



GOVERNMENT OF BERMUDA
Ministry of Finance

BUDGET STATEMENT

IN SUPPORT OF THE ESTIMATES OF REVENUE AND EXPENDITURE



2015
2016

Presented by The Hon. E.T. Richards, JP, MP – Minister of Finance | Friday, 20 February 2015



BUDGET STATEMENT
IN SUPPORT OF THE
ESTIMATES OF REVENUE AND EXPENDITURE
2015–2016

PRESENTED BY THE HON. E.T. RICHARDS, JP, MP
MINISTER OF FINANCE
20 FEBRUARY 2015

Published by:
Government of Bermuda
Ministry of Finance

Government Administration Building
30 Parliament Street
Hamilton HM 12, Bermuda
February 2015

Design: Department of Communication and Information
Printed in Bermuda by Bermuda Press Ltd.

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

The One Bermuda Alliance Government was elected to restore prosperity and hope to the people of Bermuda.

We took over at a time the economy was in free-fall. For the first time, thousands were unemployed. Thousands of expatriate workers and their families, whose lives here supported the spectrum of local businesses, had left the Island. Government had locked itself into massive spending deficits, adding to a debt burden so deep that it became a threat not just to our ability to operate as an independent economy, but also to our children's future.

As a Bermudian concerned for the wellbeing of my country, my appointment as Finance Minister became the most important mission of my life — to do whatever I could do to repair the situation and restore good fortune to the Bermudian people.

I share this mission with my colleagues — the commitment to moving this Island forward, restoring jobs and guiding us back onto a sound, sensible and secure path to the future.

Mr. Speaker, to bring coherence and direction to our work, we implemented a two-track strategy to grow the economy and return Government finances to a sustainable position.

Our main focus has been to invigorate the engines of economic growth because of their potential to improve more people's lives more quickly than anything else.

We have been working to restore investor confidence to attract foreign dollars back to our shores, opening the Island to job and revenue creating activities, creating new possibilities for Bermudians to make a living.

In terms of Government finances, we are implementing budget control systems, monitoring performance and reducing spending.

The strategic aim has been to expand the possibilities for Bermudians to make a living while using the resources generated to ensure Government provides them with the services and support they need — good schools, safe neighbourhoods, affordable health care, sound infrastructure and care and protection for our seniors.

This Budget Statement for the 2015/16 Financial Year continues what, in effect,

is a multi-year national recovery plan and, in that context, it represents a work in progress, preparing the way for future growth and prosperity.

Mr. Speaker, There are clear signs the two-track strategy is bearing fruit. We can see it in:

- Jumps in retail sales, Planning applications, building permits and new construction starts;
- New international and local company formations, with the first rise in work permits since 2008; and
- Unprecedented investor interest in hotel construction and the America's Cup, which taken together promises a massive boost to the economy.

And we can see it in this Budget where the Current Account balance before debt service will achieve a surplus position — the first time in more than seven years, and where the target has been set to balance the budget within three years.

Mr. Speaker, These signs bode well for the future, but there is a long way to go before we get to solid ground.

Threats to our wellbeing remain, from countries challenging Bermuda's business model, to the vulnerability of our debt to rising interest rates, to the challenge of ending significant year-to-year spending deficits.

There are no magic answers, and we will face many tough decisions on the road to full national recovery. We will need understanding and cooperation because Government cannot do it alone. We will need everyone to play their part, and that can mean working to the best of one's ability every day, learning a new skill to get that new job, helping a fellow Bermudian who is struggling, or making a personal decision to put Bermuda first.

The 2015/16 Budget outlines a steady course of action to address all the challenges we face, with one goal in mind — to make this Island work better for its people now and into the future.

Financial Independence

Mr. Speaker, no one can dispute that in today's global interconnected economy no country, no matter how large and powerful, is completely independent. So why are

we, as a dot on the map, even discussing financial independence? In a world full of risks, a degree of financial independence is very important.

In last year's Budget Statement we introduced the topic of financial independence to the public conversation in Bermuda. A year later I can say that never in any of our lifetimes has Bermuda faced an external regulatory/tax environment that is as hostile to our core international business model: and thus to our very ability to feed, and clothe ourselves, to educate our children abroad or enjoy a reasonable standard of living from earnings from international business. We face direct threats, targeting Bermuda by name, from the United States, the United Kingdom, Europe and the Organization for Economic Cooperation & Development (the OECD) — all at the same time.

Mr. Speaker, two examples come to mind:

Recently a very senior official in the US Treasury Department was quoted in the media as saying, "To be blunt, we really do need to kill the zero tax jurisdictions." Mr. Speaker, "To kill!" You can't be clearer than that.

On the other side of the Atlantic, the *Financial Times* reported that the Chancellor of the Exchequer, Mr. George Osborne, announced an investigation into why London is losing hundreds of millions of pounds a year in insurance business to rivals such as Bermuda, Zurich and Singapore, and that his government was exploring options to ensure that the UK's regulatory and tax regime enabled the UK reinsurance industry to be more attractive and competitive. Mr. Speaker, this is from our constitutionally mandated "representative" in international relations.

Mr. Speaker, how do we deal with this challenge to the beating heart of our economy? The Government is fully engaged in identifying and evaluating these threats and executing strategies to neutralize them. However, the first rule of survival in this hostile environment is to avoid and/or reduce unnecessary home-grown risks, risks that could cause Bermuda to seek financial help from any of these countries because of failure to properly manage our own affairs.

Using that logic, the biggest risk to Bermuda's financial independence is the national debt. Why? Because of the growing profile of the cost of servicing that debt: \$161 million last year — \$170 million budgeted for next year. These costs will continue to grow because the Government runs annual deficits — spending more than it earns and also because global interest rates will likely gradually rise. If Government does not eliminate the deficit soon, or if we don't convince foreign creditors and rating

agencies of our absolute, iron clad commitment to eliminate it soon, further credit rating downgrades will come.

Mr. Speaker, why should we even care about rating agencies?

Investment institutions have a myriad of investment opportunities; way too many to be able to thoroughly analyze all the details of each one. Rating agencies perform some of that analysis for investors and this allows them a faster way to evaluate and rank various options. Rating agencies mold investors' opinions and views of us as a potential investment opportunity. So if we want to sell our bonds to these same investors at a good price we need to impress rating agencies.

If we fail to properly address the causes of our financial problems, the results are predictable and dire. We need only to look around us to see the fate that other island economies have suffered because of excessive debt. In one island to our south the IMF forced that government to lay off 15% of public sector workers. If that were Bermuda we would be looking at laying off 750 public servants. That's the price of losing your financial independence.

If we do not eliminate the deficit and start paying down our debt, we will not be in a position to resist the very same countries that are calling for changes in the international regulatory and tax system to destroy our international business sector.

Mr. Speaker, some may think I am being melodramatic — overstating the threat — but I am not. Take for example, the pressure from the UK on Bermuda to adopt a public register of beneficial owners of Bermuda-based companies. Bermuda has taken a public stand against this initiative. Does anyone really think we could stand up for ourselves as we've been doing if we'd been forced to seek UK backing for our debt?

The anti-tax haven rhetoric has reached fever pitch around the developed world. Some dots on the map which call themselves offshore financial centres have behaved quite irresponsibly, allowing themselves to be domiciles for fraudsters, tax evaders and terrorist financiers. Bermuda is not among them. OECD countries, including our major trading partners, are vowing to stop such practices but many are failing to differentiate between the dirty dots and the clean ones. All the dots get dumped into the same trash bin.

Bermuda has had to work hard to differentiate itself from the dirty, shady offshore financial centres. It is astonishing how uninformed many powerful and influential

people in these countries are about Bermuda, its constitutional status, its regulatory framework, its record for international cooperation and most importantly, its value proposition to the global economy. If we lose this differentiation battle, we stand to lose our international business.

Mr. Speaker, we can fight for ourselves, our livelihoods, and our futures only because we are not overly beholden to others. The Government deficit and growing debt threatens our ability to fight for ourselves because if we lose the confidence of international credit markets we will likely have to revert to the UK for backing.

This Government will do everything in its power to prevent that woeful day from happening. Therefore, we will have to redouble our efforts and determination to eliminate the Government deficit as soon as possible.

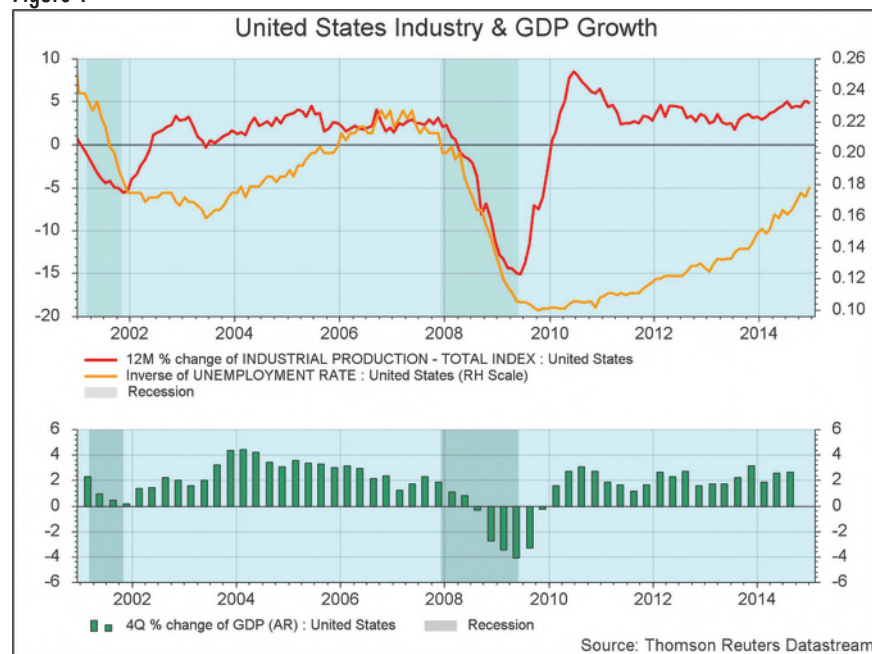
Another way to buttress our financial independence is to be successful in our efforts to revitalize our hospitality sector. The Government regards this as a national economic imperative and will do whatever it takes to ensure that success. While we are confident of our ability to weather the storm of external threats to our international business sector, we cannot have all our eggs in that one basket; thus the importance of revitalizing Bermuda tourism.

Mr. Speaker, our budget targets of revenue and expenditure initiatives represented in this statement flow from an understanding that the coming fiscal year is a turning point in this Government's efforts to, not only right the economic ship, but prepare the way for future growth and prosperity.

Global Economic Environment

Economists describe Bermuda's economy as a very open economy because a very

Figure 1

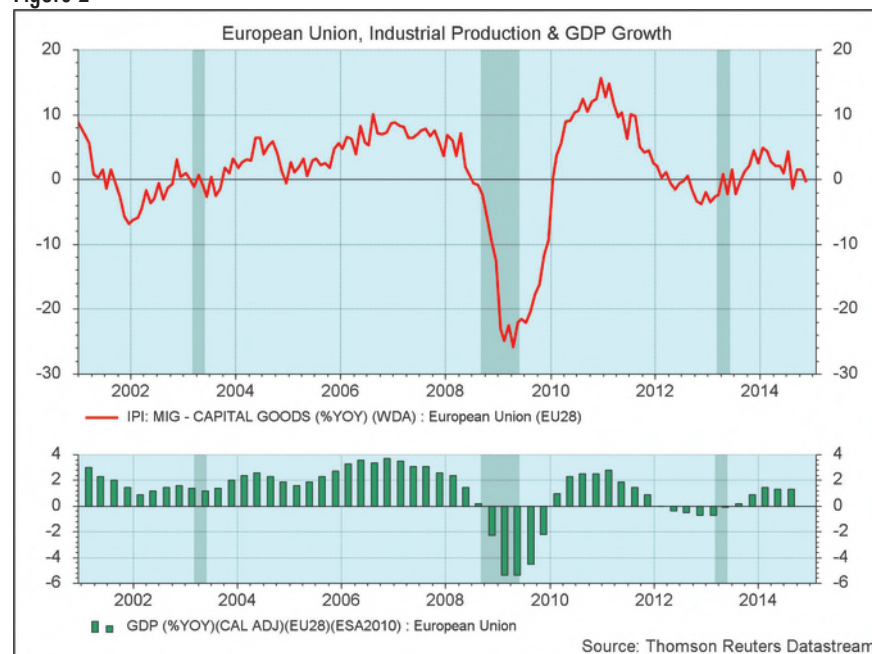


large proportion of our Gross Domestic Product (GDP) comes from trading with the outside world, as opposed to business transacted between ourselves. Our primary industries are exporters of services. Therefore, we would be well advised to continuously evaluate the global environment that we trade in.

Figure 1 displays trends in three key US economic indicators.

The bars in the bottom pane show percentage changes in GDP. The shaded areas show periods of recession. Mr. Speaker, what we see is the recovery from the 2008 recession is well established, albeit not as robust as in 2004. In the upper pane the red line represents the percentage change in Industrial Production while the orange line shows the trend in employment.

Figure 2

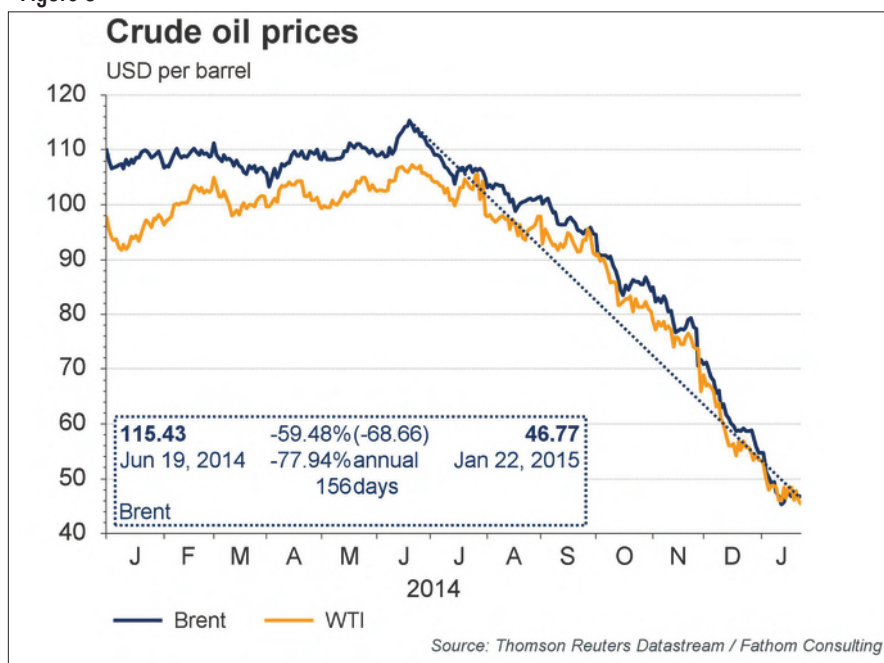


Clearly while Industrial Production, like GDP, bounced back quite sharply after the end of the recession, employment has recovered quite sluggishly, although in 2014 employment has accelerated.

While the pick-up in employment has been slower than for the typical recovery, the fact that employment lags behind Industrial Production and GDP is expected. Employment is a classic “lagging indicator”. After the difficult experiences during a recession, even when business starts to expand, many managers are reluctant to take on any more staff until it is absolutely necessary. Instead, they attempt to squeeze all they can get out of their existing complement of staff before taking the plunge with new hiring. The same paradigm applies to the Bermuda labour market, with employment also lagging behind statistics indicating growth.

Mr. Speaker, the macroeconomic picture with the European Union is quite different from the US. Industrial Production, the red line, is faltering badly. There was even a retreat to recession briefly at the beginning of 2014. This weakness has had the predictable effects of weak revenues for member countries’ treasuries, as well as lower demand for certain commodities, oil in particular.

Figure 3



ample global supplies, the price of crude oil has plummeted, as displayed in Figure 3. This has implications for the global economy, including Bermuda. Net importers of crude hugely benefit, and even though the US is now producing much more of its energy needs than before, the fall of crude prices is a significant boost for their economy. This is also true for the EU. This is bad for oil producers like Canada, Australia and OPEC countries. Bermuda benefits through lower petrol prices and fuel adjustment charges at BELCO.

The global economic environment is favourable mainly because of the robustness of the US economy which has re-established itself as the economic growth engine of the world. Consumers’ family balance sheets have recovered substantially from

the disaster of 2008. This paints a much improved background for our hospitality business for the coming year.

The Two Track Strategy

Mr. Speaker, in the run up to the last election the One Bermuda Alliance outlined

PROJECT	VALUE	PERIOD
St. Regis – St. George's	\$140m	2-3 years
Ritz Reserve	\$160m	2 years
Phase 2 Hamilton Princess	\$40m	2 years
Sinky Bay Beach	\$5m	1 year
Pink Beach	\$30m	1-2 years
Ariel Sands	\$50m	2 years
Airport	\$255m	3-3½ years
America's Cup	\$250m	2 years
Total	\$930m	1-3 years

its strategy to revitalize the Bermuda economy. The Two Track Strategy as it was called, was designed to stimulate the economy on the one hand and control and reduce Government spending on the other. We always insisted that such stimulus should and could be achieved without incurring of further Government debt, meaning the principal

method of stimulus would have to be inward direct investment from abroad. In the two years since the election, the Government has focused on creating the conditions necessary to attract that investment.

Mr. Speaker, Table 1 lists the projects approved by the Government in which there is high confidence of shovels in the ground. They total \$930 million to be injected over the next one to three years. For an economy whose GDP is about \$5 billion, a stimulus of almost \$1bn or 20% is massive.

There are a number of questions arising from this massive injection.

First, is it for real? Bermudians have heard such promises before. We are confident that these are indeed for real.

Second, is it large enough? It is the Government's judgement that the scale is appropriate. Bermuda has endured an extended recession of six years, much longer than any of our major trading partners. The length of Bermuda's recession, its severity, and the fact that the USA has long since emerged from its recession, strongly supports our long held view that our problem is local and structural, not cyclical. If it were cyclical we would have recovered long ago. This implies that any stimulative measures should be stronger than if the problem were cyclical.

Third, is it too much, will it result in inflation? If it is too much then the resultant inflation would render our economy too expensive and less competitive in the intermediate term, thereby defeating the whole purpose of the exercise. This is indeed a risk. However, the statistics that we do have show there is a large pool of unemployed people — over three thousand — that would have to be soaked up before we are in danger of over stretching our resources. Then there is the spare capacity that has been left behind by people who have left the island. There are many empty residential units as well as office and retail space in Hamilton. All this spare capacity would have to be used up before significant upward pressure on prices would occur. Add to that, the fact that inflation imported from abroad is muted, bolsters our confidence that the inflationary effect from this stimulus will be minimal.

Fourth, won't this just be a temporary blip, after which the economy will slip back into recession? The answer to that lies in the nature of the stimulus. All but one of the projects are for-profit — commercial ventures. From the investors' point of view, success means these investments in hotels must be operationally profitable. This implies a long term commitment to success in Bermuda tourism and therefore long term job opportunities on the Island. The hosting of the America's Cup is a gigantic opportunity to globally press the "reset button" on the Bermuda hospitality brand. We live in a branded world and we have allowed our brand to languish. The success of Bermuda's re-branding in tourism will have a long term benefit to our hospitality product in the future. Even the new air terminal, as a P3 project, has the profit element in it and this too will enhance the Bermuda brand both in hospitality and international business in the future.

Mr. Speaker, this list of projects, representing inward direct investment, is the essence of our stimulus package. In two years this Government has changed the reputation of Bermuda as being unfriendly to investors to an investor friendly environment where global businesses feel comfortable to invest in our country again. These projects comply with the conditions we laid down from the start, and that is they should add to our productive infrastructure thereby creating short term as well as long term jobs; and that they should not be the result of deficit financing by the Government.

There is one more element to our stimulus efforts, and that is support and encouragement for our partners in International Business. IB has been the Bermuda economy's anchor to windward during very stormy seas. Bermuda's IB sector has been under enormous economic and regulatory pressure from abroad in the past year, and this Government has gone to bat on their behalf in overseas capitals of the world. Here at home we have amended various laws, regulations and rules to encourage

new enterprises to establish here as well as existing Bermuda based entities to grow deeper roots here.

Mr. Speaker, all of the initiatives I have just enumerated comprise the first track of the two track strategy.

The second track of Government's strategy is the reduction and elimination of the annual operating deficits and eventual reduction of Government debt. Last year we enunciated the Medium Term Expenditure Framework (MTEF) to achieve spending reductions of 7% in the first year, a further 5% reduction the second and a still further reduction of 3% the third year. Last year's budget — the first in the three year plan — contained little in terms of tax increases, as we concentrated on spending reductions. The formation and work of the Sage Commission was critical in helping us to identify procedures, practices and structures that caused waste, inefficiency and lack of accountability, and ways these problems could be alleviated. Further spending cuts were achieved through our work with members of the Bermuda Trade Union Congress.

Mr. Speaker, unlike previous years, this budget includes significant increases in various taxes. In strategic terms, there are a number of reasons for this departure.

First, it has been determined that the deficit will not be broken by spending cuts alone — increased revenues will be necessary.

Second, the strategy is based on the expected state of the economy, as opposed to the past or even the current economic situation. With the major stimulus measures already outlined, about 20% of GDP in one to three years, we are confident the economy will be able to withstand the attenuating effects of tax increases on growth.

Third, there are additional expenditures that Government will have to make in preparation to host the America's Cup, expenditures that have to be financed. They have to be financed from tax revenue as much as possible instead of being financed by addition to long-term debt.

This Government has been talking about its two track economic strategy since inception, even before it was elected government. Bermudians can now see the vision morph into a strategy and the strategy manifest itself into reality. So this is how Bermuda will meet its goals of returning to overall growth — and the jobs and opportunities it will generate — while breaking the back of the Government deficit, paving the way for public debt reduction.

Diversification and Taxes in Island Economies

Mr. Speaker, one of the guiding principles of this Government is that we believe in the macroeconomic benefits of low taxes. Low taxes leave more money in people's pockets, thereby encouraging spending and investment, both of which contribute to economic growth. However, taxes should not be so low that Government does not have sufficient money to fulfill its responsibilities.

Credit rating agencies have remarked that Bermuda's economy is too narrowly focused and that this narrow focus translates into added risk for the economy. Simply put, if some unforeseen event takes place to negatively affect International Business then the consequences for the entire economy could be severe. The Government couldn't agree more. But small island economies around the world are, by their very nature, undiversified. Broad diversification requires scale and scale is something that is, by definition, scarce in a small island.

It should be remembered that diversification is a risk reduction strategy, not necessarily a growth strategy. For the past 25 years, Bermuda has had one significant export sector, International Business, that not only exhibited growth but, save for the past six years, grew strongly enough to overcompensate for the contraction of our other export sector, hospitality. So our reliance on IB has been virtually complete and therefore extremely risky.

Mr. Speaker, this Government's efforts to reinvigorate the hospitality sector by establishing the Bermuda Tourism Authority, the Cabinet's Economic Development Committee and attracting commitments for hospitality-related development capital amounting to more than \$930 million is a real-life exercise in growth and diversification. We will, in fact, be doubling the number of properly functioning export sectors: from one to two, and tourism is an industry that we know we can succeed in.

The objective is not to initiate a new export sector for the sake of diversification. The objective is to have export sectors that *function properly*, meaning they provide entrepreneurs and investors with a reasonable return on investment and, in doing so, they contribute to the welfare of Bermuda in the way of job and income opportunities for our people and other local support sectors.

In order to provide a favourable environment for business enterprises, Government needs money. Where it gets its revenue from varies from country to country, island to island. We declare to the world that our tax system is consumption-based. That is only partially true.

Payroll taxes, our primary source of revenue, for example, is not a tax on consumption at all. It is a tax on labour — not a type of taxation that would tend to increase the number of jobs. This tax originated during a time of plenty — a time when the prevailing view was that there were too many jobs in Bermuda, instead of today's too few.

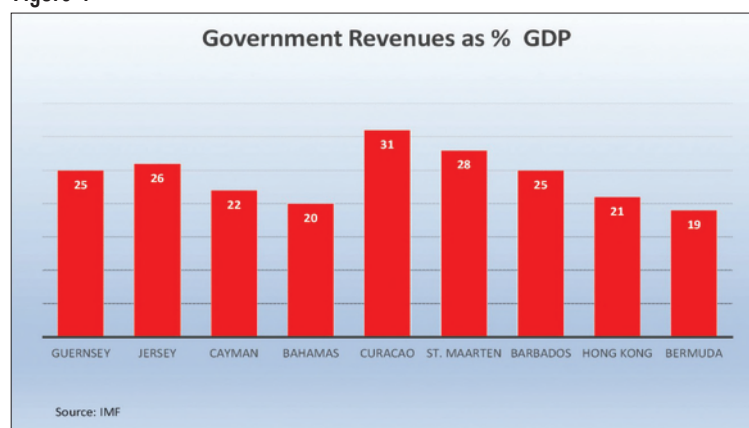
Customs duties are a tax on consumption. However, the consumption of goods is only part of the total consumption profile of the economy. Consumption of services constitutes most of our consumption, and much of it is not taxed at all. For many years this situation was not a problem for Government because revenue levels were sufficient to support its commitments. But it has become a problem now.

Mr. Speaker, the challenge is that governments have had to give concessions on customs duties to facilitate inward direct investments that help maintain an appropriate level of economic activity.

This has resulted in a multi-stage narrowing of the Government's revenue footprint. It is narrow in the first place due to the nature of the economy. It narrows further as Customs Duties capture only a portion of consumption. And it narrows still further because of the concessions made to effect inward investment capital to stimulate economic growth.

Figure 4 compares the proportion of GDP used up by government revenues, including social security contributions. This is from a study of small island economies.

Figure 4



Clearly Bermuda's revenues as a percent of GDP are the lowest of the group. One could say kudos to Bermuda for keeping its taxes low. But that would only be appropriate if we were balancing or nearly balancing the budget; something that clearly is not the case. In view of the inherent and serious risks of running large deficits, this study implies that Bermuda's taxes are not high

enough to achieve or maintain long-term fiscal stability. The bottom line is Customs Duties are no longer producing the portion of revenue that they once did, thus exacerbating the annual deficit.

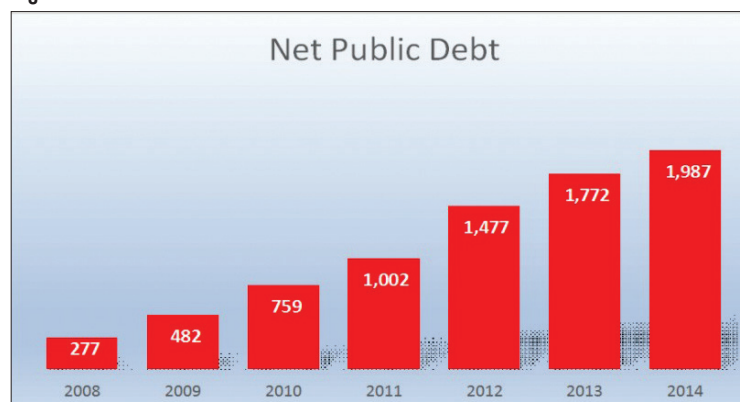
Mr. Speaker, Government therefore has requested technical assistance from the Caribbean Regional Technical Assistance Centre (CARTAC), an IMF regional body, to study the feasibility of broadening Bermuda's tax base.

A decision on the outcome of this analysis will be taken and communicated after a period of study and public consultation.

Government Debt and Debt Service

Net Government debt now stands at \$2.0 billion. In 2013 the Government borrowed \$800 million to finance multiple anticipated years of deficits. Despite significantly reducing Government's overall deficit and budgeting for a further deficit reduction in this coming year, the money we borrowed at that time is running out. That is because, in addition to financing ongoing deficits, we also had to pay off bonds that matured during the period. We have about \$95 million left which is projected to run out later this year. Therefore, we anticipate further government borrowing in 2015.

Figure 5



The borrowing requirement in 2015/16 is estimated at \$125.0 million, which is equal to the estimated deficit of \$220.0 million less funds in the Sinking Fund.

Figure 5 shows the growth in public debt. It is my hope that the urgency of working the annual government budget deficit down to zero is clear to all Bermudians, because each year we

carry a deficit adds to a public debt load that imposes a dead weight on our ability to meet needs. In fact, once a balanced budget is achieved, Government will have to operate at a surplus for a number of years in order to reduce the massive debt to more manageable levels. But we have to get the annual deficit down to zero first.

Mr. Speaker, there are two principal risks with debt at these high levels.

First, as a small island economy that is undiversified, we risk default if our main sources of revenue, of which there is presently only one, international business,

falter. For large countries, that risk is reduced because all their multiple sources of revenues are not likely to fail at the same time. But Bermuda currently depends almost entirely on international business. Lenders, therefore, are much less tolerant about debt levels for us than they are with large, diversified economies. So in the eyes of global credit markets, there is little margin for error in the management of our economy.

Second, a large and rising debt service will crowd out spending in critically important areas such as education, social services and national security. Paying debt service has to be the top priority of any borrower because if you default on your debt service, you are by definition insolvent, regardless of whether you have other assets. So all other types of spending have a lower priority than debt service. For this coming fiscal year, Government has budgeted \$170 million for debt service, an amount that would make it the second largest “ministry”, even though it is not a ministry at all.

Mr. Speaker, two years ago we put in place new rules to regulate the borrowing of the Bermuda Government. We knew from the start that we were in breach of some of the rules, but we used them as objectives to work toward. This year we are adding another rule for governments going forward: borrowing may only be considered for capital expenditure and all current expenditure must be financed from current revenue. It is a familiar rule because it is one Bermuda used to abide by. Clearly we are currently in breach of this rule, but it signals our commitment to return Bermuda to its prudential roots, roots that if not breached by a previous government, would have kept government’s finances out of their present precarious position. It will be some years before we are able to comply with this rule, but we believe it is important to set down the marker now.

It is the objective of this Government to balance the budget within three years.

Furthermore, to increase transparency and international credibility, Government intends to establish an international, independent committee to review, monitor, assess and publicly report on the fiscal progress of the Government. Several other islands have also adopted similar outside assessors and it has helped bolster credibility and confidence. This monitoring committee will be established under aegis of the Financial Stability Board regime already under development at the Bermuda Monetary Authority.

DOMESTIC ECONOMIC TRENDS

Mr. Speaker, the economic indicators for 2014 indicate that the Bermuda economy was still in a state of transition, slowly struggling to reverse the extended period of contraction.

The fuel that drives our economy is capital from abroad. It can take several forms:

- Local spending from international business activities based in Bermuda
- Local spending from vacationers on our shores, and
- Inward direct investment from abroad in our infrastructure or other capital investments that have the purpose of stimulating either international business or tourism.

Let's take them in turn.

While the companies themselves remain solid, growth in local spending from the IB sector has slowed considerably over the past decade. This decrease was initially driven by unwelcoming government red tape, and now, although that has improved considerably, external market forces have dampened IB growth. There is excess insurance capacity in global markets driving down premium rates. New capital from the hedge fund space, in the form of insurance-linked securities and special purpose vehicles, have brought even more capital into insurance markets thus further increasing the overcapacity. These conditions have triggered the merger mania we have witnessed in Bermuda's (re)insurance business in the past year. Such mergers provide the new entities with increased economies of scale to cope with the challenge of low rates and low investment returns. More may be on the way.

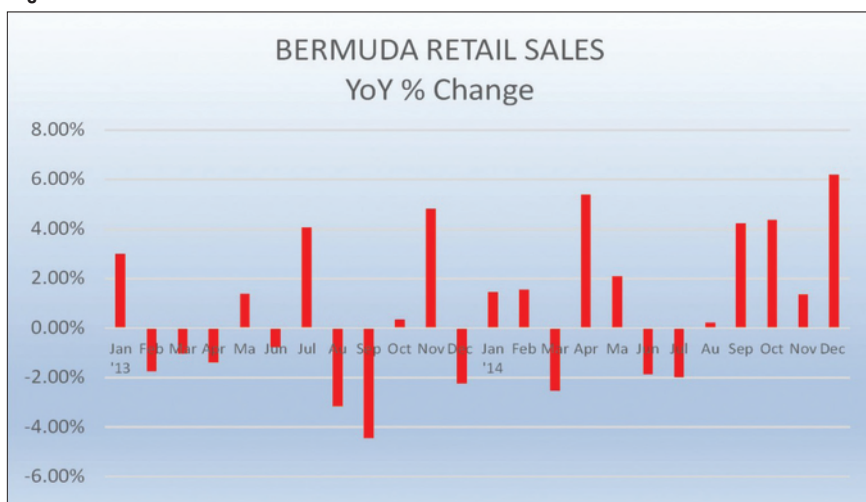
Insofar as the Bermuda economy is concerned, such mergers are likely to give rise to redundancies, thereby negatively affecting local employment.

Local spending by tourism from visitors had a lackluster year in 2014. Visitor arrivals by way of air were marginally down from the previous year while cruise arrivals rose. This Government recognized very early on that the problems we have in tourism represent both an investment problem as well as a promotional/marketing problem. The investment problem relates to the fact that many hotels have not been able to make a reasonable return on their investment and have therefore closed. Government has addressed this problem with new investment incentives (so-called concessions), and now there is unprecedented investor interest in hospitality.

Mr. Speaker, the newly formed Bermuda Tourism Authority (BTA) has been instrumental in changing Bermuda's image as a good place in which to do business from one where it was widely perceived to be a place where you couldn't. However, the lead times required for the BTA to produce increases in 2014 arrivals were too long to have an impact on that year. We will continue to monitor the BTA's impact on visitor arrivals through 2015.

While we have a battery of statistical indicators for the Bermuda economy, the one with the combination of the longest track record and the most timely is Retail Sales. Figure 6 shows year-over-year percentage changes in Retail Sales for 2013 and 2014. In 2013, seven of 12 months recorded declines year over year. In 2014, three of 12 months

Figure 6



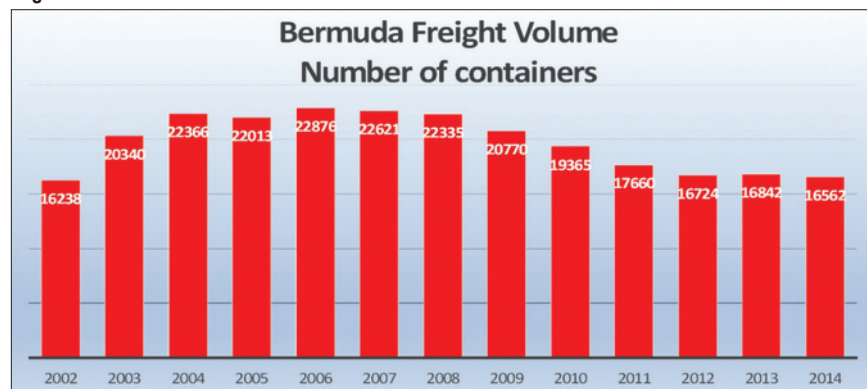
recorded negative year-over-year changes. Even if you allow for the aberration of hurricanes Fay and Gonzalo, one still would conclude that 2014 was a better year than 2013. But, as one observer has stated, we need to see more consistency in Retail Sales increases for it to be convincing.

Mr. Speaker, there is other anecdotal evidence of growth in the economy. Planning applications are good economic indicators. In 2014, 563 planning applications were received versus 458 in 2013, a 23% increase. Building permits are an indication of the projects that are actually being built. The number of building permits also increased from 701 in 2013 to 877 in 2014, a rise of 25% year-over-year. These Planning Department numbers indicate heightened confidence by developers in Bermuda's future. The Government believes this activity is not merely coincidental to our earlier initiatives to bolster the property market by lowering taxes for non-Bermudians and PRC holders purchasing property. Coupled with the recently announced firming of property prices by a local real estate company, we are confident that our initiatives in this respect have had the desired effect.

The total number of standard work permits processed in 2014 by the Department of Immigration was 11,321 versus 10,825 in 2013. While only an increase of 4.5%, it

was, significantly, the first increase in work permits since 2008, a positive indicator of business confidence. While these are not Bermudian jobs, we should be mindful that thousands of Bermudian jobs depend on non-Bermudian workers living and

Figure 7



working in our midst. This is evidence, albeit tentative, that the great exodus that occurred between 2008 and 2013 has started to reverse.

Figure 7 measures the number of containers crossing the frontier at Bermuda's docks — an indicator of volume.

Clearly, while the declining trend appears to have been arrested there is no indication yet of a turnaround.

REDUCING RED TAPE

Mr. Speaker, one of the reasons overseas investors and business people have been reluctant to do business in Bermuda was the reputation we had for bureaucratic red tape. This Government continues its drive to cut red tape.

To make it easier for global entrepreneurs to set up in Bermuda, the Global Entrepreneur Work Permit has been introduced to enable individuals who are planning new start-up companies to apply for work permits. This will enable such persons to live in Bermuda while conducting their business planning.

Another change is the introduction of the new Business Work Permit. These will allow brand new companies to Bermuda to obtain work permits without advertising during the first six months of their existence. If 10 or more permits are required, the new company will be required to furnish information regarding their growth strategy and how they intend to employ Bermudians.

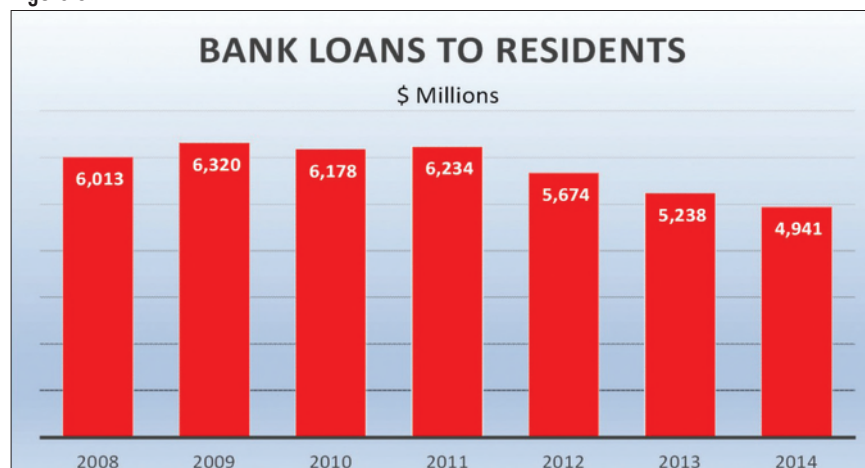
Other evidence of cutting red tape comes from the Department of Planning where the average time taken to process applications for approval or refusal went from 12.1 weeks in 2013 to 9.2 weeks in 2014.

BANKS

Mr. Speaker, last year we reported to this Honourable House that Bermuda was not receiving the support needed from its banks to help reflate the economy.

Figure 8 indicates that conditions have deteriorated since then, as bank loans to resi-

Figure 8



dents declined further in 2014. Moreover, figures from Government sources indicate that employment in the banking sector has decreased by more than 200 people during the first three quarters of 2014.

As Bermuda has no central bank, the influence Government

has over the lending practices of banks is very limited. That is why it is so important that other sources of capital be brought to bear to fuel recovery for Bermuda's economy. Government is studying various options to restructure the banking sector and it continues to be in discussion with the banks about these and other relevant issues.

EMPLOYMENT

Recently there has been quite a bit of public discussion about developments in employment, the unemployment rate and the number of people underemployed. As a Government that has pledged to create jobs, the level of employment is a critical measure of the success of government policies. It would not be productive to debate the fine points of employment statistics in this statement other than to establish a few important markers.

First, employment is a lagging indicator, meaning that even as the economy starts to expand there will be a significant time lag before new jobs are created. Although the job numbers in the two annual surveys conducted by the Statistics Department and statistics from the Tax Commissioner's Office confirm that job markets were weak for

2014, it is worth noting that Government's tax incentives for new Bermudian hires, passed in the Spring of 2013, has helped create 400 new jobs since then.

Second, 2013 and 2014 were the years when Government did the groundwork necessary to identify, encourage, develop and secure commitments to create the "engines," projects, that will create new jobs. These "engines" are expected to start revving up this calendar year and continue through the next two to three years.

SAGE

Mr. Speaker, recognition of the large fiscal imbalance in Government finances was the reason we formed the SAGE Commission. Although the Commission's mandate was not popular within government circles, its landmark report provided the Bermudian public an insightful look at the structure and workings of the public service. The public's impressions of the inner workings of the public sector ranged from indifference to outrage and everything in between.

Clearly, in the long run, streamlining the public sector will result in significant savings. During the past year, Government has moved the SAGE process forward, both publicly and within the corridors of the civil service itself. A public update on what Government was doing about the SAGE report was made by me at a memorable town hall meeting last year in Hamilton. There were three overarching issues outlined at that presentation that are worth repeating:

1. Objective, honest and fair performance evaluations of civil servants are at the heart of the accountability deficit that SAGE highlighted in its report. Reforms are under way to address this issue.
2. The Ministerial Code of Conduct has been reviewed and, once amendments are finally approved, the revised code will be made public.
3. The recommendation to "Strengthen budgetary planning and control systems to increase compliance and accountability," is being implemented.

Government remains committed to SAGE reforms along the lines outlined by our public responses to their report.

INWARD DIRECT INVESTMENT

Mr. Speaker, inward direct investment into the Island is potent fuel for the Bermuda economy. While we do not have any up-to-date figures for this, it is an area that

Government has worked very hard to improve, particularly through its Economic Development Committee. As I have described earlier in this statement, it is the key catalyst to growth going forward. Inward direct investment is a private sector stimulus. It's the best kind of stimulus because it is an investment, mainly by outsiders, in Bermuda's expected growth and prosperity. It is, in effect, a vote of confidence in Bermuda; a vote of confidence backed by wallets. In 2014, we had investments in Pink Beach and at the Fairmont Hamilton Princess in the form of a new marina, room renovations and at South Beach in Southampton.

While there are a number of other hotel developments in the offing, there are two inward investment projects that require special mention, the America's Cup fit out and the new airport terminal.

AMERICA'S CUP

As everyone knows by now, Bermuda will host the 35th America's Cup in 2017. It is estimated the economy will benefit from on-island spending of approximately \$250 million over the next three years. This constitutes a major economic stimulus. New jobs and investment will begin this year and build to the events in 2017 and beyond.

All sectors of the economy will benefit — hotels and restaurants, transport services from taxis to ferries; construction and trades, wholesale and retail operators, security services, marine services, shipping and forwarding companies; telecommunications providers, service industries, small businesses and real estate, with opportunities for Bermudians to rent their homes and apartments.

This stimulus will impact Bermudians from all walks of life.

Additionally, the global exposure generated for Bermuda will have a significant and sustained impact on tourism, resulting in a significant boost for air arrivals and on-island expenditure for years to come.

Mr. Speaker, total costs associated with hosting the 35th America's Cup fall into two categories:

- Investment in Bermuda infrastructure and services over the next three years, which is estimated at \$37 million, and
- Sponsorship of the event over three years as part of Bermuda's bid package, which includes \$15 million in direct sponsorship and a \$25 million sponsorship

guarantee. For clarity, this sponsorship guarantee is not money spent by the government, but rather an underwriting of private sponsors. That underwriting will be reduced as additional commercial sponsorships facilitated by Bermuda come on line and by a proportion of admissions revenues earned up until August 2017.

The claim that the America's Cup will cost the Bermuda government \$77 million is false. That statement assumes that the America's Cup in Bermuda will be an abysmal failure with no sponsors. That type of thinking only guarantees failure as an outcome.

Government funding for both of these categories will be spent in Bermuda as part of our agreement with the America's Cup Event Authority providing an additional stimulus to Bermuda's economy. It is not money spent on "mega-rich overseas elites", as one critic said.

By the end of the current 2014/15 fiscal year, Government will have spent \$4.66 million, which includes \$1 million in sponsorship, \$3.1 million in capital infrastructure costs and \$0.6 million in operational expenses for the ACBDA and the Ministry of Economic Development. As this expenditure was not anticipated during the initial preparation of the 2014/15 budget, it will be addressed through a supplementary estimate.

In the upcoming 2015/16 fiscal year, the Government will budget \$11.7 million for America's Cup-related expenses — \$4 million will be sponsorship money that the ACEA will spend in Bermuda and \$4.9 million will be allocated for capital infrastructure and site preparation. The remaining \$2.8 million will fund operational costs, including the ACBDA, Ministry expenses and costs associated with the World Series Events in October.

NEW AIRPORT TERMINAL

Mr. Speaker, like the America's Cup, the new airport terminal represents another major economic stimulus to our economy, spread over about three years. Also like the America's Cup, the new terminal will help reposition and re-brand Bermuda as a visitor and business destination: First Tier, First Class, First World.

From a fiscal perspective, particularly in view of the present debt situation and Bermuda's poor track record with public capital projects, a project valued at approximately \$250 million demands very careful consideration, and had to meet

strict criteria to limit or eliminate certain risks to the government. To be given the green light, such a project had to meet certain criteria objectives. These were:

- Minimize the impact on an already over extended Government balance sheet.
- Reduce and/or eliminate the real risk of overruns and delays.
- Reduce heavy procurement costs.
- Address the urgency of job creation by cutting the time of procurement, and
- Ensure Government gets Value for Money.

Mr. Speaker, the Memorandum of Understanding the Government signed with the Canadian Commercial Corporation (CCC) will lead to an arrangement that meets these criteria:

- The project is financed by the developer with minimal impact on the government's balance sheet.
- CCC guarantees the construction project is delivered on budget and on time.
- Heavy procurement costs, especially consultants' fees that became such a significant cost element in the new hospital wing project, are mitigated.
- The overall procurement time is greatly reduced — by about half — fulfilling the urgency requirement for the creation of jobs. Subcontracting to local contractors will engage local labour.
- A fairness assessment will be provided by an independent international firm to ensure value for money.

The model chosen by government meets the strict requirements and safeguards we set out to achieve, enabling Bermuda to build a new strategic asset while eliminating or controlling risks to the government treasury.

The developer and concessionaire selected by CCC is Aecon Group Inc., a leading Canadian developer and construction firm with many years of Canadian and international experience.

THE BUDGET

2015/16 BUDGET ESTIMATES

	ESTIMATE 2014/15 \$000	ESTIMATE 2015/16 \$000
REVENUE AND EXPENDITURE ESTIMATES		
Revenue	901,709	931,298
Current Account Expenditure (excl. debt & s/fund)	945,838	912,744
Current Account Balance (excl. debt & s/fund)	(44,129)	18,554
Interest on Debt	113,500	117,619
	(157,629)	(99,065)
Sinking Fund contribution	47,693	52,250
Surplus Available For Capital Expenditure	(205,322)	(151,315)
Capital Expenditure	61,945	68,734
Budget Surplus (Deficit)	(267,267)	(220,049)

Mr. Speaker, the highlights of the budget for 2015/16 feature a decrease in expenditure of \$33.1 million from last year's budgeted figure or a decrease of 3.5%. Revenues are forecast to rise by 3.3% or \$29.6 million. The Current Account Balance, before debt service charges, is budgeted to be a surplus of \$18.5 million.

However, the Current Account Balance, after debt service, is a deficit of \$151.3 million. This represents a fall in the deficit of \$54.0 million, a 26.3% reduction. The overall deficit is budgeted to be \$220.0 million, a reduction of \$47.2 million or 17.7% when compared to the 2014/15 original estimates.

The projected Current Account Balance (excluding debt service) indicates whether revenues can support the day-to-day running of government, excluding finance costs and capital expenditure. The last time this was a positive number for the Bermuda government was in the fiscal year 2007/08. So, although there remains a large overall deficit, albeit smaller than last year, this year's budget with a surplus of \$18.5 million in Current Account before debt service, represents an achievement of the first major fiscal milestone along the road to fiscal sustainability. The next milestone is to be able to cover current expenditure including debt service.

REVENUES

Mr. Speaker, the revenue estimate for 2015/16 is \$931.3 million, \$29.6 million or 3.3% higher than the original estimate for the previous year.

In order to reduce the deficit, the Government considers it appropriate now to strengthen the tax base. Accordingly in 2015/16, the Government will increase Payroll Tax, Land Tax on commercial buildings, Corporate Service Taxes, Customs Duty on fuel, Airport Departure Tax and other miscellaneous fees mainly in the Ministry of Tourism Development and Transport.

The standard rate of payroll tax will be set at 14.5% in 2015/16, an increase of 0.5%. There will also be a similar increase of 0.5% for most other tax rate categories. The limit on taxable wages for purposes of payroll taxes will remain the same at \$750,000. The rate of tax recoverable from employees will be set at 5.50% in 2015/16, up from 5.25%. This is so that the increase may be shared by both employer and employee. Payroll concessions currently in place for the hospitality, restaurant and retail sectors will be partially rolled back in 2014/15 with businesses in these sectors paying a rate of 5.5%. The yield from the revised rate structure and partial rollback for payroll tax concessions is estimated at \$353 million in 2015/16.

The duty on fuel will be raised by 5 cents per litre in April 2015 to achieve additional Customs revenue of about \$9.6 million.

The yield from land tax will be improved in 2015/16 by adjusting the rate on ARVs for Commercial Properties from 4.4% to 5.5%. The amount of additional tax is estimated at \$4.1 million.

The Corporate Service Tax Rate will be raised from 6% to 7% to achieve additional revenue of about \$1.0 million.

With the pending redevelopment of the L.F. Wade International Airport, the Airport Departure Tax will be raised from \$35 to \$50 per passenger and will yield additional revenue of about \$5.5 million.

Various fees for services provided by the Department of Marine and Ports will also be raised resulting in an increased revenue yield of \$280,000.

EXPENDITURES

Mr. Speaker, against the background of difficult but moderately improving economic conditions, Government has set the overall budget expenditure including current account and capital account outlays, debt service and Sinking Fund Contributions at \$1.151 billion. The forecast reduction in current spending is estimated at 3.5% or \$33.1 million after the savings from the furlough have been allocated back in the budget. We cannot guarantee that the planned reduction in spending can be achieved without layoffs of workers in the public sector for the coming fiscal year.

DEBT SERVICE

Debt service costs for the 2015/16 Budget are projected at \$169.9 million, 5.4% higher than the 2014/15 allocation of \$161.2 million. This represents \$117.6 million in interest payments and a \$52.3 million contribution to the Government Borrowing Sinking Fund.

CAPITAL EXPENDITURE

The capital expenditure component of the 2015/16 Budget is set at \$68.8 million with most of the planned expenditure being construction-related projects already underway.

2014/15 FISCAL PERFORMANCE

Mr. Speaker, I will spend a few minutes to explain the forecast financial results for the current 2014/15 fiscal year as they form the foundation for the 2015/16 Budget. The revised revenue forecast of \$875.8 million is \$25.8 (3.0%) million less than the \$901.7 million in the 2014/15 approved budget and is due mainly to weakness in Customs Duty receipts, following steady performance in the first nine months of fiscal year 2013/14.

The forecast 2014/15 operating expenses of Core Government are \$955.1 million or \$9.4 million (1.0%) higher than the \$945.8 million originally budgeted in 2014/15. This resulted from increased demand for financial assistance; uninsured cost associated with hurricanes Fay, and Gonzalo; the cost of airline minimum revenue guarantees;

cost associated with the America's Cup and legal aid and other legal cost incurred by Government. These amounts were offset by underspends in the Ministry of Health and the Ministry of Finance.

Revised capital expenditures for the year should come in at \$59.4 million or \$2.6 million (4.3%) below the budget allocation of \$61.9 million.

Debt service cost for 2014/15 are on budget.

Therefore the Overall Deficit is now estimated to have been revised up by \$32.6 million or a 10.9% variance.

PUBLIC DEBT

Mr. Speaker, as at March 31 2015, gross public debt will stand at \$2.185 billion and debt, net of the Sinking Fund will stand at \$2.025 billion. There was no new borrowing in 2014/15. The 2014/15 deficit was financed by drawing funds from the Sinking Fund. As at March 31 2015 the Sinking Fund balance is projected to be approximately \$160 million.

As at March 31 2016, it is estimated that gross public debt will stand at \$2.310 billion, and debt, net of the Sinking Fund will be \$2.192 billion.

Mr. Speaker, in 2013 the Government set up debt-related targets, or rules, that were appropriate for an economy the size of Bermuda's. These rules committed the Government to keep public debt at such levels that the net debt/GDP ratio would not exceed 38%. Additionally, Government recognized the desirability of achieving a net debt/revenue ratio that would not exceed 80% and a debt service cost/revenue ratio that would be below 10%. We stated these were targets we would work toward over the medium term. The Government reaffirms these limits and with determined action they are achievable.

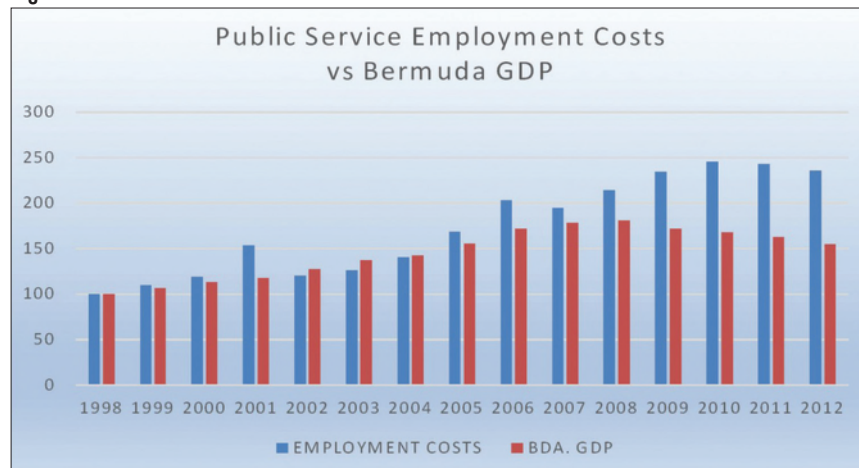
As of March 31 2015, the net debt/GDP ratio will be 36%, the net debt/revenue ratio will be 231%, and the debt service cost/revenue ratio will be 18%. There is much work to do to bring our situation into line with our targets.

THE TRAUMA OF CUTTING COSTS

Mr. Speaker, when this Government was elected, few fully appreciated how traumatic cutting the cost of Government would really be. A plan of cuts of 7%, 5% and 3% looks easy enough on paper but in reality it is quite difficult. The events of January 2015 are a testament to that difficulty. It is why the Government is enacting new rules to enforce fiscal discipline in the future.

As Government is in the business of providing the public with services of various types, cutting services will affect the employees who provide them. People who work in the public sector have arranged their living standards and, in fact, their lives based on certain assumptions about income, health benefits, retirement benefits, etc. One can expect that any abrupt change to those assumptions and routines would be unwelcome or viewed with anxiety or suspicion. It is only human nature. Such change will never come easy, but the unsustainable position of government finances is an overarching reality that must be rectified now by us, or it will be imposed on us by an external power, and that would be calamitous for Bermuda.

Figure 9



When the Premier and I were on a TV talk show recently, I was struck by a telephone caller's question about the public service being "bloated," and the image it raised of swollen excess. Figure 9 puts this phenomenon in the economic context.

The argument has been made that the public sector has had to grow as the economy grew. Figure 9 demonstrates that public sector employment costs roughly paralleled the growth of the economy until 2004. But thereafter, employment costs rose faster than the economy and, after 2007, when the economy began to falter, employment costs kept rising. That increasing gap is an illustration of the "bloating" of the public service. Personnel costs are crippling the Bermuda Government's ability to restore its fiscal balance and, by any reasonable standard, are excessive and certainly unsustainable.

Mr. Speaker, Government understands and regrets the trauma associated with cost cutting and we are endeavouring to enact these adjustments in ways that minimize the negative fallout for public servants. The furlough arrangement that expires on March 31 was an example of minimizing negative fallout.

Government was committed to cutting spending by 7% for the fiscal year 2014/15. The furlough was an important component in helping to reach that goal. No one likes the furlough — it is a pain in the neck for everyone — but it enabled the Government to minimize the negative impact on public service employees by avoiding redundancies.

Bermudians by and large are very familiar with redundancies. Regardless of the debate over unemployment figures, one thing is undisputed and that is there are far too many of our citizens seeking work but unable to find it. The approximately 3,000 unemployed people do not include non-Bermudians made redundant and returning home, nor does it include Bermudians who have given up on Bermuda and moved abroad seeking greener pastures. But there's one thing all these people have in common, and it is that none of them have been made redundant from the public service. None! All of Bermuda's unemployed are from the private sector. The question of whether or not that is fair is an open one. In addition to being let go, many private sector workers have been placed on reduced hours or reduced days — another name for a furlough. And we are not talking about just blue-collar workers, we are also referring to people formerly employed in financial services, retail and exempted companies.

Mr. Speaker, public sector workers have fared much better than their private sector counterparts during this recession. Therefore, the idea that Government, by initially agreeing to and then seeking to continue furlough days for a further period, is trying to place all the burden of the Island's financial problems on its employees is well wide of the mark.

Two years ago, the unions and Government agreed that one furlough day per month would preserve public sector jobs. It was true then and it is true now. The financial stresses behind that decision have not abated. Government has gone more than the extra mile to consult with the union leadership, seeking mutually agreed solutions to government's financial difficulties. Their participation in the budgeting process has been literally unprecedented.

The union leadership has now changed its mind on the furlough; so be it. The arrangement is voluntary so it cannot be forced. The Government appreciates their

cooperation in the two-year MOU that ends next month, and we presume their change of stance is in the interests of their members. However, the Government's responsibilities include the whole of Bermuda: private sector business, private sector workers, public sector workers, charities, children, students and seniors. The risks posed by the deficit and the public debt threaten the welfare of all sectors and all people in this island and everyone should be prepared to do their part to be part of the solution.

Mr. Speaker, the notion that fixes can be found which are painless or without inconvenience to the public are just not realistic. At this stage, there are no easy choices, just tough ones, and they are choices that must be made. So in an effort to meet our targets, there are a number of adjustments that have been made to this budget that we may not have taken if the furlough had been renewed. These include:

- Placing a cap on Financial Assistance thereby reducing the allocation by \$5 million.
- Cutting costs by \$1 million through school consolidations.
- Cutting the Government's travel budget by \$1million.
- Amending the GEHI employee premium contribution for unemployed spouses enrolled in the plan, thereby cutting costs by \$1.6 million.
- Suspending the Agricultural Exhibition for one year, resulting in \$0.4 million cost savings.
- Suspending a portion of Government's matching contribution to the Public Service Superannuation Fund (PSSF)
- Curtailing certain services to the public, which may have an effect on staffing levels.
- Eliminating funded vacant public sector posts.
- Implementing a hiring freeze that will include the freezing of all vacant posts, with only statutory and/or necessary posts being filled.
- Implementing a new centralized hiring structure whereby all new hiring will require prior approval from both the Cabinet Office and the Ministry of Finance.
- Extending the early retirement eligibility plan to employees aged 55 years.
- Requiring Uniformed Officers to pay 50% of their GEHI health insurance premiums, consistent with other public officers, saving \$2.9 million.

Mr. Speaker, it is clear from these budgeted expenditure figures that Government, despite the adjustments already mentioned, has not been able to meet the expenditure target as required by the Medium Term Expenditure Framework.

Spending is budgeted to be reduced by 3.5% while the MTEF calls for 5%. A renewal of the furlough would have enabled us to meet that target and continue our no redundancy pledge. This is unfortunate and undermines the credibility of this Government pertaining to public commitments on cost reductions. This will not play well with the rating agencies and our creditors.

We will endeavour to make further savings not included in this Budget. There are items that cannot be budgeted for, like the effects of moving the early retirement age from 60 years to 55. We just don't know how many public officers will avail themselves of this offer, but this further tightening of monitoring and spending control by the Ministry of Finance will result in some progress.

CONCLUSION

Mr. Speaker, I would like to give special thanks to the staff of the Ministry of Finance who, this year, have had to prepare this budget under extraordinarily difficult circumstances, in view of the uncertainties that prevailed up until just a few weeks ago. The fact that this budget has been presented on time is a tribute to their dedication and hard work.

Mr. Speaker, the stage has been set for the next three years. The two track strategy is no longer merely an idea, it is a plan that has specific, named elements to it on the growth side and specific targets and rules on the government spending side. Now we just have to execute, as a unit: every person doing his or her part to return Bermuda to a position of economic stability, sustainability, opportunity and prosperity. This government budget has been prepared within that context. I look forward to the day when I can stand here and declare that the government has balanced its budget and that Bermudians who are seeking work can find it. Getting there will require sacrifices across a wide spectrum of Bermuda residents, but it also underscores a promise that our sacrifice has a specific purpose and will not be in vain. A better tomorrow is what we seek and a better tomorrow is what we shall achieve.

Thank you.

Table I

GOVERNMENT OF BERMUDA SUMMARY OF CONSOLIDATED FUND ESTIMATES FOR 2015/16 TO 2017/18

ACTUAL 2013/14 \$000		ORIGINAL ESTIMATE 2014/15 \$000	REVISED ESTIMATE 2014/15 \$000	ESTIMATE 2015/16 \$000	ESTIMATE 2016/17 \$000	ESTIMATE 2017/18 \$000
Revenue and Expenditure Estimates						
883,915	1 Revenue (i)	901,709	875,863	931,298	959,237	988,014
971,133	2 Current Account Expenditure(excl.debt & s/fund) (ii)	945,838	955,236	912,744	870,758	870,758
(87,218)	3 Current Account Balance(excl.debt & s/fund)	(44,129)	(79,373)	18,554	88,479	117,256
109,245	4 Interest on Debt	113,500	113,500	117,619	121,750	127,250
(196,463)		(157,629)	(192,873)	(99,065)	(33,271)	(9,994)
37,625	5 Sinking Fund Contribution	47,693	47,669	52,250	57,751	57,102
(234,088)	6 Surplus Available for Capital Expenditure	(205,322)	(240,542)	(151,315)	(91,022)	(67,096)
65,355	7 Capital Expenditure (See line 21 below)	61,945	59,370	68,734	60,000	60,000
(299,443)	8 Budget Surplus (Deficit)	(267,267)	(299,912)	(220,049)	(151,022)	(127,096)
Sources of Financing						
(500,557)	9 Consolidated Fund	267,267	299,912	95,000	0	0
800,000	10 Borrowing (iii) & (iv)	0	0	125,049	151,022	127,096
299,443	11 Total Financing	267,267	299,912	220,049	151,022	127,096
Capital Appropriations						
84,609	12 Appropriations in Original Estimates	61,945	61,945	68,734	60,000	60,000
0	13 Supplementary Appropriations	0	0	0	0	0
84,609	14 Appropriated During the Year	61,945	61,945	68,734	60,000	60,000
(6,410)	15 Appropriations Frozen	0	(10,088)	0	0	0
(43,890)	16 Appropriations Lapsed	0	0	0	0	0
34,309	17 Net Appropriations	61,945	51,857	68,734	60,000	60,000
38,559	18 Unspent Appropriations from Prior Year	0	7,513	0	0	0
72,868	19 Appropriations to Meet Spending	61,945	59,370	68,734	60,000	60,000
65,355	20 Capital Spending	61,945	59,370	68,734	60,000	60,000
7,513	21 Unspent Appropriations Carried Forward	0	0	0	0	0
Consolidated Fund Balance (31 March)						
1,000	22 Contingency Fund	1,000	1,000	1,000	1,000	1,000
7,513	23 Unspent Capital Appropriations	0	0	0	0	0
(2,256,583)	24 Undesignated Surplus (Deficit)	(2,431,419)	(2,548,982)	(2,769,031)	(2,920,053)	(3,047,149)
(2,248,070)	25 Consolidated Fund Surplus (Deficit)	(2,430,419)	(2,547,982)	(2,768,031)	(2,919,053)	(3,046,149)

Note: (i) Revenue growth assumptions as follows: 2015/16 – 3.4% , 2016/17 – 3% & 2017/18 – 3%

(ii) Expenditure reductions as follows: 2015/16 – 3.5% & 2016/17 – 4.6%

(iii) Debt Repayment as follows: 2014/15 – \$120M & 2016/17– \$90M

(iv) 2013/14 Borrowing deposited in Sinking Fund and utilized to fund 2014/15 and a portion of 2015/16 deficits

Table II
ANALYSIS OF CURRENT ACCOUNT REVENUE

HEAD	REVENUE DESCRIPTION	2013/14 ACTUAL (\$000)	2014/15 ORIGINAL (\$000)	2014/15 REVISED (\$000)	2015/16 ESTIMATE (\$000)	DIFFERENCE 2014/15 vs 2015/16 (\$000) %	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
TAXES & DUTIES							
12	CUSTOMS DUTY	174,951	200,660	176,000	187,409	(13,251)	(7)
27	SALE OF LAND TO NON-BERMUDIANS	4,938	10,008	9,994	9,983	(25)	(0)
29	TIMESHARING TAX	189	105	15	110	5	5
38	PASSENGER TAXES	33,921	35,784	33,410	42,294	6,510	18
38	STAMP DUTIES	21,379	20,500	20,790	21,500	1,000	5
38	BETTING TAX	1,540	1,600	1,600	1,075	(525)	(33)
38	LAND TAX	60,477	59,000	59,000	63,186	4,186	7
38	FOREIGN CURRENCY PURCHASE TAX	20,823	21,500	20,000	21,000	(500)	(2)
38	PAYROLL TAX	330,848	332,000	335,780	353,363	21,363	6
38	HOTEL OCCUPANCY	9,195	10,050	10,500	11,000	950	9
38	CORPORATE SERVICE TAX	4,687	4,500	4,500	5,467	967	21
FEES, PERMITS & LICENCES							
03	LIQUOR LICENCES	371	180	180	50	(130)	(72)
12	OTHER CUSTOMS FEES & CHARGES	2,073	1,999	2,100	2,100	101	5
12	WHARFAGE	8,680	900	700	750	(150)	(17)
13	POST OFFICE	4,553	4,757	4,240	4,730	(27)	(1)
27	IMMIGRATION RECEIPTS	11,887	10,637	10,650	10,662	25	0
29	TRADE & SERVICE MARK	1,752	1,731	1,610	1,653	(78)	(5)
30	FERRY SERVICES	1,921	1,852	1,738	1,825	(27)	(1)
30	SERVICES TO SEABORNE SHIPPING	2,613	2,712	2,538	2,660	(52)	(2)
31	AIR TERMINAL AND AVIATION	10,590	10,599	10,592	10,698	99	1
32	PLANNING FEES AND SEARCHES	869	685	830	955	270	39
34	VEHICLE LICENCES AND REGISTRATION	26,665	28,156	26,809	27,230	(926)	(3)
35	BUS REVENUES	7,245	8,300	7,700	7,881	(419)	(5)
36	SOLID WASTE	4,098	3,500	4,199	4,471	971	28
36	WATER	3,556	4,462	3,666	3,500	(962)	(22)
36	RENTALS	2,111	2,059	2,064	1,667	(392)	(19)
39	COMPANIES - INTERNATIONAL	62,474	56,079	56,199	60,820	4,741	8
39	COMPANIES LOCAL	2,809	2,770	2,650	2,800	30	1
39	COMPANIES LICENCES	704	582	602	610	28	5
46	TELECOMMUNICATIONS RECEIPTS	10,031	10,360	10,730	12,260	1,900	18
57	AIRCRAFT REGISTRATION	26,569	24,497	24,497	26,884	2,387	10
72	PLANT PRODUCTION & MARKETING CTRE	330	274	274	274	0	0
73	REGISTRATION OF SHIPPING	5,139	4,982	4,792	4,791	(191)	(4)
OTHER RECEIPTS							
03	FINES AND FORFEITURES	2,711	3,591	3,586	3,570	(21)	(1)
11	INTEREST ON DEPOSITS	3,446	4,750	5,500	1,000	(3,750)	(79)
	OTHER REVENUE	17,770	15,588	15,828	21,070	5,482	35
		883,915	901,709	875,863	931,298	29,589	3

Table III
SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD	DESCRIPTION	2013/14 ACTUAL (\$000)	2014/15 ORIGINAL (\$000)	2014/15 REVISED (\$000)	2015/16 ESTIMATE (\$000)	DIFFERENCE 2014/15 vs 2015/16 (\$000) %	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
NON-MINISTRY DEPARTMENTS							
01	GOVERNOR & STAFF	1,452	1,544	1,544	1,409	(135)	(9)
02	LEGISLATURE	5,026	5,206	5,206	4,946	(260)	(5)
05	OFFICE OF THE AUDITOR	3,841	3,760	3,760	3,572	(188)	(5)
63	PARLIAMENTARY REGISTRAR	825	1,285	1,285	1,221	(64)	(5)
85	OMBUDSMAN'S OFFICE	781	772	772	910	138	18
92	INTERNAL AUDIT	1,355	1,659	1,659	1,576	(83)	(5)
98	INFORMATION COMMISSIONER'S OFFICE	0	0	0	666	666	0
		13,280	14,226	14,226	14,300	74	1
CABINET OFFICE DEPARTMENTS							
09	CABINET OFFICE	6,794	6,992	6,992	6,296	(696)	(10)
14	DEPT. OF STATISTICS	2,674	2,773	2,773	2,555	(218)	(8)
26	DEPT. OF HUMAN RESOURCES	3,786	4,094	4,094	3,884	(210)	(5)
43	INFORMATION TECHNOLOGY OFFICE	6,970	6,742	6,742	6,304	(438)	(6)
51	DEPT. OF COMMUNICATION & INFORMATION	2,432	2,375	2,375	2,420	45	2
80	PROJECT MANAGEMENT & PROCUREMENT	639	913	913	868	(45)	(5)
84	E-GOVERNMENT	958	1,057	1,057	1,022	(35)	(3)
96	SUSTAINABLE DEVELOPMENT	480	438	438	477	39	9
		24,733	25,384	25,384	23,826	(1,558)	(6)
MINISTRY OF LEGAL AFFAIRS							
87	MIN. OF LEGAL AFFAIRS HQ	8,072	5,725	6,419	5,119	(606)	(11)
03	JUDICIAL DEPARTMENT	7,863	8,141	8,141	8,198	57	1
04	ATTORNEY GENERAL'S CHAMBERS	3,659	3,982	4,037	4,343	361	9
74	DEPT. OF COURT SERVICES	3,530	4,073	4,075	4,255	182	4
75	DEPT. OF PUBLIC PROSECUTIONS	2,790	2,930	2,930	3,097	167	6
		25,914	24,851	25,602	25,012	161	1
MINISTRY OF FINANCE							
10	MIN. OF FINANCE HQ	4,942	5,160	5,140	4,407	(753)	(15)
11	ACCOUNTANT GENERAL	79,766	82,308	79,524	76,541	(5,767)	(7)
28	SOCIAL INSURANCE	7,111	6,333	7,133	6,016	(317)	(5)
38	OFFICE OF THE TAX COMMISSIONER	3,091	3,240	3,185	3,126	(114)	(4)
58	INTEREST ON DEBT	109,245	113,500	113,500	117,619	4,119	4
59	SINKING FUND CONTRIBUTION	37,625	47,693	47,669	52,250	4,557	10
		241,780	258,234	256,151	259,959	1,725	1
MINISTRY OF EDUCATION							
16	MIN. OF EDUCATION HQ	2,294	2,084	2,278	1,220	(864)	(41)
17	DEPT. OF EDUCATION	112,300	114,900	113,172	109,902	(4,998)	(4)
41	BERMUDA COLLEGE	18,119	16,851	16,851	16,008	(843)	(5)
		132,713	133,835	132,301	127,130	(6,705)	(5)
MINISTRY OF HEALTH, SENIORS & ENVIRONMENT							
21	MIN. OF HEALTH, SENIORS & ENVIRONMENT HQ	13,311	15,578	14,572	13,345	(2,233)	(14)
22	DEPT. OF HEALTH	25,298	27,096	24,137	27,066	(30)	(0)
24	HOSPITALS	152,826	146,835	146,835	146,835	0	0
69	CONSERVATION SERVICES	4,672	4,559	4,559	4,638	79	2
72	ENVIRONMENTAL PROTECTION	3,626	3,877	3,995	3,776	(101)	(3)
91	HEALTH INSURANCE	10,381	1,436	1,342	1,040	(396)	(28)
		210,114	199,381	195,440	196,700	(2,681)	(1)

Table III continued
SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD	DESCRIPTION	2013/14 ACTUAL (\$000)	2014/15 ORIGINAL (\$000)	2014/15 REVISED (\$000)	2015/16 ESTIMATE (\$000)	DIFFERENCE 2014/15 vs 2015/16 (\$000) %	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF ENVIRONMENT & PLANNING							
50	MIN. OF ENVIRONMENT & PLANNING HQ	542	0	0	0	0	0
		542	0	0	0	0	0
MINISTRY OF TOURISM DEVELOPMENT & TRANSPORT							
48	MIN. OF TOURISM DEV. & TRANSPORT HQ	956	25,161	25,415	23,510	(1,651)	(7)
30	MARINE & PORTS	22,265	21,312	21,469	19,727	(1,585)	(7)
31	AIRPORT OPERATIONS	23,443	20,561	24,395	19,331	(1,230)	(6)
33	TOURISM	29,882	0	0	0	0	0
34	TRANSPORT CONTROL DEPARTMENT	5,839	5,751	5,751	5,202	(549)	(10)
35	PUBLIC TRANSPORTATION	21,690	19,445	19,501	18,049	(1,396)	(7)
57	CIVIL AVIATION	7,810	10,131	8,693	9,007	(1,124)	(11)
73	MARITIME ADMINISTRATION	2,237	2,653	2,783	2,435	(218)	(8)
		114,122	105,014	108,007	97,261	(7,753)	(7)
MINISTRY OF PUBLIC WORKS							
36	MIN. OF PUBLIC WORKS HQ	10,325	5,679	9,809	5,301	(378)	(7)
49	LAND VALUATION	944	822	783	810	(12)	(1)
53	BERMUDA HOUSING CORP	8,000	7,440	7,440	6,050	(1,390)	(19)
68	PARKS	10,620	9,893	9,912	9,644	(249)	(3)
81	PUBLIC LANDS & BUILDINGS	23,595	20,532	20,280	20,522	(10)	(0)
82	WORKS & ENGINEERING	32,958	31,767	31,765	30,165	(1,602)	(5)
97	LAND, SURVEYS & REGISTRATION	1,264	1,621	1,284	1,371	(250)	(15)
		87,706	77,754	81,273	73,863	(3,891)	(5)
MINISTRY OF COMMUNITY, CULTURE & SPORTS							
71	MIN. OF COMMUNITY, CULTURE & SPORTS HQ	2,218	2,602	2,598	2,420	(182)	(7)
18	LIBRARIES	2,207	2,127	2,127	1,951	(176)	(8)
19	ARCHIVES	1,144	1,412	1,412	1,307	(105)	(7)
20	YOUTH, SPORT & RECREATION	11,159	10,745	10,745	9,541	(1,204)	(11)
23	CHILD & FAMILY SERVICES	15,601	16,980	16,980	14,909	(2,071)	(12)
52	COMMUNITY & CULTURAL AFFAIRS	3,137	3,411	3,411	3,081	(330)	(10)
55	FINANCIAL ASSISTANCE	48,386	46,948	52,548	49,131	2,183	5
56	HUMAN AFFAIRS	2,081	2,122	2,125	1,862	(260)	(12)
		85,933	86,347	91,946	84,202	(2,145)	(2)
MINISTRY OF NATIONAL SECURITY							
83	MIN. OF NATIONAL SECURITY HQ	1,097	1,195	1,426	1,360	165	14
06	DEFENCE	7,712	7,314	8,106	6,948	(366)	(5)
07	POLICE	66,125	67,925	68,075	64,423	(3,502)	(5)
12	CUSTOMS	19,055	18,175	18,175	17,267	(908)	(5)
13	POST OFFICE	12,636	11,781	11,819	11,192	(589)	(5)
25	DEPT. OF CORRECTIONS	25,242	26,174	26,174	24,866	(1,308)	(5)
45	FIRE SERVICES	12,751	13,798	13,829	13,109	(689)	(5)
88	NATIONAL DRUG CONTROL	4,532	4,127	4,127	3,921	(206)	(5)
		149,150	150,489	151,731	143,086	(7,403)	(5)

Table III continued
SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD	DESCRIPTION	2013/14 ACTUAL (\$000)	2014/15 ORIGINAL (\$000)	2014/15 REVISED (\$000)	2015/16 ESTIMATE (\$000)	DIFFERENCE 2014/15 vs 2015/16 (\$000) %	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF HOME AFFAIRS							
93	MIN. OF HOME AFFAIRS HQ	6,303	3,466	5,252	4,951	1,485	43
27	IMMIGRATION	3,450	4,407	4,263	4,475	68	2
29	REGISTRY GENERAL	1,638	1,966	1,836	1,840	(126)	(6)
32	DEPT. OF PLANNING	3,324	3,331	3,294	3,149	(182)	(5)
42	RENT COMMISSIONER	529	480	480	0	(480)	(100)
60	WORKFORCE DEVELOPMENT	5,312	5,200	5,125	4,776	(424)	(8)
		20,556	18,850	20,250	19,191	341	2
MINISTRY OF ECONOMIC DEVELOPMENT							
95	MIN. OF ECONOMIC DEV. HQ	7,044	6,593	7,841	12,253	5,660	86
39	REGISTRAR OF COMPANIES	2,466	3,171	3,071	2,845	(326)	(10)
46	TELECOMMUNICATIONS	634	900	1,180	1,083	183	20
67	E-COMMERCE	586	962	962	914	(48)	(5)
89	ENERGY	730	1,040	1,040	988	(52)	(5)
		11,460	12,666	14,094	18,083	5,417	43
		1,118,003	1,107,031	1,116,405	1,082,613	(24,418)	(2)

Table IV
ANALYSIS OF CURRENT ACCOUNT EXPENDITURE BY OBJECT CODE

EXPENDITURE					DIFFERENCE	
OBJECT CODE DESCRIPTION		2013/14 ACTUAL (\$000)	2014/15 ORIGINAL (\$000)	2014/15 REVISED (\$000)	2015/16 ESTIMATE (\$000)	2014/15 vs 2015/16 (\$000) %
(1)	(2)	(3)	(4)	(5)	(6)	(7) (8)
SALARIES		309,981	325,042	320,365	322,267	(2,775) (1)
WAGES		83,382	72,313	75,617	70,392	(1,921) (3)
EMPLOYER OVERHEAD		72,664	72,950	70,889	67,895	(5,055) (7)
OTHER PERSONNEL COSTS		5,645	6,939	6,174	6,146	(793) (11)
TRAINING		2,491	6,678	4,421	3,603	(3,075) (46)
TRANSPORT		4,534	4,489	4,432	3,753	(736) (16)
TRAVEL		3,311	4,079	4,394	3,684	(395) (10)
COMMUNICATIONS		8,404	8,745	8,411	8,038	(707) (8)
ADVERTISING & PROMOTION		16,968	2,564	6,460	2,088	(476) (19)
PROFESSIONAL SERVICES		81,469	68,860	74,629	61,706	(7,154) (10)
RENTALS		16,696	17,013	16,772	15,145	(1,868) (11)
REPAIR & MAINTENANCE		16,908	21,754	21,919	20,462	(1,292) (6)
INSURANCE		11,984	9,998	9,845	9,185	(813) (8)
ENERGY		20,120	21,264	20,719	18,539	(2,725) (13)
CLOTHING & UNIFORMS		1,858	1,470	1,350	1,140	(330) (22)
MATERIALS & SUPPLIES		23,060	25,006	25,215	22,772	(2,234) (9)
EQUIPMENT		869	664	555	513	(151) (23)
OTHER EXPENSES		3,368	3,595	3,894	3,261	(334) (9)
RECEIPTS CREDITED TO PROG		0	(18,871)	(19,080)	(19,245)	(374) 2
TRANSFER TO OTHER FUNDS		37,625	47,693	47,669	52,250	4,557 10
PUBLIC DEBT CHARGES		109,704	113,735	113,500	117,619	3,884 3
GRANTS & CONTRIBUTIONS		286,962	291,051	298,255	291,400	349 0
		1,118,003	1,107,031	1,116,405	1,082,613	(24,418) (2)

Table V**GOVERNMENT DEBT TRANSACTIONS AND AMOUNTS OUTSTANDING 2004/05 TO 2017/18**

YEAR	GROSS BORROWING	REPAYMENTS	NET BORROWING (REPAYMENTS)	GROSS DEBT OUTSTANDING	MEMORANDA INTEREST ON DEBT
(1)	(\$000) (2)	(\$000) (3)	(\$000) (4)	(\$000) (5)	(\$000) (6)
2004/05	50,000	35,000	15,000	175,000	8,347
2005/06	50,000	0	50,000	225,000 (i)	10,400
2006/07	50,000	20,000	30,000	255,000	13,929
2007/08	180,000	90,000	90,000	345,000	16,800
2008/09	217,250	0	217,250	562,250	18,186
2009/10	415,000	93,410	315,000	823,410	38,980
2010/11	264,080	0	0	1,087,490	56,300
2011/12	263,230	0	0	1,350,720	70,000
2012/13	223,280	0	0	1,574,000	(ii) 81,576
2013/14	800,000	69,000	731,000	2,305,000	109,245
2014/15 (Rev)	0	120,000	(120,000)	2,185,000	113,500
2015/16 (Est)	125,049	0	125,049	2,310,049	117,619
2016/17 (Est)	151,022	90,000	61,022	2,371,071	121,750
2017/18 (Est)	127,096	0	127,096	2,498,167	127,250

(i) Includes \$49.5 million of outstanding debt on-lent to the Bermuda Housing Corporation (BHC).
as of 01/04/06 BHC received full debt relief from the Government.

(ii) In 2013/14 - \$51M of Interest on Debt was funded from the Sinking Fund

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

ACTUAL 2013/14 (\$000)	DETAILS	REVISED ESTIMATE 2014/15 (\$000)	ESTIMATE 2015/16 (\$000)
	DEBT & LOAN GUARANTEES OUTSTANDING AS OF MARCH 31		
2,305,000	BORROWINGS UNDER LOAN FACILITIES (GOVT)	2,185,000	2,310,049
2,305,000	TOTAL DEBT OUTSTANDING (GOVT)	2,185,000	2,310,049
532,700	Less: SINKING FUND CONTRIBUTIONS (i)	160,000	118,250
	NET CUMULATIVE GOVERNMENT		
1,772,300	DEBT & GUARANTEES OUTSTANDING (ii)	2,025,000	2,191,799

- (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.

In 2013 the Government Loans Act 1978 was amended to allow excess funds borrowed to be deposited and extracted from the Sinking Fund to fund future year deficits.

With effect from March 2013, the statutory debt limit was increased to \$2.5 billion.

- (ii) The Government has the following guarantees: National Education Scheme (\$26K); Bank of N.T. Butterfield (\$200M); Bermuda Housing Corporation (\$36M); West End Development Corporation (\$25M); Bermuda Hospitals Board (\$260M) and Morgan's Point (\$6M).

With effect 1 April 2011 these guarantees are no longer charged against the statutory debt ceiling unless the guarantee obligation becomes due and payable by the Government, pursuant to the amended Gov't Loans Act 1978. The total amount of utilized Loan Facilities are restricted by the Government Loans Act 1978, as amended.

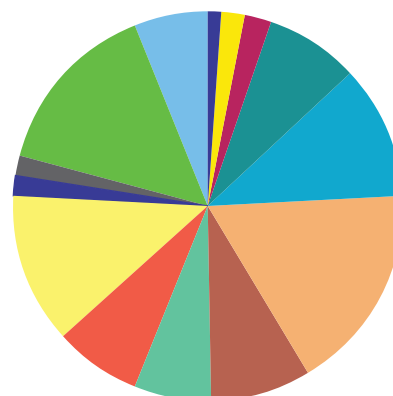
Table VII
PROFESSIONAL SERVICES

ACCOUNT DESCRIPTION		ACTUAL 2013/14 (\$000)	ORIGINAL ESTIMATE 2014/15 (\$000)	REVISED ESTIMATE 2014/15 (\$000)	ESTIMATE 2015/16 (\$000)
(1)	(2)	(3)	(4)	(5)	(6)
	5260 Local Consultants	9,916	8,273	9,206	7,969
	5265 Overseas Consultants	18,106	14,992	14,425	11,212
	5270 Contractors	19,074	20,087	21,752	19,182
	5272 Medical Fees Non Hospital	73	0	0	0
	5275 Medical	18,531	10,072	10,936	7,960
	5280 Optical Services	9	20	22	13
	5285 Educational Services	57	124	84	108
	5290 Chiropodist Services	5	6	4	5
	5295 Psychological Services	22	50	50	50
	5300 Dental Services	225	431	442	29
	5305 War Pension Award	2,215	2,208	2,208	2,083
	5310 Counselling Services	333	305	322	269
	5315 Child Care Services	133	192	190	172
	5320 Recreational Services	282	223	323	237
	5325 Legal Services	4,610	3,115	5,947	4,204
	5330 Liquidation Fees	(99)	175	175	175
	5340 Membership Fees - Govt.	464	393	393	394
	5345 Forensic/Lab Services	398	701	670	664
	5350 Forensic/lab accounting	127	157	157	157
	5355 Security Services	5,964	5,849	5,884	5,378
	5360 Conservation Services	20	23	31	6
	5365 Animal Control Services	34	29	29	29
	5370 Board & Comm. Fees	657	896	874	762
	5375 ID Parade - Police	0	30	30	30
	5380 Jury & Witness Fees	87	125	125	115
	5385 Court Costs	24	16	19	16
	5390 Audit Fees	0	65	25	55
	5395 Examination Fees	202	303	306	432
		81,469	68,860	74,629	61,706

Table VIII

Estimated Expenditure 2015/16 in BD\$ Millions

Non-Ministry.....	14.3
Cabinet Office Departments.....	23.8
Legal Affairs.....	25.0
Finance.....	90.1
Education	127.1
Health, Seniors and Environment	196.7
Tourism Development and Transport.....	97.3
Public Works	73.9
Community, Culture and Sports.....	84.2
National Security.....	143.1
Home Affairs	19.2
Economic Development.....	18.1
Interest and Sinking Fund.....	169.9
Capital Estimate.....	68.7



Categories of expenditure expressed as a percentage of total estimated expenditure for 2015/16 of \$1,151.3 million



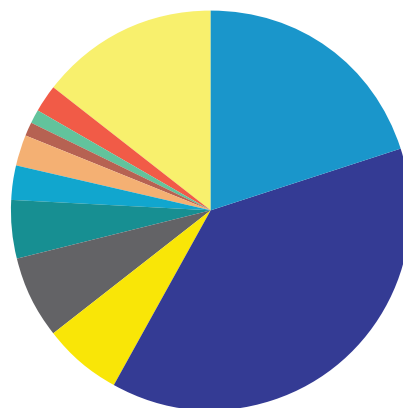
Non-Ministry.....	1.2
Cabinet Office Departments.....	2.1
Legal Affairs.....	2.2
Finance.....	7.8
Education	11.0
Health, Seniors & Environment.....	17.1
Tourism Development & Transport	8.4
Public Works	6.4
Community, Culture & Sports.....	7.3
National Security.....	12.4
Home Affairs	1.7
Economic Development.....	1.6
Interest & Sinking Fund.....	14.8
Capital Estimate.....	6.0

Table IX

Estimated Revenue 2015/16 in BD\$ Millions

Total Revenue \$931.3 million

Customs	187.4
Payroll Tax	353.4
Companies Fees	60.8
Land Tax	63.2
Passenger Tax	42.3
Vehicle Licences	27.2
Stamp Duties	21.5
Hotel Occupancy	11.0
Immigration	10.7
Foreign Currency	21.0
All Other	132.8



Categories of revenue expressed as a percentage of total estimated revenue for 2015/16 of \$931.3 million



Customs	20.1
Payroll Tax	37.9
Companies Fees	6.5
Land Tax	6.8
Passenger Tax	4.5
Vehicle Licences	2.9
Stamp Duties	2.3
Hotel Occupancy	1.2
Immigration	1.1
Foreign Currency	2.3
All Other	14.3



Design and pre-press production:
Department of Communication and Information
Printed in Bermuda by The Bermuda Press Ltd. ~ February 2015