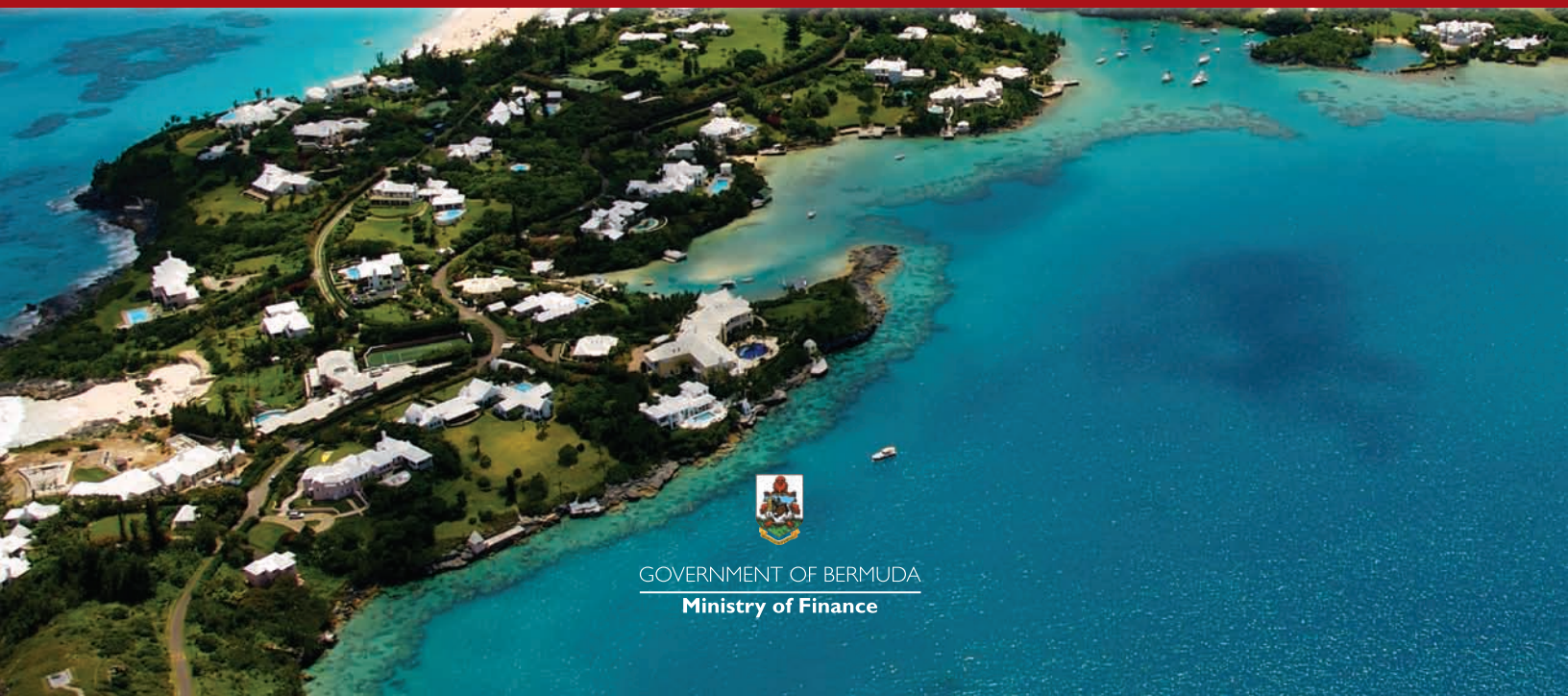


2013 – 2014 BUDGET STATEMENT

In support of the Estimates of Revenue and Expenditure

Presented by The Hon. E.T. Richards, JP, MP
Minister of Finance
22 February 2013



GOVERNMENT OF BERMUDA
Ministry of Finance



BUDGET STATEMENT
IN SUPPORT OF THE
ESTIMATES OF REVENUE AND EXPENDITURE
2013–2014

PRESENTED BY THE HON. E.T. RICHARDS, JP, MP
MINISTER OF FINANCE
22 FEBRUARY 2013

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INTRODUCTION

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

On the occasion of my first Budget Statement as Minister of Finance, it is clear that Bermuda faces a daunting economic challenge in the months and years ahead. The Island is experiencing its fourth straight year of economic contraction. The Gross Domestic Product — the value of all goods and services produced in the economy — has shrunk by about 10 per cent since 2007, meaning the economic pie shared by all Bermudians is getting smaller, with less to go around.

The Government, which the One Bermuda Alliance took over as a result of the election on 17 December 2012, is in the midst of recording its fifth straight year of Current Account deficits. That is like a family having more monthly expenses than monthly income. Year-to-year operating deficits have risen unchecked from a \$19 million surplus in 2008 to a projected \$247 million deficit in the upcoming fiscal year. This accelerating trend is unsustainable.

The operating deficits have compounded the alarming increase in our public debt, which has been growing significantly since 2005. At the end of the current fiscal year, debt, net of the Sinking Fund, will stand at \$1.469 billion — a very large number for a small population, which will take many years to pay down.

Mr. Speaker,

The signs of economic trouble have been clear for all to see: A retail sector that has seen shop closures, layoffs and pay cutbacks; a construction industry that has shed hundreds of jobs, a tourism industry that has downsized for the fewer customers flying to our shores, and an international business sector that has quietly shipped jobs to competing jurisdictions.

The human toll that these trends have inflicted is unprecedented. Although up-to-date, accurate statistics are not available — a result of the Island never having experienced mass unemployment until now — we know that thousands of Bermudians are unemployed and that more are “under-employed”, earning less than before. There is evidence that hundreds of mortgages are in arrears, meaning that many people live in fear of losing their homes.

The distress these negative economic forces inflict on individuals and families every day is intense and unrelenting. It is this pain that the Government’s plans and actions ultimately aim to relieve.

Mr. Speaker,

Bermuda is facing one of the most serious challenges in its long history. The economic foundations of the Island, which enable us to live our daily lives, must be strengthened and better protected. The OBA Government understands the scope and scale of the challenge and what needs to be done. Our goal is to create an economy that works for everyone; to lay a new foundation for broad-based prosperity.

To achieve that, we will follow a year-to-year, two-track strategy that strikes a balance between responsible growth and disciplined financial management.

The first track will implement specific pro-growth economic policies to stimulate much-needed foreign investment, restore confidence in the Island as a place to do business and create new jobs.

The second track will eliminate wasteful government spending, thereby reducing our national debt over time.

Mr. Speaker,

The way out of this situation will not be easy, nor will it happen overnight. It will take time to implement solutions that work for the greater good. It will take time to revamp structures that inhibit our ability to operate efficiently and effectively. And it will take time to reverse trends and trajectories locked in place by past practices. Our borrowing requirements for the coming year, for example, will reflect the situation we inherited on 17 December 2012 as Bermuda's new government.

On this point it is with a heavy heart and a profound sense of frustration that I project an overall operating deficit and Public Sector Borrowing Requirement (PSBR) of \$331 million for the fiscal year 2013/14. This is a staggering amount that is the result of weak projected revenues and a spending momentum that will take time to change, like a great ship that is slow to answer the helm.

Mr. Speaker,

The projected borrowing requirement over the next year underscores the seriousness of the situation we face. Bermuda will need patience and the strongest commitment to changing the way we go about our business. The Government cannot do it alone. It will take new levels of cooperation and teamwork from Bermudians in every sphere.

The revival of the Bermuda economy is something we can and must all work for together. My colleagues and I see it as an opportunity to build a new unity within Bermuda; a

unity based on the prospect and realization of national progress in which we all can share; progress anchored to principles of fairness, responsibility and inclusion; progress driven by a sense of shared sacrifice and destiny.

The Government will take the lead in encouraging new levels of trust and cooperation among Bermudians across all sectors of our community. We will do it through consultation, transparency and plain speaking; building from the understanding that we are all in this together.

That is our starting point as we begin the important work to recover, rebuild and restore the promise of Bermuda.

THE GLOBAL ECONOMY

Mr. Speaker,

Bermuda's economy is essentially a trading economy, one that trades with the rest of the world mainly in financial services. Therefore, any analysis of Bermuda's future prospects must take into account the economic environment in which it trades: i.e. the

Figure 1



global economy. Even though there are many countries in the global economy it is dominated by the United States, China and the European Union. As our principal trading partner, the state of the USA is crucial to our future.

Figure 1 shows the growth trends firstly of Industrial Production and below that, GDP since 2000. The periods of recession are clearly shown by the shaded areas. Since emerging from the “Great Recession” the US

economy has shown muted growth but does not appear to be in imminent danger of returning to negative growth. The principal risk factor continues to be fiscal deadlock in Washington DC.

China has been the sole growth source during the global economic calamity as it never

went into recession during the period, and although the Chinese economy has cooled in recent quarters, there is no legitimate cause for fear of recession.

Mr. Speaker,

Europe, on the other hand, has not been able to recover as well as the other major economic blocs. Figure 2 shows the European Union slipping into recession once again. This is where the pressure on Bermuda will come from. Faltering economic fortunes in Europe

Figure 2



are likely to increase pressure on their national budget deficits thus ratcheting up the search for easy scapegoats like offshore domiciles, including Bermuda.

We face an environment of constantly shifting regulatory goal posts. The Bermuda government will continue to be ever vigilant against such threats to our reputation and our ability to freely trade with nations of the world.

THE BERMUDA ECONOMY

Mr. Speaker,

The Bermudian economy continues to struggle, official figures showing a recession for three consecutive years, as illustrated in Figure 3. Due to the unavailability of economic

Figure 3

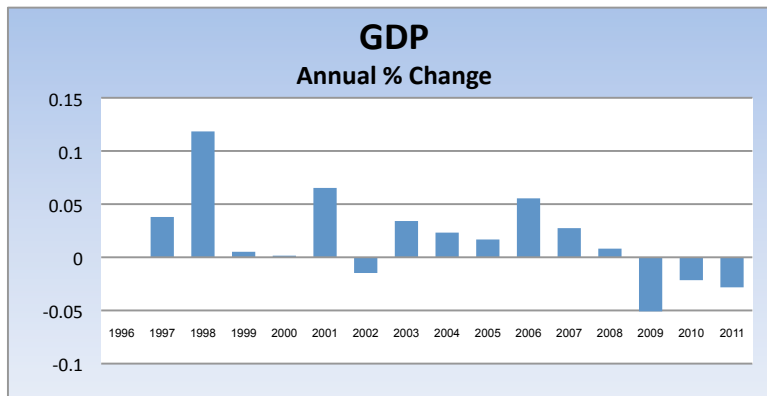
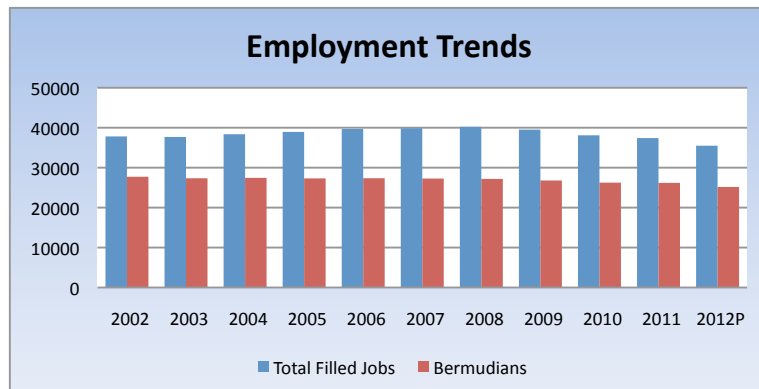


Figure 4



data, the graph ends in 2011 but anecdotal evidence gives one no expectation that 2012 produced anything other than economic contraction. That would make it a four year recession.

This conclusion is reinforced by employment data shown in Figure 4, where there has been a steady decline in the workforce, in total, as well as the Bermudian workforce. It is the stark contrast between Bermudian economic data and the improving data from our trading partners like the USA and Canada that led analysts to the firm conclusion that Bermuda's prolonged recession was due to structural Bermudian issues, issues that we are compelled to address ourselves.

While the number of new companies being formed in Bermuda has experienced a moderate decline in 2012, anecdotal evidence indicates the economy is still shedding jobs. The invention of "reinsurance sidecars" has enabled that sector to effectively increase capacity without substantially increasing staffing levels. This is but one of the reasons that our flagship industry has continued to return solid results to their shareholders without making a significant impact on job growth in Bermuda.

December 2012 numbers for Retail Sales reconfirm the negative trend. Retail Sales by volume were down by 3.7 per cent from a year earlier, the fifth consecutive monthly decline. Retail Sales for Building Materials plunged an incredible 33.5 per cent. The near completion of the new hospital wing's outer shell was a major factor, but it demonstrates the overall weakness of the sector.

Mr. Speaker,

Visitor arrivals continued to be dominated by lower spending cruise travellers. In 2012 higher spending air arrivals were around the previous year's levels. Cruise arrivals are due to increase this year with the arrival of the *Breakaway* class ship that can accommodate over 4,000 passengers.

These conditions underpin this Government's intense focus on enacting policies that will increase the number of potential employers on the Island, the demand for labour and policies that will reduce the marginal cost of employing a Bermudian.

Some observers have accused the OBA approach to the economic problems of today as being, "Too big business friendly." Such comments speak to a profound lack of understanding of the economic realities of today's Bermuda. Clearly, today's economy is in these dire straits because a different approach was taken. It is worth reiterating the simple fact that only an employer can create a job. And a job is the best social programme ever invented. As a government, the choice is simple, we either employ everybody who wants to work but doesn't have a job, or we make it easier, cheaper and more attractive for businesses based in Bermuda to employ more people. The first option would bankrupt the Government, the second option leads to a more sustainable path. We choose the sustainable option.

Mr. Speaker,

In the Bermudian economy there are two types of businesses: foreign exchange earners and foreign exchange users. Businesses that earn foreign exchange for the Island are our most valuable national economic assets. It is these earners of foreign exchange that are the pumps that infuse money throughout the economy. Other businesses use that money to employ other people and provide residents with goods and services. Resident consumers use that same money to live. However, without the foreign exchange earners they would not be able to fulfill that function. Ultimately all jobs in Bermuda are derived from these primary foreign exchange earning businesses.

Therefore, it is a moral imperative for the Government of Bermuda to encourage and assist these primary foreign exchange earning enterprises which provide the funding for its citizens to have opportunities of employment, home ownership, education, healthcare and a good standard of living.

For many decades Bermudians have taken such enterprises for granted, concentrating instead on getting a bigger piece of the pie. But after four consecutive years of contraction, with the loss of jobs, opportunity, savings and homes, we can no longer think like that. The pie is shrinking and we must start expanding it again. Those who still harp on the

struggle between “Us and Them”, should have realized by now that there is no us and them, there’s only us and us. The data shows that divisiveness only succeeds in shrinking the pie. The “have nots” always suffer the most when the pie is shrinking. The fortunes of all people who call this island home are tightly interlocked: we all rise and fall together.

This government understands the linkages that bind this economy together and we will do everything within our power to create jobs for Bermudians by improving the environment for entrepreneurial activities in Bermuda so that job creators can do what they do best:- take risks to seize market opportunities, thereby creating employment as a by-product. That’s how jobs are created.

THE BUDGET

Mr. Speaker,

The headline numbers projected for fiscal 2013/14 are as follows:

	\$000
Total Revenues	871,199
Total Current Expenditures	983,883
Debt Service	134,300
Current Account Deficit	(246,984)
Capital Expenditure	84,609
Overall Deficit (PSBR)	(331,593)

Mr. Speaker,

The revenue estimate for 2013/14 is \$871.2 million, 4 per cent lower than the original estimate for the previous year.

The most significant decline has been in the Customs Duty yield which has decreased by \$25 million or 12.5 per cent compared to the previous year. The weakening economy is the main factor. The other factors are the continuing Customs Duty concessions being granted for the redevelopment of the King Edward VII Memorial Hospital and to the hotel, restaurant and retail sectors which will reduce the Customs Duty yield in 2013/14.

Also the payroll tax concessions for the hotel, restaurant and retail sectors will be

extended which have reduced the projected payroll tax yield in 2013/14 by an estimated \$21 million.

As the overall Bermudian economy remains stagnant-to-weak, and particularly from the lackluster trends exhibited in the current fiscal year where the PSBR was \$42 million larger than forecast, we are unable to forecast anything other than weak revenue projections for 2013/14. We are, however, hopeful that the measures we have already taken and those that we plan to take as the fiscal year unfolds will have a positive effect on economic growth and job creation, thereby rendering higher revenues than forecast here. We are hopeful; but prudence demands that a National Budget must be based on “Expected” cash flows as opposed to hoped for results.

Mr. Speaker,

Insofar as expected expenses are concerned we have cut back most Ministries’ cash requests by significant amounts during the budgeting process but have not had the time to really come to grips with cost structures within the Government. Moreover, with 71 Departments, the organizational structure of the Government is unnecessarily cumbersome, a complexity that generates excess expense. These and other related issues are matters the SAGE Commission will look into.

Capital expenditures for the coming fiscal year are glaring examples of spending momentum carried over from the previous administration. The new Government has been locked into large capital expenses to remediate poor quality work done at Heritage Wharf at Dockyard; to make major repairs at Tynes Bay and to complete the Aquatic Centre.

Heritage Wharf deserves special mention as the poster child for government bungling and waste. Not only was this project hugely over budget, it was not built to the required specifications and therefore did not survive the first hurricane intact. Now the new Government is forced to spend millions of scarce dollars to make repairs in time for the cruise ship season in April 2013.

Like Heritage Wharf, this budget is groaning under the weight of economic decisions of the former administration, the consequences of which we have inherited and have carried forward through to the coming year. They say, “Rome was not built in a day,” and I would add that neither can it be cleaned up in three months or a year.

But the journey back to credibility starts now, and it starts with transparency. This budget contains no artificial, unexplained revenue projections, neither does it try to

use sleight of hand to make the cost of debt service appear less than it really is. This Government gives it to Bermudians straight, irrespective of whether the news is good or bad.

MEDIUM TERM ECONOMIC DEBT GLIDE PATH

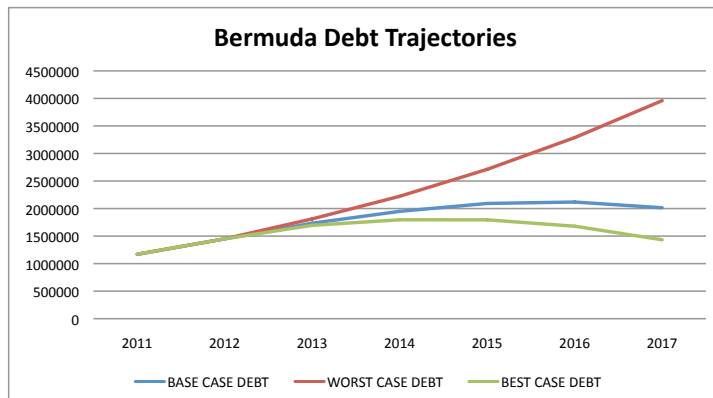
Mr. Speaker,

It is high time for the Government of Bermuda to be real about debt. Overall deficit spending by the Government started in the year 2003 and this has annually accumulated in an ever rising profile of public debt right up to the present time. The rise in debt, which has been exponential, is unsustainable. To redress this situation the new Government has laid down a debt management plan, or a Medium Term Debt Glide Path.

Bermudians should understand that as long as the Government runs an overall deficit (on the modified cash basis used in budgeting) debt will rise. So, in order to reduce public debt Government must first stop running annual operating deficits, and start running cash surpluses which, when applied to the debt, will reduce it.

The Government has been running large deficits over the last few years and this upcoming year represents one of the worst years of deficit spending. This Government recognizes that it will take time and changes in policy to actually start paying down the debt. Figure

Figure 5



5 shows three scenarios: the Base Case, the Worst Case and the Best Case. All scenarios are possible but the Base Case is the scenario that Government thinks is the most probable.

The most noteworthy of the scenarios is the Worst Case because it merely extrapolates the current real life deficit and debt trends. In other words if we do nothing and economic

conditions remain as they are now, Bermuda is forecast to have a public debt of about \$4 billion in five years. Debt service is forecast to be in the area of \$300 million per year, making it by far the largest Government “department.” After paying debt service and salaries there would be little left for anything else.

The Base Case scenario shows debt continuing to rise to just over \$2 billion and declining thereafter. The Best Case sees debt rolling over faster and being somewhat lower after five years. Again, we are working toward and hoping for the Best Case but the highest probability scenario: i.e. the expected case is the Base Case.

Mr. Speaker,

This is a very sobering chart and should explode anybody's notion that this debt situation can be solved overnight. However, what it does show is that a growing economy coupled with continuous cost containment on the part of Government will eventually wrestle this debt beast down to more manageable levels.

Part of this management programme is to set up debt related targets, or rules, that are appropriate for an economy the size of Bermuda's. The IMF has a set of criteria of maximum acceptable Debt/GDP levels for small economies: the low target equals 20 per cent, with the high target being 40 per cent. We are currently under that 40 per cent mark but will blow straight through it over the next few years under the Worst Case scenario. The IMF also has a maximum level criterion for the Debt/Revenue ratio of 80 per cent. Currently we are well above that maximum. but we will work to comply with it over the medium term.

Moving Government off of its dependency on operating deficits requires medium term revenues to strengthen and costs squeezed out. Current weak revenues may improve as our efforts to revive the flagging economy through policy incentives and investment incentives take hold. On the cost side the SAGE Commission will soon start its work. Government will also formally commence negotiations with the relevant unions regarding reduction in staff compensation.

The overarching principle, insofar as cost reduction is concerned for this Government, is that of shared sacrifice. It is wrong to ask some people to sacrifice while others get off "scot free". Accordingly, Cabinet has led the way by example in cutting its own compensation. Others must also share the burden. Bermudians are fair people and the inclusion of all in the public sector is the only way for such action to be fair. The projections in Figure 5 do not include any specific presumed compensation reductions.

Mr. Speaker,

The concept of solvency for a government is not necessarily a matter of rigid rules. Solvency is the measure of an entity, a company or a government, to be able to meet its long term financial obligations. One thing is clear, and that is large countries are given much more latitude than small ones, and developed economies are similarly given more latitude than developing ones. Bermuda is highly developed but is undiversified and very small. All public sector jobs, and some private sector jobs too, depend on the Government remaining solvent. The fact that a Minister of Finance is even discussing solvency should send a message to Bermuda that we cannot continue as we are, i.e. along the Worst Case scenario path as shown in Figure 5. We must change.

This National Budget contains only the first steps of the changes required. There has not been enough time since this Cabinet was sworn in to make any more changes than we show here, but we are committed to making the changes in the Public Sector to make it sustainable in the eyes of Bermudians as well as the eyes of our foreign creditors, upon whom we rely.

DEBT CEILING

Mr. Speaker,

Currently the authorized debt ceiling for the Government is \$1.45 billion. In view of the forecast operating deficit, not only for the year under consideration, but for those forecast in the medium term plan, this authorized ceiling must be raised.

It is the view of this Government that what has become the annual ritual of ratcheting up the debt ceiling gives the impression that there is indeed no debt management plan at all. This is a negative insofar as capital markets are concerned, the same entities we rely on to finance this debt.

Therefore, we will be laying legislation, for the approval by Parliament, to raise the authorized debt ceiling to \$2.5 billion. It is important to note that this only authorizes the limit of Government borrowing, it does not prescribe the actual amount of borrowing. We do not expect the borrowing requirement to take us to that level, but we want a level that is pragmatic, realistic and static. The only adjustment to this ceiling I would like to see is an eventual downward adjustment.

In conjunction with the new ceiling the Government commits to keep public debt at such a level that the net debt/GDP ratio does not exceed 38 per cent. Additionally, Government recognizes the desirability of achieving a net debt/revenue ratio that is below 80 per cent and a debt service cost/revenue ratio that is below 10 per cent. We will work toward reducing these ratios to such a level over the medium term.

NON TAX POLICIES TO PROMOTE JOB GROWTH

Mr. Speaker,

For several years now it had been clear to most economic and financial analysts that Bermuda had become an uncompetitive player in its trading in services with the rest of the world. And since trading in services with the rest of the world is our primary

business, this fact represents a huge problem. It is our lack of competitiveness that is causing our economy to contract. That contraction is causing the loss of jobs and the weakness in government revenues and the increase in public debt.

Competitiveness is not merely a function of cost, although cost is very important. Competitiveness is also a function of the quality of our services as well as speed of delivery. The latter two areas are issues that the Government can and should influence, because by doing so we can increase competitiveness and promote growth and jobs for Bermudians.

Regarding quality, we have the issue of intellectual capital. It was found that employers were not willing to bring non-Bermudian staff to Bermuda if they could only stay for six years. Company executives told us that there is a global competition for intellectual capital and that such people wouldn't come here if they had to be arbitrarily uprooted after six years. So this intellectual capital either left Bermuda, never to return, or wouldn't come here in the first place. Bermudian employees connected with that non-Bermudian intellectual capital often lost their jobs because of the exodus. Our economy was therefore robbed of their consumer spending and government revenue derived from that spending.

Mr. Speaker,

It was clear to this Government that term limits had the opposite effect on employment of Bermudians to what Bermudians had been told by the former government. Term limits turned out to be job killers for Bermudians instead of job savers. The statistical and anecdotal evidence support this assertion 100 per cent. The OBA didn't have access to all the facts before we became government and that's why we promised to suspend term limits pending a review of all the facts. Once in office, however, we reviewed the facts, as well as multiple legal opinions that the former government had at its disposal and ignored, and the case was clear. If we were going to be a Government that would be acting to improve Bermuda's competitiveness and create jobs for Bermudians, term limits had to go. We acted decisively, taking one first step to improve job opportunities for Bermudians.

Mr. Speaker,

The other component of competitiveness is speed of delivery. Speed is important because time is money. Government is in the process of speeding up approvals required for a wide range of circumstances: from work permits to planning approvals to company formation. The speeding up of these procedures will improve our competitiveness. In addition, Government has established a Cabinet Committee called the Economic Development

Committee whose mandate is to compress the time taken to obtain the necessary approvals for direct inward investment into our island. To restart economic growth we are in urgent need of major flows of direct inward investment capital. Unwelcoming and bureaucratic procedures have reduced the flow of inward direct investment to virtually a trickle.

Mr. Speaker,

Government through the Ministry of Economic Development, has moved forward on the formation of the Bermuda Business Development Corporation (BBDC). The BBDC is a private public partnership that is intended to spearhead the promotion of Bermuda as a preferred domicile for a variety of international business activities, including reinsurance, asset management, trusts and fund administration. This involves organizing all the relevant stakeholders and formulating a coherent mission for the BBDC and strategies to achieve that mission.

This Ministry will play a crucial role in helping Bermuda to improve its quality of services to our international customers as well as increasing the speed of delivery thereby improving the island's competitiveness worldwide.

Small businesses provide goods and services locally but they also play an important role in determining Bermuda's competitiveness and by extension its future growth path. The Government, through the Bermuda Economic Development Corporation will continue to support Bermudian entrepreneurs in their quest for success.

Mr. Speaker,

As I mentioned earlier, one of the ways to turn around the trend of economic contraction is to encourage inward direct investment to the island. Crucial to this strategy is the encouragement and enabling of the construction of new resort hotels on island which will provide new construction jobs and ultimately new jobs in hospitality. However, before any building can start investors and financiers must be convinced that such projects represent compelling value propositions. This is the linchpin of every potential new hotel project, a value proposition that works. Government, through the Economic Development Cabinet Committee, is working to accelerate approvals and clear away red tape that would otherwise erode the value proposition for new hotel development.

This Government has embarked on these initiatives and will take any other necessary steps to stimulate economic growth through these non-tax policy driven initiatives.

TAX POLICIES TO PROMOTE GROWTH AND CREATE JOBS

Mr. Speaker,

Government has found itself in the difficult position of, on the one hand, needing more revenue to pay for its operations and debt service, while on the other hand, not wanting to cripple the economy further with major tax increases. In this budget there are two tax initiatives which will have the effect of stimulating economic activity and employment.

The first, as per our election platform, is the two year payroll tax holiday for new Bermudian hiring. This tax holiday lowers the marginal cost to an employer for a new Bermudian hiring. I will remind Bermudians that only an employer can create a job. The payroll tax cost to the employer for any new Bermudian hire will be zero, although the portion of the tax normally deducted from the employee will take place as usual, like any other worker. This will be an incentive for employers to hire Bermudians. This tax holiday will not be available to employers for their existing Bermudian employees. The Tax Commissioner's Office will be set up to be watchful for those few unscrupulous employers who may wish to try to game the system.

Government expects this tax holiday to be, at the very least, revenue neutral as the effect of more Bermudians in the workforce will counteract the revenue lost from the tax holiday itself.

Mr. Speaker,

The second tax initiative relates to Licence Fees for non-Bermudians' purchase of Bermuda property. Currently, the Licence Fee is 25 per cent of the value of the property. It is proposed to cut this fee to 8 per cent for a period of 18 months, rising to 12.5 per cent thereafter. For condominiums, not used for tourism purposes, it is proposed to cut licence fees from 10 per cent to 6 per cent, increasing to 8 per cent in 18 months. For PRC holders it is proposed to reduce licence fees to 4 per cent, increasing to 6 per cent in 18 months.

Mr. Speaker,

This is a jobs programme, pure and simple. The lowering of licence fees as outlined will stimulate much needed inward direct investment into Bermuda. The purchase of a new house, particularly those at the highest echelons as represented here, is frequently accompanied by renovations or customization of some description. Local construction companies will be required to carry out such modifications, thereby increasing the demand for labour in that depressed sector. As these customizations will be varied in

scale and scope it should create opportunities for construction firms both large and small, thus creating a considerable diffusion of opportunity in the sector.

Furthermore, the fact that the low licence fees will revert to higher levels after 18 months should have the same psychological effect as the end of a “Sale” in retail: it spurs people to act sooner instead of procrastinating.

Insofar as Government revenues are concerned we anticipate this action to have a positive effect. We estimate that the demand for property is indeed price elastic and the reduction in fees will stimulate a more than proportionate increase in transactions. Secondly, there has been no adjustment in stamp duty rates, so revenues from these will increase. Thirdly, if construction activity is stimulated, as we expect, revenues will accrue to Government via payroll taxes for the jobs that will be created. Customs Duties will also rise due to the increased volume of building materials that will have to be imported. Lastly, the 25 per cent licence fee has acted as a deterrent for many of our resident non-Bermudian job creators to feel “connected” to Bermuda. Encouraging them to own a home in Bermuda can only be a good thing for Bermudians, as it enhances the connection of their Bermudian employing enterprises to our island. This is a win-win proposition for all concerned.

Mr. Speaker,

This tax incentive will in no way increase the number of properties in Bermuda available for sale to non-Bermudians.

With these two tax initiatives Government has found a way to stimulate the economy and create jobs without resorting to major tax cuts which would jeopardize the solvency of the Government.

OTHER TAX ADJUSTMENTS

Mr. Speaker,

The duty on cigarettes and tobacco and beer, wines and other spirits will be raised in April 2013 to achieve additional Customs revenue of about \$2 million.

The yield from land tax will be improved in 2013/14 by adjusting the rates on ARV bands higher than \$90,000. The amount of additional tax is estimated at \$3.4 million. The effect of the adjustment is that 96 per cent of the residential properties will not see any changes in their land tax bill.

The exemption previously afforded to seniors for vehicle licences has been maintained for vehicles in classes A, B, C and D. However the exemption from licence fees for seniors in classes E, F, G and H will be rescinded. Also there will be an increase in vehicle licence fees of 3 per cent on all vehicles. These measures will recoup an estimated \$2.2 million in vehicle licence fees for 2013/14.

The cost of bus passes (day passes) will be raised resulting in an increased revenue yield of \$500,000.

The Corporate Service Tax Rate, which has been in existence since 1995, will be raised from 4 per cent to 6 per cent to achieve additional revenue of about \$1.5 million.

Most other tax rates will remain unchanged except for various Immigration fees. It is estimated that these changes will be revenue neutral.

TAX COLLECTION

Mr. Speaker,

Government financial statements show large amounts of money as Taxes Receivable. These represent taxes that should be paid to government according to law but have not been paid. As Government presently has to borrow money to pay monthly bills, every unpaid dollar owed to government increases the public debt and costs taxpayers the interest payable on that dollar.

Due to the extended recession there are many small businesses that have struggled to meet their tax obligations in a timely fashion. Government will work with these businesses to make suitable arrangements. However, there are others who simply ignore their obligations. For this group Government will use all available means to collect overdue taxes, thereby improving Government's cash flow and reducing its need for borrowing.

Mr. Speaker,

Now I would like to provide a few highlights of programme initiatives related to the key Ministries of Public Safety, Education and Health and Seniors.

PUBLIC SAFETY

Mr. Speaker,

Safety and security in Bermuda are fundamental human rights, hence it is a clear imperative to provide the Bermuda Police Service with the resources they require to meet the challenges of these times. This budget provides additional funding to increase the BPS manpower to adequate levels.

Also provided is an increased allocation to the Police Complaints Authority. An additional \$30,000 will enable this body to engage a part-time investigator to properly deal with complaints made against the Police thereby increasing public confidence that rights and freedoms are highly valued in this society.

The Government will move to renegotiate the Police Conditions of Service Order to remove those provisions regarding Police compensation which are no longer appropriate. While we will not compromise on keeping Bermuda safe, fiscal prudence must be applied even to this vital Department.

Mr. Speaker,

Supporting strong enforcement must be accompanied by effective rehabilitation. The Department of Corrections fulfills a critical role in breaking the cycle of anti-social behaviour in our community. To ensure that incarcerated men and women are returned to society equipped to make better choices, and thereby reducing the risk they pose to the wider community, this Budget makes provision for the recruitment of prison officers to fill existing posts and in this fiscal year the Department of Corrections will also engage key professionals in areas related to the rehabilitation and management of inmate issues.

EDUCATION

Mr. Speaker,

This Budget will allow the Ministry of Education to improve teaching quality and learning outcomes as well as expand opportunities and provide greater access for all of our students.

Career Pathways, a programme started in September 2012, represents a dynamic partnership between Bermuda's industry partners, the Ministry of Education, the National Training Board and the Bermuda College. The programme is designed to provide public school students with pathways for greater preparation for career and college opportunities for a fulfilling life beyond the classroom.

The goal is to expand the programme to bring Bermudian students closer to the various occupations in which non-Bermudians are heavily represented. The refining of the programme at the Senior School level will assist the Ministry to build the pipeline that will eventually see the introduction of the Career Pathways programme at the Middle School level.

The budget allocation for the upcoming year will allow the Ministry to expand its services to special needs students.

Vision Services is one such area that has expanded in recent years. The number of students with vision impairments has risen from 11 in 2010 to 46 in 2012 of which five require to be serviced with Braille. Known as the Busy Bees programme, this vision programme has benefited from overwhelming school, family and community support. Without this support the programme would not have been able to meet the needs of these students.

Mr. Speaker,

In September 2011, an Alternative Education Programme was implemented for troubled youth with severe behavioural challenges who were not functioning to their level of ability in the regular school environment. This one per cent of the total student population is being serviced through a consortium of alternative facilities to meet their individual learning and behaviour management needs.

These new programmes provide opportunities for our students to reach their full potential and for the public education system to be inclusive and responsive to student needs.

HEALTH AND SENIORS

Mr. Speaker,

The proposed 2013/14 budget for the Ministry of Health and Seniors is \$195.2 million which is an increase of \$4.2 million or 2.2 per cent on the base budget from the previous year.

The vast majority of the Ministry of Health and Seniors' budget (over 72 per cent) is allocated to the Bermuda Hospitals Board.

For the 2013/14 fiscal year, a budget of \$104 million has been provided for patient subsidies for the youth, indigent and the aged, as well as providing some support for the Continuing Care Unit at the Hospital.

Mr. Speaker,

Since the closing of what was then called the “Indigent Clinic” at the Hospital, there have been many among our most vulnerable populations who have been unable to access primary care. Instead, many of these Bermudians have either gone without care or they have gone to the Emergency Department. This situation is unpleasant for the people involved, and it drives up costs for the entire healthcare system.

The Ministry of Health and Seniors will address this by providing primary care services for those Bermudians who cannot afford health insurance. The Ministry will address their immediate care needs, and will ensure that they have the appropriate treatment and support for any chronic conditions.

CONCLUSION

Mr. Speaker,

This budget marks the beginning of a new direction for the manner in which the economy of Bermuda and the finances of the Bermuda Government are managed. The hallmarks of the new management style will be realism, transparency, prudence and decisiveness. At the present time Bermuda’s economy is in a tough spot but the Government is confident that the corrective measures outlined in this Budget Statement, and others initiatives that will come, will result in more jobs, more prosperity, greater opportunity and safer neighbourhoods in the years to come.

Therefore Mr. Speaker, this Government remains firmly confident in future prospects of Bermuda.

Table 1

GOVERNMENT OF BERMUDA SUMMARY OF OF CONSOLIDATED FUND ESTIMATES FOR 2013/14

ACTUAL 2011/12 \$000		ORIGINAL ESTIMATE 2012/13 \$000	REVISED ESTIMATE 2012/13 \$000	ESTIMATE 2013/14 \$000	
Revenue and Expenditure Estimates					
914,182	1	Revenue	909,634	869,002	871,199
990,146	2	Current Account Expenditure(excl.debt & s/fund)	939,767	971,968	983,883
(75,964)	3	Current Account Balance(excl.debt & s/fund)	(30,133)	(102,966)	(112,684)
67,592	4	Interest on Debt (i)	35,000	35,000	96,675
(143,556)			(65,133)	(137,966)	(209,359)
25,726	5	Sinking Fund Contribution	30,750	30,750	37,625
(169,282)	6	Surplus Available for Capital Expenditure	(95,883)	(168,716)	(246,984)
59,486	7	Capital Expenditure (See line 21 below)	76,190	74,833	84,609
(228,768)	8	Budget Surplus (Deficit)	(172,073)	(243,549)	(331,593)
Sources of Financing					
(35,312)	9	Consolidated Fund	0	29,270	0
264,080	10	Borrowing	172,073	214,279	331,593
228,768	11	Total Financing	172,073	243,549	331,593
Capital Appropriations					
77,071	12	Appropriations in Original Estimates	76,190	76,190	84,609
8,444	13	Supplementary Appropriations	0	0	0
85,515	14	Appropriated During the Year	76,190	76,190	84,609
(17,888)	15	Appropriations Frozen	0	(27,107)	0
0	16	Appropriations Lapsed	0	0	0
67,627	17	Net Appropriations	76,190	49,083	84,609
17,612	18	Unspent Appropriations from Prior Year	0	25,750	0
85,239	19	Appropriations to Meet Spending	76,190	74,833	84,609
59,489	20	Capital Spending	76,190	74,833	84,609
25,750	21	Unspent Appropriations Carried Forward	0	0	0
Consolidated Fund Balance (March 31)					
1,000	22	Contingency Fund	1,000	1,000	1,000
25,750	23	Unspent Capital Appropriations	0	0	0
(1,518,278)	24	Undesignated Surplus (Deficit)	(1,663,601)	(1,736,077)	(2,067,670)
(1,491,528)	25	Consolidated Fund Surplus (Deficit)	(1,662,601)	(1,735,077)	(2,066,670)

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

Table II
ANALYSIS OF CURRENT ACCOUNT REVENUE

HEAD (1)	REVENUE DESCRIPTION (2)	2011/12	2012/13	2012/13	2013/14	DIFFERENCE	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)	ESTIMATE (\$000) (6)	2012/13 vs 2013/14 (\$000) (7)	% (8)
TAXES & DUTIES							
12	CUSTOMS DUTY	180,697	200,000	172,000	175,000	(25,000)	(13)
27	SALE OF LAND TO NON-BERMUDIANS	12,121	11,351	10,000	10,000	(1,351)	(12)
29	TIMESHARING TAX	579	60	92	92	32	53
38	PASSENGER TAXES	35,069	35,370	35,670	35,670	300	1
38	STAMP DUTIES	25,113	23,012	18,500	19,962	(3,050)	(13)
38	BETTING TAX	1,487	1,050	1,450	1,450	400	38
38	LAND TAX	52,313	56,000	56,000	59,000	3,000	5
38	FOREIGN CURRENCY PURCHASE TAX	23,107	24,500	23,000	24,000	(500)	(2)
38	PAYROLL TAX	344,702	312,000	323,500	320,000	8,000	3
38	HOTEL OCCUPANCY	10,907	9,000	9,500	9,500	500	6
38	CORPORATE SERVICE TAX	3,244	3,300	3,200	4,800	1,500	45
FEES, PERMITS & LICENCES							
03	LIQUOR LICENCES	326	50	70	50	0	0
11	INSURANCE FEES	108	0	0	0	0	0
12	OTHER CUSTOMS FEES & CHARGES	2,265	2,407	2,396	2,264	(143)	(6)
12	WHARFAGE	8,969	8,100	8,421	8,421	321	4
13	POST OFFICE	5,370	5,081	5,081	4,774	(307)	(6)
27	IMMIGRATION RECEIPTS	8,730	16,605	10,951	10,000	(6,605)	(40)
29	TRADE & SERVICE MARK	1,789	1,509	1,509	1,640	131	9
30	FERRY SERVICES	1,854	1,108	1,801	1,822	714	64
30	SERVICES TO SEABORNE SHIPPING	3,036	2,550	2,787	3,069	519	20
31	AIR TERMINAL AND AVIATION	10,810	10,250	9,806	10,286	36	0
32	PLANNING FEES AND SEARCHES	828	954	854	875	(79)	(8)
34	VEHICLE LICENCES AND REGISTRATION	26,672	27,307	26,134	28,216	909	3
35	BUS REVENUES	7,989	8,150	8,150	8,700	550	7
36	SOLID WASTE	4,112	3,520	3,520	3,520	0	0
36	WATER	5,180	5,100	5,100	5,100	0	0
36	RENTALS	2,494	1,685	1,696	2,115	430	26
39	COMPANIES - INTERNATIONAL	60,479	57,731	57,731	56,728	(1,003)	(2)
39	COMPANIES LOCAL	2,778	3,121	3,121	2,620	(501)	(16)
39	COMPANIES LICENCES	595	355	585	613	258	73
46	TELECOMMUNICATIONS RECEIPTS	13,661	15,300	13,500	10,000	(5,300)	(35)
57	AIRCRAFT REGISTRATION	23,197	21,950	23,000	23,512	1,562	7
72	PLANT PRODUCTION & MARKETING CTRE	281	425	420	295	(130)	(31)
73	REGISTRATION OF SHIPPING	4,209	3,326	4,101	4,151	825	25
OTHER RECEIPTS							
03	FINES AND FORFEITURES	2,823	4,359	4,561	3,570	(789)	(18)
11	INTEREST ON DEPOSITS	3,466	3,500	2,150	2,500	(1,000)	(29)
36	BLDC RECEIPTS	0	1,000	0	0	(1,000)	(100)
81	ASSET SALES	0	10,000	0	0	(10,000)	(100)
	OTHER REVENUE	22,822	18,548	18,645	16,884	(1,664)	(9)
		914,182	909,634	869,002	871,199	(38,435)	(4)

Table III
SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD (1)	DESCRIPTION (2)	2011/12 ACTUAL (\$000) (3)	2012/13 ORIGINAL (\$000) (4)	2012/13 REVISED (\$000) (5)	2013/14 ESTIMATE (\$000) (6)	DIFFERENCE 2012/13 vs 2013/14	
						(\$000) (7)	% (8)
NON-MINISTRY DEPARTMENTS							
01	GOVERNOR & STAFF	1,781	1,685	1,685	1,638	(47)	(3)
02	LEGISLATURE	5,500	5,663	5,663	6,079	416	7
05	OFFICE OF THE AUDITOR	3,834	4,049	4,049	3,846	(203)	(5)
63	PARLIAMENTARY REGISTRAR	905	1,433	1,433	1,600	167	12
85	OMBUDSMAN'S OFFICE	802	819	819	822	3	0
92	INTERNAL AUDIT	1,370	1,703	1,703	1,773	70	4
		14,192	15,352	15,352	15,758	406	3
CABINET OFFICE DEPARTMENTS							
09	CABINET OFFICE	6,856	7,392	7,390	7,091	(301)	(4)
14	DEPT. OF STATISTICS	2,754	3,067	3,067	2,975	(92)	(3)
26	DEPT. OF HUMAN RESOURCES	3,975	4,378	4,378	4,247	(131)	(3)
51	DEPT. OF COMMUNICATION & INFORMATION	2,631	2,594	2,594	2,561	(33)	(1)
		16,216	17,431	17,429	16,874	(557)	(3)
MINISTRY OF LEGAL AFFAIRS							
87	MIN. OF LEGAL AFFAIRS HQ	6,998	6,083	6,102	7,360	1,277	21
03	JUDICIAL DEPARTMENT	8,269	8,532	8,532	8,360	(172)	(2)
04	ATTORNEY GENERAL'S CHAMBERS	3,758	4,428	4,428	4,286	(142)	(3)
74	DEPT. OF COURT SERVICES	3,514	4,511	4,511	4,378	(133)	(3)
75	DEPT. OF PUBLIC PROSECUTIONS	2,538	2,986	2,986	2,993	7	0
		25,077	26,540	26,559	27,377	837	3
MINISTRY OF FINANCE							
10	MIN. OF FINANCE HQ	10,936	5,166	5,166	5,042	(124)	(2)
11	ACCOUNTANT GENERAL	85,019	51,139	53,607	84,636	33,497	66
12	CUSTOMS	6,794	7,300	7,490	20,000	12,700	174
13	POST OFFICE	13,989	14,143	14,105	13,621	(522)	(4)
28	SOCIAL INSURANCE	8,259	5,150	5,150	6,583	1,433	28
38	OFFICE OF THE TAX COMMISSIONER	3,083	3,515	3,515	3,448	(67)	(2)
43	INFORMATION TECHNOLOGY OFFICE	8,148	7,571	7,571	7,329	(242)	(3)
58	INTEREST ON DEBT	67,592	35,000	35,000	96,675	61,675	176
59	SINKING FUND CONTRIBUTION	25,726	30,750	30,750	37,625	6,875	22
80	PROJECT MANAGEMENT & PROCUREMENT	1,467	1,352	1,352	977	(375)	(28)
		231,013	161,086	163,706	275,936	114,850	71
MINISTRY OF EDUCATION							
16	MIN. OF EDUCATION HQ	3,810	2,642	3,242	2,452	(190)	(7)
17	DEPT. OF EDUCATION	120,063	113,228	125,299	121,000	7,772	7
18	LIBRARIES	2,362	2,348	2,348	2,273	(75)	(3)
19	ARCHIVES	1,378	1,611	1,611	1,547	(64)	(4)
41	BERMUDA COLLEGE	18,119	18,119	18,119	18,119	0	0
		145,732	137,948	150,619	145,391	7,443	5

Table III cont.

SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD (1)	DESCRIPTION (2)	2011/12 ACTUAL (\$000) (3)	2012/13 ORIGINAL (\$000) (4)	2012/13 REVISED (\$000) (5)	2013/14 ESTIMATE (\$000) (6)	DIFFERENCE 2012/13 vs 2013/14	
						(\$000) (7)	% (8)
MINISTRY OF HEALTH & SENIORS							
21	MIN. OF HEALTH & SENIORS HQ	11,908	12,598	12,927	15,147	2,549	20
22	DEPT. OF HEALTH	29,693	31,396	31,698	27,453	(3,943)	(13)
24	HOSPITALS	142,698	142,578	145,578	141,344	(1,234)	(1)
91	HEALTH INSURANCE	11,867	4,406	9,434	11,300	6,894	156
		196,166	190,978	199,637	195,244	4,266	2
MINISTRY OF ENVIRONMENT & PLANNING							
50	MIN. OF ENVIRONMENT & PLANNING HQ	869	822	822	1,118	296	36
32	DEPT. OF PLANNING	3,610	3,933	3,933	3,782	(151)	(4)
49	LAND VALUATION	1,048	787	787	832	45	6
68	PARKS	10,351	10,955	10,955	10,537	(418)	(4)
69	CONSERVATION SERVICES	5,207	5,698	5,708	4,851	(847)	(15)
72	ENVIRONMENTAL PROTECTION	3,315	3,515	3,515	4,074	559	16
96	SUSTAINABLE DEVELOPMENT	517	515	515	500	(15)	(3)
97	LAND, SURVEYS & REGISTRATION	1,341	1,802	1,802	1,753	(49)	(3)
		26,258	28,027	28,037	27,447	(580)	(2)
MINISTRY OF TOURISM DEVELOPMENT & TRANSPORT							
48	MIN. OF TOURISM DEV. & TRANSPORT HQ	1,031	797	857	882	85	11
30	MARINE & PORTS	20,695	19,167	19,107	18,536	(631)	(3)
31	AIRPORT OPERATIONS	22,753	21,391	22,244	19,777	(1,614)	(8)
33	TOURISM	28,695	28,704	28,704	27,273	(1,431)	(5)
34	TRANSPORT CONTROL DEPARTMENT	6,053	6,686	6,686	6,332	(354)	(5)
35	PUBLIC TRANSPORTATION	21,527	19,628	21,186	20,945	1,317	7
		100,754	96,373	98,784	93,745	(2,628)	(3)
MINISTRY OF PUBLIC WORKS							
36	MIN. OF PUBLIC WORKS HQ	11,751	12,200	12,323	6,246	(5,954)	(49)
81	PUBLIC LANDS & BUILDINGS	24,386	20,545	24,180	22,869	2,324	11
82	WORKS & ENGINEERING	38,777	33,653	36,186	32,286	(1,367)	(4)
		74,914	66,398	72,689	61,401	(4,997)	(8)

Table III cont.
SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD (1)	DESCRIPTION (2)	2011/12 ACTUAL (\$000) (3)	2012/13 ORIGINAL (\$000) (4)	2012/13 REVISED (\$000) (5)	2013/14 ESTIMATE (\$000) (6)	DIFFERENCE 2012/13 vs 2013/14	
						(\$000) (7)	% (8)
MINISTRY OF COMMUNITY & CULTURAL DEVELOPMENT							
71	MIN. OF COMMUNITY & CULTURAL DEV. HQ	2,849	2,458	2,458	2,356	(102)	(4)
20	YOUTH, SPORT & RECREATION	10,768	12,053	12,053	11,662	(391)	(3)
23	CHILD & FAMILY SERVICES	15,946	18,672	18,322	18,148	(524)	(3)
42	RENT COMMISSIONER	555	588	588	569	(19)	(3)
52	COMMUNITY & CULTURAL AFFAIRS	3,802	3,852	3,870	3,729	(123)	(3)
53	BERMUDA HOUSING CORP	6,587	5,500	6,250	8,199	2,699	49
55	FINANCIAL ASSISTANCE	38,650	39,845	39,845	39,476	(369)	(1)
56	HUMAN AFFAIRS	2,169	2,344	2,344	2,269	(75)	(3)
		81,326	85,312	85,730	86,408	1,096	1
MINISTRY OF PUBLIC SAFETY							
83	MIN. OF PUBLIC SAFETY HQ	1,337	1,150	1,150	1,324	174	15
06	DEFENCE	6,842	7,189	7,189	6,959	(230)	(3)
07	POLICE	69,060	68,614	68,614	71,000	2,386	3
25	DEPT. OF CORRECTIONS	29,429	28,014	28,013	27,469	(545)	(2)
45	FIRE SERVICES	13,450	14,266	14,266	13,809	(457)	(3)
88	NATIONAL DRUG CONTROL	4,112	3,946	3,940	4,120	174	4
		124,230	123,179	123,172	124,681	1,502	1
MINISTRY OF HOME AFFAIRS							
93	MIN. OF HOME AFFAIRS HQ	496	835	835	7,172	6,337	759
27	IMMIGRATION	16,593	17,693	17,693	4,894	(12,799)	(72)
29	REGISTRY GENERAL	1,288	1,537	1,537	2,205	668	43
60	LABOUR & TRAINING	5,464	6,007	5,998	5,741	(266)	(4)
84	E-GOVERNMENT	990	1,094	1,094	1,059	(35)	(3)
		24,831	27,166	27,157	21,071	(6,095)	(22)
MINISTRY OF ECONOMY, TRADE & INDUSTRY							
94	MIN. OF ECONOMY, TRADE & INDUSTRY HQ	2,334	4,236	4,236	0	(4,236)	(100)
		2,334	4,236	4,236	0	(4,236)	(100)
MINISTRY OF ECONOMIC DEVELOPMENT							
95	MIN. OF ECONOMIC DEVELOPMENT HQ	4,667	5,244	5,244	8,050	2,806	54
39	REGISTRAR OF COMPANIES	2,800	3,529	3,529	3,329	(200)	(6)
46	TELECOMMUNICATIONS	1,596	3,029	3,029	1,257	(1,772)	(59)
57	CIVIL AVIATION	8,335	9,949	9,069	10,500	551	6
67	E-COMMERCE	543	1,080	1,080	1,080	0	0
73	MARITIME ADMINISTRATION	2,044	1,906	1,906	1,904	(2)	(0)
89	ENERGY	436	754	754	730	(24)	(3)
		20,421	25,491	24,611	26,850	1,359	5
		1,083,464	1,005,517	1,037,718	1,118,183	112,666	11

Table IV
ANALYSIS OF CURRENT ACCOUNT EXPENDITURE BY OBJECT ACCOUNT

(1)	OBJECT CODE DESCRIPTION (2)	2011/12 ACTUAL (\$000) (3)	2012/13 ORIGINAL (\$000) (4)	2012/13 REVISED (\$000) (5)	2013/14 ESTIMATE (\$000) (6)	DIFFERENCE 2012/13 vs 2013/14	
						(\$000) (7)	% (8)
SALARIES		307,767	343,911	346,784	350,954	7,043	2
WAGES		85,288	72,940	75,603	70,714	(2,226)	(3)
EMPLOYER OVERHEAD		73,259	39,854	39,854	73,879	34,025	85
OTHER PERSONNEL COSTS		1,552	6,838	6,890	6,734	(104)	(2)
TRAINING		3,825	6,648	6,651	6,737	89	1
TRANSPORT		5,611	5,936	5,428	5,205	(731)	(12)
TRAVEL		3,619	5,336	5,298	4,683	(653)	(12)
COMMUNICATIONS		10,039	9,897	10,004	10,297	400	4
ADVERTISING & PROMOTION		15,664	15,086	15,944	13,247	(1,839)	(12)
PROFESSIONAL SERVICES		99,198	84,774	92,868	89,466	4,692	6
RENTALS		17,766	17,981	18,370	17,244	(737)	(4)
REPAIR & MAINTENANCE		18,344	21,610	21,785	19,921	(1,689)	(8)
INSURANCE		13,029	12,915	12,632	11,710	(1,205)	(9)
ENERGY		20,657	20,707	21,942	20,652	(55)	(0)
CLOTHING & UNIFORMS		1,500	2,329	2,444	2,190	(139)	(6)
MATERIALS & SUPPLIES		30,987	27,210	28,052	25,786	(1,424)	(5)
EQUIPMENT		780	1,007	1,096	855	(152)	(15)
OTHER EXPENSES		3,528	4,658	4,852	4,028	(630)	(14)
RECEIPTS CREDITED TO PROG		0	(22,872)	(20,305)	(17,454)	5,418	(24)
TRANSFER TO OTHER FUNDS		25,726	30,750	30,750	37,655	6,905	22
PUBLIC DEBT CHARGES (i)		71,067	35,850	38,450	97,650	61,800	172
GRANTS & CONTRIBUTIONS		274,259	262,152	272,326	266,030	3,878	1
		1,083,464	1,005,517	1,037,718	1,118,183	112,666	11

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

Table V
THE CONFISCATED ASSET FUND

MINISTRY/DEPARTMENT (1)	REVISED ESTIMATE 2012/13 (\$000) (2)	ESTIMATE 2013/14 (\$000) (3)
MINISTRY OF PUBLIC SAFETY		
NATIONAL DRUG CONTROL		
Camp Spirit programme*	300	0
	300	0
	300	0

*Note: 2013/14 Estimates transferred to the Consolidated Fund

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

ACTUAL 2011/12 (\$000)	DETAILS	REVISED ESTIMATE 2012/13 (\$000)	ESTIMATE 2013/14 (\$000)
	DEBT & LOAN GUARANTEES OUTSTANDING AS OF MARCH 31		
1,350,720	BORROWINGS UNDER LOAN FACILITIES (GOVT)	1,564,999	1,896,592
1,350,720	TOTAL DEBT OUTSTANDING (GOVT)	1,564,999	1,896,592
114,747	Less: SINKING FUND CONTRIBUTIONS (i)	96,000	138,960
	NET CUMULATIVE GOVERNMENT		
<u>1,235,973</u>	DEBT & GUARANTEES OUTSTANDING (ii)	<u>1,468,999</u>	<u>1,757,632</u>

- (i) Government introduced a Sinking Fund with effect 31 March 1993. The intent being to set aside a sum equivalent to 2.5% of the public debt outstanding at the end of the preceding year, in order to repay the principal sum borrowed after approximately 20 years. With effect from March 2013, the statutory debt limit was increased to \$2.5 billion.
- (ii) The Government has the following guarantees: National Education Scheme (\$180K); Bank of N.T. Butterfield (\$200M); Bermuda Housing Corporation (\$36M); West End Development Corporation (\$43M) and Bermuda Hospitals Board. With effect 1 April 2011 these guarantees are no longer charged against the statutory debt ceiling unless the guarantee obligation becomes due and payable by the Government, pursuant to the amended Government Loans Act 1978. The total amount of utilized Loan Facilities are restricted by the Government Loans Act 1978, as amended.

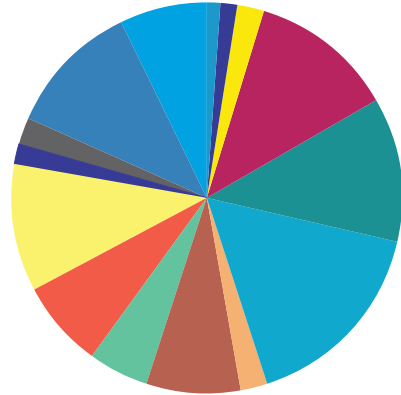
Table VII
PROFESSIONAL SERVICES

ACCOUNT DESCRIPTION		ACTUAL	ORIGINAL	REVISED	ESTIMATE
(1)	(2)	2011/12	2012/13	2012/13	2013/14
		(\$000)	(\$000)	(\$000)	(\$000)
		(3)	(4)	(5)	(6)
5260	Local Consultants	11,121	11,953	12,977	11,458
5265	Overseas Consultants	21,717	22,988	23,341	21,949
5270	Contractors	23,564	19,384	20,980	18,507
5272	Medical Fees Non Hospital	885	962	962	3,036
5275	Medical	22,243	11,654	15,282	17,522
5280	Optical Services	17	17	17	20
5285	Educational Services	74	216	216	228
5290	Chiropodist Services	5	9	9	8
5295	Psychological Services	9	50	50	50
5300	Dental Services	49	396	396	430
5305	War Pension Award	2,515	2,640	2,640	2,400
5310	Counselling Services	216	348	348	326
5315	Child Care Services	185	222	222	192
5320	Recreational Services	231	287	383	227
5325	Legal Services	7,395	3,184	3,467	3,961
5330	Liquidation Fees	(123)	250	50	250
5340	Membership Fees - Govt.	511	507	524	528
5345	Forensic/Lab Services	422	721	721	721
5350	Forensic/lab accounting	123	157	157	157
5355	Security Services	6,644	6,881	8,168	5,899
5360	Conservation Services	1	61	61	22
5365	Animal Control Services	12	15	27	28
5370	Board & Comm. Fees	785	1,575	1,572	979
5375	ID Parade - Police	23	30	30	30
5380	Jury & Witness Fees	126	150	150	150
5385	Court Costs	7	50	50	50
5390	Audit Fees	207	65	65	65
5395	Examination Fees	234	3	3	273
		99,198	84,775	92,868	89,466

Table VIII

Estimated Expenditure 2013/14 in BD\$ Millions

Non-Ministry.....	15.8
Cabinet Office Departments.....	16.9
Legal Affairs.....	27.4
Finance.....	141.6
Education	145.4
Health & Seniors	195.2
Environment & Planning.....	27.4
Tourism Development & Transport	93.7
Public Works	61.4
Community & Cultural Development.....	86.4
Public Safety	124.7
Home Affairs	21.1
Economic Development.....	26.9
Interest & Sinking Fund.....	134.3
Capital Estimate.....	84.6



Categories of expenditure expressed as a percentage of total estimated expenditure for 2013/14 of \$1,202.8 million

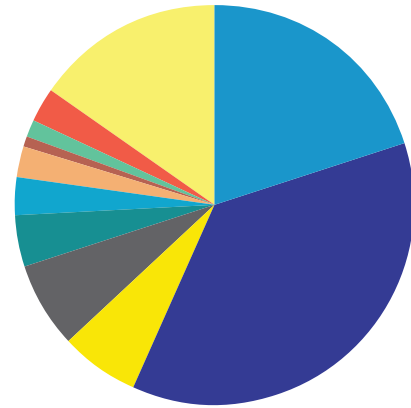


Non-Ministry.....	1.3
Cabinet Office Departments.....	1.4
Legal Affairs.....	2.3
Finance.....	11.8
Education	12.1
Health & Seniors	16.2
Environment & Planning.....	2.3
Tourism Development & Transport	7.8
Public Works	5.1
Community & Cultural Development.....	7.2
Public Safety	10.4
Home Affairs	1.8
Economic Development.....	2.2
Interest & Sinking Fund.....	11.2
Capital Estimate.....	7.0

Estimated Revenue 2013/14 in BD\$ Millions

Total Revenue \$871.2 million

■ Customs	175.0
■ Payroll Tax	320.0
■ Companies Fees	56.7
■ Land Tax.....	59.0
■ Passenger Tax	35.7
■ Vehicle Licences.....	28.2
■ Stamp Duties.....	20.0
■ Hotel Occupancy.....	9.5
■ Immigration	10.0
■ Foreign Currency.....	24.0
■ All Other.....	133.1



Categories of revenue expressed as a percentage of total estimated revenue for 2013/14 of \$871.2 million



—	Customs.....	20.1
—	Payroll Tax.....	36.7
—	Companies Fees	6.5
—	Land Tax	6.8
—	Passenger Tax	4.1
—	Vehicle Licences	3.2
—	Stamp Duties.....	2.3
—	Hotel Occupancy	1.1
—	Immigration	1.1
—	Foreign Currency.....	2.8
—	All Other.....	15.3