

Mr. Speaker, Honourable Members of the House of Assembly,

It is my distinct honour to be able to represent the United Bermuda Party in officially responding, for the second time, to the government budget presented last week by the Honourable Minister of Finance. We live in turbulent times, times that demand clarity of thought, analysis, vision and action.

A GLOBAL LOSS OF CONFIDENCE

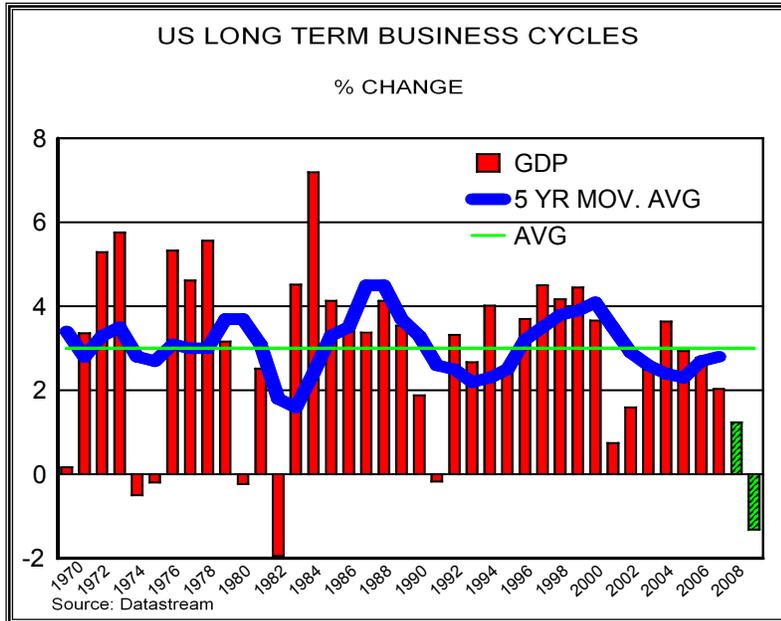
Mr. Speaker, in the past several years, astronomers have determined that something mysterious called “Dark Matter” binds the universe together. Its name is derived from the fact that dark matter cannot be detected by any optical or radio telescope, or any other detection device, but, by deduction, astronomers know that it is there. In the business world, confidence is something like dark matter, it is totally invisible, yet, without it, even the most rudimentary transactions cannot take place.

The events of the past year have profoundly shaken people’s trust and confidence in international markets and the global financial system as a whole. While this Honourable House can do nothing about these matters, we must understand them, particularly as they affect Bermuda, her institutions and her people. As we have repeatedly pointed out in the past, Bermuda’s principal industry is financial services and this loss of confidence in the international financial system must have a direct impact upon our economy.

Mr. Speaker, while one year ago I warned this House of this impending storm, I have been stunned by its severity and destructiveness - by the power to bring some of western society’s most prominent financial institutions to their knees, and by the power to have virtually all British and many major Swiss banks effectively nationalized because of the markets’ loss in confidence in their capital position.

And in the United States, how the mighty have fallen. Century old Wall Street institutions, Bear Stearns and Lehman Brothers, disappeared into the night, the latter with the most devastating effect on global financial confidence. Even bigger titans were teetering on collapse, like Merrill Lynch and Citigroup. To have these fail was unthinkable, yet they were on the brink. Then, almost out of the blue it was AIG, a company so close and familiar to all Bermudians; to be so hugely vulnerable that Uncle Sam himself had to step into the breach and nationalize it too. So, Mr. Speaker, I certainly wasn’t smart enough to foresee the utter financial destruction that took place in the latter half of 2008.

However, anyone who was looking forward, instead of backward, could have been more ready than was the Bermuda Government on the occasion of last year’s budget. Mr. Speaker, economic storms, like their meteorological equivalents, don’t just materialize without warning. They give away tell-tale warning signs. It is clear that Bermuda’s government was clueless as to such warning signs. Let us hope some lessons have



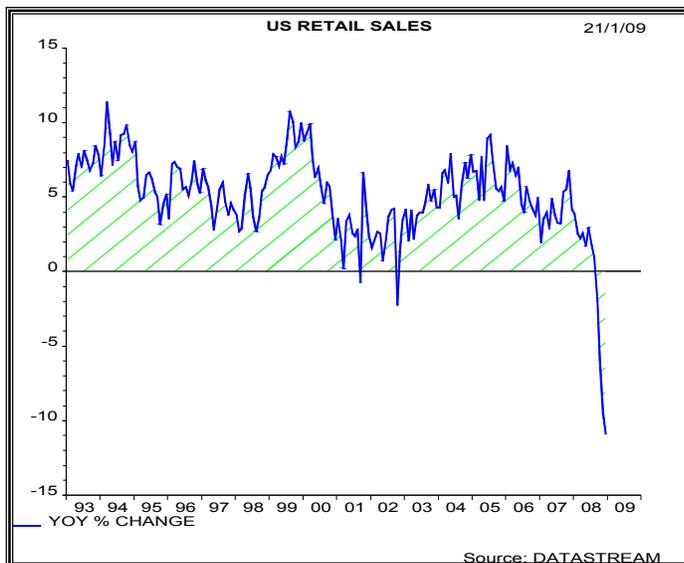
been learned in the past 12 months. Certainly the Premier and the Finance Minister spent a good deal of 2008 backtracking on some of the assertions presented here about one year ago.

The vital issues for Bermuda, insofar as the expected external economic environment are:

- a. How long is the recession likely to last
- b. How deep will be the trough
- c. How will it affect us

1

Mr. Speaker, no one knows for sure how long this recession will last. The last time there was a financial crisis in the US where major financial institutions failed or were severely impaired was in the 1930s at the beginning of the Great Depression. That crisis became a depression because the authorities' actions exacerbated an already critical situation. Today the lessons learned from that period are being applied so there's not likely to be a repeat of that scenario.



2

However, as we can see from Figure 1., when the US 5-year moving average of GDP growth falls below the trend (the blue line under the green line), it tends to stay weak for about three years on average. If we take 2008 as the starting point, the US economy is not likely to have recovered before well into 2010 at the very earliest. If you look at the consensus estimates of international economists for GDP growth for 2009 and 2010 (the green bars), this recession is expected to be more severe than most, therefore expecting a full recovery before 2011

is very optimistic indeed.

Bearing in mind the time lag between these trends and the effects on Bermuda, clearly, we can expect at the very least, significant weakness this and next year.

Mr. Speaker, Figure 2 shows an incredible free fall in the growth of US Retail Sales. Nothing like this has been seen before - a dramatic collapse in confidence.

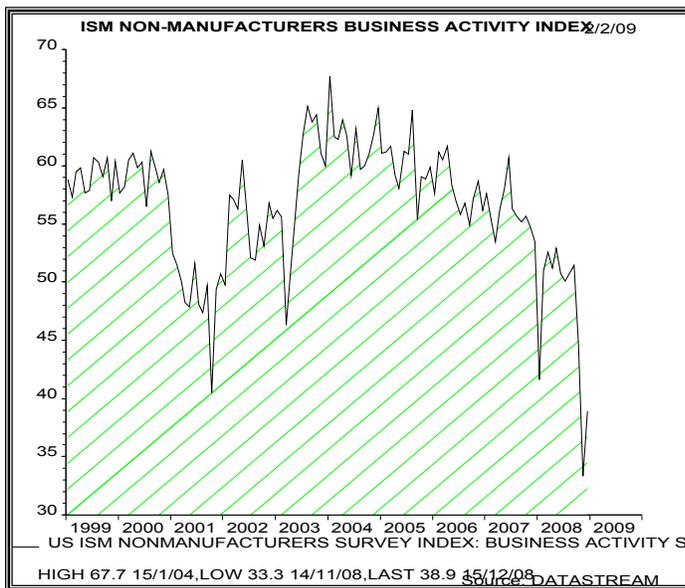


Figure 3, which we used last year to illustrate weakness in the US economy, is an index of activity in US service industries. Last February the reading of the ISM Non-Manufacturers Index was 41.9. This year it reads 38.9 having plunged to 33.3 last November.

4 STRATEGIC STEPS

What does the complex US government apparatus - the new Obama administration, both houses of Congress, plus key agencies like the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) - what do they have to do to turn this around? It can be distilled down to four strategic steps:

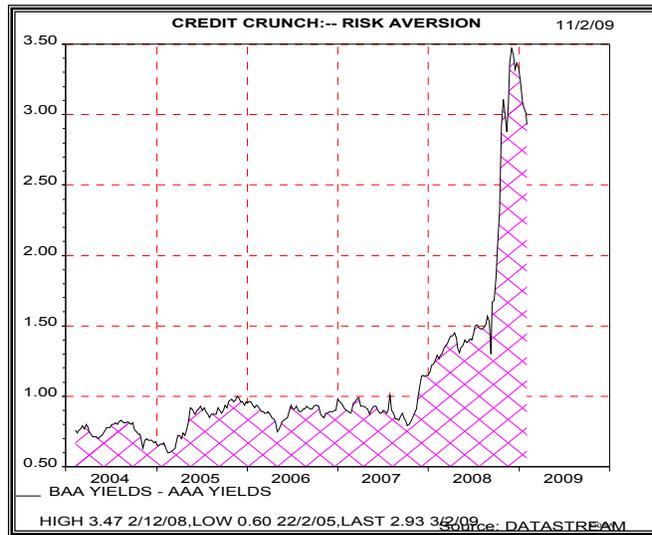
2. Passage of a fiscal stimulus package in the 1st Quarter
3. Improved access to credit for corporations and consumers
4. Home price stabilization
5. Declines in financial write downs

1 Fiscal Stimulus package

The Obama fiscal stimulus package of almost \$800 billion will create jobs and inject spending money into the US economy at this crucial time when consumers are afraid to spend because of fear of losing their jobs. This will be achieved via tax breaks as well as project spending. Although passed by Congress, the package will take many months to take effect.

2 Improved access to credit for corporations and consumers

This will be critical to the return to normalcy.



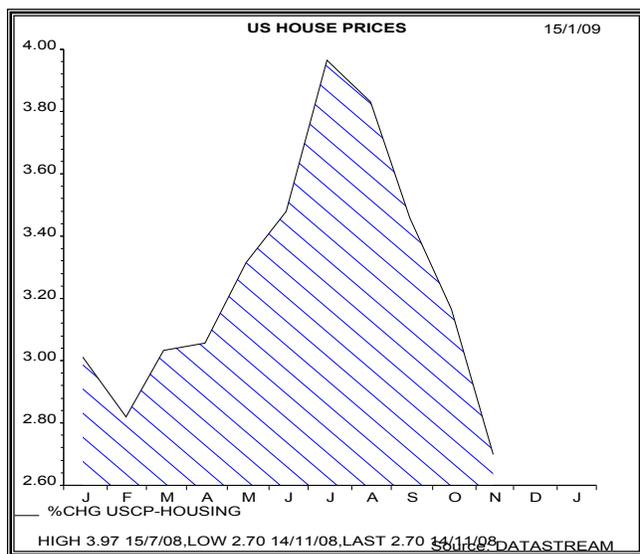
The chart, Figure 4, shows the premium that the market is demanding for incremental risk, known as a risk premium. Up until mid 2007, normally a borrower with a credit rating of BAA would have to pay between 3/4% -1% more than a AAA borrower. During the 2008 budget debate we reported to this house that the credit crunch was hampering people from borrowing money. At that time the premium had risen to about 1.4%. Since then the reluctance of lenders to lend has driven that premium up to about 3%, that's a about 8 times normal levels. So the credit markets are much worse now

than a year ago.

Global credit markets are all interconnected, so this lockdown in corporate credit flows through to all types of lending, right down to small business and consumers. This chart needs to return to more normal levels to enable the capital that the US government has injected into banks to flow through to the rest of the economy.

This whole process is, in market vernacular "a massive de-leveraging", which means a process of unwinding of huge amounts of debt. Large financial institutions had accumulated debt some 30 times their capital, an unsustainable and dangerous level. This is now being reduced, much of it by writing it off. Those who would want to borrow money during a period of global de-leveraging will be hugely disappointed and frustrated. This is the situation would-be developers of Bermuda hotel properties find themselves. It does not bode well for any new developments over the next couple of years, regardless of the government's regular pronouncements about them being on track.

3 Home price stabilization



5

As the family home is the most valuable asset the average family possesses, the decline in the value of the family home will have a profound impact on consumers' perceptions of their personal wealth. Their perception of their personal wealth will impact their spending habits which in turn impacts GDP. The chart (Figure 5) shows the dramatic fall in the US consumer price sub-index for housing. On top of this, many families who have recently purchased homes find themselves in the unenviable position of owing more on the mortgage than the house is worth. This has been the catalyst for some people to simply walk away from the house and mortgage,

giving rise to forced sales by banks which, in aggregate, further drive down house prices: a vicious cycle. Home price stabilization is therefore a key strategic step to bringing the US economy back. The Obama administration plans to use part of the TARP (the Troubled Asset Recovery Plan) to target and support home values.

4 Declines in financial write-downs

The write-downs by financial institutions of troubled assets, primarily those that are residential and commercial real estate related and other derivatives, have crippled many banks. The TARP was created to help institutions take these troubled assets off their books thus enabling them to start lending again. However, the US Treasury didn't use the \$350 billion for that, instead they used it to recapitalize ailing banks and finance bank mergers. So far, the TARP has had limited effect on the unfreezing of the credit markets.

So it's not just one thing but a chain of correlated issues that have to be remedied before confidence can be restored and lending, jobs and economic recovery can be achieved.

EFFECTS OF THE RECESSION ON MAJOR BERMUDA SECTORS

INTERNATIONAL BUSINESS

Insurance/reinsurance

In the trough of a normal business cycle one of the traditional “hiding places” for investors is insurance because most insurance risk is not correlated to the business cycle, but instead to natural disasters, like hurricanes, floods and earthquakes. Also, insurance companies traditionally invest their assets in low risk securities like fixed income securities which usually perform much better than stocks in recessions. So, traditionally, insurance is viewed to be recession resistant. But this is no normal or traditional recession, therefore some of the established rules of thumb have not worked.

AIG represents one of the biggest debacles of this recession, as it was not investing in assets traditionally owned by insurance companies. They were investing in non-traditional asset classes whose true risk profiles turned out to be far greater than anyone imagined. Similarly so with XL Capital which moved into a non-traditional line of business that was highly correlated to the sub-prime debacle. Fortunately for Bermuda, the majority of Bermuda based insurers were more conservative in their approach and have weathered the storm far better. Notwithstanding this good news, there has been incredible wealth destruction in the sector, with the market value of publicly traded Bermuda based insurance/reinsurance companies (followed by the Bermuda Stock Exchange) falling 43%, wiping out \$39 billion since July 2007.

The bottom line is that the sector which, at one time, may have been considered to be the least reliable for Bermuda, is turning out to be the sector with the most resilience in spite of having taken heavy blows. The insurance sector's non-reliance on US consumer confidence is a key plus for the Bermuda economy.

OTHER FINANCIAL SERVICES

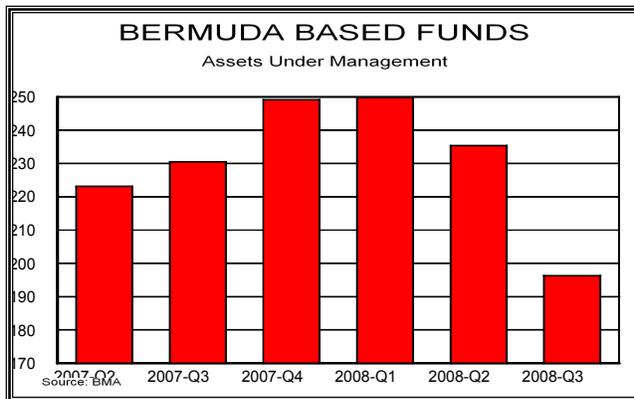
This sector includes banks, savings institutions and the offshore mutual and hedge fund business.

Banks

Mr Speaker, you and honourable members may recall that last year we described how Bermuda dollar lending had continued to climb in spite of the leveling off of Bermuda dollar deposits and how this was contributing to the overheating of our economy. We also warned that in view of the impending US recession there would be a fall in interest rates and that Bermuda banks would be tempted to flood the local economy with even more credit to increase their bottom lines. Well I was half right. The recession has developed and interest rates have fallen; in fact the Federal Funds rate is now about zero. Not foreseen was the development of the pathological fear of lending that has gripped the banking world. There are no publicly released figures to show this phenomenon striking Bermuda yet but anecdotal evidence indicates that local banks

have cut back on lending as well.

As always, this is precisely the wrong time, at least from a macroeconomic management standpoint, but from a banking standpoint it makes perfect sense. The banks want to minimize losses on bad loans while at the same time the faltering economy needs credit to expand. This is the same conundrum that President Obama has to deal with. The interests of banks and of the overall economy are not always in sync. Our situation is not so critical as it is in major economies, but Bermuda should not expect much assistance from the banking sector in its efforts to rebound from this recession. We will have to earn our way out by selling more services to foreigners.



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Hedge Funds

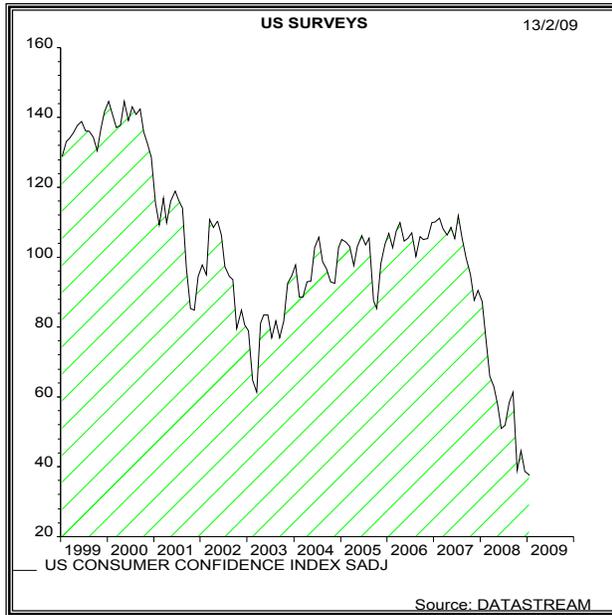
The hedge and mutual fund business is all about net asset value - the higher it is the more these companies can spend, and vice versa. Figure 6 shows that today we are experiencing vice versa; that is, falling net asset values, resulting in lower revenues, with less money to spend on traders and overheads like fund valuation services, accountants and other support staff. It is these people that cause the inflow of money into Bermuda by way of salaries, employment tax, rent,

food and discretionary spending. This segment of the Bermuda international business model is closely correlated to the fortunes of world financial markets and is now vulnerable, not to mention the unknown outcome of the reaction of onshore regulators to the Madoff hedge fund scandal. One thing is certain, there will be major changes in the hedge fund industry going forward. The outcome could be very good for Bermuda or very bad, we just don't know yet.

TOURISM

Mr. Speaker, let me remind honourable members that the tourism dollar is a discretionary dollar, it is not necessary for life and limb, like food or healthcare. The spending of that tourism dollar is highly dependent on how consumers feel about themselves, including their current financial position and their future prospects. In the US, our principal market, the best known measure of this feeling is a survey called the Consumer Confidence Index, shown in Figure 7. The index has plummeted. This is bad news for Bermuda's tourism prospects. If consumers fear for their jobs, if the value of their homes is less than their mortgage, or if they've seen the value of their 401k pension plan plummet by 50% in one year, their inclination to spend on things like

vacations will be low. The unemployment rate in the New York area, one of our principal markets, is already over 10.5%, well ahead of the rest of the country.



Consumer confidence has affected the cruise business as well. One of the cruise lines serving Bermuda has recently experienced some financial difficulty and is in danger of S&P downgrading. The cruise industry has a large number of brand new mega-ships coming on line, just at the time when their passengers are more reluctant than ever to unzip their wallets. Therefore, there will be a huge amount of discounting by cruise lines just to get warm bodies in those ships. This strategy may help the cruise line survive but it is likely to be detrimental to our hotel industry which is already at a cost disadvantage to cruise lines. Bermuda hotels will be faced with even fiercer price competition from cruise ships. Even if a customer has a preference

for hotel accommodation versus cruise ships, if the cruise price is low enough he/she will be more open to the idea of sailing to Bermuda.

Moreover, James Tisch, CEO of Loews Corp., recently declared to Bloomberg News that "Congress has done a great job of killing the resort hotel business with the way they've criticized a number of financial firms for having conferences." He went on to say, "We suspect there will be a number of attractive hotel properties that are not able to make it through this economic storm." The average fourth quarter room rate at Loews hotels declined 20%. This negative paradigm applies especially to resort hotels in "paradise" locales like Bermuda. Staging a "performance recognition" or "incentive" getaway at a hotel in Gary, Indiana may not draw congressional ire like a similar function in Bermuda.

This is another vicious cycle for tourism and those Bermudians employed in the industry. The Minister will be facing bad numbers this year and probably into next. This, Mr. Speaker, is not spin but the unvarnished truth.

CONSTRUCTION

The construction industry is highly cyclical and highly dependent on the availability of credit to finance building projects. Also, there is a significant lead time between the decision to build and actual building activity. This factor adds to the industry's boom or bust reputation. The cranes we see in Hamilton are a manifestation of decisions taken

2-3 years ago, at a time when the economic environment was completely different from today's. When these projects are complete, some later on this year, others next year, we anticipate there will be a significant drop-off in construction activity. While there are many Bermudians employed in this industry there are also many expatriate workers. The demand for all these workers will fall and there will be job losses. The foreign workers will leave the island but their departure will be felt by Bermudians and their businesses in the form of reduced demand for goods and services, and in particular in the housing rental market.

This area should be of great concern to government. This is where the counter-cyclical role of government spending comes in. Despite this government's failure to curb spending during times of economic expansion, it cannot ignore its role to provide some support for the industry and its workers during recession. The cost of this failure of restraint in good times - of setting money aside to support the economy in lean times - will be felt in the increased need for government to borrow for recession support, particularly in construction.

Of course this strategy has many operational risks, the biggest being this government's horrific track record with respect to cost-effective management of capital projects. However, the principle of government using capital projects to support employment in the construction industry during a downturn is one that we support. One should bear in mind that the lead times required for such projects make it difficult to calibrate the timing so that they will coincide with layoffs in the private sector. This mistiming between layoffs and new project start-ups will cause a very choppy demand for labour.

Public Private Partnerships

There seems to be much discussion of public private partnerships (PPP). The government is planning to rebuild the KEMH and the Causeway using PPPs

The first thing that Honourable members and the public should know about PPPs is that they are a form of off- balance sheet financing, that is a PPP enables all or part of the debt to finance a project to not appear as part of the government's debt. So it is a way for some governments to off-load public debt to private entities.

But, Mr. Speaker, there is no such thing as a free lunch. The private partner will not likely have as high a credit rating as the Bermuda government, therefore the financing is bound to be more expensive than if government borrowed the money itself. Today, with the credit markets demanding huge extra interest for incremental risk, this extra finance cost will be very significant. Even if the private partner were highly rated, that entity would not be renting their balance sheet to Bermuda for free. So PPPs generally add extra cost.

The Bermuda government plans to guarantee the debt of its PPPs. This would have the debt be viewed as on-balance sheet financing and therefore become part of the national

debt, an approach that defeats one of the principal rationales for a PPP. Perhaps this model of PPP is an admission by government that it is so terrible at managing large projects that it may be less expensive to pay a foreign entity hefty management fees rather than taking the operational risk of doing the job itself. This, Mr. Speaker, is a very sad and expensive admission.

NATIONAL DEBT

In any conversation about Bermuda's debt level, it is vital to have the correct perspective in order to make meaningful and appropriate comparisons. Firstly, the government has long had an authorised debt ceiling based upon 10% of GDP. This conservative mechanism was put in place by former UBP administrations to keep Bermuda's debt within a manageable limit. Obviously this is a flexible ceiling because GDP changes from year to year. In recent years the expansion of the GDP has allowed the government ever increasing borrowing capacity.

But what happens during a recession when GDP falls? If the government has borrowed up to or close to the limit of the borrowing ceiling, and then GDP falls as a result of a recession, the debt ceiling will actually fall because GDP will be a lower number. To make matters worse, during a recession government's need for borrowing will soar because receipts, which are dependent to some extent upon overall economic activity, will fall. Expenditures will rise because of demands from social assistance and others suffering economic hardship as well as the need for government to stimulate the economy through capital projects to provide jobs for unemployed citizens.

Government could increase tax rates to improve receipts but this would be precisely the wrong time for a tax increase. The other alternative is for government to trim expenses, which is hard to do significantly because a huge portion of government current expenditure consists of salaries of civil servants: something that is hard to cut. The only other thing left is to increase borrowing, i.e raise the debt ceiling.

The argument goes that Bermuda's 10% of GDP debt ceiling is low compared to other countries. While true, this is a meaningless comparison. As anyone on Bermuda's roads knows, encountering one of those 18 wheeler trucks on a bend, size does matter! Bermuda's economy is the size of a small town, it cannot be compared with the US, UK, Japan or Germany. Moreover, unlike major countries, Bermuda does not create or borrow in its own currency.

The Bermuda government borrows in US dollars and the Bermuda economy must therefore earn every one of those dollars from the world at large in order to repay that debt. That is why the Bermuda government must be extra careful when borrowing money. We cannot inflate our way out of debt as large countries can.

A LOCAL LOSS OF CONFIDENCE

Looking back to last year's Government budget debate, I was then like a look-out in the crow's nest of the good ship Bermuda having sighted a great turbulence on the horizon directly in our path. Was this pessimism or merely the accurate reading of leading indicators? The skipper and the senior officers scoffed at my lookout's alarm and, instead of looking ahead, looked back. They made their plans, charted the ship's course, based on a simple formula whose central assumption was that the future would be a mere extrapolation of the recent past. We now know how incredibly naive that assumption was.

One year later they can no longer deny or ignore this storm because it has already engulfed our giant neighbour and its outer bands are lashing our shores. There has been zero anticipation, slow acknowledgment, inadequate preparation and now wasteful and unfocused responses. So in addition to international loss of confidence in global financial institutions, there has been a loss of confidence in the local institution known as the Bermuda Government.

Government leaders, having been the consistent merchants of sunny, spin-doctored, unrealistic statements about the prospects for the Bermuda economy, have been reluctant to acknowledge they were wrong and that they had been infusing Bermudians with unrealistic expectations. Ministers of this government appear to think it is their duty to focus, almost exclusively, on good news. But Mr. Speaker this cannot be right, particularly if the real news is not good.

My view is that it is the duty of leaders to tell Bermudians the unvarnished TRUTH, whether that truth be positive or negative. Notice, Mr. Speaker, I said the truth, not the facts, because the two are not the same. Facts can often be arrayed and presented in such a way as to convey a message that is not true, and the spin doctors of this government are masters of this deceptive art form.

It is natural that people want to hear news that makes them feel good. But events don't always unfold that way. For my part, Mr. Speaker, I call it the way I see it, not the way I think people might want to hear it. Bermudians should hear the truth of any given matter; giving them the best information to make the best possible decisions or best judgements.

Mr. Speaker, decisions are being made out there by Bermudians - real people with real jobs or businesses, real families with mortgages and real budgets - based, in part, on the statements made by the leaders of this country. They may make the wrong decisions if they are misled. People will eventually lose confidence in a leadership that misleads them. At this time of great uncertainty, Bermuda needs leaders it can trust, whose word is gospel, not spin. If our leaders say "Things are rosy," Bermudians want to be able to "make book" on those words, fully confident that if it were not so they would be told otherwise.

Mr. Speaker, unfortunately, there is an erosion in confidence within our primary sector, international business. Some of this erosion is from external sources, some is due to internal factors. External sources are centered around the global recession and what actions the new Obama administration may take as it relates to so-called offshore tax havens. There are factions at work in the US which are encouraging the new administration to take on a protectionist stance as it relates to reinsurance in foreign jurisdictions. This may be particularly tempting since, with the US government deficit likely to be measured in units of trillions of dollars, the government will be desperate for additional sources of revenue, particularly sources that are not likely to have much political cost. This does not mean that we are powerless and do not have a good case to make; *au contraire*, we have an excellent case to make, but we will get to that later.

The internal sources of erosion of confidence can be laid directly at the doorstep of this government. We have canvassed a good cross-section of international business leaders and their views vary on this subject. Some dismiss the ranting of certain government ministers as “just politics,” and are not concerned. Others have taken umbrage to being targeted by the PLP government as the source of Bermuda’s ills (instead of the source of our prosperity). For instance, if there are too many cars on the road, the suggestion is to prevent expatriates from driving. If there are not enough blacks working in financial services, the proposal is a plan to force a work equity programme on exempted companies. If we think guest workers are getting too comfortable living here, implement a nonsensical term limit programme, then, when it is criticized, blur the concepts of term limits with work permits to retain local support. The list goes on.

Not long ago, one of Bermuda’s principal selling points to prospective international capital was that Bermuda featured, “a stable political environment.” Today, major international companies that are leaving Bermuda for other countries state that one of the attractions of the alternate country is that the new country has “a stable political environment.” What can we infer from this statement? Whatever the spectrum of possible inferences, this cannot reflect well on market perceptions of Bermuda’s political stability. Moreover, there have even been opinion polls that indicate an erosion of confidence of decision makers who funnel business to Bermuda.

It is clear that the once fruitful relationship that international business had with the government of Bermuda has become impaired, and at the worst possible time - a time of external threat. Last year we went to great lengths to show how overwhelmingly important international business was to Bermuda’s economic health. For the government to sour this vital relationship is deplorable - a self-generated threat to the livelihoods of thousands of Bermudians.

Many people, including myself, have referred to international business as Bermuda’s cash cow. The problem is that this government has spent too much effort milking and

whipping that cow and squabbling over who gets the milk, while not spending enough effort feeding and nurturing the beast. It is said that when the cow is unhappy it often kicks over the milk pail, spilling all the milk. We cannot afford to let that happen to us.

This government's dogged refusal to implement modern checks and balances that come under the umbrella known as "good governance," is another reason that some international business is seeking more stable, alternate jurisdictions. The excuse that the UBP did not implement these changes during its rule is lame. Today in our post-Enron, post-Worldcom, post-9/11 and post-Madoff world, the bar for good governance in private and public sector institutions is much higher than it was 10 years ago. Just look at the anti-money laundering requirements these days. The government has not yet shown it truly understands that we are in fierce competition for the global offshore business dollar and that we must constantly improve just to retain our position in the pack.

Mr. Speaker, the other thing about confidence is, it can take a lifetime to establish but only a moment of madness to destroy: a few loose words, an intemperate act, a thoughtless, but politically expedient, proposal here and there, is all it takes. This government's behavior gives us no comfort that it understands that damage can be wrought by angry, ill-informed or inflammatory words.

THE BUDGET

Some years ago, when asked what qualities a politician required, Winston Churchill replied: "The ability to foretell what is going to happen tomorrow, next week, next month and next year. And to have the ability afterwards to explain why it didn't happen." The Minister in this Budget Speech does not even bother to attempt such an explanation.

Mr. Speaker, we need an explanation because the Finance Minister's Budget Statement represents an historic departure from sound, conservative principles and practices that have long-anchored the economy and helped keep it strong.

The Minister is coming off the 2008/09 Budget in which she did not heed widespread warnings of an economic downturn and ignored our repeated calls to adjust plans, strategies and spending habits. We emerge from that year with virtually no cushion to battle the recession.

The Minister's forecast of a \$23.4 million current account surplus in 2008/09 has turned into a \$6.3-million deficit - a \$29-million miscalculation.

It is the first time in living memory that Bermuda recorded a deficit in its current account.

As we dig deeper into the Minister's 2008/09 record, we find that the \$6.3 million deficit was the result of a \$12-million overspend in the current account and a \$19-million shortfall in revenue. This tells us that there was a serious lack of internal fiscal discipline during the year. Instead of taking effective measures to rein in spending in the face of deteriorating conditions, the Minister and her colleagues did the opposite and actually overspent their budgets.

On the strength of that performance, the Finance Minister this year is planning to:

- \$ almost double the country's debt ceiling, now fixed at 10% of GDP, to \$1 billion
- \$ run the national debt to \$689 million - the highest ever
- \$ duck out of making the annual payment into the national debt sinking fund as required by law
- \$ raid the sinking fund (money set aside to pay off national debt) and use it instead for current account operations; and
- \$ run a deficit on the current account to more than \$40 million, after interest payments and the replenishment of the sinking fund.

All of these, Mr. Speaker, are firsts, and all of them are the result of poor planning, lack of spending discipline and a mystifying state of denial regarding the realities of the economy.

We have other concerns.

An unrealistic forecast

This budget, like all budgets, is based on certain assumptions of facts and forecast conditions. It is also guided by certain philosophical principles, some we share, some we differ on. The slowing of the overall economy is already a fact. In terms of forecasting, the Minister has declared that the length of the average recession is 18 months. This view appears to be more optimistic than statements in her own ministry's Economic Report for the year. It is certainly more optimistic than the Federal Reserve's. Virtually all economists agree that the likes of this recession has not been seen since the 1930s. That one lasted 10 years, becoming a depression in the process. We do not foresee a 10-year recession, but 18 months is just not realistic. It's a prayer rather than a forecast. I too pray that the global downturn lasts only 18 months, but I am not willing to plan government finances based on that hope.

Raiding the sinking fund

Why is this one point on forecasting so important? Because if you think growth will return in 18 months, you can persuade yourself that it's okay to dip into the sinking fund just this once. You can persuade yourself it can work if you think better times will return next year, hopefully allowing you to top up the sinking fund from increased revenues. But what if the economic recovery is delayed? How are you going to get a grip on the island's debt and the tens of millions of dollars in interest charges that come with it. One of the reasons Bermuda has such a strong credit rating is because the use of a sinking fund shows fiscal planning and discipline. It shows we will not allow our debt position to get out of hand. The spending of the sinking fund marks the end of that best practice.

Borrowing for current spending

With this one act - using the sinking fund for current expenditures - the Minister has broken another long held tradition in Bermuda public finance: never borrow for current expenditure. This single action creates a threat to Bermuda's credit rating - raising the possibility that we will have to pay more for borrowing. As things stand we will pay nearly \$30 million for interest on the national debt. We will see what S&P, the debt rating agency, has to say about this. The chart in Figure 4 illustrates the enormous cost of a downgrade in credit rating.

Bigger government

Through this budget, the Minister is significantly increasing the size of government, i.e. growing the civil service. We had thought that one of the first things the Minister would do in the face of recession would be to impose a hiring freeze throughout government. This would free up funds for a real economic stimulus, and by that we mean directing money and support for the creation of jobs and spending in the private sector. We

believe the creation of private sector jobs is better economic planning because when the economy recovers, this type of spending can be phased out, as private sector demand for labour kicks in. But the civil service is permanent, with little or no flexibility for cost cutting. That's why they call them Permanent Secretaries. This budget locks Bermuda into bigger, more costly government.

Little cost-cutting

There is little attempt to make fundamental spending changes in the face of a deteriorating economy. The minister's announcement last year of a 10.5% reduction in the expenditure of departments, instead of being a directive, appears to have been a polite request, and many departments have just as politely said, "No thank you." The Minister has failed to put her foot down.

Consultants up, Police down

It is an indication of the government's priorities that it is cutting the Police budget in the face of a crime wave while giving the go-ahead for huge spending increases on consultants. Spending on "Professional Services", otherwise known as consultants, is to soar by \$17.6 million, or 22%, almost taking the total cost for consultants hired by this government to a mind-boggling \$100 million. In the meantime, the budget for Policing is to be dropped 4% to \$60.5 million. This is \$9 million less than what was spent on Policing in the 2007/08 fiscal year; reflecting the diminishing commitment by the government to public safety. How can this be justified, particularly against the bloated and ever-growing budget for consultants?

Few reserves

Financing projects to improve roads and bridges and building housing and improving IT infrastructure does provide stimulus. These are measures we favour, but there does not appear to be enough of them to make a real difference because government is unfocussed in its spending and has blown much of its resources in wasteful spending in previous years.

Mr. Speaker, honourable members and the public will now fully appreciate why about nine months ago we referenced the Old Testament story of the seven fat years versus the seven lean years. This, like many Bible stories, rings true today.

The Minister has compared the Bermuda Government's actions to those of Singapore which has spent some of its reserves to avoid further debt. This reminds me of the US Vice Presidential debate some years ago when Senator Bentson, after Senator Quayle had compared himself to John F. Kennedy, declared: "I knew Jack Kennedy, he was a friend of mine. Senator you're no Jack Kennedy." In the same vein, this PLP Government's record of saving and building reserves is not in the same galaxy as that of Singapore, whose US\$300 billion reserve fund represents 186% of their GDP, while Bermuda's Confiscated Asset Fund represents a minuscule 0.4% of our GDP.

Despite multiple years of payroll tax bonanzas that occurred after 9/11, our reserves are now essentially zero, all spent on big government, consultants and wasteful capital projects. The only thing we have is the Confiscated Assets Fund which fell in our laps mostly by chance. So much for storing extra wheat in warehouses for use during the lean years, a story that all of us grew up learning as children. I guess some of us didn't learn that lesson well.

Mr. Speaker, the shattering of the 10% debt ceiling, the raid on the sinking fund, the plan to run a current account deficit and borrowing to pay for government operations are grounds for serious concern. This budget is cutting the island adrift in turbulent times, from tried and true practices that kept it stable and strong through thick and thin over the years. It is the result of poor planning, poor fiscal management and, more generally, leadership that has not understood the fundamental disciplines required for sound management of the economy. As a result, this budget is mortgaging the medium and longer-term health of the Bermuda economy and placing the burden of repayment on our children and future generations.

WHAT WE WOULD DO

Having explained that short-sighted and naive policies have placed Government finances in a position that, to some extent, could have been avoided, we find ourselves more vulnerable than I can ever recall. What do we do now, or more specifically, what would a United Bermuda Party government do if we were to be given the responsibility of governing Bermuda today, under the prevailing circumstances and accepting the state of government finances, such as they are?

A UBP financial plan would abide by a number of guiding principles:

6. Accept reality as it is, don't try to wish away the facts.
7. Don't, by our own actions, make things worse than they already are.
8. Minimize the impact of the economic downturn on the most vulnerable of our citizens.
9. Manage government spending very carefully, as the type of spending will determine whether such spending is helpful or hurtful.
10. Take steps to grow and/or help sustain those sectors that earn vital foreign dollars, as they will be the ones that will see us through to better times.

Recognize reality

This government, as everybody knows, is the master of spin. The problem is they often believe their own spin. This is a time for hard-nosed reality checks. In business school we were taught the first stage of problem solving is to clearly define the problem. We have done that in our review of the global and local environment. If any errors are to be made on the outlook, let them be on the side of caution: overly optimistic assumptions court unnecessary risk. They fail the prudence test and bring nasty surprises into play.

I have already addressed our concerns about the unrealistic 18-month recession forecast that underpins this budget. From it flows further lack of caution and prudence in this government's planning. For instance, every government I can think of is experiencing huge declines in revenue, yet this budget forecasts a slight increase with no tax increases. It leaves virtually no room for error. It is not reality-based thinking.

Do no harm

Like a physician, the government must "First, do no harm." Raising taxes during a time of economic weakness would harm the economy by taking money out of people's pockets, making it more difficult for business to continue employing staff and making Bermuda less competitive in the international marketplace. We would not raise taxes.

Taxes are being cut in major economies like the US as a means of stimulating the economy. I am not proposing a tax cut in Bermuda, although we proposed one for low income people last year and in 2007 when the government could afford it. That suggestion was not implemented by government and it is a shame. We understand that people need a break in this high-cost society and that they are not getting it. A tax cut was one way to get them that break, but the government decided not to do it. Now because of its poor money management, there is virtually no room for such direct assistance to people this year without further endangerment to the national purse. With weak tax revenues through loss of jobs, reduced consumption and weak tourism, a cut in tax rates would not be prudent.

Help the vulnerable

There are many of our citizens who are more vulnerable to this recession than others: those already on financial assistance, those who may become unemployed or those who worked multiple jobs to make ends meet and have lost that extra job, and seniors on fixed incomes. It is the duty of the government to help such people. During a recession, their numbers will swell. We would direct spending to support these people. We would do so not just as a governmental duty but because we would govern from a vision of one Bermuda, from a belief that we are one family, sprawling and varied and sometimes dysfunctional but family nonetheless, where we govern as our brother's keeper.

Control spending

The key area for attention is government spending. It is well documented that over the years of rapid growth in the economy, government has not had to be disciplined in its spending habits, being bailed out time and time again by bonanzas in the form of employment tax revenues. That time is over, at least for the time being. The budgetary process must focus on controlling, indeed, reducing spending. About 50% of government expenditure is in the form of salaries for employees, so the scope for cost cutting is halved before we even start.

§ Freeze civil service hiring

PLP rule has resulted in the growth of the civil service by more than 500 employees. This budget provides for a further increase of 90. One would have thought that the first step in preparing the government for recession - and there are no indications that the government really prepared for one - is that it would have imposed a hiring freeze within the civil service. Such a freeze is critical at this stage. Without it, it is clear that the Minister of Finance is not serious about budgetary restraint. A hiring freeze would allow the complement of the civil service to be reduced by attrition, that is, people leaving due to retirement and other personal reasons. They would not be replaced, at least until further notice. In putting forward this plan, it is important for people to understand that a

hiring freeze does not mean firing civil servants. Their jobs are secure.

§ Cut consultants

Next, we would turn our attention to consultants. This is an area of serious concern to us. As my leader, the Hon. Kim Swan, said in his Reply to the Throne Speech in November, consulting this government has become the fastest growing industry in Bermuda. This budget confirms that. The plan to increase spending on consultants by \$17.6 million takes the total estimate for professional services in fiscal 2009/10 to \$96.9 million - a 22% increase. Overseas consultants are running our hospital, reforming our education system, working in our ministries, revising our planning laws and selling Bermuda as a vacation destination. They have become legion under the PLP government and constitute a shadow government, accountable to no one but their paymasters. It is a scandal accounting for 10% of this billion dollar budget. It is also an immense cop-out, signaling as it does that this government has little faith in their own civil servants - routinely bypassing their skills, their commitment and their availability for nameless, always expensive overseas 'experts.' That said, there are plenty of grounds to question the efficacy of their work. Are they doing a good job managing our hospital? Are they doing a good job promoting the Bermuda Music Festival? Are they doing a good job reforming our public education system?

This is an area that is ripe for cost cutting. One senses the huge outflow of dollars to these mostly US-based consultants. Indeed, they are an example of Bermuda's very own "reverse stimulus package" wherein Bermudian taxpayers help stimulate the US economy by providing employment for US consults. It may be a drop in the bucket for the US, but we should tell the American administration that we are doing our part to help revive the US economy.

One also senses in these consultancy contracts a gross amount of waste. We don't know how effectively our dollars are being spent, but the question of whether we are getting value for money keeps arising. Take the contract to Ambling International Consulting Ltd. of Atlanta, Georgia. Its contract is split between three ministries. At Environment, Ambling provides advice on the impact of major developments that have requested Special Development Orders. It is also reviewing the "business process" at the Department of Planning. At Works & Engineering, Ambling is providing "general consulting" on the Southlands-Morgan's Point land swap, the environmental clean-up at Morgan's Point and the preparation of the 'Park Hyatt Hotel' site in St. George's. At Tourism, Ambling is providing "hotel development advice." For these services, Ambling is being paid approximately \$115,000 a month, plus out-of-pocket expenses and airfare through to October 2010 - a lot of money for some dubious responsibilities.

§ Rein in perks and travel

Our blade would then turn its attention to the travel and perks budget of government ministers and civil servants, including GP cars. Mr. Speaker, austerity needs to start at the top and we would offer ministers the opportunity to lead by example.

§ **Make do**

Another glaring example of unnecessary spending includes the replacement of the pilot boat “St. David”, estimated to cost \$2.8 million. Surely this vessel can be kept seaworthy until the economy improves. Twenty years is not that old for a boat.

§ **Stimulate with effect**

The capital projects section of the budget is an area where government should very selectively increase its spending. This is necessary to help support those employed in the sagging construction sector. There are a number of infrastructure projects that need to be done. In view of the hideously wasteful record this government has had with respect to capital projects, it needs to be emphasized that all such projects would be openly tendered with all the strict requirements fulfilled for each project.

Bermuda can no longer afford the brand of “economic empowerment” taxpayers had to shoulder for the Berkeley project, i.e. crony-based economic empowerment. Any capital projects we would sponsor would have to be structured with maximum opportunity given to all contractors, not restricted to those favoured by the governing party. The selection process would have to be open to public scrutiny and strictly monitored going forward to ensure the best value for money for taxpayers.

§ **Create a Contractor General**

Other Commonwealth countries have instituted legislation creating a position known as the Contractor General, whose sole role is to oversee the tendering process and the monitoring of all ongoing capital projects to ensure that rules and guidelines are strictly enforced and to identify unfair practices or offensive conduct that takes place in government-sponsored projects. It is high time that Bermuda had such a position and we urge government to promulgate legislation to create it as soon as possible, possibly under the auspices of the Auditor General. While a Contractor General might be an additional cost to government, his or her activities could save taxpayers millions going forward.

§ **Support small business**

It would be particularly important to implement the UBP’s long-held plan to earmark 20% of all government contracts to small businesses. We would do this to provide access to opportunities for small operators and entrepreneurs, but also to protect them. I say this because as the construction industry slows, bigger firms move in on smaller projects often to the detriment of the small operators.

It was impossible to ignore the measures that the Ministry of Labour, Home Affairs and

Public Safety says it intends to take to protect Bermudian workers in the face of prospective layoffs. We agree with the objectives and some of the measures the Minister is pursuing, however, the road to good intentions is often littered with large potholes. For example, the measure to have the Bermuda Housing Corporations use only traditional building methods is counterproductive and will make Bermuda less cost competitive at a time when cost control is crucial. The reason people have been using so called non-traditional building methods here is because they are more modern, efficient and cost effective than the traditional methods. The better approach would be to increase the training of local personnel (send them abroad if necessary) to have them acquire the skills required in these modern techniques and apply them to the local market. This way the money spent is an investment in the future, not wasted money on outmoded techniques that are no longer competitive.

One of the areas that employment can be enhanced is in the beefing up of initiatives for small business which will be hard hit by this recession. The \$2.7 million granted to the Bermuda Small business Development Corporation hardly seems adequate under the present circumstances. This looks like business as usual.

Nurture foreign exchange earners

Mr. Speaker, this brings me to my last principle: help and encourage the sectors that earn foreign exchange to ensure that we are in a position to grow this economy when the recession is over. Fortunately, international business is a sector that is working reasonably well at the moment, even though the sector is under a dark, threatening cloud. Government must do all it can to assist this sector.

§ Repair Bermuda's image abroad

There is a pressing need to pull out all stops as it relates to making Bermuda's case to the United States as to what we do for them. I am convinced that we are not doing enough to tell our story. We all know of the long mutually beneficial relationship Bermuda has had with its powerful neighbour, from the Gunpowder incident through to the present. Today it's not gunpowder, it's risk management. The Bermuda insurance/reinsurance industry has an excellent case to make to American power-brokers insofar as how Bermuda benefits the US economy, particularly in times of distress. Bermuda-based insurers have proven their value on multiple occasions including 9/11 and hurricanes Andrew and Katrina.

Bermuda needs to embark on a targeted public relations campaign in conjunction with, and in addition to whatever ABIR, ABIC and BIBA are doing individually. Our case must be backed up with as many facts and as much data as possible. If that data is not already readily available we should spend the money to generate it and turn that data into a more powerful argument. Despite the pressing need to fix our image in Washington, there has been no increased funding for BIBA to conduct such a study.

It is imperative that Bermuda does whatever it takes to differentiate itself from other “offshore domiciles” and not be lumped together with the rest.

The huge differentiating factor is, in fact, the considerable value Bermuda business provides the USA. The retention of a top-notch public relations firm with good connections within the Democratic Party would be money well spent.

One differentiating step would be to ban corporate inversions in Bermuda. This is a practice that has upset US legislators, and it is our view that the risks inversions carry for Bermuda far outweigh the benefits.

As I have said previously, in this fight for the survival of our number one industry, we need to mobilize our best divisions. Our best divisions are the industry itself and government must carefully coordinate its efforts with them. Government must, at this time of urgency, use all its resources to rebuild the loss of confidence and trust between itself and the international business community. It must build bridges and remove hurdles. It must work in a coordinated way with the industry to leave no stone unturned to differentiate the name of Bermuda as separate and apart from the universe of so-called tax havens.

§ **Be a better partner to international business**

It is clear to us that international business feels less welcome and less appreciated under this government. Complaints and concerns have followed careless words and actions by government members and ill-considered policy initiatives. One comment in a December issue of Insurance Day from a senior director at an actuarial firm summarized the mood. He said: “What I am hearing from my contacts on the island is that those companies which have done so much to put Bermuda on the map - and put money into its economy - are not happy with the treatment they are getting. Many are feeling it has alienated them and are now reconsidering their position.”

Mr. Speaker, the government needs to smarten up. We need a change in attitudes and in policy. The time has come to drop the term limit policy. Whatever its intentions, it has not worked. It has proved to be an empty policy with the government itself reporting that it had approved 95% of all waiver applications. The emptiness of the policy is further revealed by the startling fact that the percentage of non-Bermudians in the work force since 1998 has grown steadily from 23% to 33%. It is nevertheless a policy that has attached a huge negative against Bermuda’s reputation as a place to do business and alienated the very people who generate the income that supports so much of our economy.

The Immigration Department does not need a term limit policy to protect Bermudian jobs and opportunity. All the rules and regulations are in place to do that and provide a sensible review of work permits on a case-by-case basis.

§ Rescue tourism

The past decade for the tourism industry has been a disaster. It is clear to us that the industry needs a rescue plan, particularly for its beleaguered hotels. We would move immediately to grant hotels and their employees payroll tax relief and eliminate the hotel occupancy tax to reduce the cost of a Bermuda vacation.

The Tourism Ministry, as promoter-in-chief, has done a poor job promoting the island. There is plenty of anecdotal evidence to support our concern that Bermuda's brand awareness is way down, but a 2008 Yankelovich survey revealed how dire the situation has become: it found just 10% of potential customers were aware of Bermuda as a vacation destination. Incredible!

Clearly there is a need to rebuild Bermuda brand awareness. To do that will require a bold and focused marketing plan, one that hits proven markets. We can't get distracted by bizarre forays to China and South America. We need to get real and get focused on proven markets close to home. Our messaging must be better targeted. There must be geographical focus, demographic focus and employment sector focus. For example, there is no point focusing our messaging on people who work in industries with high unemployment or business failures.

We will also need to restore teamwork between the government and the private sector partners. There needs to be marketing coordination and greater information sharing. We need to get Bermuda's tourism sales people back out on the road, and to build one-to-one communications through direct mail and e-marketing.

Extravaganzas like the Bermuda Music Festival, the PGA Grand Slam are just not working from a tourism perspective. These events are micro-US stimulus packages, compliments of the people of Bermuda. We would move the Music Festival from Tourism to Community Affairs and make it a more modest celebration aimed at locals and visitors alike using primarily local talent. We need to take the money from these highly expensive events and invest it in targeted promotion to the demographic group least affected by this recession.

Rescuing tourism will not be easy, but there is no acceptable alternative. The industry can provide jobs and careers, support restaurants and retail stores and earn this country much needed foreign currency. It is time to end the spin, the drift and the tinkering. It's time to bring Bermuda tourism back to life.

OTHER STRATEGIC OBJECTIVES

Education - Reform now

Mr. Speaker, it has been almost two years since Professor Hopkins reviewed Bermuda's public school system, delivered his report to the government and declared that our system "is on the brink of meltdown."

How much longer do we have to wait to see real change and real improvement? After all, when the government announced the report to much fanfare in May 2007, they promised significant changes by school opening that fall. And why was the strategic plan to implement the recommendations by the UK consultants ISOS only started in late 2008 – nearly 15 months after the Hopkins Report was delivered?

Although some steps have been taken to amend legislation and address the report's 10 recommendations, even government has admitted that progress has been frustratingly slow, resulting in the appointment of yet another minister, the 7th in 10 years, to lead the effort. Each ministerial change marks yet another breakdown in the PLP government's accountability for public education.

We agree completely with Professor Hopkins' two principal recommendations to dramatically improve the quality of teaching and move quickly to improve the quality of leadership by principals. Studies have consistently shown that student success is more dependent on the quality of teaching than any other single factor. We all understand that this makes sense, because it's in the classroom where real improvement needs to happen.

Indeed, according to McKinsey, public school systems that work well tend to be based on three principles: 1. Get the best teachers, 2. Get the best out of the teachers, and 3. Step in quickly when students lag behind.

Unfortunately, the reform process has been severely handicapped by poor communication, lack of collaboration and mistrust among the Ministry, the Interim Board, teachers and principals.

How can you have effective change in the classroom and buy-in when the two most important groups in the reform process, teachers and principals, have not been properly consulted or included? We hope that the new minister will be effective in correcting this situation.

However, experience from other more successful countries suggests that it takes much more than effective collaboration to improve the quality of teaching – it also takes careful teacher recruitment and a serious, financial commitment to ongoing professional development.

In the Budget, the Finance Minister states that “better trained educators will increase the performance of students...” We agree. But unfortunately, the 2009/2010 Budget has actually reduced the allocation for training and professional development. On a per teacher basis, the allocation for ‘Training’ works out to less than \$100 per year, a paltry amount. While better public education is on everyone’s lips, all we are getting is lip service - and that won’t get the job done.

Although pre-schools received only a passing reference in the Hopkins Report, we are pleased that the government agrees with us that serious emphasis should be placed on pre-school education. “School readiness” is an important factor for all children, but especially those coming from dysfunctional families and disadvantaged backgrounds. Pre-school education can make a major difference in how successful they are in primary school and their later school careers.

Rather than adding more staff at the Ministry level, in this case an Assistant Director for Early Childhood Education, we would like to see Government start by creating more spaces for pre-school children.

Professor Hopkins also highlighted “a serious weakness in the senior system in its curricular provision for wider vocational and technical education.” We agree wholeheartedly and have consistently called for an integrated technical education programme, beginning in the middle schools and continuing through Bermuda College. Apart from an April 2008 trip to Rhode Island and a ministerial statement on “blended education”, there is no evidence of any real progress in this area.

Mr. Speaker, there is much work to be done in progressing public education reform in Bermuda and it needs a serious and ongoing commitment from Government or there will be a further loss of confidence. There is too much at stake and failure would be tragic for our children and Bermuda, particularly when taxpayers are spending over \$22,000 per student this year. The time for reform is now.

Transportation - Make roads safer

Mr. Speaker, the fact that 17 people died in traffic accidents last year speaks of the continuing danger on our roads, a danger that threatens all of us - mother, father, child, visitor, businessman - any time of day.

We support the government’s plan for graduated bike licensing for our young riders, but much more can be done to impose safer driving habits on the public. This House can move with speed on a raft of measures that can make a difference on our roads today. Our list is long but I will cite just three steps that can save lives:

1) Breathalyzer testing. This has proved to effective in curtailing drink driving in other jurisdictions. Drink driving is a major problem in Bermuda - 70% of Bermuda road deaths are alcohol or drug related.

2) Installation of 'cat's eyes' road reflectors in centre lines. Road safety authorities report reductions in night-time accidents of more than 70% where cat's eyes have been installed.

3) Increased manpower in the Police traffic division with a commitment to greater sustained Police presence on the roads.

All of us here, working together, can make our roads safer and so we urge the government to adopt a more aggressive agenda on road safety than it has at present.

Public Safety - Clamp down on crime

Mr. Speaker, we are at a loss to understand the \$2-million cutback in the Police budget. Nothing has happened that would warrant the cutback. Indeed things are getting worse. Violent crime is higher than ever, gangs are entrenched and growing, firearms are on the streets. People feel less safe.

Police figures and graphs released last week substantiate what many of us feel. Whatever was contributing to crime control earlier this decade is no longer working. Whatever anti-crime strategies were in place in 2007 and 2008 have not been able to stop a clear trend upwards in violent crime, crimes of dishonesty and all crimes. There could be any combination of reasons for these disturbing trends - ineffective leadership and anti-crime strategies, low Police numbers, crime fighting skills, ineffective patrol strategies, the emergence of a hardcore criminal fraternity. Whatever the reasons, the decision to cut back the Police budget by \$2 million makes no sense. The fact that the budget is \$9 million down over the last two years - years when crime grew significantly - speaks to a major disconnect between the government and the reality on our streets.

We are further perplexed by the fact that no money has been allocated for community policing, which can be a key weapon against crime and drugs. We need people on the ground in each and every constituency. We understand the Police want it. We know residents want it, but the government gives them nothing.

Beyond the dollars, there is clearly an immediate need for drastic action to reverse the trends in crime. If we are not already in a crisis, we are at the edge of one. We urge the government to sit down with the Police and the Governor to review the approach to law enforcement and to get out in the community to hear what people are saying.

Good governance - Act now

Mr. Speaker, Bermuda must get serious about implementing higher standards of governance - from freedom of information to anti-corruption legislation. The benefits of a modernized system of governance can be immediate and far-reaching - providing the community with more accountable, more responsive and more open government as well as enhancing our standing as an offshore business jurisdiction, particularly among international business leaders who have expressed concern about Bermuda's "political stability".

There are no legitimate excuses for not moving ahead on this front. The time for 'further study' is over. The time for action is now.

The Auditor General must be given free rein and support to do his job, to ensure the community is getting value for dollar, transparency and accountability from its government. The Public Accounts Committee should be open to the public. Late reporting by government departments must end, so that the committee's work is contemporaneous not historical.

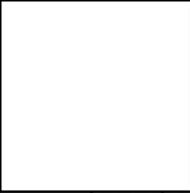
There is no reason that we cannot implement Freedom of Information legislation this year. There is no reason we can't commit to a legislative programme that includes whistleblower protection, anti-corruption measures, a non-political Attorney General and a code of conduct for all parliamentary members. There is also much that can be done to broaden bipartisan cooperation.

Bermuda needs to modernize the way it conducts its public business. All of us can gain from these changes.

REGAINING LOST CONFIDENCE

Mr. Speaker, the Bermuda training sloop, *The Spirit of Bermuda*, is very aptly named because it takes a spirit of teamwork, all hands on deck, pulling together, with the help of God's wind, to carry the vessel forward. These are perilous times for the Bermuda economy, and we must have "All hands on deck!" to help safeguard, sustain and indeed retain our principal industries. And when I say all hands, I mean ALL HANDS: not just white hands or black hands, Bermudian hands or expatriate hands, male or female hands, but all hands.

The loss of confidence in the global economy demands that we here on this tiny island pull together for the common cause. It is by pulling together that we will regain our own confidence, in each other. In doing so we will ensure that when the global economic picture eventually improves, as it surely will, the island of Bermuda will emerge with its



al foreign exchange earning institutions intact, ready to resume their roles as
s for growth. In pulling together we will ensure that those of our society who are
vulnerable survive and are not consigned, in the short term, to lives of
hopelessness through deprivation. Then Bermudians from all walks of life will refocus
on the means of achieving their goals: getting that promotion, owning their own homes,
giving their children a college education, starting a successful business and attaining a
better standard of living.

But we have to endure some trying times before we get there. It is like a promise that's
on the far side a dangerous river - we have to cross it before the promise can be
fulfilled. We now have to adopt the attitude that our parents, grandparents and great
grands had during that very difficult period of rationing when Bermuda was cut off from
the world because of a world war. Those forebears of ours were resourceful, prudent,
unselfish, hard-working, disciplined and patient in the face of fear and deprivation. I am
confident that things will not get that bad here again. I have been told stories by my
parents about how Bermudians pulled together, remained optimistic while confronting
reality, coped and survived during that dark period. This is exactly the kind of spirit that
we today must draw upon before we can return to the days of growth and prosperity.

I know that spirit still lives in the hearts of Bermudians. We all must find it, nurture it and
let it be our guiding light going forward.

This government has received a mandate from the people of Bermuda to lead. This
leadership must not be just by word and instruction, but by example. When there is a
schism between word and deed the result is a loss of confidence in the leadership, and
the way forward for those who must follow, is obscured. Good leadership is an
unabashed acknowledgment of the naked truth and the unambiguous clarity of purpose
of the stated plan, coupled with the steadfast execution of that plan. This is what will
inculcate confidence in the Bermudian people at this time of great uncertainty.