



REPLY TO THE BUDGET 2022/23

Delivered by
The Hon. N.H. Cole Simons, JP, MP
Opposition Leader & Shadow Minister of Finance

March 4th, 2022



One Bermuda Alliance

BERMUDA FACES UNPRECEDENTED TIMES WITHOUT ANSWERS OR COMFORT

Mr Speaker, it is an understatement to say that we are living in unprecedented times. A global contagion of fear, an endless parade of viruses, social and civil unrest, and economic crises have simultaneously impacted every nation on this planet. Indeed, the COVID-19 crisis and the knock-on effects have caused catastrophic damage to economies the world over.

In Bermuda, we witnessed businesses closing or contracting, over 120 Covid-related deaths, and disturbing incidents of youth violence on an almost regular basis, with no end in sight.

Once again, lives were lost, and people's livelihoods were taken away.

Investor confidence has been battered by the pandemic, and our economic prospects were dealt a severe blow, especially in the retail, service, and tourism sectors.

Despite efforts to mitigate the financial impact, as in other countries, the shock of the pandemic exposed the fragility of Bermuda's social, economic, and political landscape.

On the world stage, as geopolitical tensions rise across the globe, we are now witnessing the horror that is unfolding in Ukraine as the occupation and invasion by President Vladimir Putin's Russia is well underway. We must brace ourselves for the knock-on effect of this war as even more challenges will be added to energy supply chains as the increased cost of fuel will result in an increase in Belco bills. The conflict is also impacting the exportation of wheat products, as Ukraine is known as the breadbasket of Europe, producing, and exporting 40 percent of the world's wheat.

Mr Speaker, in 2021, societal disruption in Bermuda was grave. We will continue to experience disruption because we have yet to turn tourism around which employs 14 percent of Bermuda's workforce. Added to this is the unabated rise in inflation of approximately 7 percent, the highest it has been in the past 40 years. This increased inflation is a silent killer and impacts our real purchasing power.

Let's face it, we were just not prepared for this unexpected perfect storm.

While Bermuda has a great history of managing our way through natural disasters like hurricanes, the pandemic proved to be more than overwhelming for us and we have yet to see the full effect of the war in Ukraine.

Mr Speaker, opportunistically, we have seen that the economic impact of disasters such as pandemics, provide Bermuda with prospects for bold new initiatives.

We must continue to capitalise on opportunities to work together towards a common end. As a nation, we must chart our way together through economic recovery and rehabilitation. Bermuda is small and agile enough to do it.

Mr Speaker, the Bermuda Economic Recovery Plan must be more than aspirational. The Plan must be realistic with milestones and timelines that are measurable. We must see progress.

Mr Speaker, we must rebuild a vibrant economy where jobs are created with a focus on equity, diversity, fair trade, and real opportunities for Bermudians. We must find investors to support small businesses and our local economy, and we all must 'Buy Bermuda.'

This rebuilding process must be supported by a realistic blueprint. We **cannot continue to listen to the same old dusted-off budget promises year after year, which now read like a familiar, yet boring bedtime story. The PLP's 2022-23 budget lacks courage and quite frankly, is irresponsible.**

Premier Burt has only kicked the proverbial can further down the road, instead of making the hard decisions necessary to improve Bermuda's financial position.

Bermuda needs a recovery plan that is realistic, workable and addresses Bermuda's fiscal framework and ever-growing debt, and infrastructure investment strategies.

The PLP government must develop a bold prospectus for the country that will be attractive to potential investors and attract human capital which will, in turn, create or bring jobs back to Bermuda.

This prospectus will build trust and a real bond within our business community, through the deployment of taxes and business support; and through the prioritisation and delivery of green investments, strategic investments in Tourism and Hospitality, the Arts and creative sectors, Seniors' Care, the philanthropic sector, and let's not forget, the critical support of our students.

We must also identify and develop new skills training for the labour market, and apprenticeships jobs, as the pandemic seismically changed how we work. New skill sets and training will result in an economic framework that will showcase and support Bermuda's assets.

Mr Speaker, there is a view that there will be a better sense of normalcy by the middle of this year. It is thought that this will be realised through discipline and through Bermuda's herd immunity, medicine, and health sciences.

Worldwide, we can now see that there have been improvements in the management of the risks associated with the virus and its effects. As global citizens, we learned to better manage and live with COVID-19; much like the flu and the AIDS virus, which, unfortunately, have not been eliminated.

Mr Speaker, as Bermuda is a part of the global economy, our fiscal health and success is dramatically influenced by external influence. Therefore, it would be remiss of me not to look at the overseas jurisdictions which are very important to us because they fuel our economy, and because we are dependent upon them.

SANCTIONS FROM THE RUSSIAN AND UKRAINIAN THEATRE HITS BERMUDA

Mr Speaker, as we have all recently seen in the news, international sanctions have been served on the Russian Government, government officials and the Russian Oligarchs, by the UN, the EU, and the UK.

These sanctions have hit Bermuda because we are home to the largest offshore aircraft registry, and at one point, we were also home to the world's 10th largest aircraft registry.

Mr Speaker, last year, Thomas Dunstan, the director-general of the Bermuda Civil Aviation Authority (BCAA), noted that most of the aircraft registered with the organisation are from Russia and the Commonwealth of Independent States.

He added: "The offshore aspect of the BCAA is extensive, as over 95 percent of BCAA safety oversight activity is located offshore, mainly in the Russian Federation where 84 percent of Bermuda registered aircraft are located."

It is my further understanding that approximately 50 percent of the revenue earned by our registry is realised from commercial passenger jets, cargo jets and private jets which are owned by Russian oligarchs and Russian institutions.

Our records also indicate that 713 leased Russian airlines are registered in Bermuda, and over 158 are owned by Russians, Russian institutions, and a few foreign banks.

Given the current conflict in Ukraine, for the time being, Bermuda should discount most of the aircraft registry revenue expected for the 2022/2023 fiscal year because they may be uncollectible.

These challenges are further exacerbated by the fact that Russia has been expelled from the global SWIFT wire payment systems which move money around the world and consequently, it is very unlikely that the Bermuda Government will be paid for their services.

Mr Speaker, at the very least, there will be a deficit of between \$1 million to \$2 million in our economy in the coming year.

Further, **Mr Speaker**, the One Bermuda Alliance is interested in understanding whether the Government plans to do anything about Russia trading on Bermuda's registered cryptocurrency exchanges.

GLOBAL GROWTH AND RISKS

As the global economic recovery continues, the fault lines opened by COVID-19 are looking more persistent. Near-term, challenges with inflation, labour shortages and supply chain disruptions have begun to leave lasting imprints on medium-term performance. Vaccine access and early policy support are the principal drivers of the gaps.

Mr Speaker, the global economy was projected to grow by 5.9 percent in 2021 and 4.9 percent in 2022, 0.1 percentage point lower for 2021 than in the July forecast.

The downward revision for 2021 reflects a downgrade for advanced economies, due in part to supply disruptions and for low-income developing countries, largely due to worsening pandemic dynamics. The rapid spread of the Delta variant and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome. Moreover, policy choices have become more difficult, with limited room to manoeuvre.

IMPACT OF THE U.S. ECONOMY:

Mr Speaker, A leading economist at Pantheon Macroeconomics stated that the early part of 2022 will likely see another temporary slowdown in economic growth as rocketing Covid, and Omicron cases hit the discretionary services sector.

However, looking beyond Omicron, we expect people to begin running down some of the \$2.5 trillion in excess savings accumulated during the pandemic. Solid growth in employment and hourly wages, coupled with falling inflation from Q2 onwards, means that after-tax incomes will rise

strongly, and with the additional kick from a drawdown of savings, we expect \$600 billion in savings in 2022, which should be enough to drive a 4-to- 5 percent full-year increase in real consumption. GDP growth should be even stronger, because business Capex is on course to rise twice as fast as consumption, and we expect to see a sustained inventory rebuild across much of the economy, as supply-chain pressures ease.

The headline unemployment rate likely will soon return to the pre-pandemic lows, 3.5 percent, though the employment to population ratio will likely remain depressed for much longer. Still, with unemployment so low in the U.S., the Federal Reserve is forced to now focus on inflation.

These indicators will bode well for Bermuda's tourism and international business.

THE E.U. CHALLENGES:

Mr Speaker, as stated in my response to last year's PLP Budget, the EU challenges are still with us and have crystallised even further.

I noted that in the 2013 report by the European Parliament's Directorate-General for Internal Policies, entitled "European Initiatives on Eliminating Tax Havens and Offshore Financial Transactions and the Impact of These Constructions on the Union's Own Resources and Budget", the impact of tax havens, secrecy jurisdiction, and similar structures on the E.U. were reviewed. The Report concluded that the availability of these structures constrains the E.U. budget and undermines the fiscal recovery of E.U. Member States. They distort markets by conferring advantages on large companies that engage in transfer pricing.

That Report notes that the shadow economy in the E.U. is estimated to amount to some €2 trillion, and that tax evasion is estimated to be around €1 trillion annually. It further notes that "recent reports suggest that the tens of billions of euros are held offshore, are unreported, and untaxed."

The E.U. takes the view that tax havens have a negative impact on E.U. revenues by reducing the gross national income of its Member States. Unfortunately, it appears that Bermuda is viewed with suspicion and is being challenged when conducting real business. In the E.U., they will continue to place hurdles in our economic lanes, given their perception of tax havens and their impact on the EU states.

In fact, as recently as last year, European Union politicians were calling for any jurisdiction with a zero percent tax rate on corporate profits, including Bermuda, to be included on the E.U. list of non-cooperative jurisdictions.

Mr Speaker, as we recently witnessed last month, Bermuda was once again downgraded to the E.U.'s Grey List from its previous position on its Whitelist, with no hope of reversing our status for at least another 3 to 6 months.

Why is that you may ask?

Mr Speaker, I have been advised that yet again Bermuda missed a deadline for its commitments to the E.U. Code of Conduct Council on matters of tax fraud or evasion, illegal non-payment or underpayment of taxes, tax avoidance, and money laundering,

Mr Speaker, while Bermuda is competing globally for inward investment capital, this downgraded status is very unattractive to potential investors and detrimental to all our local and international partners as well as our local international reinsurance, Insurance-Linked Securities, and fund

businesses which are domiciled in Bermuda.

BERMUDA'S 2022/23 ECONOMY AND BUDGET

A Recovery Plan for Jobs, Growth, and Resilience and Budget 2021

Mr Speaker, the PLP government should be doing everything they can to finish the fight against Covid 19 and continue to be there for those who need help. Bermuda's recovery plan should be to build a more resilient economy that benefits the working-class and middle-class and everyone working hard to join it.

Unfortunately, Budget 2022-23 has not included a jobs and growth plan to increase opportunities for women and young people, including investments in our Early Learning and Child Care system.

Mr Speaker, in 2021, the Government of Canada had a plan to create one million new jobs and drive economic growth.

What is the PLP Government's plan for new jobs, and economic growth for Bermuda? How many new jobs do they plan to create?

Is it 1,000, 2,000 or 5,000 new jobs? If they can't quantify, we cannot evaluate.

The Government is silent on these new job numbers. Is it because they do not want to be held accountable?

Mr Speaker, the 2022-23 Budget should support Bermudians by creating new opportunities in the trades and by helping people to develop the skills needed to succeed.

The PLP Government should continue to help businesses grow and innovate by creating incentives to hire workers and providing access to financing to scale-up businesses.

We must continue to implement a healthy environment that mitigates global warming and creates jobs in the clean energy and clean technology sectors.

In addition, more support must be provided to our financial service industries, especially for reinsurance and insurance companies, mutual fund and fund administration companies and trust companies.

Additional support must also be given to our retail, restaurant, healthcare, and tourism sectors. The continued waiver of payroll taxes is not enough. What they need is access to capital, as most of these businesses have depleted their savings, or their retained earnings and are all spent. They also need a more relaxed and efficient employee recruitment programme which is supported by our workforce development programmes, and our immigration policies for our guest workers,

Mr Speaker, while on the subject of payroll taxes, the Minister of Finance announced that ***there will be*** payroll tax reductions for workers making less than \$96,000 per year.

But **Mr Speaker**, once again this slippery-tongued Premier has misled the public as this is directly opposed to what he said previously, that ***there would be zero payroll tax increases*** for employees earning less than \$96,000 per year.

He was correct when he indicated that the employee portion of the payroll tax was being reduced to 1.5 percent for employees making less than \$48,000 per year and then misled us when in the budget book, Table XI shows that those employees earning \$48,001 to \$96,000 had an increase in their payroll tax rate. It went from 8.5 percent to 9 percent in this year's budget. **The Premier gives with one hand and snatches with the other.** You can be the judge of this deception.

How does this reduction help the unemployed?

Mr Speaker, the other item to be highlighted is that our 4,362 public sector employees will have a salary increase this year, despite the current economic challenges in which we find ourselves. What do we tell people in the private sector who have not had a salary increase in the past five to ten years? Are they expecting an increase now that the government has set the standard?

Given the huge deficit, where is the funding coming from for these salary increases?

Are these pay raises linked to employee output, or efficiencies, as is the case in the private sector? It appears that the source of these pay raises will be realised from the efficiencies and savings from within their various departments. Again, is this going to be a reality or a pipe dream?

Mr Speaker, the people of this country should also pay close attention to their land tax bills. I have been advised that there is an all-out assault on the increase of annual rental values of our homes and commercial buildings by our land valuation team members. This is concerning because if our ARVs are adjusted upwards, land tax bills will increase, even if the land tax rates are not adjusted. **This again is a money grab by stealth.**

The same applies to most of the cars on the road.

When walking or driving around Bermuda you will note that our car models are getting larger and wider in size, and consequently they are more expensive to import from a wholesale perspective. Likewise with the continuing inflationary rise in wholesale import costs, comes the rise in customs duties which will quite comfortably offset the 10 percent discount of our private vehicle registration fees.

This theory also applies to other consumer staples which are imported into Bermuda, which is another smokescreen. **The Burt government gives with one hand and takes away with the other.**

Mr Speaker, the other issue raised in this Budget is that **the government is allowing another raid on our private pension plans.** This vision is myopic. It is for short term gains.

We are raiding our future security because of the current cost of living in Bermuda, and because the Government is not providing the real support that our people need.

To make matters worse, the PLP Government is encouraging these same people to invest and provide capital to small local businesses which are also struggling, and into Bermuda's first Digital Bank.

Does this sound like a government that has its peoples' business at heart? I think not,

Isn't it the role of most governments to protect their people and not just industry?

Mr Speaker, many Bermuda residents see this budget as a '**David Burt election budget**' and one that lacks detail. He tells us what we want to hear but shows no way to deliver on his promises. Not only does this budget provide very little hope, but it is also likely the most nonspecific budget statement ever presented.

Mr Speaker, economically, Bermuda must place its economy on a path of higher productivity and growth, while ensuring that benefits are shared evenly and that our debt is manageable. This is not an easy task, as other countries find it difficult to have trade-offs between implementing measures to support economic expansion and avoiding a further build-up of debt.

Some believe that investments in health, education, and high-return infrastructure projects will also help move the economy forward to a green economy. Research spending can facilitate innovation

and technology adoption, which are the primary drivers of long-term productivity growth. Others believe that we cannot spend or grow our economy without extending our workforce or population.

Mr Speaker, we believe that as Bermuda reopens, the government must support the recovery by gradually removing targeted support, facilitating the reallocation of workers and resources to sectors less affected by social distancing, and providing stimulus where needed, to the extent possible. Some fiscal resources freed from targeted support should be redeployed to public investment, including in renewable energy, improving the efficiency of power transmission, and retrofitting buildings to reduce their carbon footprint. Moreover, as lifelines are unwound, social spending should be expanded to protect the most vulnerable. Additionally, where gaps exist in the safety net, authorities could enhance paid family and sick leave, expand eligibility for unemployment benefits, and strengthen healthcare benefits coverage as needed.

INFLATION/COST OF LIVING:

Mr Speaker, according to the Governor of the Bank of England, “The rising cost of living and the squeeze on living standards will not ease until next year, 2023.” He also said that many people in the U.K. faced a difficult period ahead. The same comments apply to the people of Bermuda and will come after the rise in interest rates. The expected price increases are climbing faster than any pay increases.

Mr. Speaker, in the United States, the Brookings Institute and the U.S. labour statistics department confirmed that their rate of inflation for the year ending October 31, 2021, came in at 6.2 percent. Today it hovers around 7-7.5 percent.

Across the Atlantic, in the UK, *The Independent* newspaper indicated that their inflation rate for 2021 was at its highest in a decade at 7 percent.

Just last month, the World Bank indicated that inflation hit a 10-year high in November, while globally prices are rising at the fastest pace since 2008.

As for the Eurozone, their inflation rose to 4.1 percent for October, hitting a new 13-year high according to the euro department of statistics and CNBC.

As Bermuda is dependent on imported goods, we can expect that our inflation figure for the year will be around 6 to 7 percent after shipping and local profit margins are factored in.

Mr Speaker, the 1-2 percent inflation figure recently provided by the government of Bermuda is flawed and its recalculation should be revisited by the government’s statistics team.

What is this PLP Government going to do about this cost of living?

The previous Finance Minister recently insisted that price controls were unlikely to be introduced to combat imported inflation.

So, what’s next, as Bermuda’s fuel, electricity and food prices are almost criminal and continue to rise?

When looking at the price of a gallon of fuel at gas pumps in Bermuda, you will find that it hovers around \$8.46 per gallon. In the U.S., gas is around \$3.725 per gallon, and in the E.U., it is \$3.315 per gallon as of last month.

The US Energy and Information administration projected gasoline prices would average \$3.13 per gallon in December 2021 and projected the price to be at \$2.88 in 2022.

This unabated escalation of inflation and the tremendously high cost of living in Bermuda must stop. It is completely unsustainable.

Mr Speaker, initially it was felt that this inflation was transitory, but it is not. According to Sarah House, an economist at Wells Fargo Bank “It is no longer likely that inflation will fade naturally as the pandemic abates”, as she points to worker shortages, and wages which also have also been rising, though not as fast as prices.

Mr Speaker, the PLP Budget indicated that it was going to review the taxes on oil and fuel imports so that we can reduce the cost of our electricity bills. Has BELCO agreed to this proposal? Have they committed to passing on the benefits of reduced import taxes on fuel imports to our consumers? I hope and wish that this is not another smokescreen.

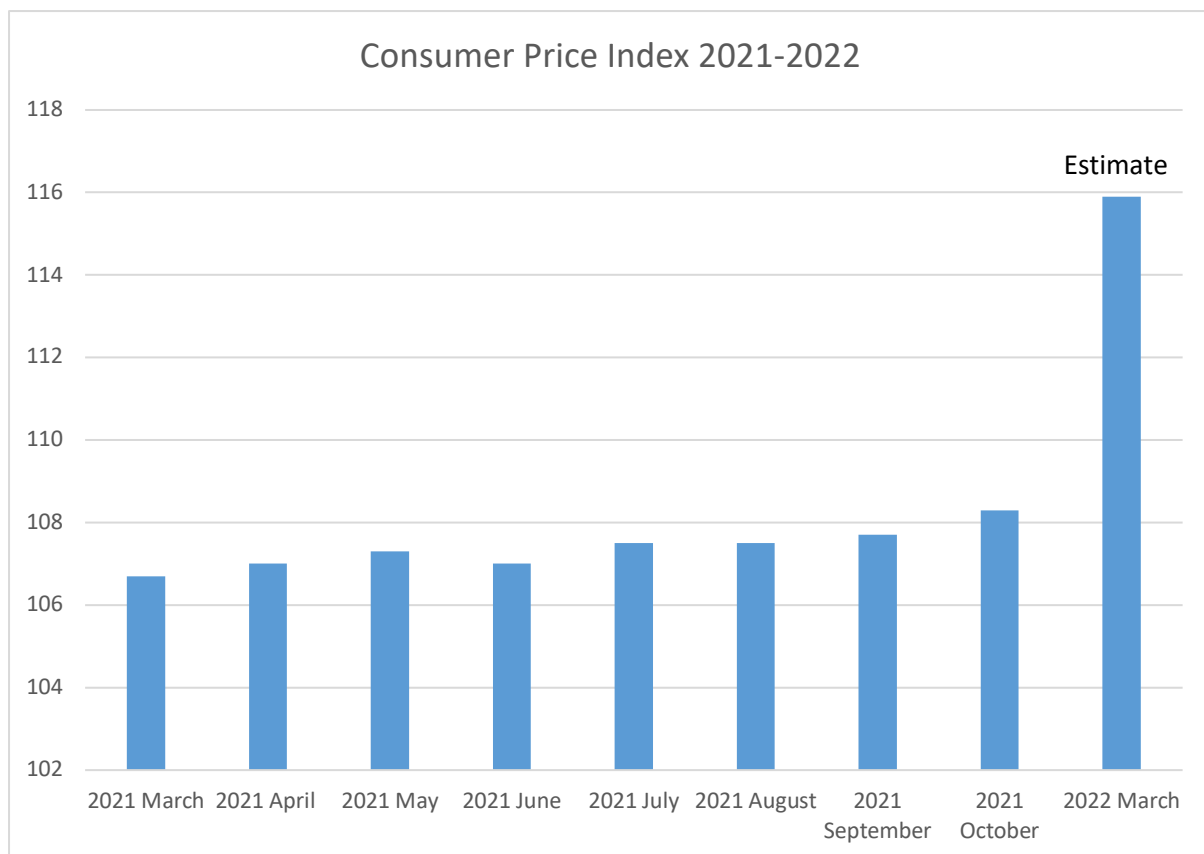
Mr Speaker, the Minister of Finance indicated that *“If* our conservative revenue estimates are exceeded and spending remains in line with estimates, we will provide additional tax relief to residents.”

The Minister also went on to state that: *“We will return 50 percent of any additional surplus to the taxpayers of this country.*

“This means if the projected deficit for 2021-22 comes in below estimates, 50 percent of those funds will be used to reduce taxes on fuel imports to reduce the cost of electricity in Bermuda.”

Mr Speaker, the Minister of Finance insults the intelligence of the One Bermuda Alliance and the people of Bermuda. We have all seen the contraction in businesses, jobs, and the economy and we all know that we are in serious trouble with debt. How and when would this ‘Give back’ happen?

Mr Speaker, this Budget Statement is part of a desperate move by David Burt towards his re-election effort. It is a crowd-pleaser, a sweetheart budget. It is not the budget of responsible economic policy. **If the Government has the highly unlikely occasion of having a surplus, the financially prudent thing to do would be to REDUCE THE DEBT** with it! Premier Burt’s “if” statement shows where his real priorities lie – first and foremost – his re-election as Party leader.



FISCAL RESPONSIBILITY PANEL ASSESSMENT OF BERMUDA'S FISCAL STRATEGY

Mr Speaker, the PLP Government has engaged the services of our pre-eminent, world-class economist and professional Fiscal Responsibility Panel for the past seven years to provide direction regarding Bermuda's challenging fiscal strategy, and yet very few recommendations have been followed to help Bermuda rid itself of this economic malaise.

It should be noted that the scope of this Panel's mandate is very broad. They were asked "to provide Bermuda's Parliament, Minister of Finance and Financial Policy Council with an annual published assessment of the territory's fiscal strategy, focusing on progress in meeting the territory's medium-term objectives for public spending, taxation, borrowing and debt reduction." Their recommendations cover those that require attention now and the much-needed, structural reforms that address long-term fiscal challenges (as we have recommended in previous reports). They should be viewed as a comprehensive package. For example:

Fiscal targets: The estimates imply that there is a fiscal gap of at least \$50 million if the budget is to be balanced by 2023-24. They recommend that the Government aim to at least restore revenues to the pre-COVID-19 (i.e., 2019-20) level of \$1,110 million by 2022-23, with a further significant increase in 2023-24 to meet the balanced budget target. Beyond budget balance in 2023-24, the Government should target a budget surplus of \$50 million per annum, to be achieved in the fiscal year 2026-27 and continued thereafter to pay down the debt.

They went on to say that the Tax Reform Commission ("TRC") should have been re-embodied and given a clear, time-limited mandate to provide a report to the Government by June 2021, to allow measures to be implemented in 2022-23. The objective of such measures should have been to achieve the medium-term revenue targets described above, broaden the tax base, and move toward

a more progressive tax structure on personal income that taxes earnings from assets as well as labour. They suggest, over the next two to three years, the introduction of:

1. a tax on dividend and interest receipts;
2. an annual rental tax on owners of large properties and multiple units (thus exempting all but high earners);
3. an increase in taxes on sugar and other unhealthy products; and a carbon tax.

The TRC should also examine the case in the medium to longer-term, and the introduction of a corporate income tax at a modest rate, as is the case in some other small island jurisdictions such as Jersey and Guernsey.

Public expenditure: the Government should have imposed a tight budgetary regime in 2021-22; as an across the board cut in most major spending departments and agencies is both justified and necessary. Over the medium term, more fundamental reforms are required.

Healthcare: While Bermuda's healthcare system has responded well to the crisis, it has long been clear that its financing is both unsustainable and inequitable. They endorsed the Government's programme of reforms. These will require greater progression in burden-sharing. Risks are high, and sustained policy action over the next two years is required.

Pensions: The foundations of Bermuda's social insurance system have been undermined by demographic developments and a lack of policy resolve, now accentuated by measures taken to address the COVID-19 crisis. The PLP Government should, as planned, restore contributions for the Public Service Superannuation Fund (PSSF) and the Contributory Pension Fund (CPF). Fundamental reforms, including increases in retirement age, and income-related contributions to the CPF, will also be necessary.

Immigration: COVID-19 presents a potential opportunity. Bermuda should be an attractive place to live and work. However, to take advantage of these opportunities to grow the workforce and the economy, radical reforms to the immigration system are needed. The red tape must be eliminated. The PLP Government needs to make it easier, not just for people to come to work, but to stay and contribute to the Island on an ongoing basis, and, eventually, to settle permanently, with appropriate rights, responsibilities, and security for their families and children.

Climate Change: We encourage the PLP Government to assess the physical, economic, and financial risks that climate change may pose to the Island, and where necessary, invest further in measures to improve its resilience. Furthermore, responsibility for assessing such risks should be vested in a designated government agency, with clear lines of accountability.

Fintech and Bermuda's reputational risks:

Mr Speaker, a case in point is Bermuda's own fintech company which issued and offered digital coins from Bermuda and later resulted in two of its executives being charged in a California U.S. District Court with conducting a fraudulent and unregistered digital asset security offering. They defrauded more than 1,000 investors of approximately \$9 million through digital asset securities.

RELIANCE ON THE ONE BERMUDA ALLIANCE CAPITAL PROJECTS HELPS TO BOOST THE CURRENT ECONOMY.

Mr Speaker, over the past three years, there has been a reliance on several OBA projects to materially boost Bermuda's GDP and create jobs. One has only to look at St. Regis and the Azura Resort developments.

Unfortunately, we have not seen any meaningful action to manifest the promises made by the PLP. **The reality is, the promises made by the PLP have been broken, again.**

In its 2020 election platform, the PLP pledged to 'target a return to a balanced budget within three (3) fiscal years when tourism has fully recovered following the Pandemic'. They made repeated promises to balance the pre-pandemic budget and failed. In fact, the PLP Government stated that they hoped to have a balanced budget by 2023. Now they say they cannot meet that date, but it will be deferred for another year.

Indeed, with the ongoing effects of Covid-19, and with no detailed plan to resurrect our economy, **it appears that Bermuda is destined to further increase the size of its national debt, which is well on its way to almost \$4 billion.** A debt of that size will undoubtedly cripple our ability to put money where it is most needed, like into our social support networks, into stopping violence, and into *improving* the healthcare and the wellbeing of all Bermudians. Moreover, debt servicing is costing Bermuda \$127.8 million per year.

Mr Speaker, the One Bermuda Alliance stands by its economic policies. We know that it suits the nay-sayers to play down our achievements, but the OBA's efforts were nothing short of an economic miracle!

On our watch: World-class events came to the island, new hotels and a new airport created wealth and new jobs for Bermudians and the OBA also attracted one billion dollars of inward investment to Bermuda.

TOURISM AND HOSPITALITY

Mr Speaker, we will continue to face more difficult times when it comes to tourism in Bermuda in the coming year. Charles Jeffers II, the BTA's Chief Executive Officer, indicated that despite predictions from some in the industry the island would not see a recovery to pre-pandemic levels until early 2023.

Mr Jeffers said: "The stark reality is that a return to 2019 levels is not expected for the next few years. And while the industry has endured a challenging environment since 2020, there is reason for optimism, particularly with news of changes to border protocols and growth in the European market.

Our team has renewed our focus on generating group business opportunities. We've positioned ourselves as a smart choice for meeting planners from key markets and have seen a spike in interest in group business for 2022 and beyond. "

Mr Speaker, Mr Jeffers echoed the comments made last year by tourism economist and specialist, Adam Sacks, who indicated that Bermuda's tourism sector will recover nearly fully from the impact of the Covid-19 pandemic by 2023.

Mr Speaker, when it comes to tourism, Bermuda still has a way to go.

Mr Speaker, one of the real challenges that we face is that due to Covid 19, our targeted clients are from the U.S. east coast, the U.K. and Europe and are flush with cash, and pent-up demand for travel. However, Bermuda cannot capitalise on these ripe opportunities because we cannot accommodate the tourists. The island's hotel room inventory is not up to scratch and is very limited. Consequently, Bermuda cannot meet the needs or the demands of these clients and therefore, we will lose out as a jurisdiction.

We must improve our domestic tourism product if we are going to be competitive, and successful in the tourism industry.

Mr Speaker, last year's BTA's visitors to the island increased their length of stay. Recent statistics indicated that:

1. Total leisure air visitor arrivals were down 71.2 percent, compared to 2019;
2. Total air capacity was down 59.1 percent compared to 2019;
3. Totals spent by air visitors was down to \$122.57 million or 69.3 percent less than 2019; and
4. Cruise arrivals were 97.6 percent down from 2019.

Having presented these figures, it should be noted that they were significantly higher than the 2020-year end statistics.

Mr Speaker, despite this information, there were green shoots of hope, as last year's visitors increased their stay by 27.7 percent, compared to 2019 and stayed 6.92 days. They also spent 13.9 percent more, and the superyacht calls were up 6.5 percent compared to 2020 when the superyacht legislation came into play.

The BTA was not surprised, as they expected that these numbers were not unreasonable given the global travel trends, international border restrictions, local Covid-19 surges, and the CDC downgrades.

Another unexpected win was in the rebound of the vacation rental category. In fact, this sector secured more momentum than our hotels.

As for events, even though Bermuda had several commitments, several signature events had to be postponed.

Mr Speaker, the SailGP event went ahead in April 2021, but because of the pandemic, hospitality events were cancelled, and visitor arrival numbers were dramatically reduced. Despite that, SailGP, a child of the One Bermuda Alliance's America's Cup initiative, still had a significant impact of \$5.7 million on the local economy.

As for the WTS Bermuda series, it had to be postponed on the heels of Dame Flora Duffy winning Bermuda's first Olympic Gold Medal. This event is now scheduled for November 2022.

We also lost a substantive amount of our group business due to the presence of the Delta and Omicron variants.

Thankfully, we were still able to maintain limited flights from Canada, the U.S., and the U.K.

CAROLINE BAY:

Mr Speaker, as Morgan's Point has raised its head again and has taken a prominent place in this Budget statement, I will share some history with the people of Bermuda on this matter.

Morgan's Point was a poisoned chalice almost from the start. How so? The ground was poisoned by the U.S. Navy and the contract that was signed by the previous PLP Government with Morgan's Point Ltd. It was poisoned by the obligation to clean up the entire site to a "Residential 1" standard, at the cost to the government and the Bermuda taxpayer.

As the project progressed, the developers threatened to sue the then Government for \$100 million if they did not comply with the Progressive Labour Party government's development agreement.

Mr Speaker, after long and difficult negotiations, the government agreed to clean up the sections of the site where clean-up was possible, and retain for itself, the areas where it was impossible. We did that at a cost of about \$33 million.

Notwithstanding all of this, it was still a "Brownfield Site", and as such, investment funding would not be forthcoming without the government's guarantee.

To lay the infrastructure for the long-term future of our tourism industry, create opportunities for local businesses and jobs for Bermudians, the decision was made to guarantee certain loans for the project.

Unfortunately, the project failed. Nevertheless, due to the negative result of this case, government guarantees are generally required from overseas financiers to finance major projects in Bermuda.

As the property is now managed by the provisional liquidators, EY as the primary creditor, I would have thought that this government would outline their plans for this project for the coming year.

Mr Speaker, the obvious question is, *what now?*

Again, the PLP Government has been very thrifty with these details.

FAIRMONT SOUTHAMPTON HOTEL:

Mr Speaker, as we all know the Fairmont Southampton closed in September 2020, resulting in the loss of more than 700 jobs and cost the PLP Government \$11 million in loans for redundancy benefits which were later recovered.

It is our understanding that the property owners and the government remain in discussions and that the situation is very tense.

Where does the Government stand as far as getting Bermuda's largest hotel property back online, and our people back to work? Especially after the owner's \$180 million commitment to resurrect this hotel for Bermuda's tourism industry.

Mr Speaker, this PLP Government must strike a deal with Gencom now. If not, the hotel development runs the risk of collapsing, due to the lack of secure financing.

Like other projects of this nature, the Government must come to grips with the fact that they should provide a sovereign guarantee to get this project across the line, and yet there was no mention of a guarantee in the 2022/23 Budget. We know that the guarantee is inevitable, and we take the view that it played a key role leading up to the former Finance Minister's hasty departure from his ministry last month.

Mr Speaker, this project is crucial to Bermuda because a PWC Impact report on this topic indicated that in 2019 the hotel accounted for:

- 25 percent of Bermuda's hotel room inventory;
- 31 percent of Bermuda's hospitality industry workforce; and
- 35 percent of air visitors stay in hotels.

In addition, going forward it will provide 716 new construction jobs and a \$44 million net additional impact on our GDP in 2022.

If the hotel remains closed, it will have an \$80 million-dollar negative impact on Bermuda's GDP in 2022. The negative impact on GDP considers the loss of conferences due to limited spaces for large conferences, thus the loss of visitors to the Island.

Mr Speaker, the PWC reports said that based on the operator projections, if Gencom or any other investor does not proceed with the transaction or renovation, and shuts down permanently, the opportunity cost is estimated to be \$60.6 million in 2022 and up to \$118.4 million in 2025 or an accumulated opportunity cost of \$404.1 million for four years from 2022-2025.

Back in November, the former Minister of Finance indicated that blue-chip names were prepared to invest in the redevelopment of the island's biggest hotel

He went on to say that Gencom, the U.S.-based owners of the Fairmont Southampton Hotel, had met government representatives with a group of investors and a draft business plan and that they were in town with some investors who are interested in working with them on the redevelopment.

Where do we stand with the financing of this \$180 million project?

GAMING

Mr Speaker, there was no mention of Gaming in this budget statement. In the past two or three years, the topic of Gaming has been very popular, as it is an amenity that can support our ever-evolving tourism industry.

Mr Speaker, the Gaming Commission issued two provisional licences to two world-class resorts. These resorts are unable to move forward with their gaming offerings because the proper legislative and operational framework is not in place. Moreover, the banking component of the structure has not been resolved, even though we are making progress in this space.

I have been advised that the delay in Gaming lies squarely at the feet of the Premier and that the banking matter can be resolved *if the Premier does what is required.*

Mr Speaker, some who have vast experience in the industry believe that Gaming should be removed from the Premier, who is now also the Minister of Finance. **Senior international bankers also have indicated that they are not aware of any advanced nation where the gaming industry is under the control of, or under the purview of a country's head of state, Premier, Prime Minister or President.**

In addition, some stakeholders believe that the overarching Gaming Commission legislation must be amended so that the Commission is independent of government influence and interference. It should include the removal of the requirement that a government representative sits on the Board of the Commission. It was noted that the Gaming Commission should have the same type of independence and autonomy as the Bermuda Monetary Authority.

As most in our country are aware, the current Government has indicated that operationally, Bermuda will be progressing with a cashless gaming solution. What does a cashless gaming solution mean? Are we talking about credit cards only? Are they referring to cryptocurrencies like Bitcoin, Ethereum, or Tether through blockchain solutions? Transparency is required, as potential operators who are prepared to invest in this industry are not clear on the Government's cashless gaming direction. This matter must be resolved soon.

Considering the above, we must get it right, as the Government has a responsibility to fulfil its obligations as prescribed under the various hotel development agreements which are in place in our tourism industry.

INTERNATIONAL BUSINESS:

Mr Speaker, like last year, Bermuda's International Business (IB) sector has continued to tick over well, despite Covid-19, and the debacle in travel. It has been said that from chaos comes opportunities, and all this chaos is having a major turn in the right direction for the global Property & Casualty insurance underwriting market.

Despite the pandemic, IB registered an increase of 171 jobs. This is impressive given the rise of the videoconferencing economy where people don't have to be in Bermuda to conduct business. Just imagine the catastrophe that would have befallen our country if not for International Business. This is not a supposition. This precise circumstance has befallen some of our cousins to our South who have defaulted on external debt and rescheduled internal debt.

This is why it is particularly worrying that we are being placed on the E.U.'s so-called Grey List. We know that the OECD and E.U. the regulatory environment towards Bermuda has become increasingly hostile. Despite the benefits our IB community renders to the global economy, Bermuda has very powerful enemies out there with whom we are playing a game of bureaucratic "whack-a-mole." No sooner do we neutralise one threat, when another one pops up. It appears that this latest E.U. "mole" has not been properly whacked by our Ministry of Finance and we are facing a period of being on a Grey List.

We know this game is unfair. We know we have limited resources with which to successfully play this game. But play it we must, and we must play it well or the consequences will be severe for us because IB is our only properly functioning economic sector. We cannot afford any more of our "own goals."

Furthermore, in this age of global social media, we cannot have local officials, in this case, labour

officials, making ill-informed and destructive statements on the “tax haven issue” that are diametrically opposed to the government’s stated position and diametrically opposed to Bermuda’s national interest. That little video clip, no doubt, has already been noticed on social media and is now available to any whack-a-mole in Brussels, Paris, London, or Washington who Googles Bermuda on the tax haven issue.

This PLP Government must improve its own performance and control its supporters who, unwittingly or otherwise, threaten the livelihoods of the many Bermudians employed in the only private sector industry that hasn’t been crushed by the pandemic.

There is also the initiative to develop Bermuda as the World’s Climate Risk Finance Capital centre of excellence, which we in the opposition fully support and endorse.

In fact, it is now time that Bermuda once again considers hosting the second Ocean Risk Summit event for Climate Change Risk, like the very successful one held in 2018.

Mr Speaker, there is a thorny issue which needs to be addressed by some of our local companies who are outsourcing and exporting Bermudian jobs. Many IB companies continue to increase their returns by outsourcing many of their back-office functions to more competitive jurisdictions outside of Bermuda. IT servers have been relocated overseas, employees are working remotely from Canada, the U.K., the USA, and Europe and business analytic models are being purchased off the shelves, thereby robbing our people of job opportunities and employment.

Mr Speaker, our job as Parliamentarians, is to encourage such companies to fill these positions locally. This can be accomplished by making the immigration process more accommodating, and by removing some of the bureaucratic red tape which stymies a productive and welcoming business environment. We cannot afford to lose this momentum, as it is the only tail wind that we currently have.

Mr Speaker, we must encourage the Government to get out of the way and allow Bermuda to grow.

DIGITAL COMMERCE

Mr Speaker, quite a lot is also being said about the opportunities in Bermuda’s digital commerce arena and the One Bermuda Alliance supports this discussion. With Bermuda’s legislative, regulatory and telecommunications frameworks and digital communications infrastructure, we stand ready to capitalise on this emerging and growing industry.

Mr Speaker, like the Fiscal Responsibility Panel, the One Bermuda Alliance does not support this government’s intention to promote a digital bank in Bermuda. This initiative should be driven by the private sector.

Mr Speaker, we recognize why the Government is trying to do this.

According to their 2020 platform, they want to create the Bermuda National Digital Bank with ownership shares available to all Bermudians to invest and create wealth for future generations. The bank will allow for long-stalled industries like gaming to commence, creating jobs and economic growth, while connecting Bermuda’s residents and entrepreneurs to the global world of digital payments. This bank will ensure that more Bermudians can benefit from lower mortgage rates to reduce pressure on middle-class families, while lower rates will increase the value of existing homes.

Mr Speaker, the Fiscal Responsibility Panel in their most recent report said it succinctly. I quote:

A new digital bank will not address all the factors responsible for the lack of access to quality banking services experienced by many Bermudians. Other potential issues include a lack of competition between banks and barriers to entry in the retail banking market; banks' access to retail customer credit scoring and other data, and other barriers to writing new business; strengthening consumer protection in financial services; payment systems; and the lack of liquidity in Bermudian residential real estate or a secondary mortgage-backed securities market. Also inhibiting access to finance is the absence of any requirement for businesses to provide routine financial statements or accounts, and the absence of clear legal procedures for handling company failures in the non-financial sector. For small businesses, this may hinder their access to capital.

As the Fiscal Responsibility Panel said: "We expect the provision of robust training and internship programs and the creation of new jobs for Bermudians."

In addition, from a taxation perspective, the digital sector will benefit from the traditional tax schemes currently in place in Bermuda, such as company taxes, payroll taxes and land taxes. **The PLP Government should consider further examination of a negotiated value-added tax for the privilege of booking their local and global internet business earnings from Bermuda. This approach is not new, and the industry is familiar with it.**

Mr Speaker, the One Bermuda Alliance is also very concerned about some CEOs who have violated foreign corruption, trading, and international sanctions laws locally and internationally. More KYC and AML investigations need to be completed before these senior people are granted permission to operate in Bermuda by the Government, and the Bermuda Monetary Authority.

Mr Speaker, we have had more than our share of investigations by the SEC, the US Government, and other international agencies,

Bermuda must not compromise its blue-chip reputation in the Government's zeal to secure new business for Bermuda at any cost. The reputational risk is too great.

SATELLITES AND THE SPACE INDUSTRY

Mr Speaker, as you know, Bermuda has had an enduring relationship with the United States NASA program for over 50 years and we have played a supportive role in many U.S. space missions. We have also had a slot on one or two satellites which we have capitalised on.

Mr Speaker, there is more we can do. There are opportunities in the Satellite infrastructure arena, communications, earth observation, solar energy, reusable rockets, asteroid mining, and space tourism.

According to the Satellite Industry Association, during 2020, the global space industry generated revenue of \$371 billion, and there was record-breaking growth in this arena.

Recently Danielle Wood, Assistant Professor of Media Arts and Sciences and Director of Space Enabled at MIT Media Lab, indicated that Bermuda should not discount itself from space opportunities because of its size. She went on to say that "In the 1960s, the United Nations sent out

a clear message that space is the province of all humankind. Every country of any size should be thinking about space as a potential opportunity for them.”

In this spirit of entrepreneurialism, the International Telecommunication Union, an agency within the U.N., has granted radio spectrum and orbital allotments – limited natural resources – to many different countries. One of the two orbital slots to which Bermuda has sole rights came into use by two commercial satellite operators, SES and EchoStar, in 2013. **Bermuda shares rights to two further orbital resources with various Caribbean jurisdictions.**

Mr Speaker, Ms. Woods went on to say that many of us enjoy space-based services every day, without realising it. Satellites, acting as “cell towers in the sky”, provide broadband and wireless network coverage in places where the terrestrial network does not reach. Global positioning satellite (GPS) technology helps us with navigation systems in our cars and mobile phones.

“Companies like Uber have built a business model on satellite signals,” Professor Wood said. “There are opportunities for entrepreneurs to find ways to utilise space-based environmental services, positioning information or education systems, for example.”

We must do more to promote Bermuda in this ever-evolving industry.

Bermuda has the opportunity to build on its NASA connections and to attract new space business, through the extension of our regulatory experience in the industry and the global recognition earned. Bermuda should welcome innovators, in insurance, trusts and asset management, and fintech.

Mr Speaker, Ms. Woods indicated that, and I quote, “This is an interesting time in history, and I think we’re going to see many proposals for space companies doing things we’ve never seen before, such as commercial space stations or ‘gas stations’ where space travellers can refuel,”

“A government that supports these novel companies, and provides smart regulation and efficient processes, could attract space businesses. Once a critical mass is reached, a cluster of emerging space companies becomes a possibility.”

Come on Bermuda we can do it. Let’s make it happen.

IMMIGRATION:

Immigration reform has been a thorny, and very emotional issue for successive governments of Bermuda and her people. It has been a political football with the aid of successive PLP Governments.

But despite this, the Progressive Labour Party has begun to make progress in this space. The Government is finally beginning to recognize that Bermuda’s workforce and population must be expanded.

Mr Speaker, they are accepting the fact that a good immigration policy is a good economic policy, something that the OBA has been stating from its inception.

We need a minimum of 7,000 new residents to bolster our economy. There are no ifs, ands or buts about it. We need thousands of bodies on our island who will bring jobs or create local jobs.

The Ministry of Immigration introduced the Economic Investment Certificate and the Residential Certificate Policy which enables investors to apply for the right to live in Bermuda indefinitely, on the condition that they invest a minimum of \$2.5 Million into the economic wellbeing of Bermuda which will add value to our economy.

Mr Speaker, Bermuda has approved applications for hundreds of digital nomads, who are all welcome, but how many have moved to the island under this residential programme?

We are seeing the promotion of several reforms that the One Bermuda Alliance recommended, especially with mixed-status families, as well as the idea of commercial immigration, which was initially presented by former OBA Immigration Minister, the Hon. Michael Fahy JP MP.

Quite frankly **Mr Speaker**, we also assert that **a full review of the Immigration Act of 1956 is a must**. The current Act is draconian and outdated and well over sixty years old. Its original purposes and features are no longer relevant to the Bermuda we enjoy today and does not support our 21st-century economy with all its nuances and challenges.

The PLP Government must grab the proverbial mettle, stop the political sophistry, and embark upon an immigration review which will help to expand Bermuda's workforce, and in turn, will form the foundation for Bermuda's economic growth. It will also create a pathway to residency and citizenship, while at the same time, protecting the interests of Bermudians and Bermudian jobs.

Based on Ruchir Sharma's 'Ten Rules of Successful Nations', increasing populations have accounted for roughly half of the economic growth and if the population is shrinking, it is close to impossible to generate strong economic growth. **As the European Commission stated in 2005, "never in history has there been economic growth without population growth."**

Mr Speaker, for the edification of our community, let me explain why the expansion of our workforce is so crucial.

Having more working people in Bermuda means greater payroll tax collection and more local consumption which increases customs duty revenues. A greater residential population creates a multiplier effect on several of our biggest buckets of tax.

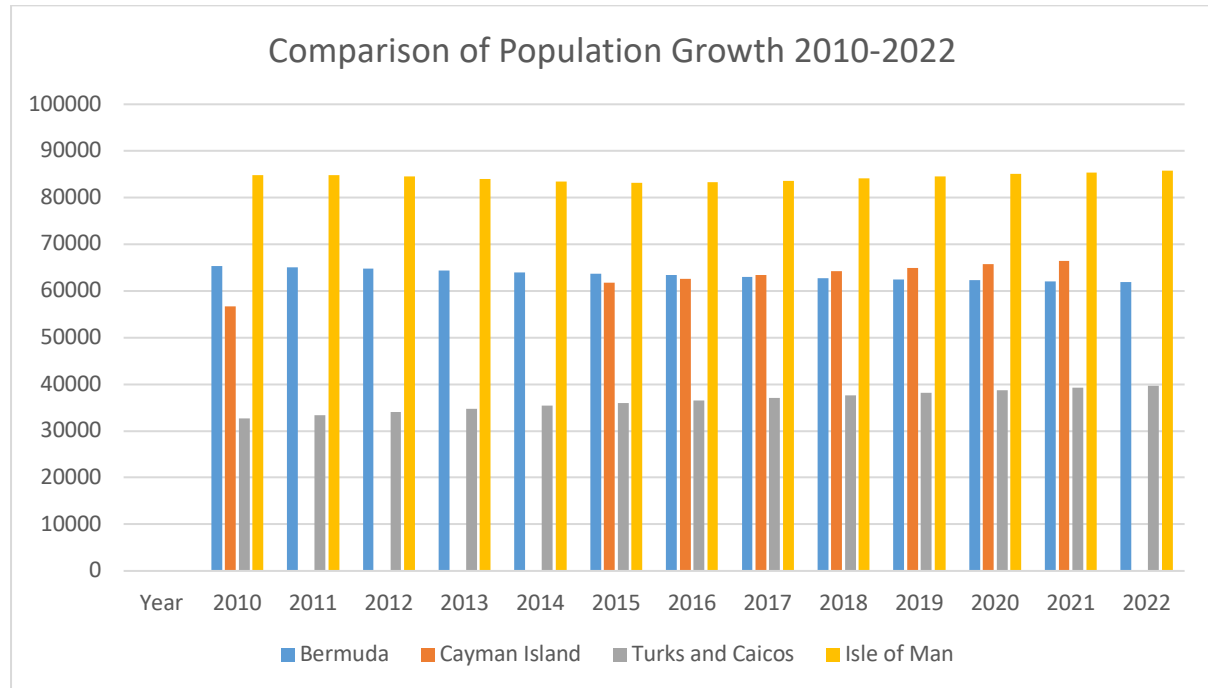
- Healthcare costs: Guest workers are generally younger and healthier than our average resident. Increasing the number of guest workers massively improves the sustainability of our healthcare system.
- Ageing population: Increasing the working-age population with all else staying the same, directly reduces our maintenance ratio. Total healthcare costs and an ageing population are closely intertwined.
- Global compliance requirements: Many companies are going to have to do more to justify their presence in Bermuda under the new tax regimes. We are competing with other jurisdictions on this front and must present a welcoming attitude.
- Narrow economy: More working-age people on the island decreases the tax load per person.

Mr Speaker, keeping it real, our economy, social wellness and security are inextricably linked with immigration, more so than nearly any other jurisdiction.

We are a service economy with no physical exports and only two pillar industries, one of which produces much of our foreign exchange, employment, and tax revenues i.e., international business.

The time has been long spent. This immigration review must start now.

Mr Speaker, Immigration Reform just makes good business sense.



PENSION FUNDS FOR INVESTMENT

Mr Speaker, Government actuaries have indicated that the public sector pension fund is due to be depleted by 2044. Imagine what that sounds like to a young person at the beginning of their career. This simply cannot happen. If we stay on this trajectory, we will see even more young Bermudians emigrating. We must do everything we can to keep them here and attract talent back to Bermuda, they will need to see and believe that they are returning to something that will offer them real opportunities.

Mr Speaker, once again the PLP Government is silent when it comes to the unfunded liability for our Public Service Superannuation Fund, the Government Health Insurance Fund and the Members of the Legislature and the Ministerial Fund. For the record, it stands at approximately \$1.74 billion, based on the latest Auditor General's Report and the latest Government actuarial report.

Will Government employees have a pension that they can draw on when they retire in the years to come?

Mr Speaker, this question is not unreasonable given that the total liability due to our pension plan participants, and Government's noteholders, now stands at approximately \$4.6 billion.

Mr Speaker, if we are going to be truly transparent, we should note that this government funded some of their stimulus programmes on the back of pension funds, and the pension holiday, which only kicked the can further down the road.

Here it should also be noted that Superannuation fund shortfalls are, of course, funded through the Consolidated Fund and will need to be addressed at some point.

ACCOUNTS RECEIVABLE DUE TO GOVERNMENT:

Mr Speaker, earlier this year the former Minister of Finance confirmed that the Government was owed more than \$197 million in taxes and fees, with \$84 million in recoveries over the last year. We commend them on this action as the balance last year was approximately \$357million.

We understand that Oarrs Inc. and PWC were hired to address and recover these funds. PWC was paid approximately \$4.2 million for their services. How much has the Government paid Oarrs Inc, an unauthorised collection agency, for their services?

As the Minister indicated back in March of last year: “By not collecting these funds, the Government cannot address or deliver the services that the people of Bermuda voted to receive, such as the development of infrastructure projects like school and road repairs or issues associated with healthcare, pensions, youth programmes and many other social initiatives.

Interestingly, on another note, in July 2021, the Government overpaid \$3.5 million in unemployment benefits during the COVID-19 lockdowns, the Minister of Finance admitted.

About 2,500 people (1 in 4 people) were overpaid an average of \$1,300.00 via unauthorised payments by senior civil servants because the applicants did not inform the government when they returned to work and continued to receive the money. Who is being held accountable?

When will these receivables be cleared?

ADDITIONAL CAPITAL DEVELOPMENT SPENDING

The Throne Speech indicates that “under normal circumstances, governments the world over, increase their capital expenditure to stimulate the economy and create work projects to help to get its citizens back to work, after natural disasters or dramatic economic downturns”.

But Mr Speaker, these are not normal times. The Government’s debt ceiling is at \$3.5 billion with no surplus budget possibilities in the immediate future.

The OBA Government created an environment that incentivized foreign investment such as St. Regis and the Azura Bermuda hotels. We engineered innovative public/private schemes such as the airport and promoted international events, such as America’s Cup which alone brought \$350 million dollars to our economy and stimulated jobs and commerce. This represented a sizeable return on the public purse spending.

This PLP Government has not demonstrated that same type of ingenuity and prowess. Is capital development spending needed now to upgrade our infrastructure and stimulate a stagnant economy? The answer is Yes.

Does this Government have the ability to make this happen while adequately servicing its debt, while not going into further debt and maintaining its present service levels while trimming the fat off Government spending? Past performance by this Administration and the contents of its most recent Budget statement does not convince us that it can.

Mr Speaker, while on the topic of Capital Developments, where does the Fortress Bermuda Infrastructure Fund currently stand? This was the brainchild of Brian Duperreault, and the Hon 'E.T.' Bob Richards. The idea was to create a "for-profit" investment fund to improve the infrastructure in Bermuda, funded by the reinsurance industry that has assets of 2/3 of a trillion dollars (yes that's a Trillion with a 'T') invested outside Bermuda. In the final analysis, in March 2017, the proposal realised firm commitments for \$66 million.

Where do we stand today?

UPDATE TAXATION SYSTEM

Mr Speaker, the 2021 Throne Speech proposed that the Tax Reform Commission of 2018 should update its recommendations *"in light of the new economic realities created by the Pandemic"*.

If you are wondering why this has not happened, it is because this is not a government priority. It is another difficult decision that they refuse to make.

REVISED TAX STRUCTURE:

According to the Fiscal Responsibility Panel (FRP), Bermuda should consider restructuring its tax structure to ensure that our tax system is more appropriate for the 21st century and not the 70s and 80s. Our tax structure should be fit for its time and purpose. With our sovereign debt level close to \$4 billion, Bermuda's current tax structure appears to be inadequate. Alarming, the 20 years of the PLP's unbridled deficit budgets fed the escalation of our country's national debt and unfunded liability, which is now approximated at \$4.6 billion. We cannot continue to burden our children and grandchildren with this tsunami of debt that they will not be able to manage. We have a responsibility to future generations to ensure that Bermuda's finances are managed prudently and with discipline, for the benefit of all of Bermuda.

In doing so, we should also move forward, hand in hand with ABIC, ABIR, the Bermuda Hotel Association and Bermuda's construction association to resolve this matter.

Mr Speaker, Bermuda is a global player and must act like one. If the OECD and its 130 member countries can agree to overhaul the global tax system, to ensure that big companies pay their fair share wherever they operate, we can at least review and assess the adequacy of Bermuda's tax structure.

In July of last year, the then Minister of Finance indicated that the Government would soon reconstitute the Tax Reform Commission (TRC) to consider Bermuda's domestic issues of taxation and to consider and analyse the OECD's Base Erosion and Profit Shifting (BEPS) Project. The One Bermuda Alliance wants to know where we stand with this as there has been no evidence that the TRC has been reconstituted.

The FRP also recommends that the country should brace itself for a revised tax structure. The Panel feels that the current structure is unsustainable in addressing Bermuda's current economy. In real terms, this may mean more taxes for the people of Bermuda, as they believe that reasonable tax revenue, as a percentage of GDP, should be around 19 to 20%. That would be an increase of approximately \$190 Million over 3 years.

It should also be noted, that with the imminent embodiment of the Tax Reform Committee, a more fair and equitable tax structure is being examined, which could result in an increase in all our current personal tax liabilities.

Mr Speaker, the bottom line is that we need enough taxes to run the Government and not a penny more. Without taxes, we cannot effectively provide government services.

Bermuda's debt continues to rise unabated. As I mentioned earlier this year, **Bermuda can expect that our national debt will hover around \$4 billion during the next fiscal year**. The Fiscal Responsibility Panel ("FRP") said in their 2020 report that "An adverse but far from inconceivable" scenario would see Government debt on an unsustainable trajectory, leading to a credit rating downgrade, higher interest rates on new debt, and the risk of "large emergency tax increase and spending cuts", and the possibility of capital flight and a foreign exchange crisis.

The FRP also indicated that given the fiscal position, and the limited progress of the Government acting on their earlier recommendations, they are concerned that Bermuda will have little fiscal or macroeconomic policy bandwidth to address any crystallisation of these risks. Over the longer term, their key concern is still domestic, i.e.: the island's shrinking workforce and ageing population. This challenge will put ever-increasing pressure on both taxes and spending.

Mr Speaker, according to the FRP, the issue is not whether action is needed, or even what actions are needed. There is already a high degree of consensus, in both their reports and those of other independent bodies, indeed even within Government that **action is needed**. This action includes immigration reform, tax reforms, and changes to the structure of healthcare and pensions, which are **all** necessary.

DEBT SERVICE

Mr Speaker, Bermuda's annual debt service is completely out of control. This money is paid to our local and international bondholders. For the year ending March 31, 2022, this annual expense will total approximately \$127 million or approximately 11.4 percent of the estimated expenditures. This expense is projected to increase to \$129.8 million for the 2022/23 fiscal year and is the third-largest government expense after the Ministry of Education, and the Ministry of Health. It is almost larger than the Ministries of Youth, Sports and Community Affairs, Social Development and Seniors, Home Affairs and Transport combined.

And **Mr Speaker**, most of this money leaves Bermuda. It does not circulate in our economy for further use by our people.



THE SINKING FUND:

Mr Speaker, The Royal Gazette stated that “the Sinking Fund was devised by the late David Saul for a rainy day, just like this one.” For clarity, Bermuda should note that **The Sinking Fund was set up specifically to provide for the RETIREMENT OF DEBT.** In fact, the annual contribution was earmarked at 2.5% of the outstanding debt for the expiring fiscal year.

What will be the PLP Government’s policy going forward? Will the Sinking Fund contributions be made in times of plenty when we have current account surpluses?

Will the suspension of our contributions to the Sinking Fund be permanently on the table, or will the suspension be temporary? How are we going to establish a reserve to retire the growing debt that Bermuda faces as a result of Progressive Labour Party Government?

As for this year’s budget, the Minister of Finance indicated that the balance of the contributions in the Sinking Fund stands at \$161.01 million.

Why is the PLP Government raiding the Sinking Fund? It went from \$231.61 million in 2021/22 to \$161.01 million, estimated for 2022/23. This is a reduction of \$70 million or 30 percent. Why raid the Sinking Fund when Bermuda’s outstanding debt stands at \$3.35 billion, and there is no plan or road map to manage or halt the unabated growth of our national debt?

YEARLY DEFICIT IN MILLIONS

Mr Speaker, during the Budget Statement presentation, the Minister of Finance gave an historic rendition of the country’s fiscal management. Again, he misled this House and the people of Bermuda by rewriting history when he indicated that the OBA doubled Bermuda's debt from 2012 to 2017.

Mr Speaker, I can recall back in 2012 when the OBA became the government, they had to borrow money to meet its first payroll payments and other ongoing government expenses. Money had to be borrowed as there was a massive inherited deficit, while they managed a stimulus programme.

Government spending was reduced gradually to avoid mass redundancies of civil servants. The OBA determined that a hike in the debt ceiling was required to clean up the mess and set it at \$2.5 billion. The OBA inherited a broken machine that was running an operational deficit of \$101 million and an overall deficit of \$299 million in 2012/13.

When the PLP became the government in 2017, the OBA handed over an operational **surplus** of \$166 million and an overall deficit of only \$8 million (excluding the Sinking Fund contribution). **Thanks to the OBA government, the debt was significantly addressed.**

Mr Speaker, for those Honourable members wishing to make political points with the debt, it is worth noting that during the last fiscal years of the PLP Government (2008/09 to 2012/13), **the debt grew by 320% from \$335 million to \$1.408 billion**. From the start of the times of plenty in 2001/02 until the year of the OBA election in 2012/13, **the debt had grown by an astounding 1,045% or eleven times over!**

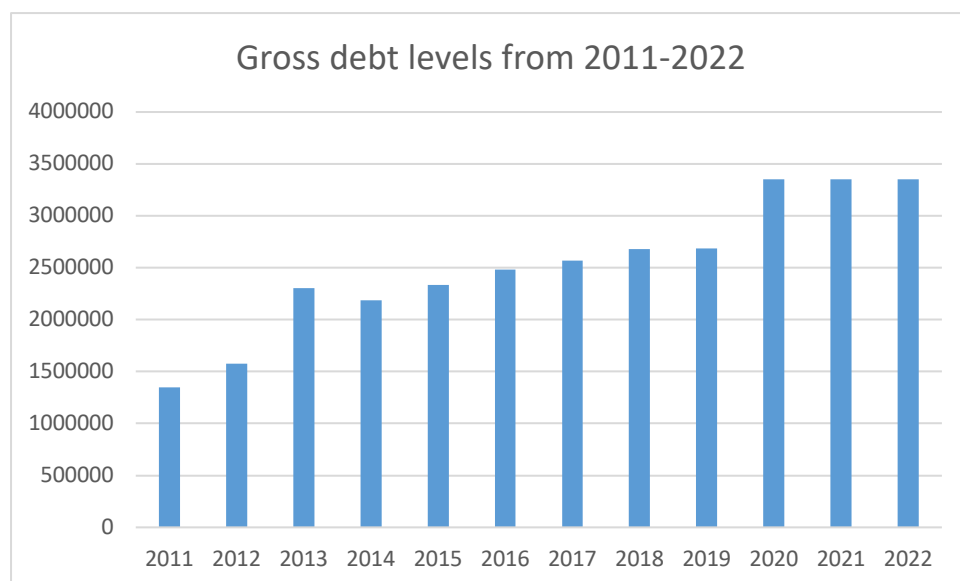
Mr Speaker, it would be remiss of me, if I did not acknowledge the comments made by Bermuda's Auditor General about Bermuda's national debt. She underscored her concern by stating that, as in her previous annual reports, the Government continues to make decisions without knowing the combined financial position of all the organisations that make up the Government reporting entity.

She further added that there are no effective, comprehensive long-term plans for reducing the annual and accumulated deficits or the associated debt, the unfunded liabilities of its major pension plans, or the size of taxpayer indebtedness, all of which continue to grow unsustainably.

This continued behaviour must stop, and fiscal prudence should and must be addressed if we are going to bring our national debt in check.

As questioned last year, is it time to introduce fiscal responsibility legislation that places a ceiling on the annual expenditure growth? Do we also add an extra feature that places a ceiling on our debt to GDP ratio? This should not be dismissed, **as our debt is close to 60% of our GDP**.

Mr Speaker, for a bit of trivia, each Bermudian worker is carrying \$133,000 of the Government's debt.



HEALTHCARE

Mr Speaker, please allow me once again to applaud and thank Bermuda's healthcare workers for the work that they have accomplished over the past 18 months for the management and mitigation of Covid-19 and the Delta and Omicron variants which plagued this island. It nearly brought the country to its knees economically and medically.

Special recognition should also be extended to Dr Carika Weldon, the staff at Bermuda Molecular Diagnostic Lab, the healthcare workers who participated in the national immunisation and vaccination programme, the PCR and antigen testing site staff across the island and the Bermuda Regiment who provided additional support.

Mr Speaker, just last month, the Minister of Health presented the "Bermuda Health Strategy 2022 - 2027.

This strategy formed the foundation of an aspirational plan which would ensure that all people have equitable access to the needed informative, preventative, curative, rehabilitative and palliative essential health services, of sufficient quality to be effective while also ensuring that people do not suffer financial hardship when paying for these services and critical medicines.

Mr Speaker, the strategy for this aspirational plan is to be based on seven strategic principles:

1. Promoting healthy living and preventative care;
2. Focusing on person-centred care;
3. Understanding our population's health needs;
4. Providing access to healthcare coverage;
5. Strengthening our healthcare workforce;
6. Harnessing healthcare technology; and
7. Partnership and collaborative working.

Mr Speaker, we understand that the new national health plan will be crafted and finalised through a graduated phased process.

When will Bermuda's revised national health plan be delivered? How much will the implementation of this plan cost and how much has been allotted to it for the 2023 fiscal year?

Mr Speaker, we look forward to receiving this plan as it will address some of the health care weaknesses, financial hardships, and healthcare access challenges that presented themselves during the Covid-19 pandemic.

Mr Speaker, the One Bermuda Alliance believes that all Bermudians should have access to affordable, high-quality healthcare.

Through true and transparent consultation, the OBA agrees that the Government MUST work with all sectors involved in the delivery and financing of healthcare in Bermuda to reduce the cost of healthcare, tackle chronic illness, and ensure equal access to care.

Every Bermudian has the right to health insurance coverage that is evidence-based and managed by independent professionals and not by the Government.

The legislation surrounding health care is fragmented and we recommend that the laws are brought up to date and unified to reduce the confusion surrounding our healthcare regulations.

The supplemental benefit for mental health needs to be regulated and protected to ensure that insureds are being covered at the same level as for medical benefits.

All our people need more access to information about their healthcare policies, to have transparency regarding the specifics of their coverage.

We also recommend that the PLP Government implement a "Unique Patient Identifier" ("UPI") for everyone in Bermuda. This will ensure that everyone has coverage, reduce duplication of services, and drive down the cost of healthcare for all. It will assist in services being streamlined and produce a true number of those who are uninsured or underinsured, to assist in developing solutions to reduce this subset of the population.

But **Mr Speaker**, we must do more to tackle the root causes of poor health, so the One Bermuda Alliance recommends a National Physical Fitness Programme to encourage well-being, sound health, exercise, and healthy diets, from primary school throughout life.

We would also recommend the introduction of a programme that specifically targets non-communicable diseases, underpinned with food cost reductions for healthy living.

THE AGEING POPULATION AND ITS IMPACT ON BERMUDA

Mr Speaker, according to Bermuda's department of statistics, Bermuda Population Projections 2016-2026, as Baby Boomers age over the coming years, more persons will be reaching retirement age than in the past. Due to declining fertility levels, it may be difficult for employers to secure enough qualified young Bermudians to fill these vacant positions. Also, as indicated by the increasing old-age dependency ratio, there will be a greater proportion of elderly dependents who may need to be supported by the working population. One possible option to address this projected issue is to increase the mandatory retirement age of 65 in some industries or to eliminate it altogether as an earlier retirement age diminishes the labour pool. Aside from substantial immigration, another way to increase the labour supply immediately will be to keep or bring more of the elderly into the workforce.

In the future, the needs of the elderly will likely shift public policy and the provision of services. Finding affordable care providers for seniors could become more challenging than finding childcare providers. More or larger retirement facilities, senior citizen day care programmes, and in-home care services will also be required. As a result, Bermuda's "greying" population will mean added challenges in upcoming years.

Again, **Mr Speaker**, to remedy this challenge, we need to expand our workforce. We need more local jobs so that we can collect the revenue to fund our pensions and care for our seniors.

SUPPORT FOR OUR SENIORS

Mr Speaker, The Population Projection Report also states that of all residents, 7.2 percent of the population were 75 years and older in 2016. By 2026, this proportion is anticipated to increase to 10.8 percent. The increase in the proportion of older seniors will likely increase the demand for purpose-built residential facilities with trained staff. This is inevitable as with increasing age, seniors are more likely to have chronic health challenges that may require the assistance of another person or permanent care in an institution. According to the 2010 Census, 77 percent of seniors had a long-

term health condition compared with 35 percent of persons under the age of 65. Also, 14 percent of seniors had a disabling long-term health condition in comparison to 4 percent of the population under 65 years of age. The 2014 Health Survey of Adults in Bermuda indicated that seniors were more likely to have hypertension, diabetes, and cardiovascular disease (Bermuda Ministry of Health, Seniors and Environment, 2016).

Mr Speaker, please also note that the One Bermuda Alliance is very supportive of the \$60,000 grant provided to inhouse caregivers that support families who need home caregivers to help their loved ones in the comfort of their family homes. Having said that though, this does not go far enough. Our seniors need more support when it comes to adaptive equipment.

We also need respite care for our caregivers.

EXTENDED CARE UNIT

Government should, where possible, transfer our family members who need daily health care hygiene and mobility support from the Extended Care Unit of the KEMH, to private care homes where possible, as private care homes will provide those seniors with a warmer family-focused environment.

It would be more efficient and supportive from a patient perspective, and it would be more cost-effective for the Government and people of Bermuda.

RISING HEALTH CARE COSTS OUTPACE INFLATION:

In 2004, each Bermuda household spent an average of \$7,000 a year on healthcare, a 156 percent increase from the amount spent in 1993. This represents a greater increase in healthcare expenditure than the 32 percent rate of inflation during this period. The amount each household spent on healthcare was roughly \$10,300 on average in 2013, a 47 percent increase from 2004. This was also a greater increase than the 30 percent rate of inflation during this period. In 2013, households headed by seniors spent \$10,919 per year on healthcare, up from \$6,000 in 2004. Seventy-six percent (76 percent) of that expenditure was health insurance (Bermuda Department of Statistics, 2005 and 2014).

The Report indicates that **Bermuda's health system share of Gross Domestic Product is the third highest out of the Organisation for Economic Co-operation and Development ("OECD") countries.** This is of concern as "although this may reflect the prioritisation of health in an economy, it can also highlight the need for improvement in health system efficiency" (Bermuda Health Council, 2018:21).

EMPLOYMENT:

Mr Speaker, you may recall that the latest Employment Survey report was issued in September 2021 by the Cabinet Office, under the then leadership of the Hon. Wayne Furbert JP MP, and that the report referenced the week of **August 30 to SEPTEMBER 5, 2020**.

THE REPORT SHOWED A DECLINE IN FILLED JOBS OF 32,427 JOBS IN 2020, DOWN FROM 34,378 IN 2019.

The annual Employment Survey is a census of all businesses on the island and serves the purpose of providing a broad count of all filled jobs in the Bermuda labour market.

That said, our economic review indicated that 1951 filled jobs were lost in 2020, which is a 5.7 percent decrease. There was a decline of 9,535 jobs for Bermuda's young people who fell within the age range of 25-39 years old.

The decline in filled jobs for blacks decreased by 5 percent or 17,714 jobs. Does one wonder why Bermuda has the great migration to the US, UK, and Canada?

Mr Speaker, Bermuda's young people have been hit particularly hard by the labour market fallout from the Coronavirus, with workers aged under 24 accounting for nearly half of the total fall in employment during the economic crisis.

At the same time, there is strong evidence that more people are chasing fewer jobs, so young people are struggling to enter the employment market.

Significantly, young people account for 46% of the overall fall in employment during the pandemic - even though they account for just one in nine of the workforce.

What strategies and programmes will this PLP Government establish to address this job loss glide path? Is it time to provide more resources to foster and support entrepreneurial opportunities? As a senior economist at Bermuda College said, **"we need to support more young people who are working in the Gig Economy, which would be a significant part of the engine to drive our economy."**

EDUCATION AND BERMUDA COLLEGE:

Mr Speaker, the One Bermuda Alliance has long stated that the way forward for education is to have it overseen by an independent education authority.

An education authority is not the cure, **Mr Speaker**, but it is the first and necessary step towards establishing a system that provides the foundation for our young people to succeed.

We are very concerned about the fractured, and toxic relationship that exists between the leadership of the Ministry of Education, the Bermuda Union of Teachers, and the hundreds of teachers who are doing their best to ensure that our students get the best education. The recent vote of 'no confidence' against the Minister of Education, the Permanent Secretary of Education, and the Commissioner of Education by the members of the Bermuda Union of Teachers set a new low.

The concerns of the army of our dedicated teachers and the delivery and quality of education in Bermuda must be addressed.

Mr Speaker, the Minister of Education has his work cut out for himself. He must rebuild the trust that was lost between the members of the BUT and the Leadership of the Ministry and establish clear lines of communications. This is especially critical given the fact that this is not the first time this happened, and it was not addressed. **The Bermuda Union of Teachers had a similar vote of no confidence in the Permanent Secretary of Education and the Commissioner of Education in 2019.**

Mr Speaker, as stated last year, the One Bermuda Alliance recommends that Bermuda should establish a Continuing Professional Development Centre for our teachers so that they can enhance their teaching skills and maintain high standards with continuous training and support.

As said so many times before, our teachers should also be provided with efficient systems that will support them with the necessary tools and supplies required for the day-to-day delivery of education at all levels in our school system. The Ministry should establish a proper state of the art equipment inventory and a centralised supplies centre, which SHOULD BE well managed, and user friendly for our teachers.

Mr Speaker, the other disturbing trend noticed in this 2022-23 budget is the 157 percent or a \$1.695 million increase in the substitute teacher allocation budgetary line item. What is this all about?

it was also very disturbing to see a \$729,000 reduced allocation for Bermuda College. Government must continue to support them from the financial impact of the current health and geopolitical crisis, and the ever-increasing operational cost.

Mr Speaker, as is the current case, the College must continue to align its teaching and learning provisions to meet the economic, and professional needs of Bermuda and our people.

Mr Speaker, it is sad to state, **but this budget statement, ironically, has said very little about the educational structuring and the reconfiguration and redevelopment of our school campuses.** We look forward to an explanation for this.

PUBLIC WORKS

Mr Speaker, the current economic model used by the Department of Public Works is unsustainable during these economically challenging times.

The Government has an infrastructure that is dated and unaffordable during these times. This is idle real estate that the government can ill afford to keep and maintain.

Government must better manage the returns of its property portfolio and it should continue the journey embarked upon by the One Bermuda Alliance by selling its properties that bring no value to Bermuda's economy and are currently not in use.

Mr Speaker, when it comes to Bermuda's roads, they often resemble the roads found in third world or developing countries. Road work and trenches are everywhere and when the trenching work is completed, proper resurfacing does not routinely occur.

Mr Speaker, this dire situation will not change given that Bermuda's road works are not a priority to this Government. This is clear when the Road Repairs line item shown in the Budget went from \$2.636 million in the fiscal year 2021/2022 to just \$500, 000 in the 2022/23 fiscal year.

The same story applies to our private road's maintenance funds, which have not been funded for the past 5 to 10 years.

Mr Speaker, it has also come to my attention that the Public Works department has some of the highest numbers of employees within the Government's entire workforce. So, the management of those resources is crucial, especially overtime payments which have been at very high levels. The same applies to unused vacation. In fact, just recently I ran into an employee who indicated to me that he had somewhere between three to four months of accumulated vacation.

Mr Speaker, the other issue which needs to be addressed is Bermuda's garbage collection. The collection of garbage just one day a week is not acceptable. It is a health hazard in our homes and along the roadsides. Why not privatise some of these services?

If businesses within the private sector are prepared to help in this space, they should be given the chance to do so without shutting them down. It will help stimulate employment in the private sector as well.

Mr Speaker, I am concerned about this Ministry because, in his speech, the Minister of Finance indicated that we were going to see a significant cut in our public services to meet our budgetary models.

LOCAL RETAIL SALES:

Mr Speaker, when looking at the Retail Sales Index figure, it is very clear that consumer demand is stronger than ever. The demand straddles across all business sectors. This, we believe, is directly attributed to the Coronavirus lockdown, and the dramatic decline in nonessential overseas travel by our residents. People had more discretionary income and shopped locally. They spent much less on travel and vacations overseas, and more was spent in Bermuda. We shopped locally; we made minor renovations to our homes; purchased new furniture and vehicles, and stocked up on essentials, like groceries, toiletries, and beverages.

Mr Speaker, according to the Government Statistics Department, sales volume increased 7.9 percent, after adjusting for the Retail Sales rate of inflation, which was measured at 0.8 percent in October. The overall volume of Retail Sales increased 7.9 percent when compared to October 2019. This confirmed that the growth was attributed mostly to increased spending on-island by residents. In value terms, Retail Sales rose 8.8 percent to an estimated \$99.5 million.

Six of the seven retail sectors recorded higher sales volumes, with Motor Vehicle Sales recording the largest volume increase of 21.2 percent. Building materials were up by 5.15 percent; Service Stations were up by 0.1 percent; Apparel Stores were down by 11.9 percent; Food was up by 7.2 percent and Liquor sales were up by 17.7 percent.

BERMUDA'S REAL ESTATE INDUSTRY

As for Bermuda's Real Estate industry, according to the industry leaders, the Bermuda property market rebounded strongly in 2021, thanks to a renewed focus on home renovations.

There was an increase in the average selling price of homes across the board. Non-luxury residential prices saw a rise of approximately 17 percent, with an average selling price of \$1.023 million, while condominiums saw an increase of 30 percent with an average price of \$322 thousand.

The average sales price for land increased to more than \$1 million, compared to \$331 thousand in 2020.

There was also a resurgence in demand for one-bedroom apartments for both long- and short-term rentals. This resurgence pushed the prices up for the average rental property dramatically.

While this looks very positive for the industry, it places home purchases and rentals out of reach of average Bermudians, and this must be addressed. Our young people must feel that there is a future for them here in Bermuda, and not in the UK, US, or Canada where housing is far more affordable.

As for commercial properties, there was a continued demand for Class A properties like the Waterfront Complex, which is dominated by international business and insurance, reinsurance companies, and hedge fund managers.

Inventory rentals for the Class B market remain largely available, with rentals on the market for upwards of one year. These are the older commercial buildings that may not have all the amenities and may not be in the central business district in Hamilton. This sector normally services the local business firms who are not interested in West Hamilton, Par La Ville Road or Front Street.

There were six commercial sales in 2020 with an average selling price of \$1.3 million.

On the tourism property side, last year this sector remained very active with the sale of villas at The Loren, Azura Resort, and the St. Regis Hotel to the international buyers, thanks to the sterling work performed by the last One Bermuda Alliance Government.

Mr Speaker, a government which has a track-record of success in securing and attracting partners to enhance our tourism product with new world-class hotels.

SPORTS

Again, **Mr Speaker**, there was no mention of sports in this budget report and the further development of our young people. It was noted that the Ministry of Youth, Cultural Affairs and Sports Headquarters had a 38 percent reduction in allocation. Is this department not valued?

We all know that education and sports provide discipline, self-respect, responsibility, and growth to our young people. They are our future, and more should have been included in the budget to address their development.

Yet, this Government can spend more time and resources on the development of the cannabis industry.

THE ARTS AND CREATIVE SECTOR

Given the significant contribution of the arts, culture, and creative industries to Bermuda's economy, and to our social fabric, **the Government should take steps to protect this sector and look for ways to increase public and private investment in the arts in Bermuda.**

THE PHILANTHROPIC SECTOR

Mr Speaker, the One Bermuda Alliance believes that the Government should take action to protect the capacity and financial sustainability of the Third Sector, in recognition of its important role in building and supporting Bermuda's social fabric. **We should examine the scope for longer-term funding arrangements for social services which support our families, seniors, and the development of young people.** There should be new initiatives to incentivize private investments in this sector.

In closing....

The One Bermuda Alliance's assessment of this 2022/23 Budget is that it is a rehash of the government's election budget. The Burt government has not given Bermuda a realistic view of where we will be fiscally next year.

Mr Speaker let's face it - the Progressive Labour Party has been the Government for over 20 years and the people of Bermuda are tired of having the One Bermuda Alliance blamed for the current government's inadequacies and woes.

The time has come for the Government to acknowledge that it played a significant role in where the island is today. It's time for them to create a better future for Bermuda once and for all and find real solutions.

It is time to have a government where the value of its service is greater than the cost of the services delivered.

Thank you, Mr Speaker.



One Bermuda Alliance