

SAGE COMMISSION

Public Meetings

September 2013

Welcome

Brian Duperreault
Chairman

Purpose of Public Meeting

To provide the public with an update on the SAGE Commission's progress in addressing the issue of Government Efficiency and Spending

- Methodology
- Overview of the debt and deficit
- Overview of the economy
- Issues facing Pensions
- Committee presentations
- Q&A Session

Bermuda at a Crossroads

- Bermuda is at a financial tipping point: if we don't get this right, we lose the chance to be the architects of our future.
- We can build the government we need and can afford, if we work together: this has to be a community effort.
- Our recovery depends on growing our economy and attracting foreign capital to Bermuda: we can't cut our way to recovery.

SAGE Commission

- We have no preconceived agenda.
- We believe effective leadership is the key to establishing the government we need and can afford.
- Our recommendations will be made with our heads and our hearts.

SAGE Commission Recommendations

Most government employees know what needs to be done, but are hindered by organisational issues

Our recommendations will be aimed at helping to create a government whose policies, procedures and structure make change possible

Strategy and Methodology

Kenneth Dill
SAGE Commissioner

SAGE Strategy – Based on 4 Questions

- Are there performance issues that are negatively impacting service quality and cost effectiveness?
- Are objectives and outcomes clearly understood and measured by the Government workers and the Public?
- Is the organization itself efficiently and properly structured and organized?
- Are there opportunities to improve by taking non-core functions out of the system?

Methodology

- Review relevant Government reports and data (30,000+ pages)
- Build a team of passionate and diverse people to assist (50, including Commissioners + Committees)
- Don't reinvent the wheel: most importantly, get input from key Bermuda stakeholders
- Ask external resources (where necessary)

Methodology

Stakeholder engagement

- Extensive public submissions
- Public meetings
- Extensive private interviews
- Meetings with organisations and groups from the private and public sector

Government engagement

- Extensive interviews with Civil and Public Service
- Meetings with union execs and rank and file
- OBA and PLP caucus

Methodology

Our findings and recommendations will reflect what you, Bermuda, have told us.

Debt and Deficit

Brian Duperreault
Chairman

Government Revenues and Expenses (2013/14)

Category	2013/2104 Budget
Government Revenues	871,199
Debt Interest	97,650
Sinking Fund	37,655
Capital Expenditures	84,609
Grants and Contributions	266,030
General Expenses	214,567
Wage Costs	502,281
Total Government Expenses	1,202,792
Estimated Deficit for 2013/2014	-331,593

Economic Analysis

Nathan Kowalski
Chair

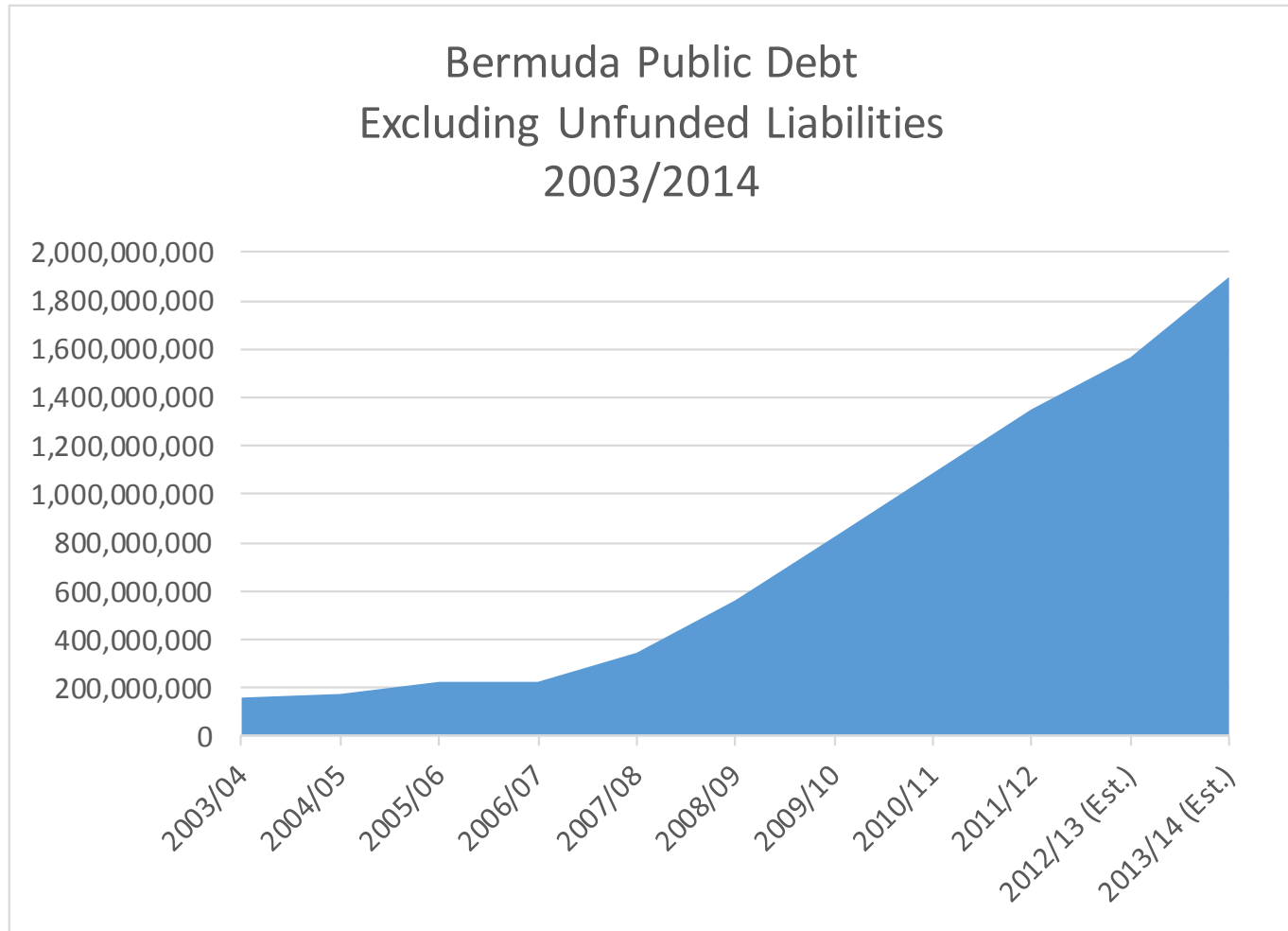
Economic Analysis - Mandate

To take recommendations developed by the various SAGE committees and render guidance on their potential economic impact on Bermuda.

The central aim is to provide (ideally quantitative) guidance on effects to the real economy: for example, on the levels of gross domestic product, unemployment and public debt.

Accordingly, policy alternatives can be evaluated and sound judgments derived.

Public Debt and the Economy



The Bermuda Economy

Four consecutive years of a GDP fall

- Economy shrunk 4.9% in 2012 (adjusted for inflation)
- GDP (constant dollars) declined from \$5.1 billion to \$4.8 billion
- 10 of 15 industries had lower activity
- 10 year growth rate basically zero
- Only four countries had worse real growth than Bermuda in 2012 (Greece, Puerto Rico, Anguilla and South Sudan)

Public Debt and the Economy

Status Quo: interest payments will be a larger Government expense

If conditions do not change and we continue to run a primary deficit per the last 5 years:

- debt to GDP could be over 80% and amount to more than \$5 billion in ten years
- interest payments could amount to \$273 million per year or about one quarter of Government revenues
- Interest payments take priority over Government expenses such wages and capital expenditures – these would be “crowded out”)
- If interest rates exceed growth – debt continues to expand

We Need Government Surpluses

Public Debt Arithmetic

- Using the assumed total debt level of \$2.2 billion and an estimated nominal GDP figure of roughly \$5.5 billion, we get an estimated debt-to-GDP ratio of roughly 40%
- Government can stabilise the debt level at its current ratio by running a primary budget surplus of about \$50 million per year
-
- This was last accomplished in 2002

We Need Economic Growth

Summary

- We need to balance our budget
- We need economic growth and cost reduction to balance the budget
- Status quo will result in increasing and massive debt bills that will cripple Government and our economy

Pensions

Kim White
SAGE Commissioner

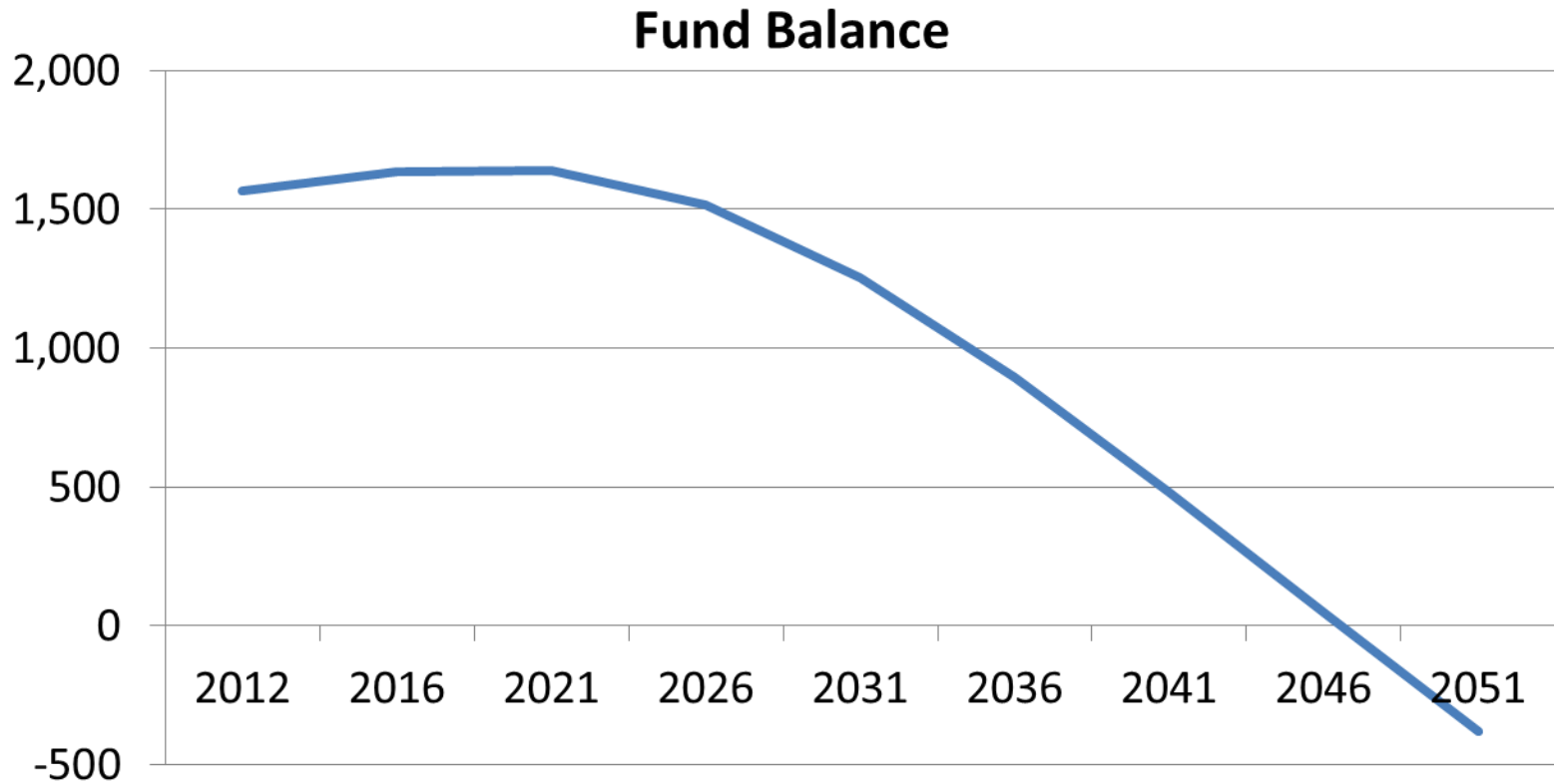
Pensions - Mandate

Review the 3 Government Pension Plans

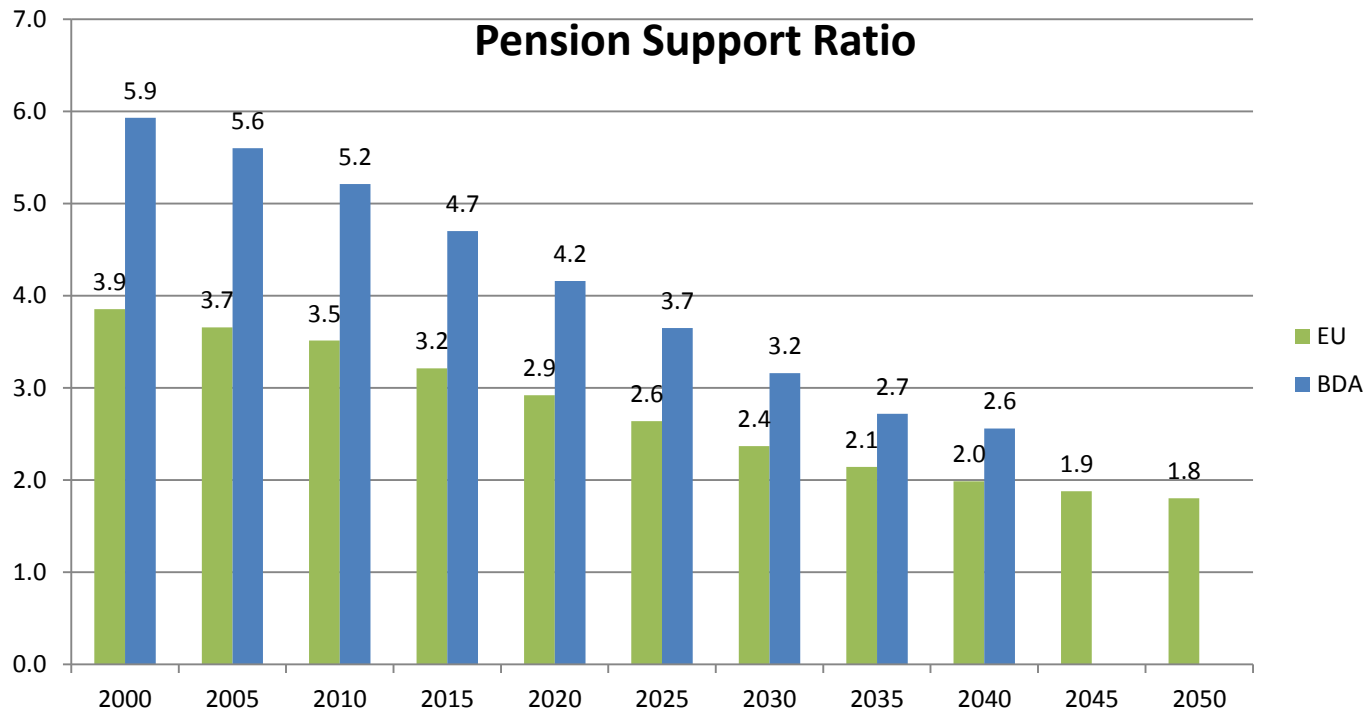
- Public
- Parliamentarian
- Government employee

Pensions – Public

Under status quo, this plan is projected to run out in 2047



Pensions - Public



Pensions – Public

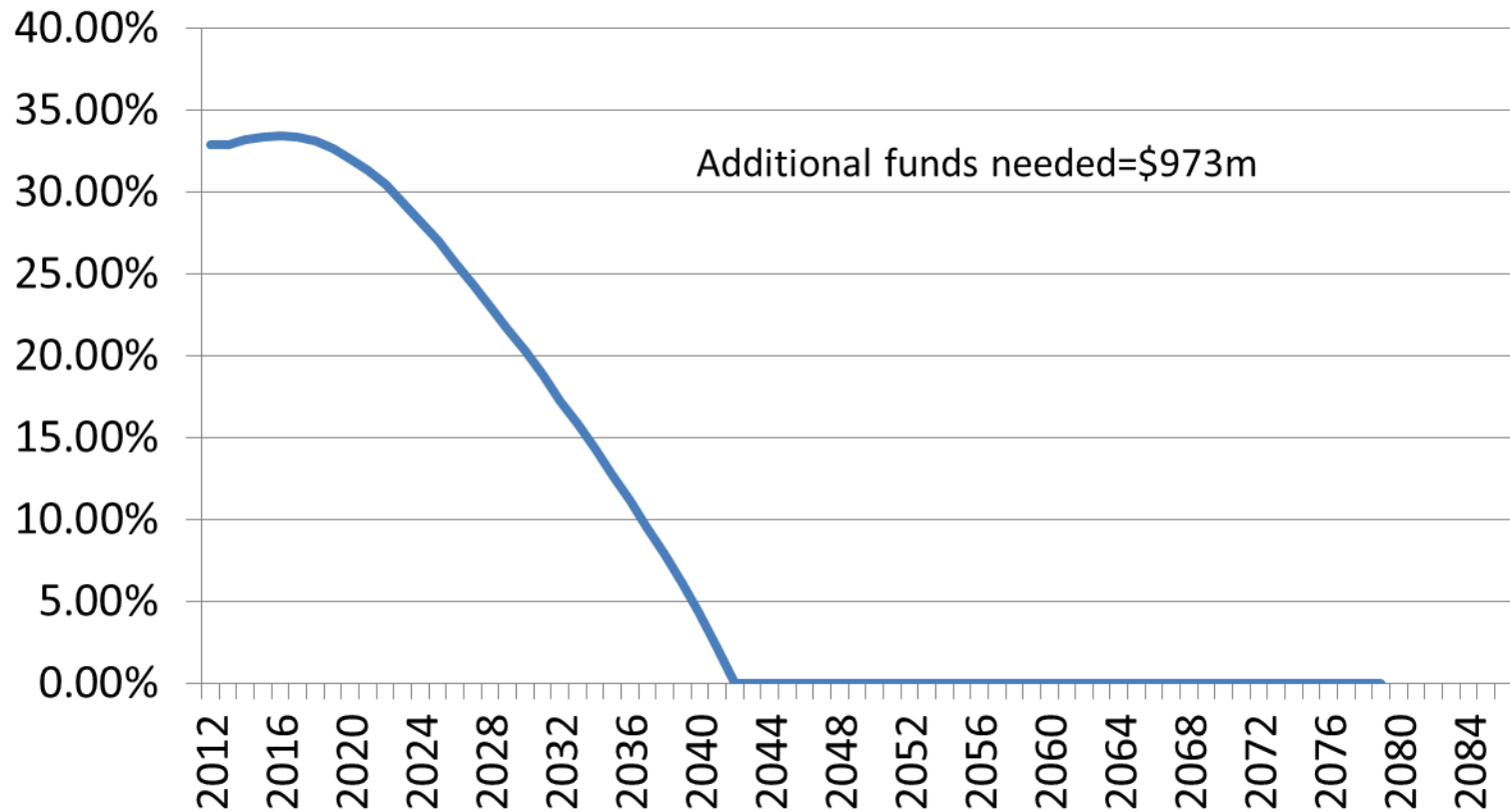
Options are limited:

- Decrease benefits
- Reduce cost of living increases
- Increase contributions
- Increase the retirement age

Pensions - Parliamentarians

- For Ministers and Members of Parliament
- The unfunded amount is \$23 million
- In its current form, the underfunded amount will increase
- Benefits are more generous, and more costly than the Government Employee pension plan

Pensions – Government Employees



Pensions – Government Employees

Options

- Convert to Defined Contribution

OR

- Change benefit at retirement
- Reduce cost of living amount
- Increase Retirement age

Performance Committee

Martha Dismont
Chair

Performance – Mandate

To identify operational improvements aimed at cost effectiveness and improved service quality, which may include:

- shared services
- enhanced use of Information Technology and
- changes in service delivery mechanism

Where would you focus your efforts?

Performance – We Believe Leadership Is the Key

All organisations require:

- Effective management and leadership to achieve their goals
- Effective performance management systems and processes
- Clearly articulated and enforced policies and procedures

Performance – Our Focus

I. Leadership and Succession

Commitment to excellence, results, opportunity, talent management, and succession planning

II. Performance Management and Accountability

Performance management system, adherence to rules, implementation of internal recommendations, transparency, performance culture, incentives, collective bargaining agreements, training culture

III. Structure and Governance

Effectiveness of the controls and checks and balances in the system, ability to implement change and fix problems

Performance – Did You Know?

- Outstanding talent and skills exist within many of the "rank and file" employees
- The Government Pension Fund has not been audited since 2005.
- Uncollected government fees total in the 100's of millions of dollars
- Some government workers are required by their bargaining agreements to be at work by 7:30am; management policy requires them to wait for their manager to begin work, and he is not required on the job, until 9am.

Performance – Did You Know?

It can take up to 6 months to hire a government employee; longer to dismiss an employee.

Some government employees are not required to have performance appraisals.

There are at least six different union bargaining agreements governing government employees.

Streamline Committee

Dame Jennifer Smith
Chair

Streamlining - Mandate

Will review, assess and redesign the organisational structure of Government in such manner as the Commission may deem appropriate, which may include:

- Streamlining
- Consolidating
- Eliminating redundant and unnecessary agencies, authorities and other bodies that have overlapping missions

Streamlining - Benefits

- Improve the quality of service, increase the speed of delivery
- Improve accountability
- Increasing transparency
- Reduction of duplication with reduced staffing levels and reduced over time

Streamlining – A Key Consideration

- Read and review the Bermuda Constitution to understand the functions the public looks to government to undertake
- We are looking at comparable jurisdictions to gain insight as to appropriate Government structure and size

Streamlining – Constitutional Guidelines

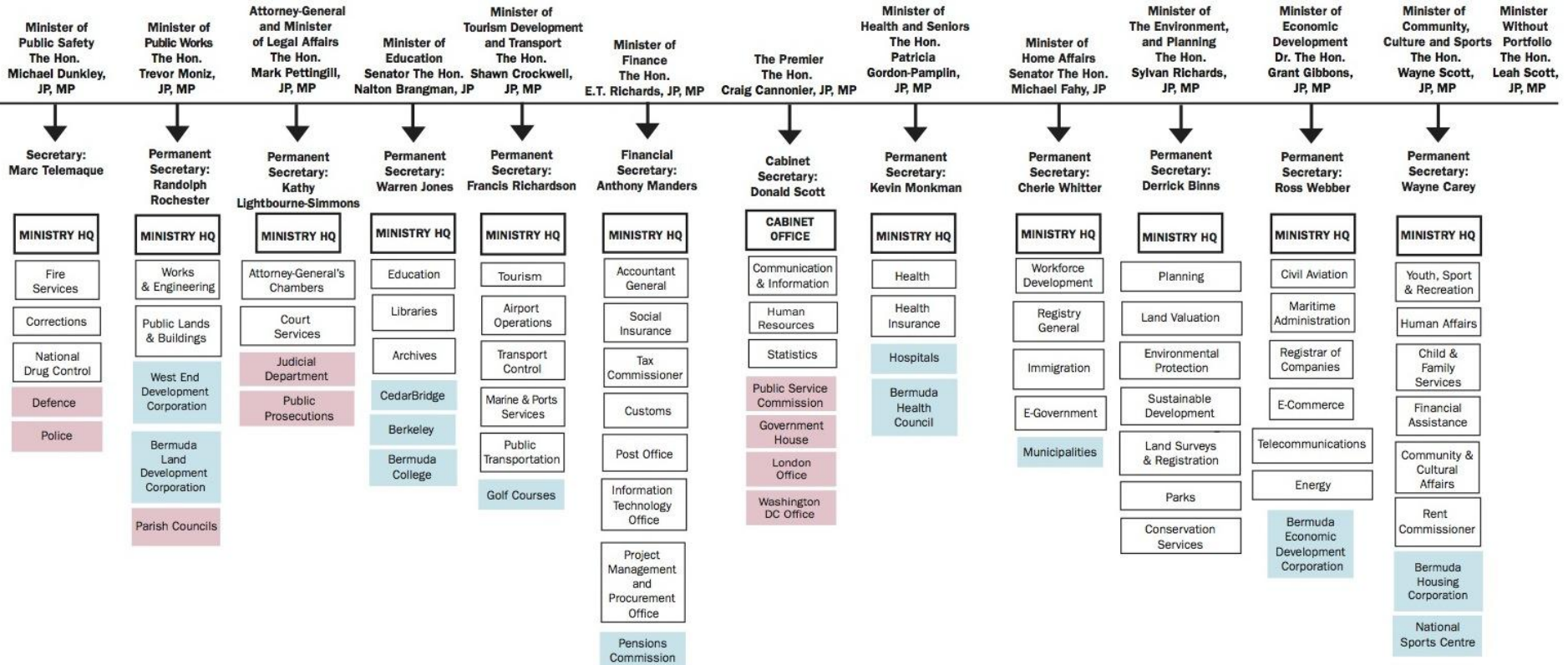
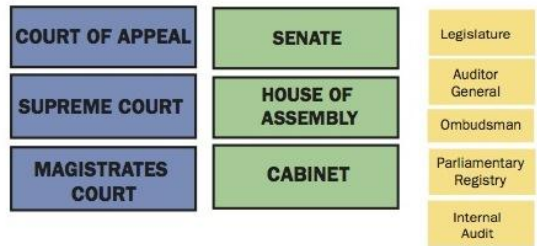
- Protection of right to life
- Protection from inhuman treatment
- Protection from slavery and enforced labour
- Protection from arbitrary arrest or detention
- Provisions to secure protection of law
- Protection for privacy of home and other property
- Protection of freedom of conscience
- Protection of freedom of expression
- Protection of assembly and association
- Protection of freedom of movement
- Protection from discrimination on the grounds of race, etc.
- Protection from deprivation of property

Streamlining – Current Government Structure

12 ministries and 13 ministers (one being without portfolio)

- 50 departments
- 13 Quangos
- 9 organisations where government has administrative responsibility
- 4 organisations that are non-ministry
- 3 judicial arms.

Streamlining – Current Government Structure



Streamlining – is Bermuda over-governed?

Country	# Ministries	Population	Size	Ministry per Capita
BERMUDA	13	67,500	21	5,192
Anguilla	5	14,750	39	2,950
Antigua & Barbuda	9	80,160	109	8,907
Bahamas	11	342,875	3,965	31,170
Barbados	11	273,331	155	24,848
Belize	16	311,627	8,805	19,477
Cayman Islands	5	50,209	102	10,042
Dominica	15	72,813	290	4,854
Jamaica	20	2,740,000	4,182	137,000
St. Kitts & Nevis	13	49,898	101	3,838
Turks & Caicos	8	43,212	366	5,402
States of Jersey	11	97,857	46	8,896
Isle of Man	10	84,655	221	8,466
Median	11	80,160	155	8,896
Bermuda	13	67,500	21	5,192

Measurement & Metrics Committee

Tom Conyers
Chair

Measurements & Metrics – Mandate

Review and assess:

- the operations of Government
- the processes for governing
- the adequacy of the structures in place

Identify inefficiencies

Recommend metrics and performance targets and other means for measuring efficiencies and enhancing accountability to the public

Measurement & Metrics – Areas of Focus

- To review how the Government strategic plan is documented
- To review if Ministry and department objectives are clear, measurable and tie into Government objectives
- To review efficacy of customer feedback mechanisms

Measurement & Metrics - Strategies

Are Strategic Plans:

- Documented, clear and measurable?
- Clearly communicated to each department?

Measurements & Metrics - Strategies

Are Ministry and department objectives:

- Linked to the Strategic Plan?
- Specified in the Ministry and department plans?
- Measures and monitored on a regular basis?

Measurements & Metrics - Strategies

Are customer feedback mechanisms:

- Widely available and easy to access?
- Structured to inform about Government service levels?

Privatisation & Outsourcing Committee

Sheila Nicoll
Committee Member

Privatisation & Outsourcing - Mandate

The Privatisation and Outsourcing Committee shall review and assess:

- the operations of Government
- the processes for governing
- the adequacy of the structures in place

Identify inefficiencies

Recommend activities that can be privatised or outsourced

Privatisation and Outsourcing

Privatisation is:

the process of transferring ownership of a business, enterprise, agency, public service or public property from the public sector (a government) to the private sector, either to a business that operate for a profit or to a non-profit organization

Privatization and Outsourcing

Outsourcing is:

the contracting out of a business process to a third-party
– in this case, a public sector function of service to a
private entity.

Privatisation & Outsourcing – Areas of Focus

Look at opportunities that:

- Provide net operating savings to Government
- Provide enhanced service levels to the Bermuda public
- Reduce the physical plant required by Government (e.g.: space, equipment)
- Reduce Government debt and other long-term liabilities (e.g. pensions)
- Encourage new small business development

Privatisation– Drivers For

- Currently competes with the private sector
- Realises (or could realise) sustainable revenue
- Can attract private sector investment
- Can be profitable at market service rates
- Based on a clear and sustainable business plan

Privatisation – Drivers Against

- Is an essential public service (e.g.: Police, Fire, Regulatory bodies)
- Subject to strict confidentiality/national interest (e.g.: Immigration, Attorney General)
- Vulnerable to political/legislative change
- Requires substantial ongoing subsidization (e.g.: social services, education)

Outsourcing – Drivers For

- Is currently available at competitive rates in the private sector
- Comprises specific project scope/duration (contractable)
- Allows for clearly measurable desired outputs/KPI
- Contingency available
- Potential for performance guarantees

Outsourcing – Drivers Against

- Loss of Government control
- Unacceptable workforce redundancy
- Lack of local market to provide the required services

Privatisation & Outsourcing – Key Considerations

- Privatisation is complex and takes time, specific expertise and careful consideration
- Do not privatise or outsource solely on the basis of current Government inefficiency – solve Government first

SAGE Commission – Next Steps

- Commission considers all the information
- Commission writes the final report
- Commission delivers the final report to the Minister of Finance
- In accordance with the Act, Commission dissolves
- Minister of Finance tables the report before Parliament
- Once the report is tabled, it becomes a public document

We can do this

If we:

- Work together
- Support the hard decisions
- Have faith in our ability to drive Bermuda's renaissance

Thank you for being here tonight

Qs and As