



REPLY TO THE BUDGET

*Delivered by Mr. E. David Burt, JP, MP
Shadow Minister of Finance
March 1st, 2013*



INTRODUCTION

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

It is a distinct honour to reply to the Budget Statement on behalf of the Opposition Progressive Labour Party. I am humbled to follow parliamentary giants like the late Honourable C. Eugene Cox who spoke with authority in this Honourable House, first as Shadow Minister and then as the PLP's first Minister of Finance. Mr. Speaker, in honouring the father, I must also recall the service of his successor and daughter, the former Honourable Member and Premier, the Honourable Paula A. Cox. Mr. Speaker, both of them served the country well.

On this occasion, I must also thank the Leader of the Opposition for giving me the honour of serving as the Shadow Minister of Finance. This is no small task and I will fulfil the duties to the best of my ability to be forthright to the people of this country.

Mr. Speaker, today I will speak about the past, the present and the future. I will reply to the Budget Statement and I will discuss the challenges that we as a country face, and the urgent need for a bold vision of economic diversification and transformation for our island home. Finally, I will call for a more mature discourse of our country's affairs and a thorough examination of our broken immigration system.

Reflection

Mr. Speaker, the people of Bermuda spoke in the last election and our return to the Opposition benches is an indication that in the view of the people a change in leadership of this country was necessary. There is no greater equaliser than the electorate in a thriving democracy.

Two weeks ago our leader set out our Party's overall vision. Today I will set out our Party's economic vision, mindful that as a country and especially as a party, we must learn from our mistakes. As our leader said, "with new leadership comes a new direction, a new purpose, and a new way of doing things." Mr. Speaker, the Progressive Labour Party cannot absolve itself completely of responsibility for the country's financial position. During our time in office we made mistakes, mistakes that we cannot make again.

We grew the civil service without giving enough focus to increasing the efficiency of the civil service. This growth not only affected current expenditures, but gave us an increasing amount of forward liabilities that are the responsibility of all of us. We also increased taxes on our business owners and our citizens in the midst of a crippling

recession. Though the aim was to control the level of borrowing, it is our view that tax increase caused more harm than the additional revenue it provided to the government.

Mr. Speaker, we as a party own those mistakes; however, we as a country must learn from those mistakes. It will be the PLP's challenge to again win the confidence of the people.

Mr Speaker, though we made some mistakes, we are proud of our economic record. Despite the worst global recession since the Great Depression, we saw increases in home ownership, a massive expansion of the international business sector, and the first new luxury hotel built in 35 years.

Our budgets matched our priorities of ensuring that our seniors had a comfortable retirement, ensuring that our young people received a quality education in modern facilities and had access to post-secondary schooling, providing funds to re-train and re-tool our people for the jobs of today and the future, and improving our democracy. Our successes outweighed our failures, but in the end we lost the confidence of the people.

However, Mr. Speaker, today is not a day to dwell upon the successes or failures of the past; today is a day to look forward and discuss the Budget that the One Bermuda Alliance has presented to this Honourable House.

Our Approach in Opposition

Mr. Speaker, we are of the belief that naked partisan political posturing on the issue of finances destroys a country's credibility. We believe that for the last 3 years, the relentless attacks of the then opposition OBA have made our country weaker, not stronger. Though the One Bermuda Alliance has won a political victory, it is our view that the lack of confidence in our institutions due to repeated and unfounded allegations of corruption and malfeasance have done more harm to this country over the last 3 years than any single act a Minister of Finance could have done.

Mr. Speaker, we can disagree without being disagreeable. We can argue the merits of our actions without accusing others of having improper motives. We can make our point locally, but when we speak externally we must speak with one voice and of one accord. While the PLP was busy marketing Bermuda across the globe, you would think that some were rooting for our failure, to the detriment of this country and its future.

Mr Speaker, that will not be the approach of this Progressive Labour Party government in waiting. We will not engage in those destructive actions, because the people of this country need their leaders to work together and spend time solving their problems.

We will not throw our country under the bus because we disagree with the OBA; we will stand strong for Bermudians and for Bermuda's businesses because in this Honourable

House the welfare of the island must come above political grandstanding. We will applaud the OBA on successes that lead to a better life for our people, and we will give them constructive criticism when we see them off-track. That is the leadership that we will provide in this chamber as the Opposition when it comes to matters of finance and the economy. For when Bermuda succeeds, Mr Speaker, it is not a victory for the PLP or the OBA, it is a victory for our people.

Mr Speaker, to quote our Party Leader, “we are pro-business because we are pro-labour”. In that vein the Progressive Labour Party, as a government in waiting, will seek to build trust with the business community, both local and international. Bermuda’s success will depend on their support and as an Opposition we must understand their needs. I look forward to meeting with all of the representatives of business organisations in Bermuda so that they can have the confidence that the Progressive Labour Party is committed to sound finances and a strong and vibrant economy in Bermuda.

The role of government must be to solve the problems faced by its people. The job of budgets is to represent the priorities of the government and demonstrate how the resources of a country will be used to advance its people.

Mr. Speaker, there are no easy options going forward. The situation at hand requires ideas and vision for the future. Short term fixes are not enough; short term stimulus is not enough. What we require is a fundamental transformation of our economy; and on that measure, the Honourable Minister’s Budget Statement came up short.

THE BUDGET STATEMENT

Mr. Speaker, one spokesman on behalf of the Bermuda Chamber of Commerce termed this year's Budget Statement as "refreshingly honest". He is correct. The Honourable Member the Minister of Finance has presented an accurate statement of affairs that is factual, along with projections which are supported by data and statistics. In a feat which will likely only be tolerated by the people once in this parliamentary term, the OBA has claimed to have "looked under the hood" and told us nothing that we did not already know. However, the statement also lacked something important, and that is a formula for genuine economic success for the future that will benefit our people.

It is against the backdrop of the election result and the mantra for change claimed by the OBA that the PLP views this Budget. Mr. Speaker, in opposition, the Honourable Member, the Minister of Finance regularly claimed to be the "sage" before there was a SAGE Commission. This Honourable House and the airwaves were regularly treated to his admonition that he predicted the economic turmoil both global and local. Therefore, Mr. Speaker, it is alarming to note that this Budget Statement is more balance sheet than it is a formula for economic success. Bermuda does not need a Chief Accountant; Bermuda needs vision based upon a clear economic policy. Presenting an honest picture of the state of the finances can be accomplished by Google.com, gov.bm and a pad and paper; as Larry Burchall has so ably demonstrated. The people of this country, however, demand more.

Mr. Speaker, where is the OBA "Jobs and Economic Turnaround Plan"? Last year in this Honourable House the now Minister of Finance castigated the previous government for not having a plan. Now that the election is over we must ask, where is the OBA's plan? Before the election, the Honourable Minister spoke about overseas investors waiting for the OBA to take office so they can come to Bermuda, but makes no mention of this in his Budget Statement. We hope that the extent of the OBA's plan is not just short term tax breaks and breaking election promises by scrapping term limits.

Gone is the pre-election talk of reducing the debt and tackling wasteful spending. Now, we hear excuses about stubbornly rigid expenses, while we see spending increases. Two successive PLP budgets have reduced spending, but the first OBA budget gives this country a spending increase and a record deficit. Mr. Speaker, where is the leadership, where is the decisive action that the Bermudian people were promised?

On page 6 of the OBA's Budget Statement, the Honourable Minister says: "*It is worth reiterating the simple fact that only an employer can create a job. And a job is the best social programme ever invented.*" You will not be surprised to learn that the PLP agrees wholeheartedly with this statement. Where we part company with the OBA is on their approach to job creation. The contradictions are evident within the Budget Statement itself, Mr. Speaker.

The OBA seeks to simply brush aside the inequities and inequalities identified in survey after survey, in the Mincy Report and in the Low Income Threshold Report. There are “haves” and “have-nots” in this community, Mr. Speaker, and simply declaring that to mention that fact is divisive, is not only disingenuous but false.

It simply is not true that, “the fortunes of all people who call this island home... rise and fall together”. The option of shipping jobs and business offshore does not exist for the small businessman and woman who find themselves in dire straits. Some people who call this country home have options and there are many among “us” in this community who do not. The OBA is right that there are linkages that “bind this economy together”, but the strands are not equal and there is a responsibility for the OBA to acknowledge and to enact policies mindful of this reality.

An Economy in Transition

Mr. Speaker, these are not ordinary times. The fact that the new Honourable Minister of Finance committed this country to a record deficit of \$331 million dollars puts that fact in stark terms. That amount of borrowing is staggering, but demonstrates the precarious financial position that our country finds itself in. It is up to all of us in this Honourable House, and indeed all of us in this country, to work together to reverse that trend.

But before we can reverse that trend, Mr. Speaker, we must acknowledge that our economy is in an economy in transition. Bermuda continues to experience rising unemployment, an ageing population, declining birth rates, contracting GDP, rising debt levels, changing business models, outsourcing, and offshoring. The confluence of all of these factors is profound and poses a serious threat to our livelihood.

The Budget Statement contains a key admission of economic reality in Bermuda. On page 11, the Honourable Minister concedes that “Bermuda is highly developed but is undiversified and very small”. Mr. Speaker, while we did not expect a plan to increase the size of the Island, we did expect something to address our dangerous lack of economic diversity. Instead the OBA’s plan amounts to extensions of PLP concessions for existing business, additional concessions to existing business, and “welcoming policies” aimed at restoring 1980s style numbers in a 21st century economy.

Mr. Speaker, if no other lesson is learned from the global recession, it is that where the work can be done by one person, do not hire three. The streamlining of corporate operations in a jurisdiction like Bermuda is not unique to us. It is a requirement of a changed paradigm of business the world over. This Budget Statement does not account for that and does not mention how to address issues like the employment impact of insurance linked securities, which is an excellent example of how real business evolves and innovates in the face of global trends. By definition, Mr. Speaker, this must mean that we need to diversify.

We are suffering from our increased reliance on an international business sector that is no longer structured to provide the income and the jobs that we require. The model that drove growth during the last decade has changed. We have innovated, and we can now produce more with less. The Bermuda model for large, class 4 insurers that we have relied on to provide employment for our people has changed. Alternative capital providers are replacing traditional common equity raising to replace lost capital and thereby reducing new class 4 formations and associated labour. Our insurance companies are able to deliver bumper profits with less people on the ground. That affects the direct revenue to the government, but that also affects the indirect revenue to the economic activity created by that employment.

Not only has the model changed in the insurance industry, but the drive for increased profits and cost reductions has seen vast numbers of locally-based businesses outsource many of their operations. Whether in the banking, telecommunications, or the legal sector, some Bermudian employers are making the choice to not hire in Bermuda and outsource their operations to companies overseas. However, outsourcing does not always mean sending jobs to companies overseas; we see local companies outsourcing some operations to other local companies. Increasingly this results in the displacement of Bermudian employees and the replacement of the job function by guest workers due to the structural imbalances in our economy that make guest workers less expensive to employ than their Bermudian counterparts.

Mr. Speaker, the OBA Budget Statement does not address this issue. They do not speak to fulfilling their promise of 2,000 jobs nor do they speak to reversing this trend of Bermudian labour being displaced by guest workers. Mr. Speaker, a temporary tax exemption is not enough to reverse this trend and neither is the abolition of term limits.

An economic plan for the future must take into account that we are an economy in transition and we need new services and new ideas to draw new capital to our shores.

Mr. Speaker, to sum up my party's views on the budget presented, we were expecting something more. We were expecting a plan; instead, we got an increase in spending, an increase in borrowing, a record deficit, and a \$2.5 billion debt ceiling. Instead of vision and long term conviction, we got short term moves. It seems as though the Honourable Minister came to grips with the fact that you cannot change the laws of economics and simultaneously cut taxes, increase spending and reduce the debt, no matter how many times you tell the electorate that you can.

Budget Policies and Priorities

Mr. Speaker, I will move on to look at some of the fiscal policies proposed by the Honourable Minister in his Budget Statement.

Tax Relief

Mr Speaker, We are pleased that the Minister saw fit to leave in place the tax relief that the PLP provided to the retail, restaurant, and hotel sectors. The relief was put in place to preserve jobs, but costs the government precious revenue. We were of the belief, and we're happy that the Minister agrees, that supporting employment while incurring debt in the short term is better for the economy.

Though we support the aim of the OBA's two year payroll tax holiday for new Bermudian employees, we question whether the impact of this election promise was fully considered. The Honourable Minister of Finance continues to state that this proposal is revenue neutral, however we beg to differ. We are not sure that the Honourable Minister has considered the regular turnover in the economy when it comes to hiring. Although this exemption is targeted towards new hiring, there is no specification that the new employee needed to be unemployed prior to their hiring in order to qualify for the tax exemption. This means for general turnover inside the economy such as someone losing a job and getting replaced; or someone moving to another job, this plan, as constructed, will lead to lower government revenues.

Land Licensing

Mr. Speaker, when it comes to moves to stimulate the construction sector, we will take a wait and see approach. We are not certain that this move alone will spur the construction sector; however, we support the intent of the OBA in making this move. The announcement of reductions in land licence fees across the board from 25% to 8% for 18 months is noted; but, it is interesting that the Honourable Minister then proposes to leave the rate at 12.5% -half of the current rate- at the end of the 18 months. Bermuda does not have unlimited land to sell; therefore it is puzzling why the rate is not proposed to return to its historic level of 25%.

Vehicle Fees

Mr. Speaker, our party does not support the move to punish our seniors by re-introducing vehicle licensing fees to some seniors and not others. We feel this is the wrong move, and that is precisely why we did not move forward with this proposal last year. We do not believe that burdening our seniors with higher fees while providing tax breaks to companies and PRC holders are the correct priorities for our country. The vast majority of the seniors enjoying this benefit are law abiding citizens who by and large are on fixed incomes. The PLP made their lives a little easier with this relief. The size of your car has no bearing on your ability to afford vehicle licensing fees. Many

seniors affected by this tax increase do not have SUVs but have station wagons or sedans that are over 10 years old and they will see their cost of living go up.

We urge the OBA to crack down on the abuse and go after the people flouting the law; but not to punish law abiding seniors who are challenged to make ends meet. It is wrong for the OBA to punish all of our seniors for the actions of a few. On behalf of the seniors affected, we urge the OBA to reconsider this tax increase.

Workforce Development

Mr. Speaker, the PLP believes in a workforce development model that does not nostalgically seek to re-establish an outdated model from the 1970's and 80's; but rather, one that is reflective of Bermuda today and the Bermuda economy of tomorrow.

Therefore, we are extremely concerned that the OBA Throne Speech and Budget Statement contain no mention of the Job Corps Programme. From this omission, it looks like the OBA has decided to go against the recommendations of the Mincy Report and shelve this much needed programme. If this is the case, it is a sad development and an indictment on the priorities of the OBA. This decision is the wrong decision for our country's future and we urge the OBA to follow through and implement Job Corps here in Bermuda.

Equally concerning, Mr. Speaker, is the OBA's proposed 38% year over year cut in Government Scholarships, Mature Student Awards and Further Education Awards. Our students deserve more support and cutting back on these awards will negatively affect those who require this assistance.

TRANSFORMING OUR ECONOMY

The OBA's budget presentation lacked detail in a plan for economic recovery. The promise of this Budget Statement seems to be - *leave it to us, we ran this shop in the 80s and 90s and we'll just pick up where we left off*. Mr. Speaker, not only is that dangerous, it is not what the people of Bermuda need. We need to diversify, grow and transform our economy and that must be the collective mission and vision of the country.

Mr. Speaker, the by-products of our challenges over the past few years are ample office space; talented staff looking for work; adequate high quality housing; and support businesses that are more efficient. These combined with the work permit reforms championed by the PLP such as initial permits for start-up companies; new corporate service provider legislation; reduced fees and our Incentives for Job Makers Act have made Bermuda a more attractive jurisdiction in which to do business.

Promote Bermuda as a Place for Business

Mr Speaker, not only are we a more attractive jurisdiction, but we now have one organisation responsible for marketing Bermuda around the globe. The Bermuda Business Development Corporation was a PLP creation. It was tough work getting all stakeholders on board with the idea of one organisation to market Bermuda; however it was done.

We are pleased that the OBA sees the wisdom in the Bermuda Business Development Corporation, and we are pleased that funding for the corporation has been increased significantly. This is the right thing to do when we are looking to attract more business to our shores and on this the OBA has our party's full support. It is hoped that the Bermuda Business Development Corporation will attract new business to our island and will help to enhance some of our international business which may have been forgotten during the insurance boom: trusts and asset management.

Mr. Speaker, Bermuda was a pioneer in the trust business and we were pleased to hear this area mentioned in the Throne Speech. The PLP will support any move to make the island more competitive in the area of trusts and wealth management. These clients are hard to get, but once they are here, they are long term clients of our island.

We must continue to support the diversification of international business via the expansion of the asset management industry. We must continue to be aggressive in going after new business in this area. While we have seen some positive signs of growth with new funds setting up in Bermuda in the last year, we must continue to attract more of this type of business and we will support any moves that will assist the Bermuda Business Development Corporation in this area.

Execute the National Tourism Plan

Mr. Speaker, tourism is an important industry for Bermuda and Bermudians and we must all be about the work of building this industry. We are pleased that the National Tourism Plan, which received the support of all parties in the last parliament, is being actioned. We hope that the OBA's plan for tourism extends beyond simply renaming the Tourism Board to the Tourism Authority. The Budget Statement does not speak to the funding of the new Tourism Authority, nor does it speak to the OBA's pledge to eliminate the post of Minister of Tourism. We hope that the upcoming budget debate will shed more light on these OBA proposals. We hope that there is more substance to come in the area of tourism than we have heard from the OBA to date, and we are hopeful that the OBA will move forward on the tourism development projects that are in the pipeline.

We are also curious that the promised referendum on gaming received no mention in either the Throne Speech or the Budget Statement. Last year, the now Honourable Minister of Finance during his budget reply said, "We will promote business development by: holding a referendum on casino gambling forthwith." We challenge the OBA to hold true to their word and table the referendum legislation. The silence on this issue is unacceptable and we urge the OBA to table the bill without delay.

Mr. Speaker, the Budget Statement refers to the need for Government to speed up approvals. From work permits to planning approvals, company formations and speed of delivery generally; everything must be done quickly. To assist in this process, a Committee of Cabinet has been formed "whose mandate is to compress the time taken to obtain the necessary approvals for direct inward investment into our island". Mr. Speaker, this is an honourable goal. It is, however, not new.

Under the PLP, the Cabinet Committee on Special Hotel Development comprised all key technical officers and ministers required to "compress the time taken to obtain the necessary approvals for direct inward investment into our Island". Mr. Speaker, whilst imitation is the sincerest form of flattery, I would be remiss if I did not remind the OBA what they called efforts to compress time taken to obtain necessary approvals before December 17th. Such action was called political interference or bullying; Mr. Speaker, it was even called corruption. Anything which bucked established processes and attempted to clear away red tape was met with bureaucratic resistance from within and was latched onto by the then Opposition.

Mr. Speaker, consistent with our theme of not repeating mistakes, that is yet another OBA mistake we will not repeat. We will support every effort to make doing business in Bermuda and with the various arms of Government easier. There are no political points to be scored in joining those who would block for blocking's sake and we will not participate in that. Political victories are hollow when our people require action.

As important as international business and tourism are to our economy, we must look for new sectors of diversification as to have new areas of employment for our people and new drivers of foreign exchange earnings.

Develop the Blue Economy

Mr. Speaker, our party supports the development of a “blue economy”, inclusive of sea-bed mining, aquaculture, and off-shore fishing. This will lead to the creation of new job opportunities, the diversification of our economy, and the creation of new revenue streams. Our party has spoken about the “blue economy” on many occasions, and we are disappointed that the OBA has been silent on this topic. I remind the OBA of the Bermuda First report which states, *“Bermuda should create a more transparent and sophisticated licensing regime for resources in its exclusive economic zone. This would increase investment in developing these resources for sustainable commercial use, which would in turn generate a lasting stream of revenue for Bermuda’s government.”*

There are opportunities in the sea not just for fishing, but there may be mineral deposits on the Bermuda Rise. The concept of sea-bed mining was brought to our Party’s attention by former Premier Hon. Dr. David Saul as an untapped resource for Bermuda that could assist in not only creating new jobs and opportunities but also as a means of reducing our debt.

Establish New Markets for Our Services

Mr Speaker, part and parcel of diversifying our economy is also diversifying our trading partners. That means expanding from our traditional markets of North America and Europe. The PLP and its partners did a tremendous job of laying the foundation for this expansion. This foundation consists of the vast network of Tax Information Exchange Agreements, relationships that have been nurtured in the Gulf Cooperation Council region, and forays into the Far East. It is important that the Government not waste the investment of time, energy and money that has been put in to building these relationships and new markets.

Bermuda is already reaping the benefits of this work. The Tax Information Exchange Agreement with Canada has already brought more captive business to our shores and the recent news of Qatar Insurance Company setting up an office of its subsidiary Q-Re in Bermuda is welcome news. The Government and its partners must continue to expand the markets for Bermuda services, and our party will continue to offer full support for these activities. We implore the OBA to implement the action plan from the Gulf Cooperation Council Task Force to promote Bermuda as a jurisdiction for Islamic finance products.

Similarly, we encourage the OBA to develop closer relations with our Caribbean neighbours and strengthen the links with emerging economies in Central and Latin America. There are a number of Bermudian entrepreneurs who have expanded their businesses into the Caribbean. Increased trade will be beneficial as these markets can be new consumers of Bermuda's services and they can be places of business expansion to enhance the wealth of local entrepreneurs.

Rebuild our Island's Infrastructure

Mr Speaker, what will our country look like in 2030? Instead of short term tax breaks, the OBA must focus on the long term infrastructure projects that will transform our economy.

BELCO has a \$300 million plan to transform our energy infrastructure from reliance on oil to liquefied natural gas. This project will provide new jobs and a new secure energy future for our island. We on this side of this Honourable House urge the OBA to push forward with this initiative immediately to provide jobs for our people.

We also call on the OBA to complete and table the National Infrastructure Strategy Plan. This plan, started by the PLP, identifies improvements and repairs to our infrastructure that will not only enhance our overall quality of life, but create business opportunities for construction companies and jobs for Bermudian construction workers. These projects will upgrade our ports, give us an iconic waterfront, provide us with a modern airport with a safe a new crossing to connect it to the island; yield us a modern energy infrastructure with a smart electricity grid; and allow fibre-optic connections directly to our homes.

Promote Alternative Energy

Mr. Speaker, alternative energy technologies represent new employment opportunities for our people. We urge the OBA to outfit all public buildings with renewable energy installations. These installations will lessen the expense to the Government for energy and will also provide jobs and stimulus in our economy.

Imagine our people learning about renewable energy at the Bermuda College while at the same time refitting the same Bermuda College and government buildings. These same labourers can install solar panels and solar hot water heaters on homes, businesses, and hotels throughout the island. Green technologies can provide employment through the installation of solar panels and wind turbines, and continued employment through ongoing maintenance. This would not only create jobs but also offer entrepreneurs an opportunity to take advantage of the new fields and start their own business.

Mr. Speaker, this transformation will bring about economic growth and long-term economic security. Energy is a mandatory cost in our economy. If oil prices double and the average BELCO bill goes up by \$2,000 per year, that is \$2,000 less that every household has to spend in our local shops, restaurants, beauty salons and gyms. When energy prices go up, everybody feels the pinch, and the economy suffers because of it. However if by 2030, Bermuda is producing a significant amount of energy from renewable sources, the impact of external events are less pronounced on our economy. Additionally, instead of spending hundreds of millions of dollars annually on importing oil, that money stays in our local economy providing additional jobs and economic activity. Renewable energy is cheaper than oil over the long term; thus, over time our energy costs will decline, providing an additional benefit to our economy. I gave the example about each household having to spend \$2,000 more per year; what if each household in Bermuda saved \$1,000 a year on their mandatory energy costs? That is millions of dollars of additional activity to support growth and prosperity in our economy.

Mr Speaker, we should require labelling on all appliances to show the annual cost of ownership for appliances sold based on Bermuda electricity rates. This will assist consumers in making smarter purchasing decisions and promote energy conservation. We should require smart meters from energy utilities to ensure citizens are aware of their real time energy consumption. We should also consider requirements for new homes to have solar hot water heaters which can reduce energy consumption in households by up to 20%

It is our Party's belief that our energy transition will be one of the main drivers of our economic growth in the next decade. It is imperative that as a country we seize this opportunity and invest in our future. Energy conservation promotes saving, and saving promotes growth.

Establish Local Capital Markets

Mr. Speaker, we encourage the OBA to work with the financial sector and the Bermuda Stock Exchange to create a local bond market denominated in Bermudian dollars available to individual Bermudian investors and institutions. This is something that has been called for by the private sector, and something that the former Government was not able to accomplish, but we urge the OBA to continue this initiative. Given that the Honourable Minister is projecting that our borrowing may rise to as high as \$2.5 billion, it is imperative that we source as much of that borrowing locally as possible. As a country we need to save more; Bermuda Government bonds could provide a more attractive rate of interest to our local investors as they save for the future.

Mr. Speaker, the items I have just mentioned if actioned could lead to additional economic activity, employment, foreign investment, and needed diversification and transformation of our economy.

MACRO ECONOMIC ITEMS

Mr. Speaker, the required transformation of our economy cannot be completed without making some structural changes to our economy. I will touch on a few of the items that we consider vital for our country's future economic success.

Reform Occupational Pensions

Mr. Speaker, earlier I spoke about structural imbalances in our economy that make employing guest labour more cost effective than employing Bermudians. A major culprit is the National Pension Scheme (Occupational Pensions) Act 1998, which only requires employers to cover the pensions of their Bermudian employees. This provision naturally puts Bermudian labour at a disadvantage by making them more expensive. Employers can offer lower wages to guest workers because their costs are less. We are of the belief that this is an obstacle to Bermudian employment in our economy and we urge the OBA to move to address this imbalance. This will cause some pain for some employers, specifically those reliant on foreign labour, however in the long run it will benefit Bermudian employees. It is also key to note that this change would have no adverse impact on any company that is 100% Bermudian.

This change would not only eliminate the structural problem in our economy where guest workers costs less than those of their Bermudian counterparts, but it will also create more activity on island for the management of those pension funds.

We also call on the OBA to follow through with a commitment to review the contribution rates to occupational pensions to ensure that they are sufficient, and examine if they need to be raised or lowered.

Examine Tax Reform

Mr. Speaker, substantive tax reform is an issue that requires our attention. Our tax system by and large is rooted in a system of revenue from the late 1800s. We must examine whether it is necessary to modernise our system of revenue collection and consider the reform of our tax structure. There are examples of alternate tax systems around the world; some may be appropriate for Bermuda and others may not.

Mr. Speaker, let me be crystal clear, we are not calling for a personal or corporate income tax. However, we must examine our current tax system, and we should make changes where it can benefit our economy and our people.

Consider Monetary Policy Reform

Mr Speaker, the Great Recession has taught us that as a country, we need more tools in our arsenal to deal with external shocks. We must examine whether we need to modernise our local financial system to ensure that our institutions have the power to respond to any future financial crisis. Any discussion in this area should also include a mature and frank discussion on monetary reform.

During a time when our local banks are stretched, there are some that question whether or not our economy would be in better shape if we had more monetary tools at our disposal or a lender of last resort. In looking at monetary policy reform, we must consider all the options and come up with the best solution for our people.

Mr. Speaker, the issues of monetary and tax reform are not to be approached flippantly. If it is decided that modifications are required, it should only be after extensive discussion and consultation with stakeholders. These are issues at the base of our economy that will affect each and every single person and business. However we must be willing to have the difficult discussions to ensure that our economy is structured to help our people help themselves, now and well into the future. The world is changing, and if we do not diversify the underpinnings of our economy we may be putting our futures at risk.

Legislate Debt Collection Reform

Mr. Speaker, many Bermudians, as a result of losing their jobs, now face losing their homes or being sent to prison for debt. Our current system damages the family unit, makes criminals of the poor, and creates more harm than good. We call on the OBA to work with our local banking institutions on a solution to keep hard working Bermudians in their homes. We also call for the OBA to make legislative changes to allow new and more positive ways for debts to be resolved and improve the regulation of debt collection agencies.

Enact a Fair Credit Reporting Act

In addition to better regulation of debt collection agencies, we call on the Government to enable a unified system of consumer credit reporting. This will allow companies to more efficiently assess creditworthiness of an applicant. Such a move can increase efficiency in the marketplace rewarding those consumers with good credit histories.

Establish a Cap on Fees at Banks

Mr. Speaker, certain fees at banks punish and compound distress for those in financial difficulty. One key issue is credit card over-the-limit fees. This is something that is seemingly impossible, as credit cards have “limits”; however card issuers will allow customers to exceed their limit and then charge them a fee every time they do. This was something that was addressed in the recent changes to US credit card laws.

Mr Speaker, we suggest that the OBA consider legislation providing restrictions on over-the-limit transactions, namely:

- A customer must inform a card issuer that they want to allow transactions that will take the customer over their credit limit. Otherwise, if a transaction would take a customer over the limit, it may be turned down.
- If a customer does not opt-in to over-the-limit transactions and a card issuer allows a transaction through, the issuer cannot charge the customer an over-the-limit fee.
- If a customer opts-in to allowing transactions that take them over their credit limit, the card issuer can impose only one over-the-limit fee per billing cycle.

Regularly Release Statistics

Mr. Speaker, we call on the OBA to provide the people of Bermuda better and more timely reporting of statistics. Such reporting allows business to plan more effectively and enables policymakers to act with up to date statistical information on our economy.

There are many government departments that are able to produce any number of statistics that may be useful for policy makers and the business sector. These require little more work than running a report on a software programme. Quarterly items such as: work permits issued; new driving licences (Bermudian and Non Bermudian); new companies registered with the Department of Social Insurance and the Office of the Tax Commissioner; number of registered social insurance contributors; planning applications submitted; and number of dwellings with active power connections.

Such statistics can assist us in measuring economic progress and will assist the Honourable Minister so that he will not have to come to the people with a Budget Statement referencing “*anecdotal*” evidence.

Review Employment Practices

Mr. Speaker, we must reject the arguments of some local employers that continue to insist that our Bermudian labour is not up to the task. What they really mean to say is that Bermudian labour requires that you actually have to manage. Bermudian labour is up to the task as it was Bermudian labour that built this country. However, employing Bermudian labour means that you cannot mistreat your staff or underpay them; you must pay their pensions and cannot force them to work evenings, weekends and public holidays. You must allow them to go to their kid's sports days and attend the funerals of their loved ones.

As a people we cannot ignore the social problems that result from unemployment in our communities. It bothers me that I will walk into a convenience store and be served by a guest worker, and then go to my community club to hear the story of a single parent who cannot find work. That same single parent is forced to rely on others and sometimes the Government for assistance.

There is something wrong when in 2013, in a country that has an unemployment problem exacerbated by the Great Recession, that an unemployed Bermudian has to spend what little money they have at a retail establishment staffed by a guest worker. It can only add insult to injury and serve to crush an individual's spirit. As policy makers we need to ensure that our policies fit the needs of our people, and our labour policies are very important in their relation to our economic wellbeing.

We would argue that there are still employers that would deny Bermudians that right to earn an honest day's wage, employers who still by and large refuse to hire Bermudians. At the same time, they retain their foreign staffs that are paid at reduced rates and benefits that squeeze small Bermudian contractors and subcontractors out of the industry as they fight over the shrinking pie.

Mr. Speaker, I'm sure I'm not telling you a story that you haven't heard before, as we've all heard the anecdotes and the stories of despair. We must give our people an incentive to retrain, by assuring them that the Government will protect their right to work and compete in the local Bermuda economy. When given this confidence, our people will do what it takes to retrain and to upgrade their skills.

When entrepreneurs know they are likely to find an even playing field for their services, they are more likely start a new business that employs fellow Bermudians and puts our people back to work. It makes no sense for the Bermuda Economic Development Corporation to have a construction incubator programme when the graduates of that program cannot possibly be asked to compete against companies who pay their guest workers \$14 an hour. This is not about protectionism; this is about fairness.

Mr. Speaker, this is not sustainable, and we need to be honest about the crisis that we face. No amount of Government programs will work if we allow our local labour to be displaced by cheaper foreign labour. Failure to act can lead some to turn to unlawful means in an effort to provide for their families.

Our labour market, and thus our economy of the future, needs to reflect the diversity and hard work that is Bermuda. In the near term, the transition will be difficult. Some employers will claim that they will lose money or they cannot survive without foreign labour, but Mr. Speaker, I would argue that the market always works. It will correct itself. The walls will get built, the roof will get slated, and the grass will get cut.

Mr. Speaker, some may attack us, saying we are being insensitive to the needs of job makers in our economy; however, we are speaking from experience. Tired excuses about lazy Bermudians do not sway our thinking and they will not deter us from defending those citizens who need someone to speak up for them. These destructive employment practices have a social cost and are reflected in the dysfunction that plagues our communities.

Commit to Immigration Reform

Mr Speaker, we must admit that our immigration system is outdated and broken. Our immigration system operates from a law that was written in 1956! It is from a different time when there was no internet, no globalisation, no class 4 insurers, no home rule, no constitution, no political parties, and a country still segregated. We must modernise because the realities of our situation state that we are going to need external help and assistance to provide a secure and stable future for Bermuda.

Mr. Speaker, we have to take a look at the fact that our Bermudian labour force is projected to remain constant while economic growth will demand that we have more guest workers on island. We need to be honest about the dilemma this will present and do the work now to ensure that the impact is mitigated in the future. Tinkering around the edges with work permits is not enough, our economy requires transformation and we must have a system of labour regulation and immigration that will ensure this country can grow and succeed in the future.

That is why, Mr. Speaker, we will call on this Honourable House to establish a Joint Select Committee on Immigration reform. We have the responsibility to examine this outdated piece of legislation and come up with something that works better for this country and its people.

We need all parties at the table, taking it out of the political sphere, away from the fear-mongering and gutter politics. Why is this important Mr. Speaker? It is important because business requires labour, and if we are to grow our economy we will need

more people on island to fill new jobs. In the short term, there is excess talent in our economy that is looking for work, however in the long term, when our economy turns to sustainable growth; we will need more workers on island. The Bermuda First report estimated that by 2030 our economy would support 48,000 jobs, up from 35,000 today. If there is to be that growth, as a country, we must plan for that growth. We cannot plan for this growth under a 57 year old immigration system. Our immigration system must modernise so that it is more efficient than that of our competitors. Bermuda is engaged in a global war for talent and therefore we must make sure that our system enables the attraction of the best job creating talent. It is time to reform our immigration laws, to make them simpler, more transparent, more fair, and reflective of a modern society.

We will, however, Mr. Speaker, lay down this marker, that it has been the long standing position of the Bermuda Progressive Labour Party that we will not support the re-introduction of granting of Bermudian Status outside of our current laws prior to Bermuda becoming an independent nation. We support immigration reform as foreign labour and talent is vital to our economy and our future, but we will not support such reforms to be used as a pretext to extend status to PRC holders. That, Mr Speaker, is our red line.

Mr Speaker, that redline withstanding, we can neither close our doors, nor can we open the floodgates. We must engage in a balanced approach and have an adult conversation about this topic.

Mr Speaker, when I say an adult conversation I say it for a reason. Recently a war of words exploded as a result of the OBA's reversal on an election promise that saw the elimination of the term limit policy. Bermudians were treated to the following statements from leaders within the One Bermuda Alliance.

“We believe the reason they went ahead with putting the Policy in place was to pander to the **xenophobic views of those Bermudians who would like Bermuda to be foreigner-free**”

“They have built this community alongside Bermudians, and will continue to work here, welcomed and appreciated by those **Bermudians who understand how this island functions.**”

“People who were “angry about term limits” are people who are “**without jobs — they are looking for someone to place the blame on**”, ”

Mr Speaker, the Oxford English dictionary defines xenophobia as an “intense or irrational dislike or fear of people from other countries”.

I think that is beneath the behaviour of the leaders of our country to refer to Bermudians thoughts and feelings as irrational; to accuse a former Government of making policy to “pander to xenophobic views”; or to imply that Bermudians do not “understand how this island functions”. Furthermore, it is insensitive and ludicrous to imply that the only people upset about the OBA’s reversal on their election promise to suspend term limits are those that are unemployed.

Mr. Speaker, we are all descendants of immigrants to this country, at our root we are all foreigners. Many of us are married to persons from overseas; many of us are first or second generation Bermudians.

Mr Speaker, we need an honest and frank debate on immigration and immigration reform. We need it because everyone must understand, hear, know and feel the views and pain felt by many in the community who do not feel that our current immigration system works for them. We must make it work if we want to secure a bright future for our people.

Expand the Bermudian Labour Force

Mr Speaker, in the long term we must increase the size of our Bermudian labour force. In order to accomplish this we must increase the birth-rate in this country. In our view, one of the best ways to encourage this is to ensure that the public education system is the first choice for Bermudian parents, thus reducing the desire of parents to opt for private education.

When we were Government, we went through the review of the education system and we introduced the Cambridge Curriculum with an enhanced focus on teaching and learning. In our response to the Throne Speech we stated that it is time to look at another modification to the school system and that is the elimination of middle schools.

Mr. Speaker, also key to expanding our Bermudian labour force is luring Bermudians who are throughout the diaspora back to our shores. Our country needs this lost talent; this is a national economic imperative. How do we do this? Part of this will come from the abolition of conscription, which sees some males not return to Bermuda to avoid mandatory military service. We must also raise our standard of living, improve our quality of life, and ensure that Bermuda is a safe place. Though many have left our shores, just as we are confident in Bermuda’s ability to compete on the global stage for business, we are confident that we can bring our people home.

We can bring them home to a Bermuda that provides secure employment, a high standard of living, safe streets, affordable housing, an excellent public school system, and wages and costs that allow our citizens to invest and save for retirement.

Put the Government in Charge of the War on Crime

Mr Speaker, we are of the view that gang violence is the single most important threat to our future success as a country. Though crime is not specifically an economic issue, the by-product of crime can cause immense damage to our economy. We will not make the mistakes of the OBA in using crime as a political football; this is an issue that requires us to work together.

Mr. Speaker, our security challenges are different, so we must adapt. No longer are the antiquated structures of our quiet past adequate to our increasingly violent present. The Government's current role of being a spectator to the policing strategy of the Bermuda Police Service is too anaemic a mandate to deal with the violence in our midst. We have put forward a common sense proposal to change the model from the Government being mere spectators to one of shared responsibility for mission critical police operations between the elected Government and the Commissioner of Police.

We do not believe that this responsibility should lie with Government House, which, by and large is not impacted by the political realities we feel on the ground. The Governor does not feel political pressure; the Governor doesn't witness the pain seen on the faces of our constituents when they are impacted by senseless violence. He is not subject to a vote, and he is not accountable to the voters of this country. We see it as an anachronism that a service as important as the Bermuda Police Service has no accountability to the people and the elected political leadership of this country.

Mr Speaker, how is it that this Honourable House is being asked to appropriate in excess of \$70 million to the Police, but the Cabinet which is collectively responsible to this legislature has no control of the Bermuda Police Service? Mr. Speaker, Bermuda is a politically mature country- we've been through peaceful transitions of power, we are governed by the rule of law - it is time to advance our democracy and make the government of the day responsible for the war on crime.

Enable Community Use of Government Assets

Mr. Speaker, we call on the OBA to allow local community organizations and parish councils the chance to pay nominal rents for the use of vacant and derelict government properties for community use. There is also arable government land that is not being used that can be leased to promote domestic food production. Such leasing would be revenue accretive as it is likely such arrangements would result in construction activity and employment which would yield revenue in customs duties and payroll taxes.

CONCLUSION

Mr. Speaker, we are all blessed to call Bermuda our home.

When I returned home in 2003, I was fortunate to get a job doing what I loved. Through hard work, I was able to start an IT company and employ fellow Bermudians. My work ethic was inherited from my parents, both self-employed entrepreneurs who taught me the value of hard work. My story is not unique, as there are many like me who have lived the Bermuda Dream. The fact is, however, the world is a different place than it was 10 years ago, and many of our fellow Bermudians are struggling.

The struggle is everywhere and it does not discriminate: black or white, young or old, male or female, OBA or PLP; the challenges that we face are real and affect our entire community. However, as a people we cannot afford to be deterred or discouraged. The strength of this country is not the words spoken in this Honourable House or numbers that are on a page in a Budget Book, but it is in the people that call Bermuda home.

In times of struggle, it is the Bermudian can-do spirit that will prevail. The spirit you see on display when neighbours band together to help one another, communities unite on public holidays, and families gather to celebrate the many successes of our young people. The spirit is found in every one of us Bermudians. It is the spirit of hope and the spirit of success the spirit that we know we are blessed to live in this great country.

Mr. Speaker, Bermudians are ready to play their part in returning our economy to growth. You see it in the businesses that are starting up out of the ashes of the recession, the entrepreneurs getting ready for the summer, and the companies that are taking advantage of the current market to upgrade their business to capitalise on the coming recovery.

For all our challenges, our tiny island punches well above its weight on the world stage. We are unrivalled in our expertise and diversity as an insurance domicile. We far outpace our competitors when it comes to the sophistication of our financial regulation. We are home to global names and world-renowned natural attractions. And we have a natural beauty both of our island and our people that are the envy of many. We have much to celebrate and much to be proud of.

Mr. Speaker, though we are enduring a period of struggle, we are truly optimistic about this country's future. We will emerge from this period a stronger and more dynamic island ready to meet the challenges of the future.

Mr Speaker, every session we open this Honourable House in prayer that our work here is used to "advance the peace, prosperity and welfare of these islands"

In this mission and in this Honourable House as we have this economic debate, just as our leader did 2 weeks ago during his Reply to the Throne Speech, I extend an olive branch of cooperation to the Honourable Minister of Finance. Now is the time to work together and now is the time for unity to face the challenges of our time. We must have a collective vision to build our economy for the future; so that we pass on the birthright to our unborn that theirs will be a Bermuda in which they will live and be proud.

Mr. Speaker, it is truly an honour to represent the Bermuda Progressive Labour Party in this Honourable House today. Being in Opposition does not make us any less responsible for the welfare of our people. We will be judged by how we act as a government in waiting; and our actions and ideas will be responsible ones that advance the peace, prosperity and welfare of these islands.

Thank you, Mr. Speaker.