

**2012/13**



**United  
Bermuda  
Party**

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**Budget Reply**

United Bermuda Party Reply to the Budget

Presented by Charlie Swan MP Southampton West Central

**Mr. Speaker,**

Thank you for recognizing the United Bermuda Party and for affording us the opportunity to present a formal reply to the 2012/13 budget presented on Feb 24, by Premier and Finance Minister Hon. Ms. Paula Cox.

This is our official reply to the budget, and my first as the spokesperson for Finance for The United Bermuda Party.

A Party left with two sitting members working together, our integrity and principles intact. Committed to work for the people of Bermuda, we are determined to represent all Bermudians, as we address the tough issues facing our island home in 2012.

**Mr. Speaker,** we truly know the meaning of doing more with less, as we continue to fight for the people of Bermuda, by keeping their issues at the forefront

**Mr. Speaker,**

This reply to the Budget is the last before the Premier announces a date for the next General Election, and our two humble representatives, living modestly, within our circumstances, are as one with the people, as we truly understand what it means to operate within a budget.

The focus of the United Bermuda Party in this budget will be:

- Putting our people first;
- The restoration of law and harmony in our society;
- Identifying where and how our country went adrift; and
- Positive solutions to move us forward.

**Mr. Speaker,**

We encourage the government to turn our anti social troubles inside out, and introduce a social coalition of all law abiding citizens to get this country on the road to make Bermuda safe again.

## **NATIONAL SECURITY AND CORRECTIONS**

**Mr. Speaker,**

No issue is more important to Bermuda's future than the preservation and restoration of law and good order.

We support the Minister of National Security's efforts to address gang violence and his movement to embrace the concept of Operation Ceasefire that we - The United Bermuda Party - put to him directly in May 2011, when he initially took the office as Minister of National Security. Prior to that, the concept was contained in our Press Statements, Throne Speech and Budget Replies.

**Mr. Speaker,**

The Police budget has been a contentious issue for many years, and with the proliferation of murders in recent years, the service that the men and women in the Bermuda Police Service provide is outstanding.

**Mr. Speaker,**

We are pleased that the Minister of National Security has committed to the introduction of anti-gang legislation as a component to combat the scourge of gang violence in Bermuda.

**Mr. Speaker,**

This is the first budget debate with the Bermuda Police Service in the long awaited new Dame Lois Brown Evans Building on Court Street. Whilst the facilities are a huge improvement, the Police and the Judiciary still find their various departments separate, and not housed under one roof as originally intended.

However **Mr. Speaker,**

We note with interest that whilst the Police budget has increased by \$10.41 million over the 2011/12 original estimate, to \$68.614 million for this year's budget, the allocation still remains lower than the actual amount spent in the 2010/11 budget year.

**Mr. Speaker,**

The success of Bermuda hinges on us making our communities and streets safe again. Any positive gains in Bermuda's economy will be for naught unless our country can get a proper handle on the gang violence that has gripped our communities in the past four years.

**Mr. Speaker,**

We consider National Security as a non-partisan issue and support the need for a coalition of efforts between government, Private business, Community organisations, Churches of all denominations, Sporting clubs, the Media and Political parties, working together to solve the problems created by the proliferation of the gang culture.

**Mr. Speaker,**

We note with great interest that the Department of Corrections received a 2% increase in their budget allocation this year.

We must express our deep concern for the safety of the correction officers on the front-line at our islands Prisons.

**Mr. Speaker,**

With the tremendous shift in the social climate in Bermuda through the proliferation of the gang culture, the Prisons in Bermuda most definitely have become more dangerous places to work, and require a more careful security scrutiny.

**Mr. Speaker,**

We in the United Bermuda Party support regular reviews of the social and psychological state of Bermuda's correctional institutions. In addition, we feel that it is necessary for our prison officers to be kept abreast of modern methods used internationally, and that the safety and welfare of the officers will always be a priority.

## **HOW DID BERMUDA GET HERE?**

**Mr. Speaker,**

We partially agree with the Premier's statement "The framing of this budget has been a tough balancing act because it is set in a global environment in which there is continuing turmoil in financial markets, much of it associated with the uncertain outcome of the sovereign debt crisis in Europe."

We appreciate the balancing act that the Finance Minister speaks of. However, Mr. Speaker, we must conclude that the spending habits of this Finance Minister and her Cabinet colleagues since 2006, where five successive current account deficits have been produced, have contributed to the current debt. A debt that has increased nearly tenfold in the 13 years of this PLP government, a debt that has created the need for the debt ceiling to be raised to \$1.45 billion.

**Mr. Speaker,**

With \$35million charged to interest on debt and \$50 million coming out of the sinking fund, annual interest payments have soared to \$85 million, and are growing. Yes Mr. Speaker, those are the realities, those are the results of excessive PLP spending, those are the results which make pulling together a budget FAR more than a tough balancing act.

Nevertheless Mr. Speaker, We in the United Bermuda Party agree that we must put our people first in the consideration of, and the preparation of, any budget.

Equally, it is as important that you do not put our people at risk, especially our seniors and children.

**Mr. Speaker,**

We acknowledge that this budget struck the correct tone. Our people are at their 'wits end' and it is important that we express our sentiments in a non offensive manner and in a caring manner. Hence, tone is ever so important. One does not wish to say anything that might incite panic or worry...indeed, one does not have to!

**Mr. Speaker,** the content of this budget is, however, deserving of criticism, as the government's spending habits and poor policy decisions must now be compensated

for.

Whilst we were pleased with the tone of the National Budget for 2012/13, in our reply we have been critical, and while doing so, also outlined the areas of concern that we have.

**Mr. Speaker,**

The Premier was most correct in her opening remarks by quoting Peter Drucker, that well known management guru, who said:

"Management is doing things right, leadership is doing the right things."

Mr. Speaker, the Premier and Finance Minister, by using this quotation, has framed the problems that this country is facing quite appropriately.

Against the backdrop of countless suggestions in the past, from the United Bermuda Party and others, this PLP government is guilty of doing things and making policies, in several key areas, which made us less able, as a people, to better withstand these trying economic times. In our opinion this government has only partially led in doing the right things, plus they have not led in doing things right.....and in not doing things right, this government has put the country at risk....now .... and in the future. We highlight things such as:

The governments previous adversarial approach toward international business;

The Foreign Spouse of a Bermudian land license policy:

The over reliance on cruise ships;

Excessive spending and the focus on high ticket events such as the cost of 'Beyonce in concert';

The plethora of violations prior to the recent introduction of good governance legislation.

The inability and/or refusal to properly manage direct and control People, Projects and Resources.

**Mr. Speaker,**

We all have stories in our families of the matriarch who always had a special savings somewhere in the house for that inevitable 'Rainy Day'.

I recall the story of a Bermuda business which had to close because of a major catastrophe and the owner expressing that they were faced with losing everything. To his amazement his virtuous wife had special savings set aside that allowed the family to immediately restart another business again and move forward.

**Mr. Speaker,**

Across Bermuda there are other stories, similar in nature, where matriarchs have practiced 'saving for a rainy day'.

Unfortunately, Bermuda today is struggling because we, as a country, did not follow that time honoured practice of our elders.

Whilst the previous Finance Minister, the late C. Eugene Cox, had the foresight to set up an unemployment fund, Mr. Speaker, during the seven years of plenty following the tragic events of 911 - which saw the boom period in reinsurance take off and Bermuda become the land of milk and honey – this government went on a spending binge.

Also during this period **Mr. Speaker**, government enjoyed flourishing windfalls in revenue, which consistently exceeded the amounts budgeted for. These came especially from payroll taxes.

Unfortunately, during this period, government expenditure continued to grow, even greater than the excessive revenue windfalls, and as a result the country continued to incur current account deficits.

In addition, **Mr. Speaker**, the government itself embarked upon several huge capital expenditures when private sector construction was already booming. We in the United Bermuda Party warned against this overheating of the economy. Unfortunately, our advice was not heeded. Had it been, properly timed government construction projects would have been providing stimulus during the recession period we are in now.

**Mr. Speaker,**

Bermuda is now on the back foot, defending against the onslaught of this recession. But let no one fool us **Mr. Speaker**, a better prepared government, with cash in reserve, would have been in a much stronger position than this government finds itself today.

**Mr. Speaker,**

The quote by Peter Drucker used by Madame Premier and Finance Minister in the Budget Statement is so true for the PLP Government Ministers: " leadership is doing the right things ", for in our estimation, they have failed to lead this country - by example, and by some questionable policy decisions.

Notwithstanding this, and to the governments credit, in recent months there has been a lot of catch, patch and follow up legislation and policy back tracking. Even with this however, the net results still remain. Bermuda's Government has been underperforming for years, and Bermuda now finds itself continuing to underperform. Only now, it is during the most trying of economic times. And our people are at risk because of it.

As a consequence we are a country with **no alternative** but to increase borrowing during this our time of need, as a result of having set aside no savings during the time of plenty.

**Mr. Speaker,**

I am saddened that the government failed to heed the advice of the Opposition and others, as it would have benefited our country today had they been more financially prudent and implemented sensible austerity measures as recommended.

## **RECESSION 1991 VS 2012**

**Mr. Speaker,**

There has been a fair amount of comparisons between the recession that we are experiencing today and the recession experienced 20 years ago, in the early 1990's.

One significant difference between the two periods is that in 1991, Tourism was a greater contributor to our GDP, while now; Bermuda's economy is totally dependent on International Business.

This in spite of the fact that the tourism Minister is boasting one of the highest visitor arrival numbers in our history. The problem is simple. The PLP government spent nearly \$70 million on a new Pier to facilitate 200,000 additional cruise ship passengers:

~ This pier allows for 200,000 additional cruise ship visitors each year

~ On average each cruise passenger spends \$120 in Bermuda

~ This adds \$24 million to our economy each year

~ Between 2002 and 2011 the number of cruise ship visitors doubled, from 200,000 to 400,000

~ If instead we had 200,000 additional air passengers, who stayed in hotels, cottages and guest houses, etc.

~ Based on the average dollar amount each of these spends in Bermuda, which is about \$1200.00

~ That translates into \$240 million into our economy each year

**Mr. Speaker,**

The numbers speak for themselves: two hundred thousand cruise ship visitors spending \$24 million, or 200,000 Hotel Guest spending \$240 million. Where should our government be putting marketing focus and capital investment?

Unfortunately **Mr. Speaker**, whilst "leadership is about doing the right things", this PLP governments policies favoured cruise ships instead of air visitors. If this government had invested more substantively in our on island product and services, to grow hotel bound air arrivals, today we as a people would not be paying so dearly.

Respectfully, it is our submission that policies aimed at investing more in substantially increasing air arrivals would have translated into more successful hotels and greater foreign exchange for Bermuda today. We continue to feel that one of our countries focus needs to be aimed at establishing a strategy and a timetable to significantly grow air arrivals.

Doing the right thing means not playing politics or favouritism with our primary industries. Doing things right means having knowledgeable and experienced people managing, directing and controlling our primary industries.

**Mr. Speaker,** between 2002 and 2007 this government enjoyed excessive revenues – more than where budgeted for. We maintain that these excessive revenues should have partially been set aside, in that aforementioned ‘rainy day’ fund. We can say today that that fund could conceivably have had some \$200 million dollars in it – earning interest. Instead, this government overspent...and overspent, and overspent.....and now it’s having to borrow and borrow and borrow.

Former Premier Sir John Swan outlined the difference between the emerging recession in 2008 and the one our country endured in 1991 in an article in the Royal Gazette, as follows:

"When Bermuda's tourism industry fell into decline during a previous recession in the early 1990s, many foreign workers had left the Island", Sir John recalled. "We had to send a lot of people home," he said. "They were people working in tourism, and we can't do the same thing today because now they are people who work in international business and our economy relies on them."

In laymen language Mr. Speaker, guest workers in international business started renting, and nowadays buying, our homes in greater numbers, business travelers became the target and leisure visitors decreased, as the Bermuda economy shifted to the point today where Tourism now contributes a lowly 5% towards our GDP. Some will remember when tourism contributed 35% and more towards our economy, when more Bermudians were employed in the industry, when this country was the one to emulate.

That somewhat explains why the country is experiencing a recession whilst the government boast the second highest visitor arrivals in the country’s history.

It’s not the number of visitors that matters; it’s the type of visitor.

**Mr. Speaker,**

It is ironic that much of the fault of Bermuda’s economic woes is laid at the feet of the global economic recession. Truth be told Mr. Speaker, this PLP Government was slow to acknowledge that the country was feeling the effects of a recession. In fact, in 2008 it took the unprecedented move by then US Consul General Mr.

Gregory Slayton to publicly warn Bermuda of the threats of a recession.

**Mr. Speaker,**

The budget is of great importance this year, due to a prolonged recession, which is being felt by most if not all, people dwelling in our islands.

Bermudians are reeling with business closures, job losses, loss of equity due to depressed real estate prices and other economic consequences associated with our financial realities.

**Mr. Speaker,**

Bermuda is in the eye of a severe economic storm that some might characterize as the perfect economic storm.

The forecasts for this economic storm date back to 2008 and this PLP government was slow off the mark to heed the warning bells sounded.

**Mr. Speaker,**

Let me quote the Finance Minister from a Royal Gazette article in 2008:

Finance Minister Paula Cox said that international business, the "mainstay" of the economy, saw two strong quarters of growth to start 2008 and "we expect this sector will remain strong as Bermuda is still viewed as a quality player in the global arena"."While official figures are not yet published, the labour indicators and economic activity suggest that we are not technically in a recession," this Finance Minister said.

However, **Mr. Speaker,**

Former Premier Sir John Swan made the following contribution during the same period in 2008. Sir John Swan, in a news article in 2008 said:  
"Recession will hit Bermuda hard, with "severe consequences" from the global recession, "including more job losses and falling property values" the businessman said. He further stated that "Bermuda's economy was hugely reliant on American-owned international business and that the severe downturn ravaging the US would inevitably have serious consequences in Bermuda."

**Mr. Speaker,**

At that time, the PLP government's denial of a recession reminded me of the story line of the movie 'The Perfect Storm'.

The governments delay to heed the advice of the economic forecasters contributed to our country being ill prepared to address the recession. A lack of preparedness that has contributed to what is being felt today.

It is also important to recall that the United Bermuda Party, in both our Budget Replies and Throne Speeches, urged the PLP government to be more financially prudent and save for a rainy day.

With our savings depleted and the country still spending more than we are earning - the impact of the global recession was magnified, our lack of preparedness is evidenced by the expansive growth in the amount now being paid in interest to service the debt.

## **RED SEA OF DEBT**

**Mr. Speaker,**

Bermuda has lost its bearings; we are no longer the economic paradise in the Atlantic. We are now way off course, in treacherous waters, in the Red Sea of Debt.

**Mr. Speaker,**

Each year, as our billion dollar debt has grown, the **interest alone** on that debt has now become the equivalent of the cost to operate an entire Government department, and its growing ...and will continue to grow .... because this government persists in operating with current account deficits.

This government continues to spend more than it earns.

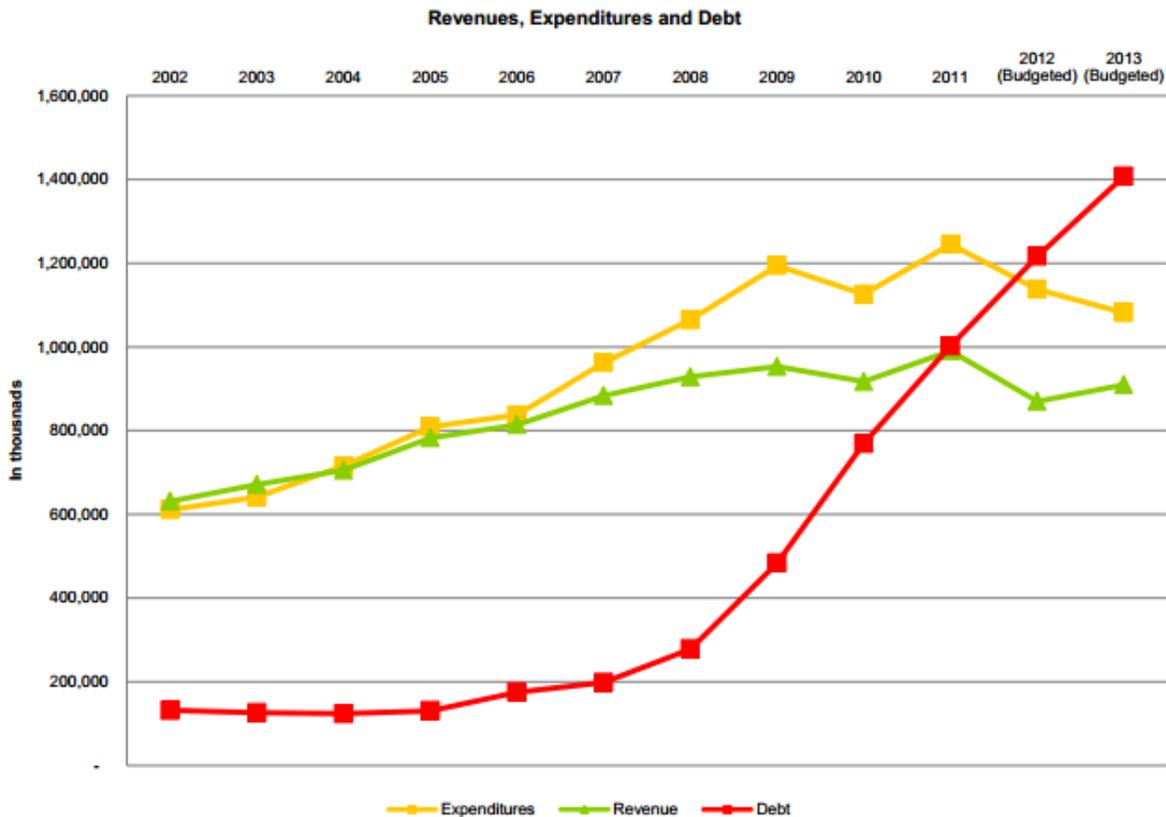
**Mr. Speaker,**

We maintain that, in producing the 2012/13 budget estimates, the Bermuda Government was left with no choice but to borrow, to compensate for the severe economic position that our country is faced with, a severe economic position that it

has contributed to.

**Mr. Speaker,**

The Budget Deficit should concern all Bermudians as much as it does the United Bermuda Party. The graph below, provided courtesy of Deloitte's annual budget review, paints a grim but accurate picture of then astounding mountain of debt caused by the governments reliance on deficit spending, especially in recent years since Premier Cox has been our Finance Minister.



**SOURCE: DELOITTE ‘RED SEA MOUNTAIN WAVE OF DEBT’ AND ‘GREATER EXPENDITURE THAN REVENUE’**

The government often explains away that our excessive debt is less than other countries and that the debt translates into hard assets and we should not be concerned. However, it is most important for us to explain that the government has operated with repeated current account deficits since 2006 and that has contributed to our situation now and will continue to going forward.

## **EDUCATION**

The one area of government services that so urgently needs to be done right is the provision of education. We support this governments efforts towards the change needed – at implementing aspects of the Hopkins Report and post the Joint Select Committee report - with meaningful and measurable reform, and increased funding. We call on government to continue on this trend with a firm and resolute mindset. Bermuda cannot afford to short change our future generations.

We call on government to broaden and enhance the reach of our only college, especially, in the area of technical training, by following through with partnerships, locally and overseas, to develop technical education at the local level. No longer can failures in this respect be laid at the feet of previous governments. The Career Pathways idea planned for this September is welcome, as is the Job Corps and One Stop Career Center proposals. All of these have long been called for by the United Bermuda Party.

**Mr. Speaker,**

Government needs look no further than in our own back yard to discover ways to enable schools to function more efficiently and effectively. We have successful schools, schools that parents want to send their children to....and they will pay for it. It may be worth exploring the conversion of a government run school to be based on such principles.

**Mr. Speaker,**

We further call on government to identify specific areas of the education system that could realistically be outsourced, and privatise them. Some suggestions worth exploring include cleaning and maintenance services, purchasing, special needs and perhaps paralegals, and some aspects of national training.

The 2012/2013 budget indicates a reduced amount for Ministry headquarters, to \$1.85 million, and increased funding for the department, to \$7.6 million. These appear more realistic figures given previous actual expenditures.

## **YOUTH, SPORT and FAMILIES**

**Mr. Speaker,**

Given governments delayed grasp of the affects of the oncoming downturn, it is understandable that it belatedly recognized that the people's need for financial assistance would follow. Only now is it becoming apparent how deep the affect is being felt.

Citizens of all classes are struggling to make ends meet, and the demands on financial assistance have increased, and, we say, will continue to increase. With 25 case workers, each with 150 plus clients, this system is stretched.

**Mr. Speaker,**

For the past few years government consistently under budgeted, by as much as 40%, the needs of financial assistance. At \$39.8 million in the 2012/2013 budget, the figure now becomes more realistic based on previous actual payouts.

**Mr. Speaker,**

In no other area of our lives are our citizens the most key players than areas involving our youth, their youth. As with financial assistance, the 2012/2013 budget figure of \$18.7 million for Child and Family services has finally caught up with the reality indicated in previous years.

**Mr. Speaker,**

We call on government to encourage and enhance efforts by community groups at developing local, community based programs in their respective communities. This may foster the rejuvenation of that neighbourly spirit we older Bermudians cherish, a spirit that benefited this island in the past, a spirit our country sorely needs today.

We would point to the Bermuda Sloop Foundation, the Bermuda Youth Sports Program and successful sports and club programs as examples.

## **CARING FOR SENIORS & SOCIAL OUTREACH**

**Mr. Speaker,**

The plight of our aged population is well documented and discussed widely. We have publicly expressed appreciation for our former colleague Mrs. Louise Jackson who has championed the concerns of seniors, and, as a senior herself, demonstrated that we need to encourage the opinions and wisdom of our seniors to bring about greater policy decisions within our government.

Seniors, thankfully Mr. Speaker, are living longer, fulfilling lives; but the cost of living is going up as we speak. We encourage our seniors population to offer their expertise and keep active. In addition, we invite government to look locally, amongst our senior citizens, for consultancy expertise.

**Mr. Speaker,**

Bermuda's economic and social programs must be relevant to the times we are living in; and we applaud the efforts of Non Governmental and Charitable Organisations such as:

- Salvation Army
- Business Bermuda
- Family Centre
- Project Action
- Ross Blackie Talbot Foundation
- Menuhin Foundation
- Bermuda Sloop Foundation
- PRIDE
- PALS
- Meals on Wheels
- Age Concern
- Coalition for the Protection of Children

These organizations and other worthy organizations depend on government and private sector funding, and provide great service that often goes unnoticed but has been a huge help to the people of our country. Building on the spirit and commitment of these types of organizations is what will lift up Bermuda and her people.

## **TOWN OF ST.GEORGE.**

**Mr. Speaker,**

The Town of St. Georges is a cultural tourism gem, that we encourage the government to revisit as such. We call on the government to:

- Support a Public Private Partnership that will seal the deal for The George Hotel & Marina to become a reality for this world heritage site.
- Invest in the restoration and marketing of the St. George's Golf Course
- Develop a Ferry Terminal at Marginal Wharf to house a dedicated east end ferry thereby restoring the east end commuter ferry service.

## **WEST END**

The R.N. Dockyard and west end have, Mr. Speaker, become a tourism hub with the construction of the new cruise pier. This has seen thousands of our cruise visitors transported past area business in Somerset, to the South Shore Beaches. We applaud the granting of Economic Empowerment Zone status for the area, as well as for St. Georges in the east.

Government is encouraged to preserve the uniqueness of the west, God's Country as we say, by making greater use of its waters for transport, by ensuring that economic opportunity is broadly spread, and by strictly controlling any economic, building and infrastructure development, in keeping with the areas parks, beaches and open spaces.

Further, **Mr. Speaker**, we applaud the condition of the railway trail, the construction of pathways enabling both locals and visitors to reach the waterside, and the provision of benches for those who wish to rest or take in the views.

The West End is, indeed, the place to be during the Cup Match weekend Mr. Speaker. There is much to offer, and we encourage government to highlight this fact in efforts to attract our visitors.

**Mr. Speaker,**

The development of Morgan's Point and Daniels Head has been open topics for many years, and it is hoped that, despite these economic times, suitable investment and action will occur. We encourage governments efforts toward these ends.

We also encourage government to affect long needed infrastructure repairs and safety provisions at the Evans Bay Public Wharf, which is used by boaters, swimmers and fishermen – including children – in greater numbers.

### **BERMUDA FIRST 2009: A VISION FOR BERMUDA**

**Mr. Speaker,**

We close by thanking all those who participated in the Bermuda First initiative which was formed in 2008 to combat the threats of the recession. It was an example of a successful bipartisan/nonpartisan effort that had input from a wide cross section of Bermuda's business and social society. The United Bermuda Party proudly participated in this initiative in the person of its Leader Mr. Kim Swan MP as Co-Chair, along with former Premier Dr. Ewart Brown and Mr. Don Kramer. This initiative outlined 32 recommendations and a vision for Bermuda.

**Mr. Speaker,**

Bermuda's economic and social policies must be sustainable, as their existence is necessary for the development of a wholesome society. In that regard, Bermuda, and Bermudians, must get back to basics and focus on our fundamentals.

**Mr. Speaker,**

With the vision outlined by the Bermuda First 2009 initiative in mind, the United Bermuda party will work to ensure:

1. Bermuda remains a premier international financial centre
2. Tourism is reinvigorated as the second pillar of the economy

3. New areas are pursued to diversify the economy

4. Economic opportunities and benefits are improved for all Bermudians

The recommendations in this report are a blue print for Bermuda to follow. That together with demonstrable financial controls will get Bermuda back on track again.

**Mr. Speaker,**

We believe we have the leadership that will do the right things, and the management that will do things right

Thank You, **Mr. Speaker.**