



Budget Statement

In support of the Estimates of Revenue and Expenditure

2007-2008

Presented by The Hon. Paula A. Cox, J.P., M.P.
Minister of Finance

16th February 2007



GOVERNMENT OF BERMUDA
Ministry of Finance



BUDGET STATEMENT
IN SUPPORT OF THE
ESTIMATES OF REVENUE AND EXPENDITURE
2007/08

Presented by The Hon. Paula A. Cox, J.P., M.P.
Minister of Finance
16 February 2007

To His Honour the Speaker and Members of the Honourable House of Assembly

INTRODUCTION

Mr. Speaker,

Our Place in the World

Bermuda has developed as a prosperous, dynamic, sophisticated and cosmopolitan mini-metropolis. This did not occur by happenstance. Rather it occurred through vision, hard work and prudent management of opportunities. We are seen as a jurisdiction that is causing larger metropolises to pause and to rethink their business model.

Bermuda, notwithstanding our size, has a large footprint especially in our contribution to the US and global economy. Some jurisdictions have made it a priority to try to mimic the Bermuda model. Others by their public utterances have signalled that they will leave no stone unturned to restrict and limit the dominance of Bermuda as ‘The World’s Risk Capital’. Yet the Bermuda model can withstand searching scrutiny – we are not an overnight sensation.

Factors That Impact on Bermuda’s Future

Globalisation. No man is an island. We become more inter-dependent daily. In many respects we have a borderless world. The trade in goods, services and talent make the world one global market-place. Our people are not confined to remain and live out the rest of their days in Bermuda – no matter how beautiful. Accordingly Bermuda has to distinguish itself as a centre of excellence for talent and investment. We have to continue to create opportunity, to expand the options and to make Bermuda a more inviting place for our people.

Technology. Bermuda has to continue to be competitive. We must continue to raise the bar. Change is all around us. Consider the announcement by the Bermuda Electric

Light Company that they have entered into a joint venture with Current to Current Bermuda, Ltd. Current to Current, Bermuda Ltd is using submersible power-generating technology that converts energy from ocean currents into electricity. The launch of a submersible power station is seen as a way to be more energy-savvy and environmentally friendly. This is innovation and harnessing the forces of nature to serve the needs of the present in a novel way. Bermuda as a jurisdiction has the opportunity to be the pioneer. This presents an incredible opportunity to underscore further Bermuda's position as a trail-blazer – we are daring to lead where others may ultimately follow.

Competition. There are opportunities to change the paradigm to open up economic opportunities to those who hitherto have felt excluded. Fishing, farming, telecommunications, systemic education reforms and the Economic Empowerment Zone – I cite these as examples of the new opportunities for progress and development. We have to be bold and to ensure that our people can meet the challenges and the opportunities presented by an ever-increasing competitive environment. We need to foster strategic linkages and to promote best practice. It is truly an exhilarating time.

The Social Contract. The maintenance of law and good order is essential for our stability and our economy. Without this, we are at risk of threatening our internal security and economic well-being. Mr. Speaker, as we provide the necessary resources to the Bermuda Police Service and also acknowledge and thank them for the job they perform, we recognise also the efforts of the Bermuda Regiment and its officers and those conscripted. We intend by some corrective measures to establish proper remuneration for those employed in full-time service and to increase the level of bounty payments for those who may be conscripted. We also intend some changes in order to improve the position for the other uniformed officers and the user-public in the delivery of services. Further, we have made a real attempt to do the right thing by those who have supported this country through past military service in decades gone by. Accordingly Bermuda's war veterans will reap some additional benefits in this regard.

Bermuda's Response

We have a duty to ensure that Bermuda continues to be a land of opportunity despite the unprecedented challenges. This requires an investment both in the hardware of infrastructure and the heartland of social programmes and policies.

Accordingly Mr. Speaker, the National Budget 2007/08 represents a further advance of Government's policy for the sustained growth of our economy for the purpose of satisfying the social and economic needs of all of the people of Bermuda – workers, retirees, business owners and investors, young people and students, and indeed those in our community who require special attention.

Mr. Speaker, today I stand before you to report that the state of our economy is strong. Yet not everyone is benefiting to the degree they should in a country that is said to be the third richest in the world.

We must do more.

We must do better.

We must demonstrate compassion.

We must recognise that doing good is more important than doing well.

We must see more of a real commitment to the social contract and taking care of our neighbour.

Mr. Speaker, as the Government, we will do our part to enhance the coverage of social protection for all.

Mr. Speaker, social philanthropy as well as corporate philanthropy should be alive and well in Bermuda. The Warren Buffet/Bill Gates model is not unique.

Mr. Speaker, more than a year ago the heart-wrenching circumstance of a young man grabbed the attention of our community. He was a young man who suffered the pain and suffering of a terrible road traffic accident. Despite his personal trials and tribulations, he was selfless. He thought of his peers and his community and he took the bold and unprecedented step of telling his story on television through the auspices of the Road Safety Council to encourage more road safety. He put others before self – he was doing good.

Not too long ago, the news media highlighted the plight of a young woman with lymphoma cancer, who was without sufficient insurance coverage for necessary operations. This spurred a community groundswell of support and an island-wide fund-raising effort. The result: significant monies were raised to assist her plight and the plight of others, like her, who may have an unmet insurance need. This reflected the community doing good.

Everyone knows of the good works and sacrifices made by people up and down this Island – ordinary people who wish to make a difference by doing extraordinary things to change their community. The time is always right to do right.

They are doing good.

Mr. Speaker, yet doing good on its own is not enough to change our social, political and economic landscape so we provide the necessary hope and impetus to the people of Bermuda.

There are still many who have unmet needs. Our CURE statistics are nothing to be proud of. The advancement of Bermudians in the upper echelons of the private sector work-place, the advancement of black Bermudians in particular, is inadequate at best.

Mr. Speaker, those to whom much is given, much is expected.

Bermuda is a goldmine for many from a business perspective. Yet a select few who come here to do business by their actions or inaction, tarnish our reputation and cause us harm. They think that it will be business as usual. Not so.

Mr. Speaker, we have a reputation to protect and to safeguard and we will do so wherever it may lead.

Some believe they can profiteer at our expense. Not so.

Mr. Speaker, as a new Government we believed in the sincerity of those who said that they wanted to treat people fairly – with equity, regardless of race, colour and creed. Some were not being truthful. Indeed, their business practices and hiring practices demonstrated their lack of good faith and good will. They were not doing good.

Mr. Speaker, as a Government we have provided every opportunity to employers and business to do the right thing. This Government provided an enabling framework so that businesses could flourish. We listened. We dialogued. We heard the challenges of doing business. We heard about the costs of doing business in Bermuda. We know, only too well, of the need for Bermuda to remain competitive as a jurisdiction and to provide an effective and efficient regulatory framework.

Mr. Speaker, although we do not regulate the costs of professional services and service-providers, in those areas within our remit, we did seek to do much to lower the costs of doing business by our tax policies and duty relief. In large measure, there have been no appreciable tax increases. We relied on our Islands' flourishing economy and the dynamic economic growth to increase the tax yield. This occurred.

Mr. Speaker, we thank all those who continue to work so tirelessly in the public and private sector to make Bermuda more competitive and a premier jurisdiction. Yet despite all that was done by the Government to foster a more level playing-field for business and

business owners, not everyone has done all that they could do to assist and to provide meaningful opportunities for Bermudians to develop in their careers.

So, we must do more to win the hearts and minds of all of Bermuda so they realise the need to provide the necessary tools and training to help those most in need. Those who follow the Government's lead, by showing a willingness to work with, for and to the betterment of the people of Bermuda must be acknowledged and encouraged by tangible incentives.

Budget Principles

Mr. Speaker, now is not the time to raise taxes across-the-board on Bermuda's people.

Now is the time however to demonstrate that we will provide encouragement and assistance to those who demonstrate a willingness to not only devise good ideas, but also who are prepared to invest the sweat equity to translate a good idea into reality.

Last year, Government ushered in an 'Age of Empowerment'. As the initiative developed and took hold, an area in North East Hamilton was identified as an Economic Empowerment Zone (the "Zone"). There are close to 100 commercial enterprises, 350 households, approximately 20 civic establishments (which include churches, government offices and social agencies) within the Zone, with an estimated population of approximately 900 persons.

The work that has been done to date, through the good offices of the Bermuda Small Business Development Corporation in collaboration with area stakeholders and professionals, has been superb. The level of volunteerism and the commitment to doing good to assist in the uplift of a very special community has been most gratifying. The offers to assist continue to pour in and there is a real commitment amongst Government, the Bermuda Small Business Development Corporation, the residents and the stakeholders to create a new era for the Zone.

Mr. Speaker, in 2006, the Bermuda Small Business Development Corporation held discussions with the Human Rights Commission as to whether business and property owners in the Zone could be ruled eligible to receive preferential treatment, in accordance with section 6A of the Human Rights Act. The Human Rights Commission gave its consent that business and property owners in the Zone could be regarded as being members of a special programme under the Human Rights Act. This consent opened the door for preferential borrowing rates from lending institutions, tax incentives and other forms of development incentives.

During this Budget Session, Government will bring forth an amendment to the Industrial Development Act 1968 to formally delimit the boundaries of the Economic Empowerment Zone and thereby enable the residents and business owners in the Zone to access the available concessions.

A partnership between the Bermuda Small Business Development Corporation and the Whitman School of Management at Syracuse University is to be sealed to further expand the raft of assistance to fledgling and existing entrepreneurs. This is in addition to the legislative changes and the incubator/construction initiative.

Mr. Speaker, the development of the Zone has caught the attention of our young people and has inspired them, and has emboldened them to come together for the benefit of our community. In particular, I refer to an organisation of young people, young entrepreneurs who are prepared to step into leadership roles amongst their generation. This group of young people has formed an organisation called Youth on the Move Bermuda or YOM. They have gone even further and have formed a company with charitable purposes.

YOM approached the Ministry of Finance directly to assist with start-up funding. After a series of discussions with the Ministry of Finance, YOM had a dialogue with the Bermuda Small Business Development Corporation. This too proved productive. YOM

has subsequently finalised their business plan and organisational structure. Mr. Speaker, it is impressive, most impressive.

YOM's goals for their membership and their peers are to encourage teamwork, networking, positive social interaction, self awareness and entrepreneurship. YOM members are required to perform a specified amount of community service as a way of giving back to the public. They are doing good.

They wish to make a difference in their community and to help revitalise North East Hamilton. They came to the Government, not seeking a hand-out but to partner in a social enterprise initiative to improve their community. They have stated that they want to give back as young people and as young professionals. Their aim is to work to effect change and to help other young people avoid the pitfalls and roadblocks that can often sabotage positive development.

YOM sought Government's assistance through the Ministry of Finance and the Ministry has responded affirmatively and substantively. YOM will receive grant funding in the amount of \$250,000 in 2007/08 to support their planned activities for the year.

The Ministry regards this grant as a form of seed capital and has taken it out of the \$1 million of venture capital that was earmarked in the Government Reserve Fund for the Bermuda Small Business Development Corporation in 2004/05.

New start-up businesses in the Zone will have a concessionary payroll tax rate of 4.75 per cent in their first 12 months of operation. We will monitor very closely their success in the first year to facilitate the transition to the tiered payroll tax structure at the beginning of their second year of operation.

In the regular Hotel Owners' meetings and follow-up meetings with Government, decisions were taken to provide additional incentives to spark the continued growth

in that sector. Hotels will be granted an extension to the period during which they are charged payroll tax at a reduced rate of 7.75 per cent. The months of November and March will be added to the current period of December through February.

Tour boat operators will receive various forms of relief in 2007/08. This Owners' Association and their industry are not forgotten as an arm of tourism in Bermuda.

Mr. Speaker we know also that further assistance is always appreciated by our senior citizens. Accordingly, in 2007/08 Government will increase pension benefits in the Contributory Pension Fund by about 4.5 per cent and the HIP prescription drug benefit for seniors will get a further shot-in-the-arm.

Mr. Speaker, Government introduced the prescription drug benefit in 2003 at a level of \$1,000 per annum and increased it last year to \$1,150 per annum. We are all concerned about the infamous 'doughnut hole' – the coverage gap in our prescription drug benefit that some of our seniors encounter during the year. Accordingly the Government has determined to further increase the dollar amount of the prescription drug financing available to seniors before they bear any cost. Following the proposed increase in this Budget 2007/08, the annual free prescription drug benefit for each senior enrolled in HIP will be \$1,200 per annum. The new benefit level will come into force on April 1, 2007. During the new financial year, Government will obtain actuarial advice as to how this benefit may be enlarged in scope so that in the future all HIP participants may have cover for prescription drugs.

Also there will be an additional two medical visits per annum thereby raising the total to four covered medical visits per year for everyone insured with HIP.

The financial year for the Contributory Pension Fund is August to July. Therefore the 4.5 per cent pension increase will have effect from August 2007, following on the 4 per cent increase in August 2006.

Mr. Speaker, those who fought for the people of Bermuda in previous years are to be acknowledged in tangible form. Benefits for war veterans will be increased to an appreciable extent. Specifically, medical, dental and pension benefits will be enhanced, with the pension benefit being doubled from \$400 to \$800 per month. In due course, Government proposes to introduce amendments to the Pensions and Gratuities (War Service) Act 1947 in order to remove all vestiges of prejudice that precluded some black war veterans from being eligible to receive veteran's benefits under the Act.

In addition, Government will amend relevant legislation to increase the retirement age for those in the public sector who wish to work beyond 65. In this regard, Government is maximising the benefit to the country by retaining much-needed skills and expertise of our seniors in Bermuda's active labour force.

RECENT ECONOMIC DEVELOPMENTS AND THE OUTLOOK FOR 2007

Mr. Speaker, I turn now to some of the highlights of recent economic developments and Government's outlook for 2007.

Mr. Speaker, following an excellent performance in 2005, nearly all of the key economic indicators on Bermuda's economy are signalling a similarly strong economic performance for 2006.

Preliminary results from the Annual Employment Survey indicate that the overall employment level increased by 2 per cent in 2006 following an increase of 1 per cent in 2005. The overall number of jobs in the economy was provisionally placed at 39,611 in 2006, reflecting a net addition of 664 jobs across the entire economy. Bermudians held 27,316 of these jobs or 7 out of every 10 jobs in our economy.

An analysis by sector shows that international business contained its sustained growth pattern in 2006 with total jobs increasing by 3 per cent to 4,469. In a sector by sector comparison, international business is the single largest provider of jobs in Bermuda's economy.

The construction sector also remained robust in 2006 with an expansion of 5 per cent in total jobs which pushed employment in the buoyant sector to 3,646.

Hotels posted a decrease in jobs of some 7 per cent while, in contrast, restaurants, cafes and bars registered an increase of 2 per cent year-over-year.

There was relatively strong growth in the business services sector where an additional 220 jobs were added in 2006 bringing the industry total to 4,090.

The financial sector posted a modest gain of 1 per cent; while in contrast, the real estate sector recorded a decline with employment levels decreasing by 3 per cent.

The public sector maintained relative stability in 2006 following a decline in employment levels of 1 per cent in 2005. Jobs in the transport and communications sector rose by 2 per cent. The retail sector recorded a decline of 1 per cent in 2006 but continues to provide more than 3,200 jobs in the economy.

Bermuda's balance of payments is on track to record a very strong current account surplus in 2006 having already accumulated \$745 million over the first three quarters of the year. The Ministry of Finance estimates that the 2006 current account surplus will be in the range of \$825 – \$850 million, a sizeable increase over the previous year's result.

The external sector has been fuelled by the sustained growth of the international business sector, itself led by the insurance and reinsurance segment that was in substantial profit

as a result of markedly reduced storm-related claims in 2006. The Bermuda market continued to attract new capital and is well positioned to expand further in 2007.

The improved results in Bermuda's hospitality sector in 2006 also contributed to the increase in net foreign exchange earnings on Bermuda's account with the rest of the world. Tourist arrivals grew by 23 per cent in 2006 giving rise to an increase in visitor spending on the Island.

As a result of these positive economic results, the Ministry of Finance anticipates that GDP growth in 2006 may exceed the original target of 2.75 to 3.0 per cent, especially in the wake of the robust expansion of 4.6 per cent in Bermuda's GDP in 2005.

The rate of consumer price inflation averaged 3.1 per cent in 2006, exactly the same as in 2005. The relative price stability with the concurrent strong economy points to a reasonable balance between the demand and the supply of goods and services in Bermuda's economy.

Mr. Speaker, the global economic outlook for 2007 suggests only modest economic expansion. In the case of the United States, in 2007, the economy may expand by 2.4 per cent. This pace would be about one-third less than the 3.3 per cent rate recorded in 2006.

If the projected slow down in economic activity does occur inflationary pressures will probably be eased somewhat in 2007. However, the outlook for inflation in the current year will depend on the behaviour of oil prices. In 2006, the price of crude oil averaged \$66.41 per barrel. The projection for 2007 is \$60.00. As a result, consumer prices may rise by 2.0 per cent, considerably less than the 3.3 per cent recorded in 2006.

The slightly improved outlook for inflation would probably induce the Federal Reserve to maintain a roughly even keel with respect to monetary policy. On that assumption (and given the prospect for less vigorous economic growth), the Federal Funds rate target may average about 5.0 per cent in 2007. The current rate is 5.25 per cent. Under that posture, other interest rates would most likely adjust accordingly.

Since the American economy is projected to experience a slower growth rate in 2007, a similar pattern may be expected to unfold on the world stage as well because the United States generates about 25 per cent of global economic output. This outcome will apply mainly to the industrialised economies – especially to Canada, United Kingdom, Eurozone, and Japan. It is less likely to be true of some emerging markets countries – particularly China and India.

In Bermuda's case, the outlook for 2007 is positive. The Ministry of Finance anticipates GDP growth in the range of 3.0 – 3.25 per cent with inflation tracking around a core rate of 3 per cent if oil prices perform as anticipated.

REVIEW OF 2006/07 REVENUE AND EXPENDITURE

Turning now to a review of financial developments in 2006/07, I wish to advise Honourable Members of the most likely outcome for Government's fiscal position for the financial year 2006/07.

Mr. Speaker, the revised estimate of total revenue is \$856 million, approximately \$21 million above the original estimate of \$835 million. The major revenue sources contributing to this favourable outcome were customs duty, payroll tax, and land licence fees.

For 2006/07, customs duty is expected to be some \$10 million higher than the original estimate of \$225 million. Payroll tax receipts have been revised upward to \$270 million, \$5 million above the original estimate of \$265 million. The yield from land licence fees has been revised upward by \$5 million to \$15 million.

Current programme expenditure in 2006/07 has been revised to \$822 million which is about 2 per cent above the original estimate of \$806 million.

In summary, the supplementary estimates of expenditure in 2006/07 amount to \$16 million of current expenditure and \$6 million on the capital account. The details of the supplementary estimates in 2006/07 will be presented to Honourable Members during the course of the Budget Debate.

Mr. Speaker, you will recall that there were no increases to major tax rates in 2006/07. Indeed, over the past several years Government restructured payroll tax to reduce its burden on small and medium-sized businesses, reduced some rates of customs duty to give incentives to small businesses, restructured land tax to the benefit of the majority of property owners, instituted an exemption from land tax for seniors and provided a tax shelter from stamp duty on the primary family homestead.

Government relied on the underlying growth in the economy in order to achieve its revenue target through sound and careful macro-economic policy management. During our first term in office, the Progressive Labour Party Government repositioned the tax revenue base to connect it more securely to dynamic and growing sectors of the economy. The strategic shift has paid off handsomely.

In 2006/07 Government's macro-economic policy was sound. It stimulated further economic growth and the resulting fiscal outcome was favourable. The enhanced revenue outcome was used to fund a larger proportion of the planned capital expenditure programme. The ultimate effect of the improved revenue performance was a reduction in planned borrowing by \$29 million. Instead of borrowing \$85 million as originally forecast, the capital borrowing requirement was reduced to \$56 million.

Government considers this outcome to be most favourable for tax payers and the public purse as both reaped the benefit of a lower debt burden and lower debt service costs.

The additional revenue in 2006/07 was invested in needed infrastructure that will pay social dividends to the people of Bermuda for many years to come.

Turning very briefly to public debt, I wish to note that this Government's debt management record is one of prudence and restraint. We have borrowed wisely and invested the borrowed funds in hard assets and infrastructure that will continue to deliver value to the community for generations to come.

As we look forward and plan for the future, Government remains committed to prudent and sensible borrowing for investment in infrastructure and other hard capital assets. The debt policy limit of 10 per cent of GDP is sensible and remains one of the lowest, if not the lowest, debt policy ratios amongst developed modern economies. Our actual debt to GDP ratio at this time is about 4 per cent of GDP.

Mr. Speaker, Government proposes to retain the debt policy limit of 10 per cent of GDP. Two years ago, Government increased the statutory debt ceiling to \$375 million to bring it closer in line with the policy limit of 10 per cent of GDP. With GDP now in excess of \$5 billion, the indicative policy limit for public debt would be \$500 million. However, Government does not plan to increase the statutory debt ceiling in 2007/08. Quite to the contrary, we shall retire a \$20 million note issue that falls due in June 2007.

Given the nature of fiscal developments during 2006/07, Government projects that the net public debt outstanding at March 31, 2007 will settle at about \$206 million. \$150 million of this amount was inherited from the last United Bermuda Party administration in 1998.

Mr. Speaker, during our tenure in charge of the public affairs of our country, successive Progressive Labour Party administrations have been frugal and attentive to the fiscal values of fairness and equity, maintaining borrowing levels well within the country's ability to repay.

Consequently, this Government has consistently received excellent reviews from the major credit rating agencies on its debt management performance and its record of

overall economic management. The most recent was given by Standard & Poor's Rating Services (S &P) just prior to the Christmas Holiday period when it affirmed Bermuda's 'AA' long-term rating and revised its outlook and upgraded Bermuda's ratings from stable to positive.

In its media release, S&P stated, "The positive outlook reflects continued vibrancy in Bermuda's international business sector amid ongoing sound economic management."

Government is holding to that course.

REVENUE ESTIMATES 2007/08

Mr. Speaker, Government proposes to collect total revenues of \$917 million in 2007/08, about 7 per cent higher than the revised revenue estimate of \$856 million for 2006/07.

Most tax rates will remain unchanged but there will be a handful of increases in particular areas. Government will also provide some further concessions for small businesses.

With respect to payroll tax, the standard rate of 13.5 per cent will remain the same in 2007/08 but the salary cap will be increased from \$235,000 to \$350,000. It is anticipated that the upward revision of the salary cap to \$350,000 will yield an additional \$10 million. The total yield on payroll tax is projected to be \$292 million.

The pre-existing salary cap of \$235,000 provides, in effect, an exemption on the payment of payroll tax for that portion of remuneration that exceeds \$235,000. This differential needed to be addressed as the real effect of the ceiling is that those whose remuneration is less than \$235,000 are paying payroll tax on their entire salary with no corresponding exemption or reduction in their payroll tax bill, unlike the position for those in the higher salary bands.

Accordingly on a going-forward basis, Government will address this anomaly in a reasonable and pragmatic manner by instituting a biennial review of the salary cap.

Customs duties are expected to contribute \$247 million towards the total revenue estimate in 2007/08. Following consultation with representatives of the Bermuda Tour Boat Owners Association, Government has decided to amend certain tariff items to provide greater assistance to these businesses including duty-free fuel, a reduced rate on spare parts and an amendment to an existing concession to allow sales of existing vessels to overseas purchasers without a claw-back on the 10 per cent duty concession.

This Government listens and seeks to address the concerns in a prudent but people-friendly manner. We continue to deliver on our commitment to foster an entrepreneurial and enabling environment where business is free to prosper.

Land tax is projected to yield \$53 million in 2007/08. The new ARV tax bands and associated tax rates came into force in January 2005. No changes to the land tax rates are planned for the 2007/08 fiscal year. The increased yield from the land tax is related to the new residential and commercial premises that have been added to the valuation lists during the course of the last year or premises that will come on line during the course of 2007/08.

There will be no increases in bus and ferry fares in 2007/08.

Passenger taxes also will remain unchanged in 2007/08. Given the outlook for visitor numbers in 2007/08, Government estimates that passenger taxes and hotel occupancy taxes together will yield about \$41 million.

Mr. Speaker, in many ways, Bermuda represents a 'gold standard' as a domicile for international business. Therefore, it behooves us as Government to take all reasonable steps to maintain, sustain and protect our jurisdiction's precious reputation. In that regard, we must keep abreast of best practices in our regulatory regimes.

The costs of maintaining the good name of Bermuda's company registry has increased in recent years as it has been necessary to undertake investigations and associated actions under the Companies Act to address issues of non-compliance. We have reviewed what will be required to ensure that the Registrar of Companies is appropriately resourced to deal with enforcement matters related to non-regulated institutions.

To assist in defraying the increased expenditures in these areas, Government proposes to increase an array of fees under the Companies Act 1981 by 5 per cent to have effect from April 1, 2007. These fees have been held at their present rates since 2001. The increase is both appropriate and modest in all the circumstances. The additional yield should amount to about \$3 million in 2007/08.

Finally, foreign currency purchase tax will also be amended with effect from April 1, 2007. The rate is presently 25 basis points or 0.25 per cent and was last revised in 1994. The rate will be increased to 50 basis points. That means that those who are liable for the tax will now pay 50 cents for every \$100 of foreign currency that is purchased from banks and money service providers. The increased yield from the tax is estimated in the region of \$7 million. The total contribution from the foreign currency purchase tax is projected to be some \$15 million in 2007/08.

Mr. Speaker, the full details of the Revenue Estimates are shown in the Estimates of Revenue and Expenditure For The Year 2007/08.

THE NATIONAL EXPENDITURE BUDGET 2007/08

The Ministry of Finance believes that Ministers know their operations best. The overriding principle is that Ministries are to apply the Zero-based Budgeting approach and Ministries' budget caps are determined in advance. However as you may well imagine, there is much subsequent negotiation and, on occasion, where justified, Ministers can

prompt some relaxation of the capped limits. However fiscal prudence is a hallmark for successful management of the economy. The Ministry of Finance works to ensure that the Government is efficient and lives within its means. Ministries, Departments and Government Quangos have to derive maximum value from their expenditure budget. Living within our means extends beyond budget cycles. Rising healthcare costs, an ageing population, education and the training and development of our labour force, investment in infrastructure as well as the need to maintain a proper security environment will continue to demand high public spending.

The National Budget 2007/08 has therefore directed resources to the following items:

- The continued growth of our domestic economy by encouraging a diversified economy and increased economic opportunities for the business environment.
- The redoubled commitment to our future by a comprehensive systemic review of the public education system.
- A revitalised sustainable tourism sector with the active participation of Bermudians employed at all strata of our hospitality industry.
- The focus on achieving a flexible and responsive labour market that has the necessary incentives to encourage adequate training and development opportunities for the local workforce.
- The focus on an expanded offering of options for our seniors both in terms of seniors facilities as well as an enhanced health insurance products.
- The continued focus on providing a range of affordable housing options.
- The encouragement of a more responsive, innovative and efficient environment with an 'at your service' Government approach.

To achieve these goals and to better position Bermuda as a land of opportunity for all, such that Bermuda is seen as a more attractive place in which to live, work and play for

Bermudians, we aim to achieve:

- A community that is safe and more secure.
- A thriving economy with increased growth opportunities for Bermudians.
- A community that is able to provide by a combination of public and private initiatives adequate housing for all.
- A world-class civil service.
- An increased commitment by all to social and corporate responsibility.

Fiscal stability is fundamental to sustaining Bermuda's continued economic success.

The focus of government's expenditure is on delivering essential public goods and services, promoting sustained and non-inflationary economic growth and preparing Bermudians for the challenges and opportunities that lie ahead of us.

The National Budget 2007/08 is balanced in terms of the allocation of resources to where the need is greatest. This is so that there is a good distribution of budget provisions for the varied and the myriad of demands in economic development, social development, defence, security and government administration. The private sector and wider public has called for increased manning to be made available in the Department of Immigration, the Department of Planning, the Ministry of Finance, the Registry of Shipping, the Bermuda Monetary Authority, the Bermuda Police Service, the Corrections Service, the Customs Department and a host of other areas of Government. That comes with a price and a cost and it cannot always be done in one fell swoop, even when there is a demonstrable need. There has to be a balancing of the various calls and the competing claims on the public purse.

Mr. Speaker, Government's total combined current and capital account budget for 2007/08 is just over \$1 billion. The planned budget for the provision of the essential raft of public services such as education, health, housing, law enforcement, transport,

waste management and other services is \$862 million. The planned Capital Expenditure Programme has a proposed budget of \$141 million. The residual element of \$22 million reflects a provision for debt service and a contribution to the Sinking Fund that is available to pay down long term public debt.

Mr. Speaker, the planned spending on public goods and services in 2007/08 represents about 18.5 per cent of GDP. It is within the long term target range of 18-20 per cent of GDP that was set as a public spending guideline during the Progressive Labour Party's first term in office. Our plan was to grow the economy for the benefit of all of Bermuda's people.

In our political philosophy the bundle of public goods and services is viewed as a social dividend to the community, an economic distribution to the community that should be increased in a managed and purposeful manner to bring about greater social equity.

In 1998 when we took office, GDP was just over \$3 billion. Today, Mr. Speaker, Bermuda has a \$5 billion economy as a result of the sound and effective economic management of three successive PLP administrations. We have grown the economy and in accordance with our political philosophy, we have increased the social dividend – from the 15 per cent that it was in 1998 to 18.5 per cent in 2007/08.

Independent opinion polls suggest that generally the people of Bermuda have been pleased with Government's economic and social policy achievements. Therefore our intent is to continue to strive for those policy objectives that meet the social needs of our community through the provision of innovative, helpful, useful, and uplifting public programmes and services.

The recently opened Sylvia Richardson Care Facility in St. George's is a shining example of such programmes, services and facilities. This new Facility sets a new standard for the care of seniors in twenty-first Century Bermuda. The new educational facilities for The Berkeley Institute are another magnificent example of the new standard.

Mr. Speaker, we have set the stage for our people's success.

The Honourable Premier has indicated that he expects much of the Government in terms of delivery and swift execution. The people have a right to no less.

Mr. Speaker, each Government Ministry has been provided with the resources needed to deliver on its mandate in 2007/08, including the new programme initiatives highlighted in the 2006 Speech From The Throne.

Opportunities for Our People

Opportunity means that Bermuda is a place where our people can realise their full potential, where success comes to those who wish to apply themselves and where there is a level playing-field. Education is clearly key as a building block for future success. Government emphasises this and that is why there has been the commitment to a comprehensive and systemic review of our public education system. The role of education is pivotal in the development of our human capital and key to a knowledge-driven and sophisticated economy.

Spending to educate our people therefore garners a significant portion of our public expenditure. The workers, employers and owners in this twenty-first Century need to be well-educated, well trained and highly skilled and motivated. Government is therefore doing its part, through the Ministry of Education, Recreation and Sport to develop leaders of tomorrow by our commitment to a thorough reform of the public education system, in tandem with good policies that are sustainable.

EDUCATION SPORTS AND RECREATION

The Ministry of Education, Sports and Recreation is provided with a budget of \$152 million in 2007/08.

Very recently the Minister of Education, Sports and Recreation released the June 2006 graduation results for Bermuda's public senior schools. The results were a cause for

concern. Government has posed serious questions to itself on this crucial matter of public education.

What is the way forward?

Who can best assist us in focusing on the pertinent issues that will impact Bermuda and its future generations in a positive manner in this twenty-first Century?

What are the improvements that have to be made to instructional strategies in the classroom to assure proper delivery of Bermuda's curriculum?

What will be the accountability framework for public education?

Mr. Speaker, Government has determined that there must be a complete and uncompromised review of our entire school system. To this end, the Ministry of Education, Sports and Recreation has identified a diagnostic team of prominent educators that will assist in this review. We will look at standards of teachers and teaching. We will examine learning and achievement. We will probe and assess the quality of educational leadership in the public school system. We will review the support that is given to special needs children and youth who are in the public school system.

Our objective is to improve significantly the graduation rate of our public school students and to sustain that performance going forward.

The review is to be completed in time for the first round of changes to be implemented in September 2007.

Mr. Speaker, it may please you to know that Government already has identified areas for improvement and immediate action. For example, the Ministry of Education, Sports and Recreation already is getting back to basics with the Literacy Collaborative Programme.

Improving the literacy skills of students is a priority. A programme offered by Lesley University that provides a systematic approach to literacy improvement in schools will be integrated into the existing programme to consolidate and strengthen the approaches that are in use in our public primary and middle schools. The programme provides for:

- Improved classroom teaching
- Intensive prevention/intervention for lower achieving students
- Long term services for students identified for learning support
- Particular focus on literacy needs at primary school level in P1, P2 and P3

The Ministry has a commitment also to serving gifted students and helping all students to develop their special gifts and talents. One step towards meeting that goal is the establishment of a laboratory school in partnership with Johns Hopkins University Center for Talented Youth, and its subsidiary, the Center for Talented Youth, Bermuda (CTY), a locally registered charity. A curriculum has been designed with the hope of moving this unique programme into every one of our public schools in the near future.

The programme is cutting-edge and is designed specifically for Bermuda to meet the present and future needs of our community.

The Ministry of Education, Sports and Recreation also has identified a need for more Bermudian men in roles of educational administration and educational leadership in our public schools. It is considered that a greater number of positive male role models in public education will have a beneficial effect on young black males in the public school system. Accordingly, the Ministry will develop incentives to increase the presence of male expertise and positive male role models in our public schools.

Mr. Speaker, the role of technical education in our public system is being given a higher profile. Our community requires more of our own skilled tradesmen and tradeswomen. The 2006/07 school year began by scheduling a technical track for students who are interested in receiving an international certification from the National

Construction Center for Educational Research at the end of senior school. The areas that are presently being offered include those of carpentry, electronics, construction and electrical technology. A certificate from the Society of City and Guilds in Personal Care (Hairdressing) is also available for interested students.

Government anticipates that the community will see some positive returns shortly that will enable students to enter the workforce with confidence, knowing that they are fully prepared to meet their career aspirations and to secure the rewards that accrue to honest and dignified labour.

A new 14-week paid apprenticeship programme to be offered by the Ministry of Labour and Immigration will connect well with the technical curriculum in Bermuda's senior schools to assist those with these career aspirations to find entry level positions in the labour force.

Mr. Speaker, soccer is one of Bermuda's two national sports. The Ministry of Education, Sports and Recreation in partnership with the Bermuda Football Association (BFA) has embarked on an ambitious programme to raise the level of soccer in Bermuda at all levels including senior and youth leagues for both male and female participants and competitors.

Government has committed to providing \$15 million to the BFA over a five-year period and encourages the BFA to partner with good corporate citizens and other socially-conscious organisations to meet any funding needs in excess of the grant provided by Bermuda's tax payers.

Government is excited to know that it can play a major role in assisting the BFA to realise its goals; goals that will have a significant impact on the social and cultural development of our Island; and goals that will allow our young men and women a positive recreational outlet and an opportunity for the best of them to represent Bermuda with pride on an international level.

Promoting the participation in sports at recreational and competitive levels helps to nurture a fit and healthy people.

HEALTH

The Ministry of Health is provided with a budget of \$139 million. During the course of the upcoming year, the Ministry along with the Bermuda Hospitals Board will progress the Estate Master Plan for the development of new health care facilities. A critical step in this process is the assessment of clinical needs in Bermuda and the determination of services to be provided by an acute care hospital in Bermuda. This effort will shape the type of hospital that we build and the type of facilities it will house to provide for healthcare in Bermuda. Specifically, the grant provided to the BHB will cover an initial clinical needs assessment, pre-design services, schematic design services and design development services.

As a matter of high priority, the Ministry of Health will launch a National Health Promotion Strategy in 2007/08. The objective of the strategy is to develop a healthier community. The strategy is designed to avert growing health problems and halt rising healthcare costs by encouraging positive lifestyle changes including weight loss, smoking cessation, healthy eating habits and physical exercise.

Each year for the past seven years, Government has steadily improved access to healthcare services for our seniors who represent the bedrock of our community. During the upcoming year, the Government will implement enhanced dental care services for seniors.

CABINET OFFICE AND THE MINISTRY OF TOURISM AND TRANSPORT

The Cabinet Office Departments and the Ministry of Tourism and Transport are provided with a combined budget of \$134 million.

Through contractual relationships forged during the winter of 2006 the Bermuda

Department of Tourism will further stimulate the German and Italian markets to boost both hotel occupancy and average length of stay in Bermuda.

To address the resource issues concurrent with the rapidly growing aircraft register the Department of Civil Aviation will outsource airworthiness inspections to consultant inspectors located in key centres such as Dallas, Moscow and the UK. This development will realise significant cost savings and improve service to those on the register. Moscow is included as a satellite location because Bermuda is the Register of choice for the Aeroflot fleet.

As announced, the Transport Control Department will introduce electronic vehicle registration in 2007/08. This is to reduce the burden on the Bermuda Police Service, to assist Government in collecting significant revenue owed or fines and to ensure that disqualified and uninsured driving is kept to a minimum. The tagging/pole-mounted, reader technology will provide a swift, adaptable method for implementation.

Mr. Speaker, 1st April 2007 will see the implementation of 15-minute headway on the four main bus routes serving the West and East regions of the Islands. The four routes are numbers 7, 8, 10 and 11. Between 6 a.m. and midnight, a bus will be available on these routes every 15 minutes. This expansion of the service is to aid in decongestion and to help minimise the incidence of drunk-driving.

There is also the intent to provide additional ferry service routes by obtaining adequate staffing to operate a sixth catamaran ferry and to provide the necessary training for staff at Marine and Ports Services. This is to ensure that the crews and pilots of all ferries have the skills necessary to operate and maintain the vessels and to provide the required level of service to the public.

FINANCE

Mr. Speaker, the Ministry of Finance is provided with a budget of \$127 million in

2007/08. The Ministry's main purpose is to supervise the Bermuda economy generally and in particular to provide overall financial management and control of all government activities.

Mr. Speaker, the emphasis of our regulatory policy is development rather than control. However, there have been comments made over the years about the need for Bermuda to do more to hone its competitive edge. The prevalent view is that in order for Bermuda to further outdistance itself from competitors it must be seen to have a credible world-class regulatory environment. We have good regulatory standards but a 'world-class regulatory environment' comes with a price tag in terms of the additional required resources – both in terms of personnel resources and associated operational expenses. More specifically, there is the additional expense of time and travel in ensuring that at the relevant international fora Bermuda is represented in order to best protect our national economic interest. Indeed, where legislative and regulatory change is required we need to be able to effect change in a timely fashion – that too comes with a price and the necessary resources.

Additional resources have been added to Ministry of Finance Headquarters to provide for a dedicated treaty management and administration function and to strengthen the business development and policy advisory teams. In addition, the Registrar of Companies has an increased allocation to address issues of non-compliance with those companies that would harm Bermuda's national interest through reckless, self-serving behaviour that offends against our law and regulations.

The Bermuda Small Business Development Corporation is provided with additional resources in 2007/08 to maintain the momentum in the roll-out of the 'Economic Empowerment Zone' in North Hamilton. The grant to the Bermuda Small Business Development Corporation has been doubled to \$3 million to support the inter-related initiatives in this strategy.

The Ministry of Finance's budgetary allocation includes the sum of \$22 million which it pays as the paying agent of Government in respect of the interest on debt and Government's statutory contribution to the Sinking Fund.

Mr. Speaker, the Ministry of Finance has allocated the sum of \$2 million as a contribution to the Health Insurance Plan's prescription drug benefit for senior citizens. The free prescription drug benefit is available to each senior enrolled in HIP. The contribution of \$2 million from general revenues represents a subsidy to help pay for the prescription drug benefit and shield seniors from a premium increase related to the benefit that otherwise would be required.

In addition, there is a provision of \$1.5 million for the Caribbean Catastrophe Risk Insurance Facility (CCRIF). Following the devastating hurricane season in 2004, CARICOM Heads of State invited the World Bank to establish a fund that could assist countries in their region that suffer substantial damage due to hurricanes. The World Bank took up the project in January 2006 and the CCRIF is due to become operational by April 2007.

Bermuda will be participating in the new facility. The contribution to capital or the entry fee is \$500,000. Government has selected coverage with an annual premium of \$500,000 and participants have been requested to pay two years in advance to assist the CCRIF in its early years.

Participating countries will gather at the World Bank Headquarters in Washington DC in late February 2007 to formally commit to their participation. The Honourable Premier has graciously committed to attend that pledging and signing ceremony that is to be held in Washington, DC within the next couple of weeks.

Government has committed through its participation in the Caribbean Catastrophe Relief Insurance Facility to making provision so that monies are available to fund disasters

in Bermuda should this occur. Our contribution can also help to defray in some measure the plight of others. Government's participation constitutes advance preparation for known risks and also a commitment to helping others – this is doing good.

Supporting Home Ownership

The Ministry of Public Safety and Housing has as its mandate making good, affordable housing available to Bermuda's people. However working collaboratively, on behalf of Government, the Ministry of Finance will amend the Customs Tariff Act to broaden the scope of duty relief on approved housing schemes. Duty relief will be available to approved housing schemes, both public sector and private sector, once duly certified as an approved scheme by the Minister with responsibility for housing.

PUBLIC SAFETY AND HOUSING

The Ministry of Public Safety and Housing is provided with a budget of \$122 million.

“Every Bermudian should reasonably expect to have a safe and adequate place in which to live.”

Mr. Speaker, this is the mantra of the Ministry of Public Safety and Housing as housing remains one of the key issues in our community. As such, the Ministry's plans to increase dramatically the housing stock during this financial year are well in hand. The 16-unit Anchorage Villas and 8-unit Butterfield Lane developments were completed last year and tenants are in the process of moving into their new homes.

New housing initiatives commencing this year include the delayed 100-unit Harbour View Village at Southside, the 38-unit Perimeter Lane development, the 54-unit Westcott Road development at Southside, the 24-unit Ewing Street mixed use development, the 100-unit affordable housing complex at Ireland Island.

Government has introduced a programme of providing 'geared to income' housing at the 12-unit Butterfield Lane development. The 38-unit Perimeter Lane development

and the 100-unit Ireland Island complex will also provide 'geared to income' housing. Additionally, there are several public-private partnership developments in various stages of discussion that will come online this year.

The 'Vacant and Derelict Homes Plan' was announced in the 2006 Speech From The Throne. A Housing Task Force (HTF) has been assembled made up of representatives from the Ministries Justice, Public Safety and Housing, Health, Works and Engineering, and the Departments Planning, Land Valuation and Sustainable Development. This Task Force was charged with identifying these properties and encouraging landlords to work with Government to get them back in livable conditions, for sale or rent to Bermudians. There is to be a system of incentives so that those who participate in the renewal and upgrading of their homes for renovations will be given a tax honeymoon from land tax for one year.

Of the first 200 properties identified – 25 have been initially targeted and action on these will commence this year.

Mr. Speaker, the Department of Corrections in conjunction with the Bermuda College and the West End Development Corporation will initiate a Construction Industry Training Workshop for Inmates at the Westgate Correctional Facility. This programme will equip inmates with the basic skills to gain a foothold in the construction industry once released from prison. The programme will be launched as part of the plan to redevelop the former Casemates Prison.

The reorganisation of the Transitional Living Centre to provide for a greater number of inmates to receive life skills training prior to returning to society is planned for this year.

The amalgamation of the three existing fire services on the island – the Bermuda Fire Service, the Corporation of St. George Fire Brigade and the BAS/Serco managed Airport

Crash, Fire and Rescue Service will be operationally completed in the second quarter of this year. One national fire service will be created, thereby providing unity of command, more efficient training options, cross-training of fire fighters and operational economies of scale.

Expansion of the Student Soldier Programme in the Bermuda Regiment, launched in 2006, in conjunction with the Bermuda College will now include the General Equivalency Diploma (GED). Tuition fees will be paid for any member of the Bermuda Regiment who wishes to take courses at the Bermuda College. \$100,000 has been allocated in this current year's budget and the aim is to double participation this upcoming year.

A contingent of the Bermuda Regiment will gain operational experience when they join other CARICOM countries in providing security for this year's World Cup of Cricket competition in the Caribbean. A contingent of 60 soldiers will spend six weeks in two Caribbean countries as part of the CARICOM security forces.

The Bermuda Postal Service will complete the amalgamation of mail processing facilities and the installation of new equipment to the Bermuda Mail Processing Centre at the airport. The aim is to ensure that the new processes can be measured for consistency in service delivery and efficiency.

Mr. Speaker, national security and defence is important to safeguarding the well-being of our people and also for securing investor confidence and our visitors' confidence.

The Bermuda Police Service will continue to be engaged in Community Policing Initiatives. The aim of the programme is to use a community based partnership approach to reduce the number of incidents that require intervention by the Police Service and/or other agencies within the various neighbourhoods around the island. This plan will be especially useful in neighbourhoods beset with crime and violence. This initiative will involve a collaboration of community partners such as the Departments of Child and Family Service, Financial Assistance, Court Services, and Corrections.

WORKS AND ENGINEERING

The Ministry of Works and Engineering is provided with a budget of \$74 million. One of the priorities for Works and Engineering in 2007/08 is the development of a Master Plan for water supply – the first in almost 20 years. The goal is to develop a 20-year Master Plan for sustainable water supply in Bermuda that will optimise the existing infrastructure, allowing for a logical and cost effective methodology for expansion.

Work is already underway to increase the water supply to the public in 2007/08, as the current water supply does not meet the demand of existing customers, particularly during periods of low rainfall. In order to meet the growing demand, the following initiatives will continue in 2007/08: the development of Tynes Bay Seawater Reverse Osmosis Plant; and the North Shore Containerised Plant and Truckers' Outlet.

The Tynes Bay Seawater Reverse Osmosis Plant, which will be operational by March 2008, will provide 500,000 gallons per day of new water thereby increasing the central area water supply by approximately 62 per cent. The North Shore Containerised Reverse Osmosis Plant and Truckers' Outlet will generate 115,000 gallons per day thus allowing the truckers to double their current water collections from Government.

During the next fiscal year the Waste Section will further strive to improve the efficiency of the Marsh Folly Waste Facility. The Marsh Folly Waste Facility collects a significant amount of horticultural waste. This material is composted and produces a valuable soil amendment product that currently is given away to the public. In 2007/08, there is a plan to improve the efficiency of the operation together with the installation of a weigh scale to monitor product volumes as well as to facilitate the possible sale of this material.

The Tynes Bay Treatment Facility will continue with the major overhaul of systems in 2007/08. This programme, which started three years ago, will maintain the efficiency in the plant's incineration and power production capabilities after almost 12 years of

operation. The additional operational funds are going toward a staffing increase in the operations section and plant management. This is to accommodate both the current needs and to make adjustment for the plant's future expansion.

The Lands, Buildings and Surveys Division will use new funding to improve succession planning for both professional staff and building maintenance tradesmen.

Within the Buildings team apprenticeship programmes are being increased in number and working with the National Training Board, the Unions, and schools the Ministry hopes to encourage Bermudian youth to enter the ever expanding construction industry, working in the fully Bermudianised Buildings team.

Professional staff shortages are to be addressed by increasing the number of Surveyor trainees for both the Estates and Land Survey teams. Revising the roles of some vacant posts will also allow, after suitable training, some of the more technical aspects of the Building surveyors work to be undertaken by Bermudian staff, again encouraging the prospect of succession planning

Mr. Speaker, health and safety in our buildings is of great concern to all. To help address this, additional Building and Estates surveyors, together with some additional funding for building maintenance is being provided. Performance measures to ensure all of our public buildings are inspected at least once a year are now in place. We will also be implementing a programmed maintenance regime to identify ongoing maintenance work. Customer satisfaction is to be recorded and incremental improvements in both the service delivery and the quality of work is being required.

SOCIAL REHABILITATION

The Ministry of Social Rehabilitation is provided with a budget of \$39 million. The Cross Ministry Initiative Team (CMIT) has proven to be a success and will continue to be funded in 2007/08. This Programme is designed to address high risk families

who are involved with the Department of Child and Family Services, the Department of Financial Assistance, the Department of Court Services and the Bermuda Housing Corporation.

The CMIT Programme includes housing as a benefit of the programme. The goal of CMIT is to transition families from a level of dependence towards independence of the Government system via intensive supportive services. Over the course of the coming year, CMIT will continue to employ strategies that move clients towards self sufficiency.

During the course of 2007/08 the Department for National Drug Control will be addressing the public need for an increase in residential bed capacity for substance abuse treatment. Three facilities will be brought online to provide both residential and transitional beds that will increase treatment bed capacity from 38 to 46 and transitional beds from 26 to 45. The total capacity reflects the collaboration between public and private sector agencies in the provision of treatment beds.

The Ministry of Social Rehabilitation has contracted with Uncommon Results Inc. to provide their signature programme to young people between the ages of 13 and 21 in Bermuda. The Bermuda-customised programme will be branded as 'Mirrors'. Over the last 10 years, Uncommon Results Inc. has been invited to work with young offenders in many American cities, in the United Kingdom and in Sweden and the Netherlands.

Highly trained course leaders who are supported by a team of skilled and dedicated professionals work with the young people to help them work towards a higher sense of self-worth and self-esteem. The young people emerge from the programme with an understanding of which of their beliefs, values and principles are best suited to enabling them to achieve what they really want in life through their participation in their community. A sum of \$500,000 has been earmarked for this programme.

ENVIRONMENT, TELECOMMUNICATIONS AND E-COMMERCE

The Ministry of the Environment, Telecommunications and E-Commerce is provided with a budget of \$38 million. The Ministry plans to introduce an Agricultural and Educational Outreach Programme in 2007/08. The aim of this programme is to link senior secondary school students with established local farms through an outreach activity that exposes them to traditional farming practices in Bermuda. In order to preserve remaining agricultural land in Bermuda, it is important to get our young people interested and engaged in farming so that they value agricultural land and work towards the productive use of such land to assist in meeting our food supply needs.

Similarly, a Fishing Apprenticeship Scheme will be introduced. As commercial fishermen approach the age of retirement, Government has seen the need for a succession plan whereby the fishing industry survives as an important commercial and cultural undertaking in Bermuda. The Ministry of the Environment, Telecommunications and E-Commerce will seek to expose more young people to the art of fishing by creating opportunities for them to become apprenticed to experienced commercial fishermen. The availability of trained fishermen will be critically important as we look towards establishment of an offshore fishing industry within our Exclusive Economic Zone. In fact, the Ministry commenced an exploratory fishing project in early February 2007.

Encouraging Bermudian ownership and employment in telecommunications industry is a major focus of the Ministry of the Environment, Telecommunications and E-Commerce. Recent technology advances and convergence of services are driving a need for telecommunications industry reform. The objective is to achieve an optimal balance whereby Bermuda has a sound telecommunications regulatory framework that facilitates innovation and competition, ensures that Bermuda stays ahead of its competitors in support of Bermuda's important international business sector, and also ensures that Bermudians continue to benefit from leading edge communications services at reasonable prices. In the coming year, the Ministry will develop new telecommunications legislation taking into account Bermuda's unique market conditions and based on consultation with both telecommunications providers and users.

Mr. Speaker, another key initiative of the Ministry of the Environment, Telecommunications and E-Commerce is to develop a satellite services industry in Bermuda. One component of this initiative is the creation of an earth station facility for telemetry, tracking and control of satellites. The installation of a physical satellite earth station facility in Bermuda would be attractive for companies with an interest in North American and European satellite networks. In that regard, there may be an opportunity to issue and manage multiple virtual satellite licences associated with a single earth station facility.

In partnership with the Bermuda Small Business Development Corporation the Ministry is facilitating opportunities for IT and internet access in the Economic Empowerment Zone in North Hamilton. An important part of the initiative is establishing a pilot programme to deliver basic e-literacy to persons who are not familiar with modern computer technology. The pilot is intended to help assure that persons and businesses in the Zone are not left behind in the digital economy.

Funding is also provided for the continuation of the Community Areas Programme whose purpose is to identify, design and implement neighbourhood improvement plans in cooperation with local residents and community leaders. Recent successes include Olive Bank Community Park near Khyber Pass in Warwick and the installation of park amenities in Harlem Heights in Hamilton Parish. Work is scheduled to begin on two more neighbourhood projects in 2007/08, namely, Ladies Chambers and Pig's Field.

JUSTICE

The Ministry of Justice is provided with a budget of \$23 million. The Ministry will continue its focus on training programmes aimed at preparing young Bermudian lawyers for leadership roles in the local judiciary including the Attorney-General's Chambers and the Department of Public Prosecutions.

Pupils obtain well rounded training by rotating through various Ministry Departments including the Department of Public Prosecutions, the Legal Aid Office and the Attorney-

General's Chambers. In addition, two Junior Parliamentary Counsels will embark on a three month overseas placement with the Canadian Government.

There is also a computerisation project for Court Administration functions scheduled for 2007/08. Once completed, it will facilitate the effective and efficient court case management and administration, including warrants and payments tracking.

There will be a continued focus on improvements to Legal Aid. The Ministry of Justice has established a Public Defenders Office and Legal Aid Clinics. The creation of east and west end legal facilities will ensure equal access and representation to all those in need.

The Attorney General and Minister of Justice will begin the process of implementing the protocol and Codes of Practice necessary to bring into effect the operation of the PACE legislation.

There is also provision in the Ministry's 2007/08 budget for the resourcing of the proposed Financial Intelligence Agency (FIA). The FIA will provide a clearing-house function for dealing with reports of suspicious financial transactions.

LABOUR AND IMMIGRATION

The Ministry of Labour and Immigration is provided with a budget of \$15 million. A fundamental aspect of Government's social policy is the provision of strategies and programmes that ensure that Bermudians have every opportunity to participate as equal partners in the workplace. It is unacceptable that there are significant numbers of Bermudians, primarily young black Bermudians, who seem to have opted out of the work place.

The Workforce Development Task Force is expecting to finalise its report and recommendations in April 2007. Government is keen to take the initiative forward in 2007/08. Preliminary recommendations include improved career decision making, literacy improvements, a one-stop centre involving training and employment and a

training needs analysis. It is anticipated that the complete programme will feature an interconnected series of activities that will prepare people for their first job, a new job or a better job.

It is Government's expectation, therefore, that successful implementation of the workforce development initiative will have significant short-term and long-term rewards for our community – above all, the establishment of a Bermudian workforce system that meets the needs of the economy and ensures equal opportunities for all Bermudians.

The Department of Labour and Training will launch another important initiative in 2007/08, namely, a 14-week Paid Internship Programme to enable our young people to gain entry level jobs in the construction and hospitality industries and other fields of opportunity. It is believed that this kind of programme will enhance the likelihood that more and more of our young people will be attracted to these two most important areas of our economy.

Also, the Department of Labour and Training, working in collaboration with the Department of Education, the National Training Board and CURE, is developing a Register of Overseas Students. Employers will be able to access this Register to determine which professional and technical areas Bermudians are pursuing.

The Register will be used by the Department of Immigration which works to ensure that suitably qualified Bermudians are given the first opportunity for jobs in Bermuda.

The Department of Immigration will use its proposed budget to continue its focus on the improvement and delivery of services to its customers.

The Department of Immigration will see the completion of its computerisation programme that is expected to result in enhanced effectiveness in a number of areas. The following initiatives will be introduced in 2007/08: Fast Pass that will speed

up the processing of Bermudians upon arrival at the airport; on-line application for work permits; the issuance of user-friendly credit card sized work permits; and a new application system that will speed up the processing time for passports, applications for Bermudian status, etc. and land licences; and a Border Management System that will result in speedier, more accurate and therefore more efficient processing of arriving passengers at the Island's ports.

COMMUNITY AND CULTURAL AFFAIRS

The Ministry of Community and Cultural Affairs is provided with a budget of \$13 million.

The funding will support many exciting programmes and provide support for a coordinating function in support of Ministry-wide initiatives in recognition of 2007 as the Year of the Family, which will be ushered in under the auspices of the Ministry of Community and Cultural Affairs. The Ministry will invite primary collaboration from its Parish Council partners and the Department of Child and Family Services to coordinate activities that honour families, stimulate and inspire community involvement, and re-ignite the importance of family.

Mr. Speaker, as a cross-Ministry, Government-wide initiative, each Ministry will be responsible for developing and commemorating the Year of the Family. Wellness, sports, culture, heritage, and the diversities of families are themes that underpin this initiative. The aim of the Ministry is to promote social cohesion and racial harmony by participation in community activities and working at the local level with clubs and parish councils to promote effective networking strategies at the grassroots level. We are promoting our cultural aspects as well as seeking to promote family development.

In April 2007, the Commission for Unity and Racial Equality (CURE) will host Bermuda's first National Multi-Ethnic Festival. The Festival celebrates the multi-racial and multiple ethnicities of Bermuda through art, culture, dance, music and film. The Festival features

the extraordinary offerings and potential of the Economic Empowerment Zone, where the festival will be held. This project is designed to promote good relations between racial groups in Bermuda by bringing together Bermuda's vast and diverse residents.

In cooperation with the Community Centres, the Bermuda National Library plans to provide satellite libraries that are targeted to area users, particularly at the East and West ends of the Island. For example, the Springfield Community Centre may cater more to seniors; while the Boaz Island and St. George's Community Centres could cater for teens and families with young children.

The Bermuda National Library will also introduce a Home Delivery Book Service for seniors and those persons who are shut-in. Government wishes to acknowledge with thanks a donation by the Stempel Foundation towards the purchase of a van that will be used for the new home delivery service.

The Department of Community and Cultural Affairs will be launching the North Hamilton Train Tours in May 2007. The Train Tours will tell the story of the development of black businesses during the segregated periods of the early to mid 1900s; highlighting key residential and business areas which helped to serve every basic need of the surrounding neighbourhoods at that time. As well many significant black Bermudians, associated with the development of the North Hamilton area, will be featured in the commentaries, thereby bringing attention to the roles that they each played in the development of North Hamilton.

Through the National Office for Seniors and the Physically Challenged, an all-inclusive Access Awareness Initiative will inform all persons with disabilities of the services available to them through Government and the private sector. An exposition on services and resources will be open to all members of the public. Collaboration with the Lahey Clinic's Department of Gerontology and Geriatric Care will ensure that seniors have access to the best medical care possible through their primary care physicians in consultation with Lahey Clinic.

The Department released the calendar, *Cultural Connections 2007: Folklife in Bermuda* with the publication of 1,500 copies in October 2006. Public response to the calendar has been overwhelming.

The Hands On Youth Outreach Programme is another initiative within the Department of Community and Cultural Affairs that continues to achieve positive results and will continue as a programme in 2007/08. This programme is designed to motivate, stimulate and expose Middle and Senior school students (both male and female); and assist in the development of life skills needed as they transition from adolescents to adulthood. This project began in 2003 and to date, over 500 students have completed the programme.

The Department is coordinating plans for Bermuda's participation in the Virginia International Tattoo in 2007. Bermuda will have cross-Ministry representation through performances by the Bermuda Regiment, the Bermuda Islands Pipe Band, Portuguese Dancers and H&H Gombey Dancers at the event held in Norfolk, Virginia from April 20 to 22, 2007.

NON-MINISTRY DEPARTMENTS

The total allocation of funds for non-Ministry Departments including the Office of the Auditor-General, the Public Service Commission, the Parliamentary Registrar, the Ombudsman's Office and Government House in 2007/08 is some \$6 million.

CAPITAL EXPENDITURE 2007/08

Mr. Speaker, as I stated earlier, the capital component of the National Budget for 2007/08 is \$141 million. Of this amount, \$102 million, or 72 per cent, is for the continuation or the completion of existing projects that are underway.

New projects have not been added to the plan unless there was more than a reasonable chance of starting the project in 2007/08. The spending profile for included projects has also been refined to reflect the value of work that was reasonably expected to be put

in place during the year. As a result, the anticipated spending on projects in the Capital Expenditure Plan for 2007/08 was reduced from an initial sum of \$220 million to \$141 million.

Work on the new Hamilton Police Station and Courts is due to begin in June 2007. Similarly, work on the runways and aprons at the Bermuda International Airport will continue throughout 2007/08.

Of the \$41 million in new projects, nearly one-half of that allocation or \$20 million is for a second cruise ship pier at the Royal Naval Dockyard. The new dock will be able to accommodate the larger vessels that have become the standard in the cruise industry. In addition, following the discovery and remediation of air quality issues at CedarBridge Academy, Government has included funding of \$1.5 million for a phased programme of testing, cleaning and remediation for all other public schools including pre-schools in 2007/08.

Other projects in the plan for the first time include renovations to the Pembroke Rest Home and an allocation to begin restoration work on Bermuda's public golf courses beginning with the Port Royal Golf Course.

Mr. Speaker, the combined total of the current and capital components of the 2007/08 National Budget is \$1.025 billion. With estimated revenue of \$917 million and cash in hand of \$20 million, the projected borrowing requirement in 2007/08 is \$89 million all of which will be used to finance the unfunded elements of the capital budget, namely, the investment in hard assets represented by schools, facilities for seniors, infrastructure work, government buildings and vehicles and equipment.

Given the strategic linkages that the Ministry with responsibility for housing has forged with the private sector it was thought neither necessary nor prudent at this stage to set aside the initial level of funding for housing that was originally anticipated given that the Minister has been able to effectively leverage monies received from the public purse in public-private partnerships with private sector developers in order to minimise the upfront capital expenditure required from the Government.

Mr. Speaker, further it should be noted that a housing bond may be floated by the Bermuda Housing Corporation so that the wider Bermuda public can invest by subscription to the bond.

CONCLUSION

Mr. Speaker, let me conclude by restating that Bermuda is in a good place economically. Government's record of sound economic management continues and the outlook for 2007 is positive.

As a community, most of us have done well. As Government we want more for our community and more from our community.

We want better results from our public school system.

We want closer alignment from corporate Bermuda to Government's workforce objectives with respect to advancement of Bermudians.

We want improved care for our seniors.

We want more effective law enforcement and better results from programme interventions with offenders in our Corrections facilities.

We want our corporate partners to raise the bar in the realm of social responsibility.

We want greater community involvement in positive social programmes designed to assist our youth.

Government is intent on doing better so that the people of Bermuda will benefit. The budget judgments in 2007/08 will help to enhance the welfare and well being of our people by distributing the economic rewards in a fair and equitable manner such that these key policy priorities are advanced.

Government's role is to make Bermuda a world-class jurisdiction on all fronts. We want social and racial harmony, a sense of community. We want to be inviting as a place where socio-economic and racial and ethnic differences do not threaten our social fabric. We want to see equity and social justice for all. We want to have an honest dialogue on race and a commitment to wide-reaching reforms to improve the life of the people of Bermuda. We acknowledge that across the board even more has to be done to economically empower our people and businesses.

We intend to make this happen. We intend to continue to build on past success and current success so there is a legacy of leadership and a commitment to social justice and equity.

We have confidence in the future.

Thank you Mr. Speaker.

