

# **‘Let Us Build One Another, Together.’**

**2012–2013**

## **BUDGET STATEMENT**

In support of the Estimates of Revenue and Expenditure

Presented by The Hon. Paula A. Cox, JP, MP  
Premier and Minister of Finance  
24 February 2012



GOVERNMENT OF BERMUDA  
**Ministry of Finance**



BUDGET STATEMENT  
IN SUPPORT OF THE  
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PRESENTED BY THE HON. PAULA A. COX, JP, MP  
PREMIER AND MINISTER OF FINANCE  
24 FEBRUARY 2012

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

**Peter Drucker**

**Mr. Speaker**

National budgets are more about people and their communities than the numbers that detail the revenue, expenditure and borrowing requirements.

While there is rigor to the budget numbers, the main purpose is to meet the dynamic needs of the national economy, satisfy the peoples' aspirations for their community and to preserve the social order for future generations.

Governments lead their countries forward when they do the right thing with their budgets.

In these turbulent times marked by disruptions of global proportions which are both interconnected and at the same time disjointed, the Government of Bermuda's 2012–2013 National Budget is focused intently on doing the right thing for Bermuda's people and its businesses.

Government does the right thing if our national budget helps to protect Bermuda's vulnerable economy in these difficult times.

Government does the right thing if our national budget nurtures and strengthens the social fabric of our community.

Government does the right thing if our national budget stabilises existing businesses and ignites the imagination of new entrepreneurs.

The National Budget Statement in support of the 2012–2013 Estimates of Revenue and Expenditure sets out this Government's policy priorities.

It portrays Government's understanding of the aspirations of Bermuda's people.

It shows how we will meet those goals and objectives in a fiscally sustainable manner over the course of the medium term.

Government believes in the persuasive power of Nelson Mandela's ethos of "*Masakhane: Let us build one another, together.*"

Mandela said: "*Masakhane* is about people taking responsibility for their own upliftment and

participating in the governing of their own lives. It is about empowering ourselves by creating good working relationships between government and communities, for the benefit of everybody...Co-operation between government, business, workers and other sectors brings a lasting relationship that benefits all. It is the road to creating jobs and business opportunities, reducing crime and improving the lives of people where they live.”

Here in Bermuda, we are seeking to promote a culture of enterprise, leadership and self-reliance as a necessary condition for economic growth and development.

Promoting leadership is also about developing young people’s skills as entrepreneurs.

The 2012–2013 National Budget signals an approach that identifies a new growth path to drive faster, more inclusive, job-creating growth.

As a Government, we have also announced a new way of doing things. We are setting measurable outcome targets. There are also efforts to reprioritise spending, reduce waste and inefficiency and to make further advances in good governance.

This new approach will allow us to do more with less.

The introduction of new methods of service delivery and the use of energy efficient technology (including energy audits of government buildings) will help to reduce the cost of providing public goods and services going forward.

## **Mr. Speaker**

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.

The financial crisis in Europe has lingered on for nearly two years without effective resolution and the result has been to limit world economic growth.

The global economic and financial malaise characterised by declining or negative GDP growth has had a negative economic impact on Bermuda since 2008 when the bankruptcy of Lehman Brothers, a global investment bank, triggered a global market meltdown.

As a participant in the global economy, there is no escape from the contagious and harmful effects of the economic downturn in those countries with which Bermuda does business. Two hotel properties in Bermuda that were dependent upon Lehman Brothers for development financing were immediately impacted: Coral Beach/Horizons and Southampton Beach (the former Sonesta property).

As a consequence of the global economic contagion, Bermuda's economy has declined since 2008 with attendant job losses and business closures.

However, Government's policy response during this very difficult and challenging period has had the effect of stemming the tide of job losses and reducing the risk of an even greater number of business closures than has been experienced.

As a result of tax concessions and tax rollbacks, thousands of jobs have been preserved in key sectors such as international business, hotels, restaurants and retail business.

One of the financial consequences of this policy response for Government's fiscal position has been a widening of the budget deficit in the recent recession years and an increase in debt.

In effect, a significant segment of the revenue given up in concessions to businesses and relief to seniors and families was replaced by borrowing.

In other words, Government acted as an economic backstop to avoid systemic economic risk to key sectors of our economy. Government was seeking to avoid a deepening of the recession that would take a more severe toll on families and businesses.

The cost of this economic backstop over the last two years was \$98 million – \$50 million for the payroll tax rollback in 2011–2012 and \$48 million for tax concessions to the hotel, restaurant and retail sectors and for other forms of relief.

In short, \$98 million was added to our debt.

Government considers that it did the right thing. Preserving jobs and helping to stabilise vital sectors of Bermuda's economy was the right thing to do. Some 8,500 jobs were at risk if Government had not responded with assistance.

In contrast, some in our community have called for austerity measures including slashing public sector expenditure and shedding jobs in the public sector in an already weakened economy. The

impact of such a policy response on the economy would have been devastating.

Most recently the International Monetary Fund's chief economist remarked that the austerity measures and deficit reduction strategies launched by European leaders over the last two years has not had the hoped for outcome.

Instead, the economic and financial crisis has worsened rather than improved in Europe.

Austerity fatigue is an emerging concern across Europe as it is a risk factor for social angst and upheaval.

**Mr. Speaker**

What of Bermuda going forward?

The Ministry of Finance estimates that our economy will remain weak in 2012 but anticipates a return to modest growth in 2013 and 2014.

Can Bermuda get through it? Yes we can.

If we look west to our closest and largest trading and commercial partner, we note that for the first time in three years the US economy is showing greater signs of recovery. In the last quarter of 2011, US GDP grew by more than 3 per cent.

The agreement by the US Congress just last week to extend the payroll tax concession and unemployment benefits will help to fuel the economic momentum. The *FT Weekend* (February 18/19, 2012) stated: "Congress yesterday passed a \$150 billion bill to extend the payroll tax cuts and unemployment benefits until the end of the year, giving the middle class a boost for the rest of the year."

There is an expectation that expansion of the US economy could continue in the range of 2.5 to 3.0 per cent in 2012. That is encouraging and is a reason for optimism in Bermuda's medium term, as there may be a lag in terms of the positive knock-on effect for Bermuda, perhaps for 9–15 months.

We must not sit and wait. We must work together now to build up one another.

For its part, Government will continue to do the right thing and make sound policy choices that

seek improvements for the people of Bermuda and its businesses as set out in the 2011 Speech From The Throne.

Job preservation and job creation remains a central theme in Government's economic recovery plan. The clear choice is between growth or austerity. Government chooses growth, because growth puts Bermuda on the right track.

So too, balanced incentives for businesses. The payroll tax concessions for the hotel, restaurant and retail sectors have been extended.

Reducing pressure on family budgets also is a feature of Government's economic recovery plan.

In this regard, Government proposes to amend the Occupational Pension Act to allow for a voluntary suspension of employee and employer contributions for a period of one year beginning in 2012.

The contribution rate of 10 per cent is shared equally between employers and employees.

If the suspension of contributions is taken up across the private sector, it will provide both relief and stimulus to families and businesses. The stimulus to the economy will be generated if some of the saving is converted to consumer spending in the local economy and business investment in infrastructure and improvements.

In addition, as outlined in the 2011 Throne Speech, Government will amend the Public Service Superannuation Act 1981 during the Budget Session to enable participants who are in financial distress to have access to a portion of their pension assets.

Assignments or transfers of mortgages are currently charged at a rate of 1/10 per cent of the sum secured under Head 31 (iv) of the Stamp Duties Act 1976. Government proposes to remove this stamp duty charge to encourage mortgage payers to seek the best financing options available to them and to promote competitive lending rates between our local banking institutions. This exemption from the stamp duty charge will reduce the cost to customers when transferring a mortgage from one bank to another.

Government is committed to community renewal and preserving those enduring values that have rebuffed the challenges arising from instances of serious anti-social behaviour and worrying violence.

What do I mean by this?

Despite the challenges to the social fabric of our community, on Saturday mornings, fathers and mothers, aunts and uncles, and grandparents still take their children, nieces and nephews, and grandchildren to youth football games, to dance lessons, to tennis lessons, to the bowling alley, to the Aquarium and to many other forms of positive social activity available in our community.

Mondays through Fridays, primary school children walk and skip to neighbourhood schools with smiling faces or dismount school buses in an orderly manner.

On Saturdays and Sundays, many people in our community attend Church services around the country.

Such is the essence of a strong community in the face of tough challenges.

These are the values and hopes that national budgets must preserve and bolster.

Sandys 360 reflects such community values and Government will provide a capital grant of \$2 million to Sandys 360 in 2012–2013 to assist in defraying the cost of works undertaken.

### **Mr. Speaker**

The National Budget for 2012–2013 is focused on doing the right thing for Bermuda's people and its businesses.

Through the open budget process, Government's interaction with the community has helped to mould and inform the National Budget for 2012–2013. This year's budget has been a collective effort between Government and the community.

The community is aware that revenue is required to provide public programmes and services.

The community understands that the lingering recession has eroded government revenue over the last few years.

Indeed, while the community would prefer that taxes not be increased, it has also signalled its readiness to accept the roll back of some of the existing tax concessions, as highlighted in Government's Pre-Budget Report released in December 2011.

**Mr. Speaker**

The revenue estimate for 2012–2013 is \$909.6 million, 3 per cent lower than the original estimate for the previous year.

The most significant decline has been in the payroll tax yield which has decreased by \$38 million or 11 per cent compared to the previous year. The loss of jobs in the economy is one of the factors.

The other factor is the payroll tax concessions to the hotel, restaurant and retail sectors which have reduced the projected payroll tax yield in 2012–2013 by an estimated \$21 million.

The yield from land tax will be improved in 2012–2013 by adjusting the ARV threshold that provides an exemption for seniors living in their own homes. The amount of recovered tax is estimated at \$4 million.

The effect of the adjustment is that seniors whose properties have an ARV of less than \$50,000 (an estimated market value of up to about \$1 million) will continue to have full exemption from land tax.

Seniors with properties with ARVs above \$50,000 will now pay the assessed tax on the portion above the \$50,000 threshold.

The exemption previously provided to seniors for vehicle licences has been preserved for vehicles in classes A, B, C and D. The present regime that provides an exemption for all classes of vehicles registered in the names of seniors has been abused with the tax loss amounting to nearly \$4 million per annum.

In 2007, Government put into place a policy whereby seniors who owned a vehicle did not have to pay to license their vehicle. Since the exemption came into force there has been a 26 per cent increase in vehicles licensed to seniors.

Further, the largest class of vehicle — class H — that attracts an annual licence fee of \$1,551 has seen an increase of 358 per cent in registrations to seniors.

The rollback to cut out the abuse will recover an estimated \$3 million in vehicle licence fees.

**Mr. Speaker**

Most other tax rates will remain unchanged except for an amendment to the customs tariff for personal importation of goods at ports of entry.

At the LF Wade International Airport, the duty rate will be restored to a fixed rate of 25 per cent but the allowance will be raised to \$200 per person with effect from April 1, 2012.

The duty rate for personal importation of goods will be harmonised at all ports of entry at the fixed rate of 25 per cent.

The duty on cigarettes and tobacco will be raised in April 2012 to achieve additional customs revenue of about \$1 million.

The biennial adjustment of government fees will be increased by about 3 per cent for most fees and the anticipated yield is an additional \$4–5 million.

Government anticipates \$10 million in receipts from sale of government property that is surplus to requirements.

There will not be an increase in bus and ferry fares and all other tax rates will remain the same as they are now through 2012–2013.

Over the medium term, Government will develop other revenue streams including the possibility of a public-private partnership to generate additional revenue from Bermuda's commercial airspace. The revenue potential could reach \$18 million per annum by 2017 based on user fees assessed on flight paths through our commercial airspace.

In addition, Government has initiated discussions with relevant parties to assess the feasibility of establishing a licensing regime for international fishing vessels taking fish stocks out of Bermuda's 200 mile maritime exclusive economic zone.

**Mr. Speaker**

As announced in last year's National Budget, the Ministry of Finance has integrated the preparation of the 2012–2013 budget with a medium term expenditure framework (MTEF).

An MTEF programme allows flexibility in the allocation of resources across a series of annual budgets to meet objectives related to debt service and other government commitments that cannot be achieved in a single budget cycle.

Government's policy priorities in 2012–2013 are the economy, education, youth, seniors, community renewal, and law enforcement.

The National Budget of \$1.08 billion and associated economic stimulus measures are designed to meet the policy objectives in all of these key areas and provide a bridge of stability to an anticipated return to economic growth in 2013.

In order to provide additional fiscal space in 2012–2013 Government will suspend its matching contribution to the Public Service Superannuation Fund (PSSF) and pay a portion of the debt service from the Sinking Fund. The contribution to the Sinking Fund, \$30.7 million, will be made. The suspension of the matching contribution to the PSSF will enable \$31 million to be re-directed to policy priorities in 2012–2013.

During the year, Government will commission an actuarial review of the PSSF to ensure its future sustainability. The suspended matching contribution for the upcoming year will be paid into the fund in the future noting that in recent years Government has paid special contribution amounting to \$87 million into the PSSF.

The overall budget balance including current account and capital account outlays, debt service, Sinking Fund Contribution and revenue sharing with the City of Hamilton and the Town of St. George is a deficit of \$172 million.

Government proposes to finance this deficit in part by the issue of a local bond at a competitive rate of interest. This policy choice is intended to spur more economic activity in Bermuda and to stimulate local capital markets. Surplus deposits in the banking system will likely achieve higher returns by transferring to the local government bond when it is issued later in 2012.

The statutory ceiling on Bermuda government debt will be adjusted to \$1.45 billion in 2012–2013.

The issue of debt has attracted much attention since the collapse of Lehman Brothers in 2008 and the sovereign debt crisis that has lingered on in Europe for the last two years.

Debt is a natural and unavoidable part of economic life. It is neither good nor bad. The key is to ensure that borrowed funds are within an affordability limit and that the funds are used wisely.

For countries the affordability rule is usually the debt to GDP ratio. For many of Bermuda's peers in double-A sovereign rating groups, the debt to GDP ratios hover around 30 per cent. With the adjustment of Bermuda's debt ceiling, Bermuda's debt to GDP ratio will be about 24 per cent.

In December 2011 the Bank of England Financial Stability Report noted that the International Monetary Fund expects gross debt to GDP ratios in advanced economies to breach 100 per cent on average for the first time since 1945.

In terms of spending borrowed funds wisely, Bermuda's core debt represents investment in hard assets of benefit to the country for many generations to come. These assets include: modern and upgraded school facilities; modern public transportation, other social infrastructure such as public housing, senior care facilities and national sports facilities and economic infrastructure such as airport works, docks and bridges.

Indeed, part of the borrowing requirement in 2012–2013 relates to further investment in economic infrastructure at the LF Wade International Airport, namely, building out capacity to take control of Bermuda's commercial airspace. If all goes according to plan, an investment of some \$26 million over a five year period could pay for itself within two years.

More recently, some of the increase in Bermuda's debt has been to protect vital sectors of the economy through tax concessions and relief which was financed by borrowing.

Is Bermuda's national debt manageable? Yes. It can and will be paid off over time through the Sinking Fund and the development of new revenue streams.

Two Senior Notes fall due in 2014. One is in the amount of \$75 million and the other is in the amount of \$45 million. The plan is to pay down both issues from proceeds in the Sinking Fund.

The medium term expenditure framework that has been adopted by the Ministry of Finance will provide for surpluses on the primary balance (revenue less expenditure before debt service and Sinking Fund transfers) through to 2015–2016. This will be achieved by restraining primary current programme spending to 2012–2013 levels over the next several years and enhancing revenue through policies that generate income from government fixed assets and other new revenue streams, for example, new user fees charged for flight paths through Bermuda's commercial airspace.

The pre-set multi-year cash limits will ensure that savings are generated over budget cycles through to 2015–2016. The effect will be to reduce the budget deficit through time, other things remaining equal.

**Mr. Speaker**

I will provide a few highlights of programmes and initiatives related to Government's major policy priorities in 2012–2013. These priorities are: the economy, education, youth, seniors, community renewal, and law enforcement.

The Business Development arm of the Ministry of Business Development and Tourism is implementing programmes to stimulate growth in the economy and strengthen the underlying infrastructure by promoting new ways of enhancing competitiveness and facilitating the establishment of new business by “cutting through red tape”.

Bermuda's present financial sector framework offers the same advantages for Islamic financial products and institutions as it does for conventional financial products. The launch of Islamic financial products in and from within Bermuda is now underway.

The completion of the National Tourism Plan is on schedule for Spring 2012. The Plan will provide a vision for Bermuda's tourism industry for the next five to ten years.

Also, the plan will outline the path to the Ministry's goal of repositioning Bermuda in the global tourism market and to become a year round destination with the required products, services and marketing to support this goal.

On completion of the Plan, the Bermuda Department of Tourism will launch the new tourism brand for Bermuda as well as increase market awareness with daily exposure in all media streams.

The Ministry has already increased awareness in our key feeder markets through effective television ads.

Also, funding is provided for the Ministry to showcase live Bermudian entertainment at hotel properties as well as through hosting tourism visitor events. Additionally, the Ministry will continue to support the broad spectrum of visitor demands in the form of tours, museums, and street festivals.

The Ministry will continue to support the Bermuda Hospitality Institute with a grant for the purpose of promoting, introducing and encouraging Bermudians of all ages to join the tourism industry.

Bermuda has attracted renewed interest from investors in hotel developments. Recent negotiations spearheaded by the Minister of Business Development and Tourism with a developer and the

Bermuda Industrial Union provides reason for cautious optimism that ground will be broken on a luxury brand hotel this year.

**Mr. Speaker**

The Ministry of Economy, Trade and Industry continues its focus on improving the economy by addressing the needs of local business and realising the career aspirations of Bermudians.

The Ministry's short-term budget priorities include job creation and training. Much of the budget will be directed towards preparing people for jobs via the establishment of the One-Stop Career Centre System wherein various government-funded education, training and social programmes can be cohesively coordinated.

The Centre will provide students, job seekers and employers with up-to-date information and referrals.

The One-Stop will meet employers' needs for job-ready, competent skilled workers, and will address the needs of the people of Bermuda through training, education and employment.

The community can expect that the services will be offered out of a new physical plant that is more conducive to serving the needs of those seeking employment and training services.

It will include a computer centre with complimentary access to computers for people who need to research job and training opportunities. There will be easy access to photocopiers so that people can print resumes and other information.

Finally, the community can expect more employment programmes that include complimentary training so that people are better prepared to take on new jobs similar to the waiter/server programme which pre-qualifies candidates and guarantees a job subject to successful completion of the training.

To address the 'at risk' youth segment, the services of a U.S. based Job Corp management company has been contracted to assist with the realisation of the Bermuda Job Training Replication Programme.

The primary focus of the Jobs Corps programme will be on low-income and disadvantaged youth between the ages of 16 and 24 years. The programme will be a joint effort in providing our youth

with a seamless service referral process and reciprocal services that will achieve greater career readiness and employment opportunities. The programme components will include:

- Outreach and Enrollment
- Academics
- Career Technical Training; and
- Business Partnerships and Placement Services

While we expect to expend resources on completing the plan during the next fiscal year, implementation of the programme in the 2012–2013 period will depend largely on private sector support and commitment. Government has committed to underwriting the cost of the planning and programme development phase.

The Bermuda Economic Development Corporation continues the important economic development work with small and medium-sized businesses.

The Ministry believes that one of the keys to economic recovery lies with small business owners and entrepreneurs with the imagination and drive to innovate and start small businesses.

One of the BEDC's key initiatives is to provide help to companies looking to establish themselves with secure start-up funding.

The public can expect that both EEZ Economic Development Offices will be working with businesses from across Bermuda to develop, cultivate and improve Tourism products and services offered by businesses in St George's, Somerset and Dockyard.

The Retail Development Programme launched in February 2011 will continue into the new fiscal year. It is designed to educate the small business owner through the provision of business and retail courses developing skills that they will be able to use to assist with increasing sales, improving hiring practices, inventory management, and better customer service.

### **Mr. Speaker**

Last year, the Ministry of Education shifted its focus to concentrate on its core functions of teaching and learning.

The shift in the Ministry's focus has been very successful. Ministry officials have been able to assess

the quality of leadership and teaching in every school and have developed plans to work with all schools to address student performance.

The next Budget year will see the Ministry continue this focus in recognition with its partners (Board, Principals and teachers) that it is headed in the right direction. We are determined to remain consistent, to embed change, to monitor progress and provide support to school leaders and schools as necessary.

In the last year's Throne Speech, it was stated that, our focus in the upcoming school year will be the introduction of Career Academies or what we are calling, *Career Pathways*.

There has long been a cry for the re-introduction of vocational education in schools and the introduction of the *Career Pathways* in September 2012 offers a Bermudian solution to the need for students to be prepared to take their place in Bermudian businesses and industries.

*Career Pathways* represents a dynamic partnership between Bermuda's industry partners, the National Training Board, the Ministry of Education, the two Senior Schools and the Bermuda College.

*Career Pathways* are designed to provide public school students with pathways that ensure greater preparation for career and college opportunities for a fulfilling life beyond the classroom.

The *Career Pathways* will be a seamless part of the curriculum and make up a component of the senior school graduation criteria.

The Ministry of Youth, Families and Sports recognises its responsibility to provide assistance to persons in financial need, and the importance of this role is even greater during these challenging economic times. The Ministry will continue to promote and support programmes aimed at strengthening families and encouraging positive lifestyles among youth.

The November 2011 Speech from the Throne indicated that Government would review the eligibility criteria for financial assistance in order to ensure that the mere fact of home ownership by seniors does not justify denial of financial assistance.

The regulations have been amended and will be addressed during this Budget Session.

Bermuda will have the honour of hosting the 40th Lime Carifta Games at the National Sports Centre from April 6–9, 2012. This will be the fourth time that Bermuda will host these prestigious Games, having hosted them in 1975, 1980 and 2004.

The Games will showcase some of the best youth track and field athletes from the Caribbean region in under-17 and under-20 categories. Many Bermudians who attended the 2004 Carifta Games will remember the superb performance displayed by Usain Bolt of Jamaica when he broke the under-20 record in the 200 metre sprint in a time of 19.93 seconds, a record that still stands today.

The Carifta Games promotes qualities of sportsmanship, fitness and friendship among youth from different countries and helps to build strong character.

The Mirrors Programme will continue to serve the needs of youth aged 15 to 18 years by challenging them to achieve productive outcomes that are free from gang activity and anti-social behaviour. To that end, Mirrors will engage these youth through its community training sessions, including one residential session, and ten follow through sessions.

In addition, Mirrors will also focus on youth at middle school level aged 11 to 14 years via its Coaching for Success programme and will deliver coaching for success courses at both Sandys Secondary Middle School and Whitney Institute Middle School.

### **Mr. Speaker**

Law and good order is important for community peace of mind and a sense of safety.

The exigencies of the economy will not quell the commitment to excellence of the uniformed services and Government's commitment to the safety and security of Bermuda will not be compromised.

Criminal activity has been met with strong enforcement. The nature of crime has changed and the Bermuda Police Service has engaged in targeted methods of modern policing that have yielded important arrests, convictions and sentences.

The intensive policing strategy required to achieve these results has come at a cost and with the Commissioner of Police we continue to look at ways to reduce overtime and other expenditure.

In this fiscal year significant sums have been allocated to new equipment for the Police to ensure that they have the tools with which to do the job we ask of them every day. The new Hamilton Police Station has significantly improved the work environment of the Service and this facility is commensurate with the high regard in which we hold the men and women who man it each and every day of the year.

In the post-9/11 world, soft borders are not an option even for a low-risk jurisdiction like Bermuda. Our international relationships and the confidence of travelers must continue to be enhanced by strong border control. Fiscal 2012–2013 will see the opening of the long-awaited X-ray facility at the Hamilton Docks.

The ability to X-ray containers coming into Bermuda will provide a unique opportunity to interdict drugs, contraband and other illegal items bound for our streets.

The test for Bermuda is to be strong but welcoming. The development of our front-line officers will be a continuing priority in this fiscal year as we partner with private sector stakeholders to provide an experience for the arriving passenger that is always cordial, efficient and seamless.

In conjunction with the Ministry of Transport's Department of Airport Operations, the arrivals area at LF Wade International Airport will, commencing in this fiscal year, feature a "red/green" channel system whereby arriving passengers will have the option of using a "nothing to declare" line, hastening their passage through the airport and emphasising the obligation to properly declare goods.

In a similar vein, the recently announced changes to the area of land policy will also signal a clear intention on the part of the Government to be facilitative to those ideals which encourage economic growth and the pursuit of economic independence on the part of all Bermudians.

The sacrifice in estimated revenues is necessary as stimulating the economy and encouraging confidence through activity in the real estate sector is an important feature of any economic recovery.

The Ministry of National Security is predominantly the enforcement arm of Government's role in the community. However, citizenry cannot be blinkered by a singular focus on law and order.

Community building is a concurrent focus of elements of the Ministry. In this regard, the Police play a lead role in the Inter-Agency Gang Task Force and have developed significant community relationships through numerous neighbourhood watch groups via the Community Action Teams.

Also, a National Security Council is being formed. The new council includes the Governor, the Commissioner of Police and senior political leadership with the Premier, Deputy Premier, Minister of National Security and the Attorney-General and Minister of Justice. The council will provide an enhanced mechanism for solution-oriented law and order strategies aligned with the communities concerns.

Government is committed to ensure that the integration of policy actions for funding, legislative

initiatives, training and development and community outreach is effective in reducing unlawful gang activity and providing a way out of the tragic circle of gang violence.

Making Bermuda Safer is the goal.

Community building and community renewal requires all of us to work together: government, community organisations, the banks, all businesses including international business, sports and social clubs, churches and schools.

Leaders in all of these interconnected segments of our community have a role to play and many have stepped up.

In the 2011 Speech From The Throne, Government invited the private sector to formalise social pacts with community organisations so that limited public and private sector charitable resources could be better focused.

The private sector accepted the invitation and social pacts are being formed with important community entities. Catlin Insurance has become an important sponsor of the Bermuda Football Association's youth programme.

Similarly, Ironshore Insurance Ltd. has engaged with Sandys 360 to support and promote its purposes in the community.

People in the community have also shown an enthusiasm and hunger to participate in community development initiatives in their neighbourhoods. There was a record turnout at a recent 'Community Speaks' meeting in Somerset. The spirit of self-reliance and self-help was palpable.

In this vein, the Ministry of Public Works will assist by providing materials. Labour will be contributed by persons in communities to renovate and build club facilities where there is a need, an example of which is White Hill in Sandys.

Our people have the spirit of 'Let us build one another, together'.

### **Mr. Speaker**

I have highlighted just a few elements of the fiscal and economic plan for 2012–2013. Ministers will speak directly to their portfolios in the coming weeks through media conferences, community meetings and indeed through the Budget Debate in this Honourable House.

The open budget process has been a gratifying success. People care and they have shared good ideas and their prayers. Very recently a gentleman who described himself as “a proud Bermudian and a true patriot of Bermuda” sent an e-mail to me suggesting how government could save and get more money into the pot.

Thankfully, many of his suggestions had already been implemented.

During the process, our community raised issues in a vast array of policy areas including trucking, the matter of the Taxi Commission and changes to the Defence Act. Some of the issues raised were not to do with the National Budget. However, they did relate to government policy and they will be addressed.

On behalf of Government I wish to thank all of those in the community who have joined in the open budget process. It is your process and it was the right thing to do.

One can see from that e-mail message that our people want to see our country succeed.

Together, we can achieve that goal.

Together, we can do the right thing.

The National Budget for 2012–2013 does the right thing as it positions Bermuda on the right track.

With your help, it will protect Bermuda’s vulnerable economy.

With your help, it will nurture and strengthen the social fabric of our community.

With your help, it will stabilise business in our community and ignite the imagination of new entrepreneurs.

Masakhane! Let us build one another together!

Thank you.

**Table I****GOVERNMENT OF BERMUDA SUMMARY OF OF CONSOLIDATED FUND ESTIMATES FOR 2012/13**

| <b>ACTUAL<br/>2010/11<br/>\$000</b>         |                                                    | <b>ORIGINAL<br/>ESTIMATE<br/>2011/12<br/>\$000</b> | <b>REVISED<br/>ESTIMATE<br/>2011/12<br/>\$000</b> | <b>ESTIMATE<br/>2012/13<br/>\$000</b> |
|---------------------------------------------|----------------------------------------------------|----------------------------------------------------|---------------------------------------------------|---------------------------------------|
| <b>Revenue and Expenditure Estimates</b>    |                                                    |                                                    |                                                   |                                       |
| 990,795                                     | 01 Revenue                                         | 940,041                                            | 870,027                                           | 909,634                               |
| 1,040,118                                   | 02 Current Account Expenditure(excl.debt & s/fund) | 900,949                                            | 970,963                                           | 934,017                               |
| (49,323)                                    | 03 Current Account Balance(excl.debt & s/fund)     | 39,092                                             | (100,936)                                         | (24,383)                              |
| 55,298                                      | 04 Interest on Debt (i)                            | 70,000                                             | 70,000                                            | 35,000                                |
| (104,621)                                   |                                                    | (30,908)                                           | (170,936)                                         | (59,383)                              |
| 28,760                                      | 05 Sinking Fund Contribution                       | 25,750                                             | 25,750                                            | 30,750                                |
|                                             |                                                    | (56,658)                                           | (196,686)                                         | (90,133)                              |
| 0                                           | 06 Wharfage Transfer (ii)                          | 5,750                                              | 5,750                                             | 5,750                                 |
| (133,381)                                   | 07 Surplus Available for Capital Expenditure       | (62,408)                                           | (202,436)                                         | (95,883)                              |
| 121,045                                     | 08 Capital Expenditure (See line 21 below)         | 84,176                                             | 65,202                                            | 76,190                                |
| (254,426)                                   | 09 Budget Surplus (Deficit)                        | (146,584)                                          | (267,638)                                         | (172,073)                             |
| <b>Sources of Financing</b>                 |                                                    |                                                    |                                                   |                                       |
| (9,654)                                     | 10 Consolidated Fund                               | 0                                                  | 25,638                                            | 0                                     |
| 264,080                                     | 11 Borrowing                                       | 146,584                                            | 242,000                                           | 172,073                               |
| 254,426                                     | 12 Total Financing                                 | 146,584                                            | 267,638                                           | 172,073                               |
| <b>Capital Appropriations</b>               |                                                    |                                                    |                                                   |                                       |
| 143,949                                     | 13 Appropriations in Original Estimates            | 77,071                                             | 77,071                                            | 76,190                                |
| 884                                         | 14 Supplementary Appropriations                    | 0                                                  | 0                                                 | 0                                     |
| 144,833                                     | 15 Appropriated During the Year                    | 77,071                                             | 77,071                                            | 76,190                                |
| (24,369)                                    | 16 Appropriations Frozen                           | 0                                                  | (29,482)                                          | 0                                     |
| 0                                           | 17 Appropriations Lapsed                           | 0                                                  | 0                                                 | 0                                     |
| 120,464                                     | 18 Net Appropriations                              | 77,071                                             | 47,589                                            | 76,190                                |
| 18,194                                      | 19 Unspent Appropriations from Prior Year          | 7,105                                              | 17,613                                            | 0                                     |
| 138,658                                     | 20 Appropriations to Meet Spending                 | 84,176                                             | 65,202                                            | 76,190                                |
| 121,045                                     | 21 Capital Spending                                | 84,176                                             | 65,202                                            | 76,190                                |
| 17,613                                      | 22 Unspent Appropriations Carried Forward          | 0                                                  | 0                                                 | 0                                     |
| <b>Consolidated Fund Balance (31 March)</b> |                                                    |                                                    |                                                   |                                       |
| 1,000                                       | 23 Contingency Fund                                | 1,000                                              | 1,000                                             | 1,000                                 |
| 17,613                                      | 24 Unspent Capital Appropriations                  | 0                                                  | 0                                                 | 0                                     |
| (1,256,977)                                 | 25 Undesignated Surplus (Deficit)                  | (1,385,948)                                        | (1,507,002)                                       | (1,679,075)                           |
| <b>(1,238,364)</b>                          | <b>26 Consolidated Fund Surplus (Deficit)</b>      | <b>(1,384,948)</b>                                 | <b>(1,506,002)</b>                                | <b>(1,678,075)</b>                    |

Note: (i) In 2012/13 approx. \$50M of Interest on Debt will be funded from the Sinking Fund  
(ii) Revenue-sharing of wharfage with Municipalities

**Table II**  
**ANALYSIS OF CURRENT ACCOUNT REVENUE**

| HEAD<br>(1)                         | REVENUE DESCRIPTION<br>(2)        | 2010/11<br>ACTUAL<br>(\$000)<br>(3) | 2011/12<br>ORIGINAL<br>(\$000)<br>(4) | 2011/12<br>REVISED<br>(\$000)<br>(5) | 2012/13<br>ESTIMATE<br>(\$000)<br>(6) | DIFFERENCE<br>2011/12<br>vs<br>2012/13<br>(\$000)<br>(7) | %<br>(8) |
|-------------------------------------|-----------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------------------------------|----------|
| <b>TAXES &amp; DUTIES</b>           |                                   |                                     |                                       |                                      |                                       |                                                          |          |
| 12                                  | CUSTOMS DUTY                      | 195,807                             | 200,000                               | 190,003                              | 200,000                               | 0                                                        | 0        |
| 27                                  | SALE OF LAND TO NON-BERMUDIANS    | 15,397                              | 11,351                                | 11,600                               | 11,351                                | 0                                                        | 0        |
| 29                                  | TIMESHARING TAX                   | 57                                  | 200                                   | 60                                   | 60                                    | (140)                                                    | (70)     |
| 38                                  | PASSENGER TAXES                   | 32,345                              | 34,370                                | 35,770                               | 35,370                                | 1,000                                                    | 3        |
| 38                                  | STAMP DUTIES                      | 35,362                              | 26,292                                | 23,012                               | 23,012                                | (3,280)                                                  | (12)     |
| 38                                  | BETTING TAX                       | 1,365                               | 850                                   | 1,050                                | 1,050                                 | 200                                                      | 24       |
| 38                                  | LAND TAX                          | 49,131                              | 52,000                                | 52,000                               | 56,000                                | 4,000                                                    | 8        |
| 38                                  | FOREIGN CURRENCY PURCHASE TAX     | 24,712                              | 27,000                                | 23,500                               | 24,500                                | (2,500)                                                  | (9)      |
| 38                                  | PAYROLL TAX                       | 423,050                             | 350,000                               | 315,000                              | 312,000                               | (38,000)                                                 | (11)     |
| 38                                  | HOTEL OCCUPANCY                   | 7,028                               | 9,500                                 | 9,000                                | 9,000                                 | (500)                                                    | (5)      |
| 38                                  | CORPORATE SERVICE TAX             | 3,298                               | 3,600                                 | 3,300                                | 3,300                                 | (300)                                                    | (8)      |
| <b>FEES, PERMITS &amp; LICENCES</b> |                                   |                                     |                                       |                                      |                                       |                                                          |          |
| 03                                  | LIQUOR LICENCES                   | 319                                 | 351                                   | 351                                  | 50                                    | (301)                                                    | (86)     |
| 11                                  | INSURANCE FEES                    | 122                                 | 0                                     | 0                                    | 0                                     | 0                                                        | 0        |
| 12                                  | OTHER CUSTOMS FEES & CHARGES      | 1,912                               | 745                                   | 1,263                                | 2,407                                 | 1,662                                                    | 223      |
| 12                                  | WHARFAGE                          | 1,637                               | 7,750                                 | 8,100                                | 8,100                                 | 350                                                      | 5        |
| 13                                  | POST OFFICE                       | 5,456                               | 5,424                                 | 5,381                                | 5,081                                 | (343)                                                    | (6)      |
| 27                                  | IMMIGRATION RECEIPTS              | 10,213                              | 16,605                                | 8,605                                | 16,605                                | 0                                                        | 0        |
| 29                                  | TRADE & SERVICE MARK              | 1,690                               | 1,381                                 | 1,381                                | 1,509                                 | 128                                                      | 9        |
| 30                                  | FERRY SERVICES                    | 1,124                               | 1,314                                 | 1,314                                | 1,108                                 | (206)                                                    | (16)     |
| 30                                  | SERVICES TO SEABORNE SHIPPING     | 2,708                               | 2,547                                 | 2,558                                | 2,550                                 | 3                                                        | 0        |
| 31                                  | AIR TERMINAL AND AVIATION         | 9,985                               | 10,748                                | 10,748                               | 10,250                                | (498)                                                    | (5)      |
| 32                                  | PLANNING FEES AND SEARCHES        | 1,356                               | 937                                   | 937                                  | 954                                   | 17                                                       | 2        |
| 34                                  | VEHICLE LICENCES AND REGISTRATION | 26,583                              | 25,207                                | 25,207                               | 27,307                                | 2,100                                                    | 8        |
| 35                                  | BUS REVENUES                      | 8,346                               | 7,900                                 | 7,944                                | 8,150                                 | 250                                                      | 3        |
| 36                                  | SOLID WASTE                       | 3,481                               | 3,520                                 | 3,520                                | 3,520                                 | 0                                                        | 0        |
| 36                                  | WATER                             | 5,082                               | 4,738                                 | 4,738                                | 5,100                                 | 362                                                      | 8        |
| 36                                  | RENTALS                           | 2,014                               | 2,261                                 | 2,395                                | 1,685                                 | (576)                                                    | (25)     |
| 39                                  | COMPANIES - INTERNATIONAL         | 61,456                              | 68,515                                | 57,821                               | 57,731                                | (10,784)                                                 | (16)     |
| 39                                  | COMPANIES LOCAL                   | 3,321                               | 3,149                                 | 3,149                                | 3,121                                 | (28)                                                     | (1)      |
| 39                                  | COMPANIES LICENCES                | 347                                 | 475                                   | 475                                  | 355                                   | (120)                                                    | (25)     |
| 46                                  | TELECOMMUNICATIONS RECEIPTS       | 12,498                              | 15,300                                | 15,300                               | 15,300                                | 0                                                        | 0        |
| 57                                  | AIRCRAFT REGISTRATION             | 17,394                              | 20,634                                | 20,634                               | 21,950                                | 1,316                                                    | 6        |
| 72                                  | PLANT PRODUCTION & MARKETING CTRE | 126                                 | 425                                   | 425                                  | 425                                   | 0                                                        | 0        |
| 73                                  | REGISTRATION OF SHIPPING          | 3,546                               | 3,126                                 | 3,126                                | 3,326                                 | 200                                                      | 6        |
| <b>OTHER RECEIPTS</b>               |                                   |                                     |                                       |                                      |                                       |                                                          |          |
| 03                                  | FINES AND FORFEITURES             | 4,151                               | 3,983                                 | 2,603                                | 4,359                                 | 376                                                      | 9        |
| 11                                  | INTEREST ON DEPOSITS              | 2,710                               | 3,500                                 | 3,500                                | 3,500                                 | 0                                                        | 0        |
| 36                                  | GOLF COURSES                      | 708                                 | 0                                     | 0                                    | 0                                     | 0                                                        | 0        |
| 36                                  | BLDC RECEIPTS                     | 0                                   | 0                                     | 0                                    | 1,000                                 | 1,000                                                    | 0        |
| 81                                  | ASSET SALES                       | 0                                   | 0                                     | 0                                    | 10,000                                | 10,000                                                   | 0        |
|                                     | OTHER REVENUE                     | 14,958                              | 14,343                                | 14,257                               | 18,548                                | 4,205                                                    | 29       |
|                                     |                                   | 990,795                             | 940,041                               | 870,027                              | 909,634                               | (30,407)                                                 | (3)      |

**Table III**  
**SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE**

| HEAD<br>(1)                       | DESCRIPTION<br>(2)                   | 2010/11<br>ACTUAL<br>(\$000)<br>(3) | 2011/12<br>ORIGINAL<br>(\$000)<br>(4) | 2011/12<br>REVISED<br>(\$000)<br>(5) | 2012/13<br>ESTIMATE<br>(\$000)<br>(6) | DIFFERENCE<br>2011/12<br>vs<br>2012/13<br>(\$000)<br>(7) | %<br>(8) |
|-----------------------------------|--------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------------------------------|----------|
| <b>NON-MINISTRY DEPARTMENTS</b>   |                                      |                                     |                                       |                                      |                                       |                                                          |          |
| 01                                | GOVERNOR & STAFF                     | 1,625                               | 1,685                                 | 1,685                                | 1,685                                 | 0                                                        | 0        |
| 02                                | LEGISLATURE                          | 5,010                               | 5,367                                 | 5,367                                | 5,663                                 | 296                                                      | 6        |
| 05                                | OFFICE OF THE AUDITOR                | 3,276                               | 4,049                                 | 4,049                                | 4,049                                 | 0                                                        | 0        |
| 08                                | PUBLIC SERVICE COMMISSION            | 85                                  | 0                                     | 0                                    | 0                                     | 0                                                        | 0        |
| 63                                | PARLIAMENTARY REGISTRAR              | 820                                 | 1,035                                 | 1,035                                | 1,433                                 | 398                                                      | 38       |
| 85                                | OMBUDSMAN'S OFFICE                   | 704                                 | 826                                   | 826                                  | 819                                   | (7)                                                      | (1)      |
| 92                                | INTERNAL AUDIT                       | 1,426                               | 1,703                                 | 1,703                                | 1,703                                 | 0                                                        | 0        |
|                                   |                                      | 12,946                              | 14,665                                | 14,665                               | 15,352                                | 687                                                      | 5        |
| <b>CABINET OFFICE DEPARTMENTS</b> |                                      |                                     |                                       |                                      |                                       |                                                          |          |
| 09                                | CABINET OFFICE                       | 8,426                               | 6,774                                 | 7,401                                | 7,392                                 | 618                                                      | 9        |
| 14                                | DEPT. OF STATISTICS                  | 4,876                               | 3,243                                 | 3,243                                | 3,067                                 | (176)                                                    | (5)      |
| 26                                | DEPT. OF HUMAN RESOURCES             | 4,713                               | 5,577                                 | 4,787                                | 4,378                                 | (1,199)                                                  | (21)     |
| 51                                | DEPT. OF COMMUNICATION & INFORMATION | 2,441                               | 2,600                                 | 2,600                                | 2,594                                 | (6)                                                      | (0)      |
|                                   |                                      | 20,456                              | 18,194                                | 18,031                               | 17,431                                | (763)                                                    | (4)      |
| <b>MINISTRY OF JUSTICE</b>        |                                      |                                     |                                       |                                      |                                       |                                                          |          |
| 87                                | MIN. OF JUSTICE HQ                   | 5,865                               | 2,956                                 | 6,536                                | 6,083                                 | 3,127                                                    | 106      |
| 03                                | JUDICIAL DEPARTMENT                  | 8,286                               | 8,049                                 | 8,299                                | 8,532                                 | 483                                                      | 6        |
| 04                                | ATTORNEY GENERAL'S CHAMBERS          | 4,081                               | 4,358                                 | 4,146                                | 4,428                                 | 70                                                       | 2        |
| 25                                | DEPT. OF CORRECTIONS                 | 30,483                              | 27,389                                | 29,654                               | 28,014                                | 625                                                      | 2        |
| 74                                | DEPT. OF COURT SERVICES              | 4,481                               | 4,511                                 | 4,511                                | 4,511                                 | 0                                                        | 0        |
| 75                                | DEPT. OF PUBLIC PROSECUTIONS         | 2,374                               | 2,992                                 | 2,992                                | 2,986                                 | (6)                                                      | (0)      |
| 88                                | NATIONAL DRUG CONTROL                | 5,330                               | 3,946                                 | 3,946                                | 3,946                                 | 0                                                        | 0        |
|                                   |                                      | 60,900                              | 54,201                                | 60,084                               | 58,500                                | 4,299                                                    | 8        |
| <b>MINISTRY OF FINANCE</b>        |                                      |                                     |                                       |                                      |                                       |                                                          |          |
| 10                                | MIN. OF FINANCE HQ                   | 12,635                              | 10,581                                | 10,581                               | 5,166                                 | (5,415)                                                  | (51)     |
| 11                                | ACCOUNTANT GENERAL                   | 86,422                              | 78,087                                | 80,837                               | 51,139                                | (26,948)                                                 | (35)     |
| 12                                | CUSTOMS                              | 20,001                              | 7,650                                 | 7,650                                | 7,300                                 | (350)                                                    | (5)      |
| 28                                | SOCIAL INSURANCE                     | 9,695                               | 5,150                                 | 5,150                                | 5,150                                 | 0                                                        | 0        |
| 38                                | OFFICE OF THE TAX COMMISSIONER       | 3,315                               | 3,515                                 | 3,583                                | 3,515                                 | 0                                                        | 0        |
| 58                                | INTEREST ON DEBT                     | 55,298                              | 70,000                                | 70,000                               | 35,000                                | (35,000)                                                 | (50)     |
| 59                                | SINKING FUND CONTRIBUTION            | 28,760                              | 25,750                                | 25,750                               | 30,750                                | 5,000                                                    | 19       |
| 80                                | PROJECT MANAGEMENT & PROCUREMENT     | 1,156                               | 1,300                                 | 1,300                                | 1,352                                 | 52                                                       | 4        |
|                                   |                                      | 217,282                             | 202,033                               | 204,851                              | 139,372                               | (62,661)                                                 | (31)     |
| <b>MINISTRY OF EDUCATION</b>      |                                      |                                     |                                       |                                      |                                       |                                                          |          |
| 16                                | MIN. OF EDUCATION HQ                 | 2,575                               | 4,495                                 | 4,495                                | 2,642                                 | (1,853)                                                  | (41)     |
| 17                                | DEPT. OF EDUCATION                   | 125,841                             | 105,544                               | 116,582                              | 113,228                               | 7,684                                                    | 7        |
| 41                                | BERMUDA COLLEGE                      | 19,869                              | 18,119                                | 18,119                               | 18,119                                | 0                                                        | 0        |
|                                   |                                      | 148,285                             | 128,158                               | 139,196                              | 133,989                               | 5,831                                                    | 5        |
| <b>MINISTRY OF HEALTH</b>         |                                      |                                     |                                       |                                      |                                       |                                                          |          |
| 21                                | MIN. OF HEALTH HQ                    | 15,292                              | 12,598                                | 12,598                               | 12,598                                | 0                                                        | 0        |
| 22                                | DEPT. OF HEALTH                      | 30,508                              | 31,396                                | 31,396                               | 31,396                                | 0                                                        | 0        |
| 24                                | HOSPITALS                            | 150,184                             | 123,198                               | 141,198                              | 142,578                               | 19,380                                                   | 16       |
| 91                                | HEALTH INSURANCE                     | 13,037                              | 4,989                                 | 7,906                                | 4,406                                 | (583)                                                    | (12)     |
|                                   |                                      | 209,021                             | 172,181                               | 193,098                              | 190,978                               | 18,797                                                   | 11       |

Table III continued

**SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE**

| HEAD<br>(1)                                                                | DESCRIPTION<br>(2)                     | 2010/11<br>ACTUAL<br>(\$000)<br>(3) | 2011/12<br>ORIGINAL<br>(\$000)<br>(4) | 2011/12<br>REVISED<br>(\$000)<br>(5) | 2012/13<br>ESTIMATE<br>(\$000)<br>(6) | DIFFERENCE<br>2011/12<br>vs<br>2012/13<br>(\$000)<br>(7) | %<br>(8) |
|----------------------------------------------------------------------------|----------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------------------------------|----------|
| <b>MINISTRY OF THE ENVIRONMENT, PLANNING &amp; INFRASTRUCTURE STRATEGY</b> |                                        |                                     |                                       |                                      |                                       |                                                          |          |
| 50                                                                         | MIN. OF ENVIR., PLANN. & INFR. STR. HQ | 782                                 | 822                                   | 822                                  | 822                                   | 0                                                        | 0        |
| 32                                                                         | DEPT. OF PLANNING                      | 3,910                               | 3,933                                 | 3,933                                | 3,933                                 | 0                                                        | 0        |
| 42                                                                         | RENT COMMISSIONER                      | 525                                 | 588                                   | 588                                  | 588                                   | 0                                                        | 0        |
| 46                                                                         | TELECOMMUNICATIONS                     | 3,236                               | 1,529                                 | 1,529                                | 3,029                                 | 1,500                                                    | 98       |
| 49                                                                         | LAND VALUATION                         | 642                                 | 787                                   | 787                                  | 787                                   | 0                                                        | 0        |
| 72                                                                         | ENVIRONMENTAL PROTECTION               | 3,699                               | 3,515                                 | 3,515                                | 3,515                                 | 0                                                        | 0        |
| 89                                                                         | ENERGY                                 | 697                                 | 754                                   | 754                                  | 754                                   | 0                                                        | 0        |
| 96                                                                         | SUSTAINABLE DEVELOPMENT                | 0                                   | 515                                   | 515                                  | 515                                   | 0                                                        | 0        |
| 97                                                                         | LAND, SURVEYS & REGISTRATION           | 0                                   | 1,802                                 | 1,802                                | 1,802                                 | 0                                                        | 0        |
|                                                                            |                                        | 13,491                              | 14,245                                | 14,245                               | 15,745                                | 1,500                                                    | 11       |
| <b>MINISTRY OF TRANSPORT</b>                                               |                                        |                                     |                                       |                                      |                                       |                                                          |          |
| 48                                                                         | MIN. OF TRANSPORT HQ                   | 2,590                               | 1,000                                 | 1,000                                | 797                                   | (203)                                                    | (20)     |
| 30                                                                         | MARINE & PORTS                         | 22,334                              | 18,897                                | 18,897                               | 19,167                                | 270                                                      | 1        |
| 31                                                                         | AIRPORT OPERATIONS                     | 23,834                              | 20,501                                | 20,517                               | 21,391                                | 890                                                      | 4        |
| 34                                                                         | TRANSPORT CONTROL DEPARTMENT           | 6,533                               | 6,659                                 | 6,659                                | 6,686                                 | 27                                                       | 0        |
| 35                                                                         | PUBLIC TRANSPORTATION                  | 23,114                              | 18,388                                | 20,865                               | 19,628                                | 1,240                                                    | 7        |
| 57                                                                         | CIVIL AVIATION                         | 7,658                               | 9,141                                 | 9,069                                | 9,949                                 | 808                                                      | 9        |
| 73                                                                         | MARITIME ADMINISTRATION                | 1,606                               | 1,640                                 | 1,713                                | 1,906                                 | 266                                                      | 16       |
|                                                                            |                                        | 87,669                              | 76,226                                | 78,720                               | 79,524                                | 3,298                                                    | 4        |
| <b>MINISTRY OF PUBLIC WORKS</b>                                            |                                        |                                     |                                       |                                      |                                       |                                                          |          |
| 36                                                                         | MIN. OF PUBLIC WORKS HQ                | 6,769                               | 5,688                                 | 9,193                                | 12,200                                | 6,512                                                    | 114      |
| 53                                                                         | BERMUDA HOUSING CORP                   | 7,000                               | 6,587                                 | 6,587                                | 5,500                                 | (1,087)                                                  | (17)     |
| 68                                                                         | PARKS                                  | 11,067                              | 10,955                                | 10,955                               | 10,955                                | 0                                                        | 0        |
| 69                                                                         | CONSERVATION SERVICES                  | 5,114                               | 5,698                                 | 5,698                                | 5,698                                 | 0                                                        | 0        |
| 82                                                                         | WORKS & ENGINEERING                    | 41,451                              | 33,658                                | 33,653                               | 33,653                                | (5)                                                      | (0)      |
|                                                                            |                                        | 71,401                              | 62,586                                | 66,086                               | 68,006                                | 5,420                                                    | 9        |
| <b>MINISTRY OF YOUTH, FAMILIES &amp; SPORTS</b>                            |                                        |                                     |                                       |                                      |                                       |                                                          |          |
| 71                                                                         | MIN. OF YOUTH, FAMILIES & SPORTS HQ    | 4,289                               | 3,703                                 | 3,704                                | 2,458                                 | (1,245)                                                  | (34)     |
| 20                                                                         | YOUTH, SPORT & RECREATION              | 11,801                              | 11,517                                | 11,517                               | 12,053                                | 536                                                      | 5        |
| 23                                                                         | CHILD & FAMILY SERVICES                | 19,697                              | 17,413                                | 17,413                               | 18,672                                | 1,259                                                    | 7        |
| 55                                                                         | FINANCIAL ASSISTANCE                   | 37,375                              | 27,467                                | 39,782                               | 39,845                                | 12,378                                                   | 45       |
| 56                                                                         | HUMAN AFFAIRS                          | 2,948                               | 2,230                                 | 2,221                                | 2,344                                 | 114                                                      | 5        |
|                                                                            |                                        | 76,110                              | 62,330                                | 74,637                               | 75,372                                | 13,042                                                   | 21       |
| <b>MINISTRY OF NATIONAL SECURITY</b>                                       |                                        |                                     |                                       |                                      |                                       |                                                          |          |
| 83                                                                         | MIN. OF NATIONAL SECURITY HQ           | 1,848                               | 1,445                                 | 1,410                                | 1,150                                 | (295)                                                    | (20)     |
| 06                                                                         | DEFENCE                                | 7,998                               | 6,913                                 | 6,913                                | 7,189                                 | 276                                                      | 4        |
| 07                                                                         | POLICE                                 | 71,739                              | 58,203                                | 69,013                               | 68,614                                | 10,411                                                   | 18       |
| 27                                                                         | BORDER CONTROL                         | 5,747                               | 14,797                                | 14,797                               | 17,693                                | 2,896                                                    | 20       |
| 45                                                                         | FIRE SERVICES                          | 13,977                              | 12,897                                | 13,623                               | 14,266                                | 1,369                                                    | 11       |
| 54                                                                         | SECURITY SERVICES & DELEGATED AFFAIRS  | 16                                  | 0                                     | 0                                    | 0                                     | 0                                                        | 0        |
|                                                                            |                                        | 101,325                             | 94,255                                | 105,756                              | 108,912                               | 14,657                                                   | 16       |

**Table III continued**  
**SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE**

| HEAD<br>(1)                                           | DESCRIPTION<br>(2)                       | 2010/11<br>ACTUAL<br>(\$000)<br>(3) | 2011/12<br>ORIGINAL<br>(\$000)<br>(4) | 2011/12<br>REVISED<br>(\$000)<br>(5) | 2012/13<br>ESTIMATE<br>(\$000)<br>(6) | DIFFERENCE<br>2011/12<br>vs<br>2012/13 |          |
|-------------------------------------------------------|------------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------------|----------|
|                                                       |                                          |                                     |                                       |                                      |                                       | (\$000)<br>(7)                         | %<br>(8) |
| MINISTRY OF GOVERNMENT ESTATES & INFORMATION SERVICES |                                          |                                     |                                       |                                      |                                       |                                        |          |
| 93                                                    | MIN. OF GOVT. ESTATES & INFORM. SVCS. HQ | 0                                   | 600                                   | 600                                  | 835                                   | 235                                    | 0        |
| 19                                                    | ARCHIVES                                 | 1,589                               | 1,529                                 | 1,529                                | 1,611                                 | 82                                     | 5        |
| 29                                                    | REGISTRY GENERAL                         | 1,790                               | 1,464                                 | 1,464                                | 1,537                                 | 73                                     | 5        |
| 43                                                    | INFORMATION TECHNOLOGY OFFICE            | 8,467                               | 7,885                                 | 7,885                                | 7,571                                 | (314)                                  | (4)      |
| 81                                                    | PUBLIC LANDS & BUILDINGS                 | 24,525                              | 20,620                                | 20,620                               | 20,545                                | (75)                                   | (0)      |
| 84                                                    | E-GOVERNMENT                             | 1,042                               | 1,097                                 | 1,097                                | 1,094                                 | (3)                                    | (0)      |
| 90                                                    | MIN. ENERGY,TELECOM & E-COMMERCE HQ      | 532                                 | 0                                     | 0                                    | 0                                     | 0                                      | 0        |
|                                                       |                                          | 37,945                              | 33,195                                | 33,195                               | 33,193                                | (2)                                    | (0)      |
| MINISTRY OF ECONOMY, TRADE & INDUSTRY                 |                                          |                                     |                                       |                                      |                                       |                                        |          |
| 94                                                    | MIN. OF ECONOMY,TRADE & INDUSTRY HQ      | 0                                   | 2,425                                 | 2,425                                | 4,236                                 | 1,811                                  | 0        |
| 13                                                    | POST OFFICE                              | 14,922                              | 14,953                                | 14,953                               | 14,143                                | (810)                                  | (5)      |
| 18                                                    | LIBRARIES                                | 2,351                               | 2,348                                 | 2,348                                | 2,348                                 | 0                                      | 0        |
| 52                                                    | COMMUNITY & CULTURAL AFFAIRS             | 4,532                               | 3,877                                 | 3,877                                | 3,852                                 | (25)                                   | (1)      |
| 60                                                    | LABOUR & TRAINING                        | 7,047                               | 6,235                                 | 6,235                                | 6,007                                 | (228)                                  | (4)      |
|                                                       |                                          | 28,852                              | 29,838                                | 29,838                               | 30,586                                | 748                                    | 3        |
| MINISTRY OF BUSINESS DEVELOPMENT & TOURISM            |                                          |                                     |                                       |                                      |                                       |                                        |          |
| 95                                                    | MIN. OF BUSINESS DEV. & TOURISM HQ       | 0                                   | 5,383                                 | 5,383                                | 5,244                                 | (139)                                  | 0        |
| 33                                                    | TOURISM                                  | 34,785                              | 30,245                                | 30,245                               | 28,704                                | (1,541)                                | (5)      |
| 39                                                    | REGISTRAR OF COMPANIES                   | 2,705                               | 3,634                                 | 3,353                                | 3,529                                 | (105)                                  | (3)      |
| 67                                                    | E-COMMERCE                               | 999                                 | 1,080                                 | 1,080                                | 1,080                                 | 0                                      | 0        |
|                                                       |                                          | 38,489                              | 40,342                                | 40,061                               | 38,557                                | (1,785)                                | (4)      |
|                                                       |                                          | 1,124,172                           | 1,002,449                             | 1,072,463                            | 1,005,517                             | 3,068                                  | 0        |

**Table IV**  
**ANALYSIS OF CURRENT ACCOUNT EXPENDITURE BY OBJECT ACCOUNT**

| EXPENDITURE |                                | 2010/11<br>ACTUAL<br>(\$000) | 2011/12<br>ORIGINAL<br>(\$000) | 2011/12<br>REVISED<br>(\$000) | 2012/13<br>ESTIMATE<br>(\$000) | DIFFERENCE<br>2011/12<br>vs<br>2012/13<br>(\$000) |      |
|-------------|--------------------------------|------------------------------|--------------------------------|-------------------------------|--------------------------------|---------------------------------------------------|------|
| (1)         | OBJECT CODE DESCRIPTION<br>(2) | (3)                          | (4)                            | (5)                           | (6)                            | (7)                                               |      |
|             | SALARIES                       | 302,200                      | 325,253                        | 336,579                       | 343,911                        | 18,658                                            | 6    |
|             | WAGES                          | 99,274                       | 70,593                         | 73,314                        | 72,940                         | 2,347                                             | 3    |
|             | EMPLOYER OVERHEAD              | 70,918                       | 67,661                         | 70,411                        | 39,854                         | (27,807)                                          | (41) |
|             | OTHER PERSONNEL COSTS          | 10,707                       | 9,250                          | 9,251                         | 6,838                          | (2,412)                                           | (26) |
|             | TRAINING                       | 5,666                        | 6,520                          | 6,562                         | 6,648                          | 128                                               | 2    |
|             | TRANSPORT                      | 6,830                        | 6,576                          | 6,587                         | 5,936                          | (640)                                             | (10) |
|             | TRAVEL                         | 5,017                        | 5,360                          | 5,507                         | 5,336                          | (24)                                              | (0)  |
|             | COMMUNICATIONS                 | 10,637                       | 9,074                          | 10,399                        | 9,897                          | 823                                               | 9    |
|             | ADVERTISING & PROMOTION        | 19,224                       | 16,146                         | 16,219                        | 15,086                         | (1,060)                                           | (7)  |
|             | PROFESSIONAL SERVICES          | 119,070                      | 79,376                         | 89,449                        | 84,774                         | 5,398                                             | 7    |
|             | RENTALS                        | 18,125                       | 18,383                         | 18,965                        | 17,981                         | (402)                                             | (2)  |
|             | REPAIR & MAINTENANCE           | 21,887                       | 20,796                         | 20,298                        | 21,610                         | 814                                               | 4    |
|             | INSURANCE                      | 12,977                       | 12,895                         | 12,925                        | 12,915                         | 20                                                | 0    |
|             | ENERGY                         | 20,120                       | 20,050                         | 19,912                        | 20,707                         | 657                                               | 3    |
|             | CLOTHING & UNIFORMS            | 2,165                        | 2,161                          | 2,152                         | 2,329                          | 168                                               | 8    |
|             | MATERIALS & SUPPLIES           | 32,341                       | 27,692                         | 28,591                        | 27,210                         | (482)                                             | (2)  |
|             | EQUIPMENT                      | 1,431                        | 1,128                          | 1,209                         | 1,007                          | (121)                                             | (11) |
|             | OTHER EXPENSES                 | 4,009                        | 3,675                          | 4,108                         | 4,658                          | 983                                               | 27   |
|             | RECEIPTS CREDITED TO PROG      | (3,071)                      | (23,977)                       | (23,977)                      | (22,872)                       | 1,105                                             | (5)  |
|             | TRANSFER TO OTHER FUNDS        | 28,760                       | 25,750                         | 25,750                        | 30,750                         | 5,000                                             | 19   |
|             | PUBLIC DEBT CHARGES (i)        | 58,729                       | 70,700                         | 70,700                        | 35,850                         | (34,850)                                          | (49) |
|             | GRANTS & CONTRIBUTIONS (ii)    | 277,156                      | 227,387                        | 267,552                       | 262,152                        | 34,765                                            | 15   |
|             |                                | 1,124,172                    | 1,002,449                      | 1,072,463                     | 1,005,517                      | 3,068                                             | 0    |

Note: (i) In 2012/13 approx. \$50M of Interest on Debt will be funded from the Sinking Fund

(ii) Revenue-sharing of wharfage with Municipalities

**Table V**  
**THE CONFISCATED ASSET FUND**

| MINISTRY/DEPARTMENT<br>(1)                    | REVISED ESTIMATE<br>2011/12<br>(\$000)<br>(2) | ESTIMATE<br>2012/13<br>(\$000)<br>(3) |
|-----------------------------------------------|-----------------------------------------------|---------------------------------------|
| <b>MINISTRY OF JUSTICE</b>                    |                                               |                                       |
| MINISTRY OF JUSTICE HQ                        |                                               |                                       |
| Financial Intelligence Agency*                | 1,696                                         | —                                     |
| National Anti-Money Laundering Office*        | 540                                           | —                                     |
|                                               | 2,236                                         | —                                     |
| <b>NATIONAL DRUG CONTROL</b>                  |                                               |                                       |
| Camp Spirit programme                         | 300                                           | 300                                   |
| Co-ed Substance Abuse Drug Treatment Facility | 4,400                                         | 0                                     |
|                                               | 4,700                                         | 300                                   |
|                                               | 6,936                                         | 300                                   |
|                                               |                                               |                                       |
|                                               | 6,936                                         | 300                                   |

Note: 2012/13 Estimates transferred to the Consolidated Fund

**Table VI**  
**GOVERNMENT OF BERMUDA DEBT AND LOAN GUARANTEES**  
**UTILISATION OF STATUTORY BORROWING POWERS**

| ACTUAL<br>2010/11<br>(\$000)                      | DETAILS                                                    | REVISED<br>ESTIMATE<br>2011/12<br>(\$000) | ESTIMATE<br>2012/13<br>(\$000) |
|---------------------------------------------------|------------------------------------------------------------|-------------------------------------------|--------------------------------|
| DEBT & LOAN GUARANTEES OUTSTANDING AS OF 31 MARCH |                                                            |                                           |                                |
| 1,087,490                                         | BORROWINGS UNDER LOAN FACILITIES (GOVT)                    | 1,329,490                                 | 1,501,563                      |
| 1,087,490                                         | TOTAL DEBT OUTSTANDING (GOVT)                              | 1,329,490                                 | 1,501,563                      |
| 357                                               | NATIONAL EDUCATION GUARANTEE SCHEME (ii)                   | -                                         | -                              |
| 200,000                                           | BANK OF N.T. BUTTERFIELD GUARANTEE (ii)                    | -                                         | -                              |
| 1,287,847                                         | TOTAL LOAN FACILITIES & GUARANTEES                         | 1,329,490                                 | 1,501,563                      |
| 85,508                                            | Less: SINKING FUND CONTRIBUTIONS (i)                       | 113,000                                   | 93,750                         |
|                                                   | NET CUMULATIVE GOVERNMENT<br>DEBT & GUARANTEES OUTSTANDING |                                           |                                |
| <u>1,202,339</u>                                  |                                                            | <u>1,216,490</u>                          | <u>1,407,813</u>               |

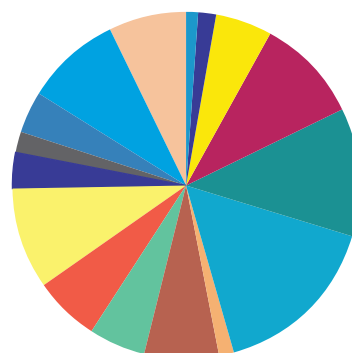
- (i) Government introduced a Sinking Fund with effect 31 March 1993. The intent being to set aside a sum equivalent to 2.5% of the public debt outstanding at the end of the preceding year, in order to repay the principal sum borrowed after approximately 20 years.
- (ii) The Government has the following guarantees: National Education Scheme (\$357K); Bank of N.T. Butterfield (\$200M); and Bermuda Hospitals Board. With effect 1 April 2011 these guarantees will no longer be charged against the statutory debt ceiling unless the guarantee obligation becomes due and payable by the Government, pursuant to the amended Government Loans Act 1978. The total amount of utilised Loan Facilities are restricted by the Government Loans Act 1978, as amended. With effect from 1 April 2012, the statutory debt limit was increased to \$1,450 million.

**Table VII**  
**PROFESSIONAL SERVICES**

| ACCOUNT DESCRIPTION |                           | ACTUAL<br>2010/11<br>(\$000)<br>(3) | ORIGINAL<br>ESTIMATE<br>2011/12<br>(\$000)<br>(4) | REVISED<br>ESTIMATE<br>2011/12<br>(\$000)<br>(5) | ESTIMATE<br>2012/13<br>(\$000)<br>(6) |
|---------------------|---------------------------|-------------------------------------|---------------------------------------------------|--------------------------------------------------|---------------------------------------|
| (1)                 | (2)                       |                                     |                                                   |                                                  |                                       |
| 5260                | Local Consultants         | 18,656                              | 9,269                                             | 11,028                                           | 11,953                                |
| 5265                | Overseas Consultants      | 32,060                              | 21,788                                            | 22,065                                           | 22,988                                |
| 5270                | Contractors               | 22,709                              | 20,998                                            | 21,534                                           | 19,384                                |
| 5272                | Medical Fees Non Hospital | 9,120                               | 1,545                                             | 962                                              | 962                                   |
| 5275                | Medical                   | 18,256                              | 11,639                                            | 15,118                                           | 11,654                                |
| 5280                | Optical Services          | 24                                  | 17                                                | 17                                               | 17                                    |
| 5285                | Educational Services      | 298                                 | 130                                               | 125                                              | 216                                   |
| 5290                | Chiropodist Services      | 6                                   | 9                                                 | 9                                                | 9                                     |
| 5295                | Psychological Services    | 15                                  | 6                                                 | 6                                                | 50                                    |
| 5300                | Dental Services           | 24                                  | 400                                               | 399                                              | 396                                   |
| 5305                | War Pension Award         | 2,882                               | 2,640                                             | 2,640                                            | 2,640                                 |
| 5310                | Counselling Services      | 363                                 | 330                                               | 350                                              | 348                                   |
| 5315                | Child Care Services       | 232                                 | 222                                               | 222                                              | 222                                   |
| 5320                | Recreational Services     | 309                                 | 273                                               | 354                                              | 287                                   |
| 5325                | Legal Services            | 5,952                               | 1,688                                             | 5,605                                            | 3,184                                 |
| 5330                | Liquidation Fees          | (707)                               | 250                                               | 250                                              | 250                                   |
| 5340                | Membership Fees - Govt.   | 423                                 | 462                                               | 465                                              | 507                                   |
| 5345                | Forensic/Lab Services     | 701                                 | 696                                               | 696                                              | 721                                   |
| 5350                | Forensic/Lab Accounting   | 125                                 | 157                                               | 157                                              | 157                                   |
| 5355                | Security Services         | 6,605                               | 5,691                                             | 6,257                                            | 6,881                                 |
| 5360                | Conservation Services     | 65                                  | 20                                                | 20                                               | 61                                    |
| 5365                | Animal Control Services   | 17                                  | 7                                                 | 17                                               | 15                                    |
| 5370                | Board & Comm. Fees        | 830                                 | 865                                               | 878                                              | 1,575                                 |
| 5375                | ID Parade – Police        | 9                                   | 7                                                 | 7                                                | 30                                    |
| 5380                | Jury & Witness Fees       | 96                                  | 150                                               | 150                                              | 150                                   |
| 5385                | Court Costs               | 0                                   | 50                                                | 50                                               | 50                                    |
| 5390                | Audit Fees                | 0                                   | 64                                                | 64                                               | 65                                    |
| 5395                | Examination Fees          | 0                                   | 3                                                 | 3                                                | 3                                     |
|                     |                           | 119,070                             | 79,376                                            | 89,448                                           | 84,775                                |

## Estimated Expenditure 2012/13 in BD\$ Millions

|                                                      |       |
|------------------------------------------------------|-------|
| Non-Ministry.....                                    | 15.4  |
| Cabinet Office Departments.....                      | 17.4  |
| Justice.....                                         | 58.5  |
| Finance.....                                         | 73.6  |
| Education .....                                      | 134.0 |
| Health .....                                         | 191.0 |
| Environment, Planning & Infrastructure Strategy..... | 15.7  |
| Transport .....                                      | 79.5  |
| Public Works .....                                   | 68.0  |
| Youth, Families & Sports .....                       | 75.4  |
| National Security.....                               | 108.9 |
| Government Estates & Information Services .....      | 33.2  |
| Economy, Trade & Industry.....                       | 30.6  |
| Business Development & Tourism.....                  | 38.6  |
| Interest & Sinking Fund.....                         | 65.8  |
| Capital Estimate.....                                | 76.2  |



## Categories of expenditure expressed as a percentage of total estimated expenditure for 2012/13 of \$1,081.7 million



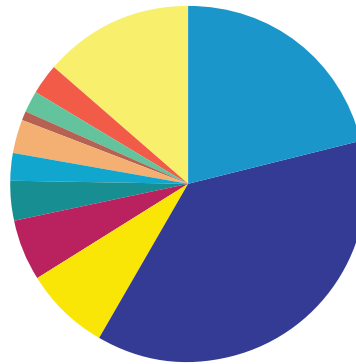
|                                                      |      |
|------------------------------------------------------|------|
| Non-Ministry.....                                    | 1.4  |
| Cabinet Office Departments.....                      | 1.6  |
| Justice.....                                         | 5.4  |
| Finance.....                                         | 6.8  |
| Education .....                                      | 12.4 |
| Health .....                                         | 17.7 |
| Environment, Planning & Infrastructure Strategy..... | 1.5  |
| Transport .....                                      | 7.4  |
| Public Works .....                                   | 6.3  |
| Youth, Families & Sports .....                       | 7.0  |
| National Security.....                               | 10.1 |
| Government Estates & Information Services .....      | 3.1  |
| Economy, Trade & Industry.....                       | 2.8  |
| Business Development & Tourism.....                  | 3.6  |
| Interest & Sinking Fund.....                         | 6.1  |
| Capital Estimate.....                                | 7.0  |

Table IX

## Estimated Revenue 2012/13 in BD\$ Millions

Total Revenue \$909.6 million

|                          |       |
|--------------------------|-------|
| ■ Customs .....          | 200.0 |
| ■ Payroll Tax .....      | 312.0 |
| ■ Companies Fees .....   | 61.2  |
| ■ Land Tax .....         | 56.0  |
| ■ Passenger Tax .....    | 35.4  |
| ■ Vehicle Licences ..... | 27.3  |
| ■ Stamp Duties .....     | 23.0  |
| ■ Hotel Occupancy .....  | 9.0   |
| ■ Immigration .....      | 16.6  |
| ■ Foreign Currency ..... | 24.5  |
| ■ All Other .....        | 144.6 |



Categories of revenue expressed as a percentage of total estimated revenue for 2012/13 of \$909.6 million



|                          |      |
|--------------------------|------|
| — Customs .....          | 22.0 |
| — Payroll Tax .....      | 34.3 |
| — Companies Fees .....   | 6.7  |
| — Land Tax .....         | 6.2  |
| — Passenger Tax .....    | 3.9  |
| — Vehicle Licences ..... | 3.0  |
| — Stamp Duties .....     | 2.5  |
| — Hotel Occupancy .....  | 1.0  |
| — Immigration .....      | 1.8  |
| — Foreign Currency ..... | 2.7  |
| — All Other .....        | 15.9 |

**Table X**  
**GENERAL GOVERNMENT DEBT TO GDP BY COUNTRY (%).**

