent upon ap-



licants to make sure that they actually follow the processes that are in place, because we have had in the past many complaints coming from industry. But when we delved down into the actual problems, we found that people were actually breaking the rules—the applicants were applying late, they were not necessarily in compliance—and what we are going to do as we would do with any new policy is exercise some oversight and monitoring to see where we may have to further refine, issue guidance, and aid the process.

**The President:** Thank you, Madam Attorney General.

**Sen. the Hon. Kathy Lynn Simmons:** Mm-hmm.

**The President:** Now, your second reading.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I move that the Bill be now read a second time.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on.

*[Motion carried: The Liquor Licence Amendment Act 2019 was given a second reading.]*

**Sen. the Hon. Kathy Lynn Simmons:** Am I suspending Standing Order 26?

**The President:** Yes.

#### SUSPENSION OF STANDING ORDER 26

**Sen. the Hon. Kathy Lynn Simmons:** Madam President, I move that Standing Order 26 be suspended with respect to the Bill.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on.

*[Motion carried: Standing Order 26 suspended.]*

### BILL

#### THIRD READING

##### LIQUOR LICENCE AMENDMENT ACT 2019

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I move that the Bill entitled the Liquor Licence Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?

No objection.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Liquor Licence Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection. The Bill is passed.

Thank you, Madam Attorney General, and Senators.

*[Motion carried: The Liquor Licence Amendment Act 2019 was given a third reading and passed.]*

### ANNOUNCEMENT BY THE PRESIDENT

#### SENATE VISITOR

**The President:** We will now move on to the second reading of the Customs Tariff Amendment Act 2019, and before we actually do I would just like to acknowledge in the Gallery the presence of the Permanent Secretary of Health, Mrs. Jennifer Attride-Stirling, and also the parliamentary counsel, Dr. Anthony Richardson. Welcome to you.

Senator Richardson, this is your Bill? You have the floor.

**Sen. Anthony Richardson:** Good morning, Madam President.

**The President:** Good morning.

**Sen. Anthony Richardson:** Hello Senators and members of the listening public.

### BILL

#### SECOND READING

##### CUSTOMS TARIFF AMENDMENT ACT 2019

**Sen. Anthony Richardson:** Madam President, I move that the Bill entitled the [Customs Tariff Amendment Act 2019](#) be now read a second time.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on, Senator Richardson.

**Sen. Anthony Richardson:** Thank you, Madam President.

I am pleased to invite Honourable Senators to give consideration to the Bill entitled Customs Tariff Amendment Act 2019.

Madam President, the Bill proposes to amend the Customs Tariff Act 1917, the principal Act, with measures that include (1) increase to the duty rate to 75 per cent for food and beverage items affected by the sugar tax on the 1<sup>st</sup> of April 2019; and (2) apply the above-mentioned duty rate to chocolate and cocoa preparations containing added sugar.

These measures affect the First Schedule of the principal Act. I am pleased to be speaking on behalf of the Minister responsible for the policy initiative pertaining this amendment.

Madam President, in June 2018, the Government introduced, as promised in the Throne Speech and the Budget Statement, an increase in the duty rate on sugar-sweetened beverages, candies and pure sugar. These proposals were outlined in detail in the Health Ministry's Sugar Tax Consultation document and subsequent reports.

Madam President, in June 2018, the Minister advised the public that Bermuda's new sugar tax would be phased in gradually. On 1<sup>st</sup> of October [2018], a 50 per cent duty rate was implemented on the said items, as part of a transitioning phase. Today, it is proposed to raise the duty rate on the said items to 75 per cent from 1<sup>st</sup> of April 2019. In addition to the full 75 per cent duty rate implementation, chocolate is proposed to be included in the tariff as of 1<sup>st</sup> April 2019 also at the 75 per cent sugar tax rate.

Madam President, Bermuda's food system is an interconnected network of providers, servers and consumers. Accordingly, policy changes in one area can affect all parts of the network. Government is determined to take progressive steps to influence a cultural shift toward healthier food choices in Bermuda in order to tackle our obesity and chronic disease epidemic.

Unhealthy weight is a leading risk factor for chronic diseases such as heart disease, diabetes, kidney disease and cancer, as well as health problems like hypertension and stroke. It is estimated that diabetes and kidney disease currently account for 10 per cent of the country's total health spending.

Madam President, this means just two lifestyle-induced preventable conditions are costing us, Bermuda, \$78 million. This has to stop. The sugar tax is an important part of the measures needed to change choices and behaviour.

Madam President, three out of four adults in Bermuda are overweight or obese, and Government wants to emphasise HEAL—Healthy Eating and Active Living. The elements of HEAL go hand in hand, but it is almost impossible to exercise yourself out of an unhealthy diet.

The World Health Organization recommends that free sugar should be limited to less than 5 per cent of the daily energy intake, or less than 25 grams of sugar per day. Madam President, this means that a single soda—I underscore *single* soda—already exceeds the World Health Organization's recommended

daily intake. And since 50 per cent of adults in Bermuda drink at least one sugary drink a day (I started to smile), we can begin to appreciate how it may contribute to 75 per cent of our population being overweight or obese.

As an aside, Madam President, when we talk about "obese" we think of it as being like just a completely negative thing, but I did not realise until recently that it is not like this gross overweight, it is amazing the degree to which people can be deemed to be obese from, I guess, a medical perspective.

**The President:** Mm-hmm.

**Sen. Anthony Richardson:** Which is more than I would have thought.

But, Madam President, in one Hamilton grocery store, the grocer has affixed blue labels under sugar-taxed items that state, "This item has been affected by the sugar tax." (And I am going to come back to that later on, by the way.) In one aisle alone, the Minister counted 28 labels, and wants to thank the grocer for putting out these labels since it increases awareness. The advice? If your shopping cart and daily diet includes one or more of those items, it is likely that you need to rethink your drink or change your diet.

It is sobering to recognise how many sweetened, calorie-dense food and drink items have flooded our grocery stores and diets. Items that were previously consumed in moderation (i.e., candies) or as treats have become regular fare. Bermuda, we are immersed in an obesogenic environment, and it is going to take awareness, vigilance, and hard work to change that for the better.

Madam President, the World Health Organization proposes the use of taxes as part of a broad strategy to prevent obesity and non-communicable diseases, including type 2 diabetes, to improve health outcomes and direct persons towards healthy options. For instance, the World Health Organization has recommended that sugar-sweetened beverage taxes should be designed to increase retail prices by 20 per cent to meaningfully impact health. Indeed, a number of other jurisdictions have introduced measures in recent years, and studies before and since the introduction of sugar taxes have shown that they help to reduce consumption of these products. And I am sure there will be some comments in a minute in terms of whether this really works, but in any event . . .

A recent study published on the 30<sup>th</sup> of January 2019, showed that the Barbados sugar-sweetened beverage tax of 10 per cent, introduced in June 2015, increased the retail price by 5.9 per cent and decreased sales by 4.3 per cent. I want to emphasise that, or repeat it, in that the beverage tax of 10 per cent, caused the actual retail prices to increase by 5.9 per cent (i.e., less) and decrease sales by 4.3 per cent. At the same time, sales of non-sugar-sweetened

beverages increased by 5.2 per cent, with bottled water sales going up by 7.5 per cent, which is encouraging from a health perspective. In other times, when it comes to numbers, it is like, just numbers. But the reality, this is saying that by increasing the price of these goods, there was less consumption and more healthy alternatives were used instead.

While sugary drinks have been the focus of the sugar tax in most other jurisdictions, the tax proposed for Bermuda includes items such as candies, which now includes chocolate and plain sugar. The goal is to curb unwanted consumption of these foods, which contribute no nutritional value to our daily diets.

As a reminder, the Health Department's full consultation report on the sugar tax is published on their website. I actually have a copy of it here. Madam President, there were 351 responses to the consultation. The findings of the consultation supported the implementation of a sugar tax, with most respondents indicating that the tax would change consumers' behaviour. Again, I smile, because you wonder who the respondents would have been, but anyway. A clear majority of 60 per cent said that candy should be taxed, and many questioned why chocolate was not included. That is why we are now including chocolate.

There was broader support from the consultation for the tax to be introduced at 75 per cent duty, on the suggested items, and that is why we are now proposing to implement the full 75 per cent duty rate. So those who responded wanted a significant tax on these chocolates and candies, and what have you. Sugar and sugar-sweetened items have become more expensive at retail locally, and the increase has prompted greater awareness and adoption of healthier buying habits. There continues to be much support for the sugar tax. And the Minister has received letters of thanks from persons who have been motivated to drastically reduce their daily sugar intake and introduce high fibre and lean protein with every meal. Some amazing results, including diabetes reversals, are possible, and they are being achieved.

Madam President, I will pause here to make the statement that there has been some concern in response to the sugar tax that some retailers are actually increasing prices unnecessarily. The most alarming . . . and I say that anecdotally because I just cannot believe this. But anyway, that in one instance the price of eggs has increased, supposedly, in response to the sugar tax, which, clearly, makes no sense. And so in my role as the chair of the Price Control Commission, I have been asked to monitor any unnecessary increases in prices, which may relate to actual price gouging.

And for Senators and members of the public, the idea is that . . . let's assume it is a chocolate bar that is bought overseas at \$1.00. When you import it, of course, it is going to be . . . the prices for shipping and duty and the rest of it, the cost of duty is not on that, it is on the original purchase price. So it is going

to be inappropriate if the retail price of a chocolate bar, a big chocolate I would say is \$2.00, it is going to be inappropriate if the retail price increases by 75 per cent as a result of this sugar tax. And that is what we are going to be looking into. Also, to make sure that the items that do not contain sugar are not used as an excuse for these increases.

And I am saying that because as part of the Price Control Commission, the challenge was how do you monitor things and, you know, we cannot put in place price controls, per se, but there is the responsibility to ensure that there is not any unnecessary price gouging from this process. And so I am letting everybody be aware that we are going to look at this in a proactive way to ensure that there is not the inadvertent increase in prices.

Madam President, the three most important decisions that we all make for our health every day are breakfast, lunch and dinner. How many ate breakfast today? The Government has already eliminated duty on potatoes, cauliflower, broccoli, turnips, carrots, oranges and apples (I don't see grapes) to further support healthier nutritional choices, showing that this Government is absolutely committed to improving our diets. And so the comment that healthy items are too expensive for us to consume, the Government's response has been to eliminate the duty.

And, again, the commentary has been, When Government puts in place these regimes, do the importers reflect the reductions in their prices? And so, realistically, unless something has changed with the base price, the price for potatoes, cauliflower, broccoli, turnips, carrots, oranges, and apples, for example, should reduce if the duty on those items has now been reduced.

As the Government indicated in a previous Budget Statement, the additional revenue collected from the sugar tax is to support the promotion of healthy living initiatives. Since the October 2018 implementation, the value of imported goods fell by 24 per cent, representing a decrease of \$1.2 million. While it is still early days, and we will continue to monitor, it may well indicate that importation of these items fell during the first five months of the implementation. If this reflects reduced consumption of sugary items, then this is good news. But we have to monitor for a longer period, together with behavioural surveys of consumption, to see the impact conclusively.

I know I am taking a while this morning, Madam President, but I will also say that for the longer period, we have to see whether or not the importers stockpiled before the tax came into play, because that would have the same impact in terms of there would appear to be a reduction, so we have to monitor this for an extended period, as the brief says.

Nevertheless, despite the reduced imports, and there was a net gain in duty of \$695,000 for the affected items, that is a 66 per cent increase in duty despite reduced imports. So it may be having the in-

tended impact. I emphasise that it is early days, but so far the figures are promising.

The additional funds generated by the sugar tax will be allocated to support healthy living initiatives as they are developed. And that is another question, *Well, Anthony, with the sugar tax in place, where has the money gone?* Pardon the grammar, but that is what they have asked. And the answer is, to date, the additional revenue has helped to offset a \$200,000 reduction in revenue from duty losses arriving from the reduction of duty on healthy items of 0.0 per cent duty. So there is no more duty coming in from the other things I talked about just now, and some of the sugar tax has gone to offset that so the Government does not have a net negative revenue.

Also, nutrition labelling on menus and vertical farming have been identified as initiatives that will be supported. And so the rally cry is, *If you are interested in vertical farming let it be known.* Let's get that going.

This continues to be work in progress as potential initiatives develop further. Madam President, I welcome and encourage entrepreneurs to tap into the public's increasing demand for healthier alternatives with reduced or no sugar. A market exists for this, and more and more products can be seen on many retailers' shelves reflecting the changing mood and taste of the population.

The consultation process also noted that local businesses were concerned that taxing sugar would make it more expensive for them to do business, as their goods will be more expensive than imported goods. Local preparers of foodstuff have been given the opportunity to apply for concessionary rates from the Minister of Finance, under the existing provision for commercial manufacturers of goods. And I asked about that because I know sometimes for small bakers, in particular, it is a very cumbersome process. We have been informed that at least two businesses, well-known businesses, have applied and were approved by the Minister of Finance to be included in the Customs Tariff Approved Organisations Notice of 2019, which is Crow Lane Bakery and Dunkley & Pioneer Dairies Ltd.

And I say that because persons have actually asked about that and my response is to do what they need to do to register so they can at least reduce their costs and carry on, you know, whatever they are doing. Especially because we know that there are so many either small or home-based bakeries that, in my opinion, have excellent goods and you would not want those prices to increase unnecessarily.

So, Madam President, the department will monitor consumption levels through health surveys and imports. The first price survey was completed in the summer of 2018 and will be repeated this summer. The STEPS survey will be repeated in 2019 and will monitor overweight and obesity to evaluate whether our interventions are making the difference we need.

Before I conclude, Madam President, I want to give recognition to the staff at the BLDC because yesterday . . . this was a huge point of discussion, some of the points I am making today, and they helped to bring some clarity. And I had to try to reassure them that, yes, healthy alternatives are available and specify that Government has in fact reduced the duty on what are deemed to be healthier alternatives.

So, Madam President, the Government remains committed to reducing chronic diseases and lifestyle-related health problems in Bermuda and we encourage all residents to make a personal commitment to doing the same.

Thank you, Madam President.

**The President:** Thank you, Senator Richardson.

Would any Senator care to speak on this Bill? Senator Jardine, you have the floor.

**Sen. James. S. Jardine:** Everybody is shrugging, so I guess I will jump in.

[Laughter]

**Sen. James. S. Jardine:** As a chocoholic—

[Laughter]

**Sen. James. S. Jardine:** —obviously, a 75 per cent tax on chocolates that I previously enjoyed is going to have a significant impact. There is no question. In addition to my wife who watches very carefully what I eat.

[Laughter]

**Sen. James. S. Jardine:** So from my point of view, the sugar tax, I think, is something that is very worthwhile.

I know we had a debate back in June, I believe, when we passed the first amendment Bill, about sugar tax and the effects that it is having in various countries around the world. And just very briefly, Madam President, I wanted to recall some of the facts. I had a quick look on the Internet for any updates, but certainly in France, when they introduced the sugar tax on soft drinks there, it had a significant impact in terms of the amount of consumption of soft drinks. Belgium, not so much of an effect, but it did have [some effect]. And the United Kingdom, it has had an effect.

What is interesting to note is that the United Kingdom is now pushing forward, as I understand it, with a sugar tax on chocolate, which, as you can imagine in the United Kingdom, is a significant step for them. Chocolate is a major part, unfortunately, I guess, of children's diets over there. It has become so. So, the United Kingdom is moving forward with it

and I guess one could say, well, maybe Bermuda is taking the lead on this, which is a good thing.

So, from my point of view, I understand that obviously a 75 per cent increase in the duty on chocolate is going to, I think, have a significant impact on the consumption of chocolate. It will impact businesses that use sugar. And we have heard from the Senator the consideration that is going to be given to small family businesses which produce home-baked goods and other businesses with respect to that 75 per cent tax.

I was pleased to obviously hear about the reduction to 0.0 per cent on duty on healthy foods, because that is a major issue. If you shop regularly in the food stores, and my wife does not let me shop, because I always buy things that are not on the list.

*[Laughter]*

**Sen. James. S. Jardine:** But if you look at the price of healthy foods in most food stores, they are very, very high. And so those with a limited budget are reduced to buying things that are not quite so healthy simply because they cannot afford the more healthy foods. And so that is good news to hear that duty on things like cauliflower and other vegetables is coming down. I would encourage Government to continue to look at other areas of food stuffs in the grocery stores to see what other foods, more healthy foods, they can reduce the duty on.

I was also pleased to hear the Senator talk about controls or reviewing price gouging, because that is a real concern, where prices of certain goods may go up prior to the implementation of some of these additional duties. And we want to make sure that the benefits that are supposedly being passed on to the consumers are indeed being passed on. So I was pleased to hear that the Price Control Commission is going to be looking at that to hopefully prevent any price gouging that might take place.

So, Madam President, I think on balance, I was certainly in favour of the changes that are being recommended here to the customs tariff with respect to breakfast cereals that have a lot of sugar in them, other baked goods that have a lot of sugar, and I can see my consumption of chocolate bars disappearing into the past.

And so with those few words, Madam President, I support this legislation.

**The President:** Thank you, Senator Jardine.  
Would any other Senator care to speak?  
Senator Robinson, you have the floor.

**Sen. Dwayne Robinson:** Thank you, Madam President.

Regarding the sugar tax, I believe most of us, if not all of us, agree with the fact that we need a healthier population and that, you know, there needs

to be more emphasis put on sugary items. My only concern regarding this sugar tax was that it did not come with an accompanied breakdown of exactly where the percentages were going to go, and a national plan to combat sugar usage, and overeating in things that do cause diabetes.

So, I do support the endeavour to create a healthier population, but I do think that taxes like these should be paired with a national plan that should have been presented to the people of Bermuda so that they could know exactly where those tax breakdowns were going and what initiatives were [coming] down the pipeline so that it showed that there was preplanning and that it was a dedicated tax initiative that was meant to better the people of Bermuda.

So, that would be my only concern. I look forward to seeing a national plan to combat diabetes and the support of initiatives that are already combating diabetes. And I also look forward to seeing a precise breakdown of how those initiatives will be funded and how the sugar tax percentages will be divvied up.

Thank you, Madam President.

**The President:** Thank you, Senator Robinson.  
Would any other Senator care to speak?  
Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Madam President. And thank you, Senator Richardson, for the introductory statement.

I have a few questions about the logistics of the Bill as well as the carveouts. I note that the general intent of the Bill is to curb behaviour by affecting price through importation duties. We are all aware of the prevalence of diabetes in Bermuda. And one of my first set of questions comes around behaviours developed in childhood.

And I just wanted to understand if there was any research or anything that supported the carveout for sugary breakfast cereals, which is obviously a main breakfast item for young children. Certainly, as you get older, perhaps, you start to eat more eggs and this kind of thing, but for young children the fact that there is 0.0 per cent custom duty on sugary breakfast cereals feels a bit like a missed opportunity to affect behaviours there.

I also wanted to ask about the . . . if we look at section . . . where are we in the Bill? Section 2(3) where it refers to custom tariff heading 22.02, and it tackles beverages that have added sugar, but it does not affect the fruit or vegetable juices under heading 20.09. I note that under heading 20.09 of the Customs Tariff that there is only a 5 per cent duty on fruit and vegetable juices, whether or not they contain added sugars. So, again, it feels like the . . . whilst people might be turned away from water with even a small amount of sugar in it, there is going to be no matching price change on fruit juices that could have an ex-

traordinary amount of sugar in it as the customs duty on heading 20.09 is only 5 per cent.

I also worry about, again, without the accompanying communication plan or whatever, that when you look at . . . if you squeeze a juice from a fresh orange at home, you get approximately two ounces of juice out of it. However, you standard to-go size fruit juice contains about 10 ounces of juice and can have 23 grams of sugar even though there is no added sugar in it. Compare that to a Coke that has about 39 grams of sugar. So it feels like there is a bit of a missed gap there, and I just wanted to get some clarity around that from the Senator.

I am also looking at the way in which the duty is levied in the case of any solid imported food stuffs, i.e., not liquid. It seems to be, and I would accept clarification here if I am misreading this, it seems to be per kilo of food, as opposed to per kilo of sugar, which would mean, if I am interpreting this correctly that, for example, a Kind nut bar that has 5 grams of sugar in it, will see the same price increase as a Kind nut bar that has 9.2 grams of sugar in it. So it would seem that it is not assisting people to direct their choices toward the healthier of two options, in this case. It simply is going to drive up the price of any food stuff that has any added sugar in it.

I also wanted to talk about the logistics of shipping and the exemptions as it relates to small businesses. It is all well and good that the largest importers can apply for the tariff exemption when they do their own baking, but for most of the small businesses that engage in baking in Bermuda, they buy their sugar from the wholesaler. And by the time they go and purchase it, the sugar has already been imported and already had a customs declaration filed.

So it becomes very onerous and expensive to then go back and file further declarations to get the lower duty rate on the smaller quantities of sugar purchased by home bakers, which again, kind of makes it harder as a local producer to get these benefits that have been kind of put in after the fact.

So I just want to kind of highlight that I am worried about the actual impact for the small producers because unless they import their own sugar directly from overseas and file their own customs duty declaration, it is going to be very challenging for them to actually benefit from these carveouts.

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITORS

**The President:** Thank you, Senator Kempe.

Before I pass on to the next Senator who wants to speak, I would just like to acknowledge in the Senate the Junior Minister of Finance, the Honourable Wayne Furbert. As well as the Financial Secretary, Mr. Anthony Manders. Welcome to you both.

I think Senator Michelle Simmons, you have the floor.

*[Customs Tariff Amendment Act 2019, second reading, continuing]*

**Sen. Michelle Simmons:** Thank you, Madam President.

I just have a brief comment and a question. I will first say that I applaud the Government for moving forward with this next stage of the sugar tax. Yes, it will hurt because some of us will become more conscious of the fact that we have to pay a lot more to indulge in things that we probably know we should not be indulging in anyway. But, so be it.

I would also like to encourage the Government to go even further with one aspect of what they are doing. And that is with regard to further customs duty relief for fresh fruits and vegetables. The reason I am asking them to go even further and provide more relief on fresh fruits and vegetables is tied to a word that was used earlier, and that is “obesogenic.” I went straight away to the Internet and I found a paper here. It is written by the University of Nevada Cooperative Extension. And it says at the top, “What is an obesogenic environment?” And I would just like to quote a small section of this. May I, Madam President?

**The President:** You certainly may, Senator Simmons.

**Sen. Michelle Simmons:** It says, “The term ‘obesogenic environment’ refers to ‘an environment that promotes gaining weight and one that is not conducive to weight loss’ within the home or workplace . . . . In other words, the obesogenic environment refers to an environment that helps, or contributes to, obesity. Focusing on modifying the obesogenic environment at the community and policy level can impact the community residents at large. These changes could include access to healthy food and access to places to be physically active . . . .”

So one of the things that we have to continue to strive for is making sure that as many people as possible have access to healthy food. And that access can only be provided if the prices of some of the healthy foods are lower.

I agree with us trying to [have an] impact on thinking and habit by taking away, in a sense, access to the sugary foods, but unless that is supported with us providing better access to healthy foods, then it may not have as great an impact on thinking in the community as we would like. So, my plea, once again, to Government is, please consider going even further in reducing customs duties on more healthy vegetables and fruits. And with that, Madam President, I will end my remarks.

**The President:** Thank you, Senator Simmons.

Would any other Senator care to speak on this Bill?

Senator Campbell, you have the floor.

**Sen. Vance Campbell:** Thank you, Madam President. Madam President, a lot of the discussion around expense has been focused on individuals purchasing and the increased cost they will face. But when you draw back, Madam President, and you look from a macro level, a higher level . . . some people say fly at 35,000 feet. One of the greatest expenses facing individuals in this country today is the cost of health.

These products containing sugar, we have heard, contribute to obesity and other illnesses that are driving the cost of health through the roof. So, we can focus on the impact on Vance Campbell when he buys his chocolate, and I do like chocolate—

[Laughter]

**Sen. Vance Campbell:** And I am also one of those people . . . I was shocked to find was obese. I never considered myself to be obese. But according to the charts, I am.

[Laughter]

**Sen. Vance Campbell:** Yes, I could afford to lose some weight, but I never considered myself obese. But I want us to draw back and stop focusing on our individual purchase and look at the cost to the country through health insurance that these products are causing.

Thank you, Madam President.

**The President:** Thank you, Senator Campbell.

Would any other Senator care to speak? No?

I would just like to make a couple of comments myself as a health professional in the past and certainly I am fully aware of the obesity that is in this Island. I think most of us can remember, way back when, you looked at people in the community and they were not obese, they were not fat, young people. But now what we see is a tremendous increase in the obesity levels in Bermuda.

And, of course, as a health professional I can say that I have been exceedingly concerned, as Senator Campbell has duly noted, about the cost of health care in Bermuda. If you compare us with the other OECD countries, Bermuda, next to the United States, has the highest health care costs.

So I think that if anything is put in place by the Government to draw attention to what we as individuals and as a population can do to lower the cost of health care, it is certainly our diet and the sugary drinks, and even when you look at children . . . I am glad to see in schools that they have programmes when children are involved in activities and recreation.

It just warms my heart to see all the activity because the obesity is not just in the adults, but you have to start in the schools. You have to start with the diet and you have to start with education in schools.

So I fully support and commend the Government for bringing this Bill forward.

Senator Richardson, I believe it is over to you and you have a few questions to respond to.

**Sen. Anthony Richardson:** Sure. Again, Madam President, I obviously take the serious nature of what we are proposing to do, and I will start, I guess, by underscoring the comment from Senator Campbell in terms of this Bill is really not an individual Bill, it is a country-specific Bill. It is for the Island to try to certainly reduce our levels of un-healthiness. In my mind right now, to be honest, there is a picture of persons who have amputations.

**The President:** Mm-hmm.

**Sen. Anthony Richardson:** And, you know, yes, there may be some other elements that attributed to their circumstance, but, clearly, we do not want it to get to a stage whereby we see an increased incidence of amputations that are already quite high. And so we want to be very, very mindful of that.

To add to that, and I take your point, Madam President, in terms of the children at school do engage in physical activity. What I am still surprised at, though, is that in the middle school and also in the senior school, they do less gym or PT, or whatever you refer to it, that activity thing, to the extent where, you know, “back in the day” we had gym like every week all year round.

**The President:** Mm-hmm.

**Sen. Anthony Richardson:** Whereas now, I am like, *Guess what?* The comment sometimes is that, *We don't have gym for an entire term. We deselected gym this term and have it next term.* And I am like . . . this is quite surprising to me.

And we all complain, I guess, around the table. I did smile when Senator Simmons said that she immediately went on the Internet to look what “obesogenic environment” was. I smile only because that is an amazing aspect. But for our young people, they use the electronic devices to an excess whereby on a Saturday, for example—we talked about it recently—we may be outside running around doing whatever, where [our young people] would spend the entire day in front of a TV monitor doing whatever they are doing.

And so part of it, I believe, is going to be a shift from the parents' point of view to stop using the electronic devices as a convenience for babysitting, effectively. Like, find a way to get outside, get the children outside, get them engaged. Yes, there are

some other attending costs about paying for this, that and the other, but we have to, I think, do more to ensure that Bermuda as a country does do more activities.

And to add to that also, Members may not be aware that Government does have initiatives to place more outdoor exercise equipment throughout the Island. I am not sure of the extent they are going to do it, [if not] in all the parks, but in [some of] the parks. Again, my bias, being from St. George's, I know that they have started to do so in the east whereby, you know, there is free equipment and I guess we can engage ourselves in going and working out, you know, just doing some of those fun things. And some of those things are actually free.

I know my personal preference sometimes is to ride a pedal bike, which is not as easy as people think sometimes. When you do it, it is nice. You can go do [these] things, you know, it's relatively free and not too much stress on your body.

Now, I will try, Madam President, to go through some of the direct questions. Starting with Senator Jardine, I think there is a general lament with you in terms of there is going to be less chocolates available.

*[Laughter]*

**Sen. Anthony Richardson:** However . . . sorry, Madam President. The good news, though, is that there are, apparently, sugar-free chocolates. And to the extent that there are sugar-free chocolates—

*[Crosstalk and laughter]*

**Sen. Anthony Richardson:** Madam President, I am being told that nobody wants a sugar-free chocolate.

*[Laughter]*

**Sen. Anthony Richardson:** However, Senator Jardine, that is going to be the option if you want to keep on consuming without the increased costs.

There was also the question of the impact of cost to small businesses. And if I may, Madam President, I want to read a short portion. There is a formal response to that.

**The President:** Mm-hmm.

**Sen. Anthony Richardson:** And it is that, approved bakers or pre-approved manufacturers, bakeries, and itinerant restaurants will be able to obtain a 5 per cent concessionary rate on sugar in one of two ways. If they are importing sugar themselves, they can complete a customs declaration form and take a copy of their licence from the Department of Health with the declaration and that will enable them to get the 5 per cent. Or, if they are purchasing sugar from another

approved business, from a wholesaler, the buyer must provide the seller with a copy of their licence from the Department of Health.

So I will go to one of the importers, for example, to buy some sugar. If I have a licence, I will show them that and I will get the 5 per cent. And then they in turn have to go to Customs to get their refund. So it may be a bit cumbersome, to be honest, but there is a process by which if I am small business and I rely on the cost of my sugar, I will go through that process to make sure that I am not unnecessarily impacted.

So, again, to the general public, the sugar tax is 75 per cent, but for an approved business (let's call it) they can get a 5 per cent [tax] instead. Which I think is quite reasonable.

**Sen. Nicholas Kempe:** Point of clarification.

**The President:** Senator Kempe, what is your thought on that point of clarification?

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** Yes, thank you.

I just want to understand. When a restaurant, or a bakery, or whatever goes to a wholesaler or a supermarket with this kind of proof that they are eligible for a lower customs' rate, must the supermarket wholesaler give them a discount? Or, is this something that is agreed between the two parties?

**The President:** Senator Richardson.

**Sen. Anthony Richardson:** Madam President, I am looking . . .

*[Crosstalk]*

**The President:** Senator Richardson is obtaining a response to your question, Senator Kempe.

*[Pause]*

## ANNOUNCEMENT BY THE PRESIDENT

### SENATE VISITORS

**The President:** While we are waiting, I would just like to acknowledge the fact that we do have representatives from the Customs Department and Senator Richardson is obtaining information from them.

And I would also like to welcome the young people in the Gallery. There are some youngsters here, actually, who are here observing.

Senator Richardson, you have a response to Senator Kemp? You have the floor.

*[Customs Tariff Amendment Act 2019, second reading, continuing]*



**Sen. Anthony Richardson:** Yes, Madam President.

The response is that the importer must give the reduction.

As a process, though, I am going to, as a small business, I am going to need to prove to the importer that I do have the exemption. And that is why I was saying that, to the general public, if you are impacted, my suggestion would be to go to Customs and make sure you go through that proper process, especially if the success of your business is dependent on the cost of sugar for you.

I want to also say, as a general comment for everybody present, that I find this process interesting because a Senator has asked the question, there is a very detailed response to that, and I do not know if we can easily convey the full answer in this format and so, again, I say to any person that is impacted, please, go to Customs and go through the process. It is going to be very important. So, thank you, Senator, for asking for clarification.

There was a question, Madam President, in terms of a strategy, like, I guess, a long-term strategy that goes with the sugar tax. And the answer is yes, there is in fact a national strategy on diabetes. And it is actually available on the Department of Health's website and it was published in 2018. So, yes.

There was also a question . . . I know I am going by multiple Senators [and their questions] at this stage, but there was also a question in terms of breakfast cereals, and the Government has said that they did not put the duty on all cereals at this stage because they wanted to do some more investigation to make sure that they can separate out sweet breakfast cereals from less sweet ones.

And if I may, Madam President, read a formal response?

**The President:** You certainly may, Senator Richardson.

**Sen. Anthony Richardson:** Thank you.

Following the initial intention, "there was further feedback received and discussed and it was determined to defer the addition until the tariff code could differentiate between high-sugar cereals from healthy cereals."

And so we did not wish to penalise healthy breakfast cereals and inadvertently penalise families which are trying to do the right thing. So those who like Honey Nut Cheerios, for example, you can carry on.

There was also a question in terms of fruit juices . . . and I am trying to make sure I get this correct. So if they are 100 per cent fruit juices, the duty is 5 per cent based on the nutritional value. So there is some element in that regard. But I take your point clearly, Madam President, in terms of the lesser sugar content beverages should be encouraged to be consumed. One thing I think we missed, all of us, certain-

ly, is that the least expensive beverage is probably the most abundant one, which is water, encourage us to drink more water.

There was also a question in terms of . . . I actually answered this earlier, about the duty. The duty is charged, I said earlier, on the value of what you are buying, it does not include all of the shipping and the rest of it.

There was a question . . . I might have repeated this one, sorry.

[Pause]

**Sen. Anthony Richardson:** I think that is a repeat. Okay.

Madam President, Senator Simmons asked the question in terms of will the Minister of Finance consider further relief on healthy goods? And I think that [answer] is yes.

**The President:** Address the Chair.

**Sen. Anthony Richardson:** Sorry, Madam President.

That answer is yes. For the Government, it is a question (I think I read this earlier) of—reducing the duty on various goods is going to cause a reduction in Government revenue, and so there will have to be some offset. Having said that, the consideration also is what Senator Campbell said earlier, the bigger picture. So we have to now do some more work, of course, to make sure that we can make the correct decisions in terms of is there going to be a direct correlation between reducing the value of so-called healthy goods to an absolute minimum and how would that be compensated either in reduced health costs or other revenue.

And I will say again, from my earlier comments, one of the activities of the Price Control Commission is to look at some of Bermuda's prices. And I will say again that there is no question of us trying to impose price control. But there is the intention to ensure that prices are not unnecessarily high or [that price-gouging occurs]. Because that is not going to be appropriate either. I know I always use the example of grapes. Grapes are not inexpensive, and the reality is, are they at an appropriate price or not? And unfortunately for all of us it seems as though the grapes are on the shelves on, let's say, a Thursday and by Saturday they are going brown or something. And so we have to really understand that.

And I was interested to hear also, and I hope I got this right, that things, for example, like apples, they are actually grown once a year. And so are actually stored, once they are picked, until they are needed. So it is not as though you pick apples every month, for example, and so we have to understand some of the realities of food. We always talk of course in terms of, you know, you have to buy the product overseas and you got to ship it here and do all these

kinds of things. And so, again, the idea now is to try to ensure that we understand the pricing mechanisms for the local providers and also to ensure that the consumers are aware of the nature, you know, the components of prices, and hopefully in a bigger way, to change purchasing habits where necessary because this will all have an impact on the sugar tax that we are talking about, or the impact of those goods.

And so I want to conclude by saying that, clearly, this is not an intention from Government to penalise individual consumption, [but] trying to encourage us to make healthier choices so that in the long run Bermuda will benefit from reduced health care costs, because ultimately, we all do pay the price for poor health choices because the health system has to then bear the brunt of their role, and of course that is affecting our health payments and all that kind of stuff, so . . .

Madam President, I think I have answered all the questions.

**The President:** Senator Kempe, you have a question that you wanted a response or have not had a response for?

**Sen. Nicholas Kempe:** Yes, thank you, Madam President. Thank you, Senator Richardson.

My question was asked about the . . . I think I got a bit of an answer with the comment on breakfast cereal, that the duty is not being increased on sugary cereals, because this amendment does not have the ability to distinguish between breakfast cereals that have a lot of added sugar and a minute amount of added sugar. So I think that answers my question about the per kilo rate.

But I guess it goes to there if you are getting a snack bar. One that has a drop of honey and high-quality ingredients will suffer a 75 per cent increase based on its purchase price, as well as a candy bar that is mostly sugar.

This Act does not distinguish between snack items which are healthier, and perhaps more expensive, and [those which are] very sugary and cheaper in nature. So it perhaps could curb behaviours toward the less healthy options. I just wanted clarity on how the duty is assessed and the unintended consequences.

**Sen. Anthony Richardson:** Madam President, may I just confer . . . ?

**The President:** Yes, you certainly may, Senator Richardson. You can confer with your . . .

[Pause]

**The President:** Senator Richardson, I believe you have a response.

**Sen. Anthony Richardson:** Madam President, the response is that there is the intention to try to differentiate based upon the quantity in certain products. And I was interested to learn that honey is not deemed to be sugar, so those products will not be impacted.

But to address Senator Kempe's question directly, some of the goods that are imported, the customs officers are able to distinguish based upon the content which tariff code to use, and they will exercise their discretion. Because the intent is not to negatively impact items, in this case snack bars that do not have sugar.

As the brief said, there is the intention to do some more work. Because the tariff codes themselves are fairly rigid, and it is not going to be as easy as we may think, or at least as immediate, to try to change the actual tariff codes, so they will continue to work until we can get this a little bit more efficient.

**The President:** Thank you, Senator Richardson. Now you will do your second reading.

**Sen. Anthony Richardson:** Madam President, I move that the Bill entitled the Customs Tariff Amendment Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?  
No objection.

[Motion carried: The Customs Tariff Amendment Act 2019 was given a second reading.]

## SUSPENSION OF STANDING ORDER 26

**Sen. Anthony Richardson:** Madam President, I move that Standing Order 26 be suspended in respect of this Bill.

**The President:** Is there any objection to that motion?  
No objection.

[Motion carried: Standing Order 26 suspended.]

## BILL

### THIRD READING

#### CUSTOMS TARIFF AMENDMENT ACT 2019

**Sen. Anthony Richardson:** Madam President, I move that the Bill entitled the Customs Tariff Amendment Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?  
No objection.

**Sen. Anthony Richardson:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Customs Tariff Amendment Act 2019 do now pass.

Is there any objection to that motion?

No objection.

The Bill is passed.

Thank you, Senator Richardson, for all the time you have taken to answer questions.

*[Motion carried: The Customs Tariff Amendment Act 2019 was given a third reading and passed.]*

**The President:** We move now, Senators, to the third item on the Orders of the Day and that is the Customs Tariff Amendment (No. 2) Act 2019.

Senator Campbell, you have the floor.

## BILL

### SECOND READING

#### CUSTOMS TARIFF AMENDMENT (NO. 2) ACT 2019

**Sen. Vance Campbell:** Thank you, Madam President.

Madam President, I move that the Bill entitled the [Customs Tariff Amendment \(No. 2\) Act 2019](#) be now read a second time.

**The President:** Is there any objection to that motion?

No objection.

Carry on, Senator Campbell.

**Sen. Vance Campbell:** Madam President, this Bill proposes to amend the Customs Tariff Act 1970, the principal Act, with measures that include (1) increasing the import duty rates for alcoholic beverages and tobacco products, and (2) amending certain end-use reliefs. These measures affect the First and Fifth Schedules to the principal Act.

Madam President, in the Budget Statement in support of the Estimates of Revenue and Expenditure 2019/20, the Government promised to raise duty on cigarettes and tobacco, and on beer, wines and spirits. The increased duty rate is expected to achieve additional customs revenue of about \$1.5 [million] to \$2.5 million. Accordingly, the Bill proposes the following duty increases: The duty on beer and cider will increase by \$0.10, from \$1.26 per litre to \$1.36 per litre. The duty on wines will be increased by \$1.00, from \$5.00 per litre to \$6.00 per litre. Duty on spirits, liqueur and cordials will increase by \$0.65, from \$31.35 per litre of alcohol to \$32.00 per litre of alcohol.

The duty on cigarettes will increase by \$0.03 per cigarette, from \$0.37 to \$0.40 per cigarette, or \$80.00 per carton of 200. The duty on all other tobacco products, except cigars, cheroots and cigarillos will increase to \$500 per kilogram in order to achieve effective parity with the duty rate for cigarettes. And if

anyone is wondering what a cheroot is, it is a cigar with both ends that are clipped, they are open, and it is on paper. So.

*[Laughter]*

**The President:** We are duly edified.

*[Laughter]*

**Sen. Vance Campbell:** It sounds more like a vegetable; that is why I had to look it up.

Madam President I now progress to the measure of the Bill containing end-use reliefs.

Madam President, in the Budget Statement, it was pointed out that the most significant items of capital development expenditure in the 2019/20 budget included school maintenance at \$3 million. In order to help that expenditure go that much further, the Bill proposes to add the following items to the list of qualifying goods under CPC 4110, [Customs Procedure Code] which provides duty relief for school equipment and educational supplies: Lighting fittings, wall clocks, network equipment and cabling; telephones; flooring materials and systems; security cameras; plumbing; drywall supplies; dollies and casters; and doors, windows, and their frames and thresholds for doors.

Madam President, the Bill also proposes to amend CPC 4195, which currently provides duty relief for chemical products and equipment for combating oil pollution. It is intended to widen the scope of relief under CPC 4195 to include all goods for combatting pollution. As a control measure, the Environmental Engineer of the Department of the Environment and Natural Resources [DENR] shall certify that the goods are eligible for this expanded relief.

Madam President, I will take this opportunity to mention that Bermuda Customs puts into practice a recommendation of the World Customs Organization [WCO] aimed at speeding up the forwarding of goods in the event of disasters, including pollution events. In the case of imports, Customs will permit the duty-free release of goods on presentation of the relevant cargo manifests. No import declaration or monetary security is required upon the importation of relief consignments. No export declaration is required for temporary imports of emergency items.

Guidance on customs import procedures for goods for disaster management and humanitarian aid can be accessed on the governmental portal.

Madam President, the Bill further proposes to amend CPC 4215, which provides duty relief for goods for commercial goods production. It is intended to widen the relief to allow the duty-free importation of retail packaging of local animal and vegetable products. The predominant packaging matter for local produce is clear clamshell packaging. Such packages are largely supplied to commercial farmers via DENR [or the] Agricultural Service Centre. The packaging is de-

signed to keep local produce clean and safe for human consumption in order to ensure high quality and to prolong shelf life.

This expanded relief will help to reduce local food production costs, allowing local farmers to better compete with cheaper overseas imports.

Madam President, the Bill also proposes to amend CPC 4196 to provide further duty relief on medical equipment and supplies in relation to goods used to compensate for a physical, mental, or learning disability by extending the scope of goods covered under this CPC.

Finally, Madam President, the Bill does a little housekeeping in a simplified tariff, heading 9803, and in the Fifth Schedule to the principal Act. In the simplified tariff, the tariff code for footwear and watches is to be split into two separate tariff codes, one for footwear and one for watches. This split is revenue-neutral. Also, the tariff code for smoking tobacco and cigars is similarly split, and the new \$500 per kilogram rate is applied to smoking tobacco. Cigars will remain dutiable at 35 per cent of the value.

Madam President, in the Fifth Schedule, it is proposed to correct a small number of outdated references to the Director of the Department of Environmental Protection. The new style is, correctly, the Director of the Department of Environmental Protection and Natural Resources.

With that, I thank you, Madam President.

**The President:** Thank you, Senator Campbell.

Would any Senator care to speak on this Bill?  
Senator Kempe, you have the floor.

**Sen. Nicholas Kempe:** Thank you, Madam President. Thank you, Senator Campbell, for your presentation.

I have a couple of questions as it relates to this Bill. One of the ones, when I look at CPC 4110, which is on page 3 of the copy we have.

I note that the eligible beneficiary is all importers and there are such things as classroom and office stationery, art equipment and supplies, sports, physical education and recreational equipment, which are items that pretty much any parent of a school-age child could purchase. So I guess I would like to know, seeing as it is not limited to just teachers or just schools that are purchasing this stuff, is the onus that is going to be put on the commissioner of education to certify the goods that are eligible for this relief going to be cumbersome?

It is a very large pool of eligible beneficiaries and so I am worried that the scope of relief and the burden being put on the commissioner could cause a lot of unnecessary bureaucracy. And I just wanted to get some more clarity around the eligible beneficiaries and the end-use restrictions.

I would also like to talk about the heads on page 2 of the copy we have. [Tariff code] 9803, I note

with curiosity that cigars and cigarillos and stuff have a 35 per cent rate whereas we are taxing items with any added sugar at 75 per cent. It just seems an interesting contradiction.

I would also like to point out that smoking tobacco or otherwise, I guess, known as lib, is at \$500 a kilo and my concern is some of the unintended consequences around that. I am familiar that many people will switch from kind of their store-bought pre-rolled cigarettes to a loose smoking tobacco in order to curb their consumption of tobacco. And by massively playing with the price point on this I am worried that there will be some disincentives for those people trying to use self-rolled cigarettes as a reduction of consumption strategy.

**The President:** Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

Senator Jardine, you have the floor.

**Sen. James. S. Jardine:** Thank you, Madam President.

Madam President, I just had one question and it is on page 2, dealing with the 9803.141 and 9803.143 on footwear and watches.

I understood the Senator's comments that the changes were revenue-neutral. I was interested to know what the change was on the duty rates for watches, which are now stated at 12.5 per cent. I do not recall what the other rates were, but I do recall some while ago, I believe it was last year, it may have been the year before when changes were made to this particular category. There was concern expressed by some of the retailers who sell watches, principally to tourists who come here. Because of our competitive duty rate, they were able to sell them at a reduced price when compared to the United States. And so this was a very significant part of their business.

So I would be concerned if this rate of 12.5 per cent was significantly more than what the rate was last year because it will harm their businesses. If it is the same rate, then that is fine. But I just ask that question. I did not have an opportunity last night to go online and check what the old rate was. So I would be anxious for an answer on that question.

Thank you, very much, Madam President.

**The President:** Thank you, Senator Jardine.

Would any other Senator care to speak on this Bill?

*[Inaudible interjection]*

**The President:** Senator Kemp, you have additional questions?

**Sen. Nicholas Kempe:** Yes, I know I am not allowed one, but an extra one to the Chair. I just want to point

out what I feel may be an errata in the Bill. Under [tariff code] 9803.141 and 9803.143, this is replacing 9803.141 which levied the duty rate on unit of classification—a unit. It is now being levied on a kilo. So you are going to pay 6.5 per cent per kilo of shoes, and 12.5 per cent per kilo of watches, which seems rather counterintuitive.

**The President:** Thank you, Senator Kempe.

Would any other Senator care to speak on this Bill?

No? Then we will wait for Senator Campbell to get the answers to the questions that have been raised.

*[Pause]*

**The President:** Senator Campbell, I see you are back in the chair. You have an answer to the question?

**Sen. Vance Campbell:** I have a couple of answers, yes.

**The President:** You have the floor.

**Sen. Vance Campbell:** In reference to Senator Jardine's question, the duty on watches and shoes has not changed. That is just to give each category its own separate tariff code. So that has not changed.

I am told that the "kilo" reference in that area will be changed. It is an error, and it will be corrected. So, hopefully, that alleviates any fears in that area.

The rate of 35 per cent on cigars was left in place from a tourism perspective. As it relates to, I think, the tobacco itself, the loose tobacco as opposed to . . . this here closes a loophole whereby the Government was losing a few million dollars a year in revenue. So this closes that loophole.

I am waiting for further clarification when it comes to whether this will be burdensome on the commissioner of education.

**Sen. Nicholas Kempe:** Madam President, I am not sure if this is a point of order or a point of clarification.

**The President:** What is your point of clarification?

#### POINT OF CLARIFICATION

**Sen. Nicholas Kempe:** The Member stated that as it relates to the new [tariff code] 9803.141 and 9803.143, that it was both revenue-neutral and did not change the existing tariff.

However, 9803.141 (if I have the correct copy of the customs tariff in front of me) appears to be a consolidated rate, as one would expect as it was one, and it is listed at 12.5 per cent. So one of the footwear is now being desegregated from the combined tariff

code and it is at a lower rate, so it is neither revenue-neutral nor is it the same rate.

**The President:** Thank you, Senator Kempe.

*[Pause]*

**The President:** We are awaiting a response to the additional question.

*[Pause]*

**The President:** Senator Campbell, you have a response?

**Sen. Vance Campbell:** Thank you, Madam President.

**The President:** You are welcome.

**Sen. Vance Campbell:** In reference to whether this will be burdensome to the commissioner of education, I am advised that the end user must be registered under section 12 of the Education Act 1996, which basically means schools.

**The President:** Mm-hmm.

**Sen. Vance Campbell:** I am also being told that when it comes to footwear it ties back to the First Schedule, and the duty rate in that Schedule is 6.5 per cent. The 12.5 per cent that we see here is related more to couriers than the average person.

**Sen. Nicholas Kempe:** Point of clarification.

**The President:** You are accepting the point of clarification?

**Sen. Vance Campbell:** Not at this time, Madam President.

**The President:** We will carry on then and move your—

#### POINT OF ORDER

*[Misleading]*

**Sen. Nicholas Kempe:** Point of order then, Madam President. The Member may be inadvertently misleading the Senate.

The tariff code that is being amended in this Act that is before us, amends chapter 98, which is for couriers. So any footwear brought in through a courier will now be 6.5 per cent instead of 12.5 per cent, which will result in a decline in revenue.

*[Pause]*

**Sen. Vance Campbell:** Madam President, I am advised that the couriers have the option to go to the First Schedule and bring the goods in at 6.5 per cent, and that is what they would do rather than bring any in at the higher rate. So that is what I am advised, Madam President.

**The President:** Thank you, Senator Campbell.

You will now move on to move the Bill, the second reading.

**Sen. Vance Campbell:** Thank you, Madam President. Madam President, I move that the Bill entitled the Customs Tariff Amendment (No. 2) Act 2019 be now read a second time.

**The President:** Is there any objection to that motion?  
No objection.  
Carry on, Senator Campbell.

*[Motion carried: The Customs Tariff Amendment (No. 2) Act 2019 was given a second reading.]*

#### SUSPENSION OF STANDING ORDER 26

**Sen. Vance Campbell:** Madam President, I move that Standing Order 26 be now suspended in reference to this Bill.

**The President:** Is there any objection to that motion?  
No objection.

*[Motion carried: Standing Order 26 suspended.]*

### BILL

#### THIRD READING

##### CUSTOMS TARIFF AMENDMENT (NO. 2) ACT 2019

**Sen. Vance Campbell:** Madam President, I move that the Customs Tariff Amendment (No. 2) Act 2019 be now read a third time.

**The President:** Is there any objection to the third reading?  
No objection.

**Sen. Vance Campbell:** Madam President, I move that the Bill do now pass.

**The President:** It has been moved that the Bill entitled the Customs Tariff Amendment (No. 2) Act 2019 do now pass.

Is there any objection to that motion?  
No objection.  
The Bill is passed.  
Thank you, Senator Campbell.

*[Motion carried: The Customs Tariff Amendment (No. 2) Act 2019 was given a third reading and passed.]*

**The President:** Moving on to the Orders of the Day, item 14, Motions.

### MOTIONS

**The President:** There are none.

Item 15, Congratulatory and/or Obituary Speeches.

### CONGRATULATORY AND/OR OBITUARY SPEECHES

**The President:** Would any Senator care to speak on this?

Senator Richardson, you have the floor.

**Sen. Anthony Richardson:** Madam President, just a brief congratulations which is extended to the Bermuda College, generally. And in particular, Dr. [Phyllis] Curtis-Tweed, Dr. [Duranda] Greene, and the other support staff on the introduction of the Phi Theta Kappa sorority. And they did it on the basis of the students who were inducted on the basis of academic excellence. And I emphasise the fact that there were, I think, 12 persons who were inducted and some of the students were dual enrolment students.

The implications, or the fact, rather, is that some children will go, to say, Berkeley and Cedar-Bridge and Bermuda College, and their grades were higher than full-time students at Bermuda College. And so the reality is, students who are, say, age 16, 17, and maybe some 18, would more than adequately compete at the college level and be able to attend high grades to be inducted into sorority. And sometimes . . . well, we do sometimes here we do not give appropriate credit to these successes.

So, again, I say congratulations to the Bermuda College for the work they are doing on behalf of our young people.

Thank you.

**The President:** Thank you, Senator Richardson.

Would any other Senator care to speak?

Madam Attorney General, you have the floor.

**Sen. the Hon. Kathy Lynn Simmons:** Thank you, Madam President.

I would like to send best wishes to the players and parents and coaches for the Kappa Football Tournament that I believe is taking place over this weekend. As a mother of footballers, I remember many, many, many, many years of attending this tournament with all the early morning preparations and anxiety during the day. But it is truly a wonderful tour-

nament that draws a huge arm of support from members of the community. And so to the fraternity, *Well done, once again*. And to the children (youngsters, I should say), I wish them all the best for an enjoyable tournament and that they maintain their sportsmanship and enjoy the occasion.

Thank you, Madam President.

**The President:** Thank you, Madam Attorney General. And I am sure we, all Senators, will join you in those comments.

Would any other Senator care to speak on the congratulatory and/or obituary speeches?

If not, we will move on to adjournment.

Madam Attorney General—

With that, the Senate stands adjourned until May the 8<sup>th</sup>.

Enjoy your recess. Thank you.

*[At 11:47 pm, the Senate stood adjourned until 10:00 am, Wednesday, \*8 May 2019]*

*\*[The Senate resumed on Wednesday, 22 May 2019]*

## ADJOURNMENT

**Sen. the Hon. Kathy Lynn Simmons:** Madam President, yes, I move that we adjourn to Wednesday, May 8<sup>th</sup>.

**The President:** Would any Senator care to speak on the motion to adjourn?

**Sen. the Hon. Kathy Lynn Simmons:** May I Madam President.

**The President:** Yes, you may, certainly.

## VOTE OF THANKS TO THE MINISTRY OF FINANCE TEAM

**Sen. the Hon. Kathy Lynn Simmons:** I would like to take this opportunity as we rise to thank the Government's technical officers and the Ministry of Finance for the work that they did in preparation of the heads for the Budget Debate this year.

I would also like to acknowledge the parliamentary counsel who have worked tirelessly once again to move the Government's legislative agenda, so in behalf of the Senate, and special thanks to my team today, Ms. Amani Lawrence. I will say this, there are times that the parliamentary counsel goes far above the responsibility to draft legislation and actually aid ministries and permanent secretaries in other areas, particularly with respect to the brief, and so my team is very dedicated to making sure that we give a thorough briefing in terms of the agenda that we advance with respect to our legislation, and so to Ms. Lawrence, thank you very much, as to the rest of the team.

And on behalf of the Senate, we look forward to the next session and the collaboration that ensures that we all are successful.

Thank you, Madam President.

**The President:** Thank you, Madam Attorney General.

**BERMUDA SENATE**  
**2018/19 SESSION**  
**OFFICIAL HANSARD REPORT**  
**INDEX**

**March 2019**

*This Index is arranged alphabetically with “Order of Business” headings and Senators’ names in **bold**. “Bills” are arranged both alphabetically and procedurally (i.e., First Reading, Second Reading, Third Reading).*

---

**A**

**Adjournment, motions thereon**

Vote of thanks for Ministry of Finance team  
Simmons, Sen. the Hon. Kathy Lynn, 460

**Airport**

Bermuda Airport Authority Annual Report 2017/18, 162

**Announcements**

Bermuda Airport Authority Annual Report 2017/18, 162  
Bermuda Casino Gaming Commission Report, September 2015 to March 2017, 161  
Bermuda Drug Information Network Annual Report 2018, 162 (*See also* Statements)  
Bermuda Educators Council (Exemption) (2018/19 School Year) Amendment Order 2019, 162  
Bermuda Housing Trust Financial Statements 2018, 162  
Bermuda Tourism Authority 2017 year in review, 161  
Customs Duty  
    (BELCO North Power Station) Remission Order 2019, 381  
    (Bermuda Tourism Authority) Remission Amendment Order 2018, 381  
    (Frydays Bermuda Limited) Remission Order 2019, 381  
Customs Tariff Standing Authorisation (Temporary Importation of Vessels Aircraft and Transport Containers) Amendment Notice 2019, 381  
Exchange Control Amendment Regulations 2018, 381  
Information Commissioner’s Office 2018 Annual Report, 381  
Information Commissioner’s Office Financial Statements 2016-2017, 381  
National Economic Report 2018/19, 161  
Nursing Amendment Rules 2018, 162  
Revenue  
    (Customs Traveller Declaration) Amendment Notice 2018, 381  
    (Simplified Entry Inwards)(Humanitarian Aid) Amendment Notice 2019, 381

**Announcements by the President**

Parliamentary Seminar, 441

**Senate Visitors**

Dr. Duranda Greene, President of Bermuda College, 332  
Dr. Jennifer Attride-Stirling, PS Ministry of Health, 359, 446  
Hon. Curtis Dickinson, Minister of Finance, 437  
Hon. Diallo Rabain, Minister of Education, 334  
Hon. E. David Burt, Premier, 371  
Hon. Lovitta Foggo, Minister of Labour, Community Affairs and Sports, 214, 341, 350  
Hon. Michael J. Scott, MP, 240, 307  
Hon. Walter Roban, Minister of Home Affairs, 217, 244, 288, 367



## **Announcements by the President (continued)**

### Senate Visitors (continued)

Hon. Wayne Caines, Minister of National Security, 210, 272  
Hon. Wayne Furbert, Junior Minister of Finance, 185, 214, 288, 426, 451  
Hon. Zane DeSilva, MP, 256  
Lt. Col. the Hon. Minister Burch, Minister of Public Works, 178, 302  
Mr. Anthony Manders, Financial Secretary, 312, 373, 426, 451  
Mr. Anthony Richardson, Parliamentary Counsel, 168, 446  
Mr. Brian Eaton, Parliamentary Counsel, 288  
Mr. Christopher Famous, MP, 187  
Mr. Christopher Farrow, PS Ministry of Labour, Community Affairs and Sports, 350  
Mr. Collin Anderson, PS National Security, 273  
Mr. George Outerbridge, Director of Workforce Development, 350  
Mr. Hubert (Kim) E. Swan, MP, 214  
Mr. Livingston Wedderburn, 444  
Mr. Neville Tyrrell, MP, 187  
Mr. Randy Rochester, PS Public Works, 406  
Mr. Rolfe Commissiong, MP, 332  
Mr. Scott Simmons, MP, 337  
Mrs. Cathryn Balfour Swain, Chief Parliamentary Counsel, 316  
Mrs. Renee Ming, MP, 289  
Mrs. Rozy Azhar, PS Finance, 288, 371  
Ms. Aideen Ratterray Pryse, PS Tourism and Transport, 257, 314  
Ms. Gabriela Richardson, Ministry Controller, 388  
Ms. Marva O'Brien, PS Legal Affairs, 234, 444  
Ms. Melinda Williams, Director of Statistics, 387  
National Anti-Money Laundering Office members, 168

### Appropriation Act 2019 (See Bills)

**B**  
Bermuda Airport Authority Annual Report 2017/18 (See Announcements)  
Bermuda Casino Gaming Commission Report, September 2015 to March 2017 (See Announcements)  
Bermuda Drug Information Network Annual Report 2018 (See Announcements)  
Bermuda Educators Council (Exemption) (2018 to 2019 School Year) Amendment Order 2019 (See Announcements)  
Bermuda Housing Trust Financial Statements 2018 (See Announcements)  
Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations 2019 (See Regulations)  
Bermuda Tourism Authority  
2017 year in review (See Announcements)  
Amendment Act 2019 (See Bills)

### **Bills**

Appropriation Act 2019  
First Reading, 233  
Second Reading  
Campbell, Sen. Vance, 234  
Report of Committee, 438  
Third Reading, 438  
Bermuda Tourism Authority Amendment Act 2019  
First Reading, 178

## **Bills (continued)**

Bermuda Tourism Authority Amendment Act 2019 (continued)

Second Reading

Caesar, Sen. Crystal, 319–320

Third Reading, 320

Customs Tariff Amendment (No. 2) Act 2019

First Reading, 382

Second Reading

Campbell, Sen. Vance, 456–457, 458–459

Jardine, Sen. James S., 457

Kempe, Sen. Nicholas, 457

Third Reading, 459

Customs Tariff Amendment Act 2019

First Reading, 382

Second Reading

Campbell, Sen. Vance, 452

Dillas-Wright, Sen. the Hon. Joan E., 452

Jardine, Sen. James S., 449–450

Kempe, Sen. Nicholas, 450–451

Richardson, Sen. Anthony, 446–449, 452–455

Robinson, Sen. Dwayne, 450

Simmons, Sen. Michelle, 451

Third Reading, 455

Dental Practitioners Amendment Act 2019

First Reading, 233

Second Reading

Richardson, Sen. Anthony, 377–378

Third Reading, 378

Exempted Partnerships Amendment Act 2019

First Reading, 178

Second Reading

Campbell, Sen. Vance, 317–318

Third Reading, 318

Financial Services Tax Amendment Act 2019

First Reading, 165

Second Reading

Campbell, Sen. Vance, 226–227, 227

Kempe, Sen. Nicholas, 227

Third Reading, 227

Foreign Currency Purchase Tax Amendment Act 2019

First Reading, 165

Second Reading

Campbell, Sen. Vance, 224–225, 226

Kempe, Sen. Nicholas, 225

Third Reading, 226

Hotels (Temporary Customs Duty Relief) Amendment Act 2019

First Reading, 165

Second Reading

Campbell, Sen. Vance, 228, 229

Jones, Sen. Marcus, 228

Third Reading, 229

## **Bills (continued)**

### Land Tax Amendment Act 2019

First Reading, 233

Second Reading

Campbell, Sen. Vance, 371–373, 374–377

Jardine, Sen. James S., 374, 375

Kempe, Sen. Nicholas, 373–374, 376

Simmons, Sen. Michelle, 374

Third Reading, 377

### Liquor Licence Amendment Act 2019

First Reading, 382

Second Reading

Jardine, Sen. James S., 445

Kempe, Sen. Nicholas, 444

Simmons, Sen. the Hon. Kathy Lynn, 442–444, 445–446

Third Reading, 446

### Mental Health Amendment Act 2019

First Reading, 165

Second Reading

Dillas-Wright, Sen. the Hon. Joan E., 167–168

Hayward, Sen. Jason, 165–166, 168

Jardine, Sen. James S., 167

Kempe, Sen. Nicholas, 167

Robinson, Sen. Dwayne, 167

Third Reading, 168

### Miscellaneous Taxes Amendment Act 2019

First Reading, 178

Second Reading

Campbell, Sen. Vance, 312–313

Third Reading, 313

### Municipalities Reform Act 2019

First Reading, 165

Second Reading

Caesar, Sen. Crystal, 286–289, 367, 369–371

Campbell, Sen. Vance, 302–303

Dillas-Wright, Sen. the Hon. Joan E., 367–369

Division, 371

Hayward, Sen. Jason, 307–311

Jardine, Sen. James S., 291–295

Jones, Sen. Marcus, 298–299

Kempe, Sen. Nicholas, 303–305

Richardson, Sen. Anthony, 295–298

Robinson, Sen. Dwayne, 290

Simmons, Sen. Michelle, 299–302

Simmons, Sen. the Hon. Kathy Lynn, 305–307, 312

### Payroll Tax Amendment Act 2019

First Reading, 178

Second Reading

Campbell, Sen. Vance, 314, 315

Kempe, Sen. Nicholas, 315

Third Reading, 315

## **Bills (continued)**

Proceeds of Crime Amendment Act 2019

First Reading, 165

Second Reading

Jardine, Sen. James S., 170

Kempe, Sen. Nicholas, 170

Simmons, Sen. the Hon. Kathy Lynn, 169–170

Third Reading, 170

Restaurants (Temporary Customs Duty Relief) Amendment Act 2019

First Reading, 165

Second Reading

Campbell, Sen. Vance, 229–230, 230

Kempe, Sen. Nicholas, 230

Third Reading, 230

Stamp Duties Amendment Act 2019

First Reading, 178

Second Reading

Campbell, Sen. Vance, 315–316, 317

Jardine, Sen. James S., 316

Kempe, Sen. Nicholas, 316

Third Reading, 317

## **Budget Debate**

General Economic Debate on 2019/20 Budget Statement and Opposition Reply

Caesar, Sen. Crystal, 204–207

Campbell, Sen. Vance, 178, 223–224

Hayward, Sen. Jason, 208–212

Jardine, Sen. James S., 192–199

Jones, Sen. Marcus, 212–217

Richardson, Sen. Anthony, 217–222

Robinson, Sen. Dwayne, 207–208

Simmons, Sen. Michelle, 199–204

## **Budget Reply**

Kempe, Sen. Nicholas, 185–192

## **Budget Statement in Support of the Estimates of Revenue and Expenditure 2019/20**

Campbell, Sen. Vance, 178–185, 223–224

## **C**

### **Caesar, Sen. Crystal**

Bermuda Airport Authority Annual Report 2017/18, 162

Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations  
2019, 177, 320–321

Bermuda Tourism Authority 2017 year in review, 161

Bermuda Tourism Authority Amendment Act 2019, 319–320

Budget Debate, 204–207

Congratulatory and/or Obituary Speeches, 174

Estimates of Revenue and Expenditure 2019/20

Ministry of Finance

Head 10-Headquarters, 430–433

Head 58-Interest on Debt, 433–434

Head 59-Sinking Fund, 434–435

## **Caesar, Sen. Crystal (continued)**

Ministry of National Security

Head 06-Defence, 278–281, 283–284, 285

Head 27-Department of Immigration, 270–272, 274–276, 276–278

Ministry of Tourism and Transport

Head 35-Department of Public Transportation, 264–266, 268–270

Head 48-Headquarters, 255–260, 262–263

Municipalities Reform Act 2019, 286–289, 367, 369–371

## **Campbell, Sen. Vance**

Appropriation Act 2019, 234

Bermuda Casino Gaming Commission Report, September 2015 to March 2017, 161

Bermuda Housing Trust Financial Statements 2018, 162

Budget Debate, 178, 223–224

Budget Statement in Support of the Estimates of Revenue and Expenditure 2019/20, 178–185

Congratulatory and/or Obituary Speeches, 231

Customs Tariff Amendment (No. 2) Act 2019, 456–457, 458–459

Customs Tariff Amendment Act 2019, 452

Estimates of Revenue and Expenditure 2019/20

Cabinet

Head 09-Cabinet Office, 383–385, 392–393

Head 14-Department of Statistics, 385–387, 393–394, 395, 396

Head 61-Department of Employee and Organisational Development, 387–388

Ministry of Finance

Head 10-Headquarters, 421–430, 437

Ministry of Public Works

Head 36-Ministry Headquarters, 397–401

Head 53-Bermuda Housing Corporation, 401–405, 420

Head 68-Parks, 405–408

Head 81-Public Lands and Buildings, 408–411

Head 82-Department of Works and Engineering, 411–417, 420

Exempted Partnerships Amendment Act 2019, 317–318

Financial Services Tax Amendment Act 2019, 226–227, 227

Foreign Currency Purchase Tax Amendment Act 2019, 224–225, 226

Good Governance (Protected Disclosures) Order 2019, 171–172

Government Fees Amendment Regulations 2019, 177, 318–319

Hotels (Temporary Customs Duty Relief) Amendment Act 2019, 228, 229

Land Tax Amendment Act 2019, 371–373, 374–377

Miscellaneous Taxes Amendment Act 2019, 312–313

Municipalities Reform Act 2019, 302–303

National Economic Report 2018/19, 161

Payroll Tax Amendment Act 2019, 314, 315

Restaurants (Temporary Customs Duty Relief) Amendment Act 2019, 229–230, 230

Stamp Duties Amendment Act 2019, 315–316, 317

## **Confirmation of Minutes**

14 March 2019, 323

18 March 2019, 381

19 December 2018, 161

20, 22 and 25 March 2019, 441

## **Congratulatory and/or Obituary Speeches**

Caesar, Sen. Crystal, 174  
Campbell, Sen. Vance, 231  
Hayward, Sen. Jason, 174  
Jones, Sen. Marcus, 439  
Kempe, Sen. Nicholas, 174  
Richardson, Sen. Anthony, 459  
Simmons, Sen. Michelle, 173  
Simmons, Sen. the Hon. Kathy Lynn, 173, 439, 459–460

## **Customs Duty**

(BELCO North Power Station) Remission Order 2019, 381  
(Bermuda Tourism Authority) Remission Amendment Order 2018, 381  
(Frydays Bermuda Limited) Remission Order 2019, 381

## **Customs Tariff**

Amendment Act 2019 (See Bills)  
Amendment (No. 2) Act 2019 (See Bills)  
Standing Authorisation (Temporary Importation of Vessels Aircraft and Transport Containers) Amendment Notice 2019, 381

## **D**

Dental Practitioners Amendment Act 2019 (See Bills)

## **Dillas-Wright, Sen. the Hon. Joan E., President of Senate**

Customs Tariff Amendment Act 2019, 452  
Estimates of Revenue and Expenditure 2019/20  
Ministry of Health  
Head 24-Hospitals, 360  
Head 55-Financial Assistance, 360–361  
Mental Health Amendment Act 2019, 167–168  
Municipalities Reform Act 2019, 367–369

## **Divisions**

Municipalities Reform Act 2019, Second Reading, 371

## **E**

### **Education**

Bermuda Educators Council (Exemption) (2018/19 School Year) Amendment Order 2019, 162  
Employment (Protected Disclosures) Order 2019 (See Motions)

## **Estimates of Revenue and Expenditure 2019/20**

### **Cabinet**

Head 09-Cabinet Office  
Campbell, Sen. Vance, 383–385, 392–393  
Kempe, Sen. Nicholas, 388–389, 391, 394  
Simmons, Sen. Michelle, 391  
Head 14-Department of Statistics  
Campbell, Sen. Vance, 385–387, 393–394, 395, 396  
Kempe, Sen. Nicholas, 389–390, 393, 395, 396  
Head 61-Department of Employee and Organisational Development  
Campbell, Sen. Vance, 387–388  
Kempe, Sen. Nicholas, 390, 396

### **Ministry of Education**

Head 16-Ministry Headquarters  
Hayward, Sen. Jason, 324–325  
Jones, Sen. Marcus, 335–336  
Simmons, Sen. Michelle, 340

## **Estimates of Revenue and Expenditure 2019/20 (continued)**

### Ministry of Education (continued)

#### Head 17-Department of Education

Hayward, Sen. Jason, 325–331, 344–346

Jones, Sen. Marcus, 336–339

Kempe, Sen. Nicholas, 343–344

Simmons, Sen. Michelle, 340–343

#### Head 41-Bermuda College

Hayward, Sen. Jason, 331–334

Jones, Sen. Marcus, 340

Simmons, Sen. Michelle, 343

### Ministry of Finance

#### Head 10-Headquarters

Caesar, Sen. Crystal, 430–433

Campbell, Sen. Vance, 421–430, 437

Kempe, Sen. Nicholas, 435

#### Head 58-Interest on Debt

Caesar, Sen. Crystal, 433–434

Kempe, Sen. Nicholas, 436

#### Head 59-Sinking Fund

Caesar, Sen. Crystal, 434–435

### Ministry of Health

#### Head 24-Hospitals

Dillas-Wright, Sen. the Hon. Joan E., 360

Hayward, Sen. Jason, 353–356, 362–363

Kempe, Sen. Nicholas, 361

#### Head 55-Financial Assistance

Dillas-Wright, Sen. the Hon. Joan E., 360–361

Hayward, Sen. Jason, 357–359, 632

Kempe, Sen. Nicholas, 361–362

Robinson, Sen. Dwayne, 359

### Ministry of Labour, Community Affairs and Sports

#### Head 60-Department of Workforce Development

Hayward, Sen. Jason, 347–352, 535

Kempe, Sen. Nicholas, 352–353

Robinson, Sen. Dwayne, 352

### Ministry of Legal Affairs

#### Head 04-Attorney General's Chamber

Simmons, Sen. the Hon. Kathy Lynn, 242–245

#### Head 23-Department of Child and family Services

Simmons, Sen. the Hon. Kathy Lynn, 246–255

#### Head 87-Headquarters

Richardson, Sen. Anthony, 234–235

Simmons, Sen. the Hon. Kathy Lynn, 235–242

### Ministry of National Security

#### Head 06-Defence

Caesar, Sen. Crystal, 278–281, 283–284, 285

Jones, Sen. Marcus, 281–283

Kempe, Sen. Nicholas, 284, 285

## **Estimates of Revenue and Expenditure 2019/20 (continued)**

### Ministry of National Security (continued)

#### Head 27-Department of Immigration

Caesar, Sen. Crystal, 270–272, 274–276, 276–278

Jones, Sen. Marcus, 272–274

Kempe, Sen. Nicholas, 274, 276, 277, 278

### Ministry of Public Works

#### Head 36-Ministry Headquarters

Campbell, Sen. Vance, 397–401

Jones, Sen. Marcus, 417–418

Robinson, Sen. Dwayne, 417, 418–419

#### Head 53-Bermuda Housing Corporation

Campbell, Sen. Vance, 401–405, 420

#### Head 68-Parks

Campbell, Sen. Vance, 405–408

Robinson, Sen. Dwayne, 419

#### Head 81-Public Lands and Buildings

Campbell, Sen. Vance, 408–411

#### Head 82-Department of Works and Engineering

Campbell, Sen. Vance, 411–417, 420

Robinson, Sen. Dwayne, 419–421

### Ministry of Tourism and Transport

#### Head 35-Department of Public Transportation

Caesar, Sen. Crystal, 264–266, 268–270

Jones, Sen. Marcus, 266–268

Kempe, Sen. Nicholas, 266

Simmons, Sen. Michelle, 266

#### Head 48-Headquarters

Caesar, Sen. Crystal, 255–260, 262–263

Jones, Sen. Marcus, 260–262

Simmons, Sen. Michelle, 262

### Non-Ministry Departments

#### Head 63-Parliamentary Registrar

Kempe, Sen. Nicholas, 366

Simmons, Sen. the Hon. Kathy Lynn, 363–365, 366

#### Report of Committee, 438

Exchange Control Amendment Regulations 2018, 381

Exempted Partnerships Amendment Act 2019 (See Bills)

## **F**

Financial Services Tax Amendment Act 2019 (See Bills)

Foreign Currency Purchase Tax Amendment Act 2019 (See Bills)

## **G**

### Gaming

Bermuda Casino Gaming Commission Report, September 2015 to March 2017, 161

Good Governance (Protected Disclosures) Order 2019 (See Orders)

Government Fees Amendment Regulations 2019 (See Regulations)



## H

### Hayward, Sen. Jason

- Bermuda Educators Council (Exemption) (2018 to 2019 School Year) Amendment Order 2019, 162
- Budget Debate, 208–212
- Congratulatory and/or Obituary Speeches, 174
- Employment (Protected Disclosures) Order 2019, 162, 172
- Estimates of Revenue and Expenditure 2019/20
  - Ministry of Education
    - Head 16-Ministry Headquarters, 324–325
    - Head 17-Department of Education, 325–331, 344–346
    - Head 41-Bermuda College, 331–334
  - Ministry of Health
    - Head 24-Hospitals, 353–356, 362–363
    - Head 55-Financial Assistance, 357–359, 632
  - Ministry of Labour, Community Affairs and Sports
    - Head 60-Department of Workforce Development, 347–352, 535
- Mental Health Amendment Act 2019, 165–166, 168
- Municipalities Reform Act 2019, 307–311
- Nursing Amendment Rules 2018, 162
- Hotels (Temporary Customs Duty Relief) Amendment Act 2019 (See Bills)

## I

### Immigration

- Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations 2019 (See Regulations)
- Information Commissioner's Office 2018 Annual Report, 381
- Information Commissioner's Office Financial Statements 2016-2017, 381

## J

### Jardine, Sen. James S.

- Budget Debate, 192–199
- Customs Tariff Amendment (No. 2) Act 2019, 457
- Customs Tariff Amendment Act 2019, 449–450
- Land Tax Amendment Act 2019, 374, 375
- Liquor Licence Amendment Act 2019, 445
- Mental Health Amendment Act 2019, 167
- Municipalities Reform Act 2019, 291–295
- Proceeds of Crime Amendment Act 2019, 170
- Stamp Duties Amendment Act 2019, 316

### Jones, Sen. Marcus

- Budget Debate, 212–217
- Congratulatory and/or Obituary Speeches, 439
- Estimates of Revenue and Expenditure 2019/20
  - Ministry of Education
    - Head 16-Ministry Headquarters, 335–336
    - Head 17-Department of Education, 336–339
    - Head 41-Bermuda College, 340
  - Ministry of National Security
    - Head 06-Defence, 281–283
    - Head 27-Department of Immigration, 272–274
  - Ministry of Public Works
    - Head 36-Ministry Headquarters, 417–418

**Jones, Sen. Marcus (continued)**

Ministry of Tourism and Transport

Head 35-Department of Public Transportation, 266–268

Head 48-Headquarters, 260–262

Hotels (Temporary Customs Duty Relief) Amendment Act 2019, 228

Municipalities Reform Act 2019, 298–299

**K****Kempe, Sen. Nicholas**

Budget Reply, 185–192

Congratulatory and/or Obituary Speeches, 174

Customs Tariff Amendment (No. 2) Act 2019, 457

Customs Tariff Amendment Act 2019, 450–451

Employment (Protected Disclosures) Order 2019, 172

Estimates of Revenue and Expenditure 2019/20

Cabinet

Head 09-Cabinet Office, 388–389, 391, 394

Head 14-Department of Statistics, 389–390, 393, 395, 396

Head 61-Department of Employee and Organisational Development, 390, 396

Ministry of Education

Head 17-Department of Education, 343–344

Ministry of Finance

Head 10-Headquarters, 435

Head 58-Interest on Debt, 436

Ministry of Health

Head 24-Hospitals, 361

Head 55-Financial Assistance, 361–362

Ministry of Labour, Community Affairs and Sports

Head 60-Department of Workforce Development, 352–353

Ministry of National Security

Head 06-Defence, 284, 285

Head 27-Department of Immigration, 274, 276, 277, 278

Ministry of Tourism and Transport

Head 35-Department of Public Transportation, 266

Non-Ministry Departments

Head 63-Parliamentary Registrar, 366

Financial Services Tax Amendment Act 2019, 227

Foreign Currency Purchase Tax Amendment Act 2019, 225

Land Tax Amendment Act 2019, 373–374, 376

Liquor Licence Amendment Act 2019, 444

Mental Health Amendment Act 2019, 167

Municipalities Reform Act 2019, 303–305

Payroll Tax Amendment Act 2019, 315

Proceeds of Crime Amendment Act 2019, 170

Restaurants (Temporary Customs Duty Relief) Amendment Act 2019, 230

Stamp Duties Amendment Act 2019, 316

**L**

Land Tax Amendment Act 2019 (See Bills)

Liquor Licence Amendment Act 2019 (See Bills)

## **M**

Mental Health Amendment Act 2019 (See Bills)

### **Messages from House of Assembly**

Appropriation Act 2019, 233

Estimates of Revenue and Expenditure 2019/20, 233

Miscellaneous Taxes Amendment Act 2019 (See Bills)

### **Motions**

Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations 2019

Caesar, Sen. Crystal, 177

Employment (Protected Disclosures) Order 2019 (See also Orders)

Hayward, Sen. Jason, 162

Good Governance (Protected Disclosures) Order 2019 (See also Orders)

Simmons, Sen. the Hon. Kathy Lynn, 162

Government Fees Amendment Regulations 2019

Campbell, Sen. Vance, 177

Municipalities Reform Act 2019 (See Bills)

## **N**

National Economic Report 2018/19, 161

Nursing Amendment Rules 2018, 162

## **O**

### **Orders**

Employment (Protected Disclosures) Order 2019

Hayward, Sen. Jason, 172

Kempe, Sen. Nicholas, 172

Good Governance (Protected Disclosures) Order 2019

Campbell, Sen. Vance, 171–172

## **P**

Payroll Tax Amendment Act 2019 (See Bills)

Proceeds of Crime Amendment Act 2019 (See Bills)

## **R**

### **Regulations**

Bermuda Immigration and Protection (Land-Holding Charges) Amendment Regulations 2019

Caesar, Sen. Crystal, 320–321

Government Fees Amendment Regulations 2019

Campbell, Sen. Vance, 318–319

Restaurants (Temporary Customs Duty Relief) Amendment Act 2019 (See Bills)

Revenue

(Customs Traveller Declaration) Amendment Notice 2018, 381

(Simplified Entry Inwards)(Humanitarian Aid) Amendment Notice 2019, 381

### **Richardson, Sen. Anthony**

Budget Debate, 217–222

Congratulatory and/or Obituary Speeches, 459

Customs Tariff Amendment Act 2019, 446–449, 452–455

Dental Practitioners Amendment Act 2019, 377–378

Estimates of Revenue and Expenditure 2019/20

Ministry of Legal Affairs

Head 87-Headquarters, 234–235

Municipalities Reform Act 2019, 295–298

**Robinson, Sen. Dwayne**

Budget Debate, 207–208

Customs Tariff Amendment Act 2019, 450

Estimates of Revenue and Expenditure 2019/20

Ministry of Health

Head 55-Financial Assistance, 359

Ministry of Labour, Community Affairs and Sports

Head 60-Department of Workforce Development, 352

Ministry of Public Works

Head 36-Ministry Headquarters, 417, 418–419

Head 68-Parks, 419

Head 82-Department of Works and Engineering, 419–421

Mental Health Amendment Act 2019, 167

Municipalities Reform Act 2019, 290

**S****Simmons, Sen. Michelle**

Budget Debate, 199–204

Congratulatory and/or Obituary Speeches, 173

Customs Tariff Amendment Act 2019, 451

Estimates of Revenue and Expenditure 2019/20

Cabinet

Head 09-Cabinet Office, 391

Ministry of Education

Head 16-Ministry Headquarters, 340

Head 17-Department of Education, 340–343

Head 41-Bermuda College, 343

Ministry of Tourism and Transport

Head 35-Department of Public Transportation, 266

Head 48-Headquarters, 262

Land Tax Amendment Act 2019, 374

Municipalities Reform Act 2019, 299–302

**Simmons, Sen. the Hon. Kathy Lynn**

Adjournment, Motions thereon

Vote of thanks for Ministry of Finance team, 460

Bermuda Drug Information Network (BERDIN) Annual Report 2018, 162, 163–164

Congratulatory and/or Obituary Speeches, 173, 459–460

Estimates of Revenue and Expenditure 2019/20

Ministry of Legal Affairs

Head 04-Attorney General's Chamber, 242–245

Head 23-Department of Child and family Services, 246–255

Head 87-Headquarters, 235–242

Non-Ministry Departments

Head 63-Parliamentary Registrar, 363–365, 366

Good Governance (Protected Disclosures) Order 2019, 162

Liquor Licence Amendment Act 2019, 442–444, 445–446

Municipalities Reform Act 2019, 305–307, 312

Proceeds of Crime Amendment Act 2019, 169–170

Stamp Duties Amendment Act 2019 (See Bills)

**Statements**

Bermuda Drug Information Network (BERDIN) Annual Report 2018, 163–164

---

**Dates of Senate Sitings #7–12:**

14 March 2019

18 March 2019

20 March 2019

22 March 2019

25 March 2019

27 March 2019

**Pages in Hansard:**

161–176

177–232

233–322

323–380

381–440

441–460