

# **2007 BUDGET ADDRESS**

## **“Promises Made - Promises Kept”**

### **INTRODUCTION**



1. Madam Speaker I move that the Bill shortly entitled, the Appropriation 2007 Act 2006, be read a second time and in so doing, I invite this Honourable House to extend its customary indulgence in permitting me to read the Budget Address.

2. Madam Speaker, approximately three years ago, I stood in this Chamber to deliver this Government's first Budget Address. I recall in great detail my feelings on that day. I remember feeling some nervousness. I was filled with the desire to deliver my remarks well and do my colleagues and my people proud. I felt excitement and hope about the proposals we were putting forward, what they would mean for the future of our Territory and our community. But above all else, Madam Speaker, I felt a deep and powerful sense of responsibility.

3. My colleagues and I understood with absolute certainty that on that day we were not simply presenting a budget, we were making a solemn promise to the people of the British Virgin Islands. When we said that we were going to grow our economy, we were making an oath to deliver on that goal. When we said that we were going to invest more in education than any Government in BVI history, we were making an oath to live up to that vision. Madam Speaker, when we said we were going to bring change to our healthcare system, provide better Government services, create opportunity for our people and lay the foundations for a stronger BVI, those were not idle words, those were promises and in making that oath we were immediately duty bound to make good on those ambitious proposals.

4. Madam Speaker, that sense of responsibility, that obligation before our families, our community and this Honourable House has propelled every member of this Government from that day forward. Today, Madam Speaker, we are here presenting the fourth and final budget of the Fifteenth Legislature with the hope of doing two things.

6. First, we seek to humbly submit before the judgment of all, our record of achievement and to say with gratitude and with satisfaction that the promises we have made are promises that we have kept. Second, Madam Speaker, we are here to look ahead to the coming year and to offer up before the people, our continued vision for how we will meet the needs of this community and continue to build that foundation that will help us achieve our fullest potential. Madam Speaker, under the strong and resolute leadership of our Chief Minister, Dr. the Honourable D. Orlando Smith, this Government came into office with a three-tiered vision.

**One: Grow the Economy.**

**Two: Strengthen the Social Infrastructure.**

**Three: Build BVI Pride.**

These three ambitious goals have been at the heart of everything we have done in office and they have guided us in the development of this budget which we submit before this House.

## **GLOBAL PERSPECTIVE**

1. Madam Speaker, permit me to begin with a review of the major dynamics around the world that are impacting our economy. Over this past year, the global economy, which has such a profound and immediate impact on our well being here in the BVI has seen continued turbulence. This has been driven first and foremost by huge fluctuations in the price of oil. Over the past 12 months, the global energy markets have been impacted by three main forces.

2. First, war and conflicts in the Middle East and parts of Africa have created uncertainty about the continued supply of oil from these regions. Second, the continued rapid rate of growth in India, China and the rest of Southeast Asia has created ever greater demand for this scarce resource and building material. Third, the threat of UN Sanctions against Iran for their continued pursuit of nuclear weapons has created further concern about the flow of oil from that state.

3. Taken together, these forces have led to huge increases in the cost of oil and building material which directly impacts our people, as they find themselves having to pay more for gas at the pump, more for electricity, more for airfare when they travel and more for building material. These increased costs, Madam Speaker, impact our overall economy, as high fuel costs may deter some people from traveling abroad. In addition to the instability in the oil markets, this past year has also

witnessed a substantial slow-down in the growth of the U.S. economy, with further slowing predicted for the coming year.

5. Madam Speaker, around the world, security continues to be a serious concern. The threat of terrorism looms large. The ongoing bloodshed in Iraq, as well as the recent nuclear test in North Korea, has created a new sense of instability and uncertainty in the international community. Given this strife, we are once again reminded of Jehovah God's blessings upon our people.

6. Madam Speaker, we must give thanks for this blessing of peace and security in the BVI. And as this year heads toward conclusion, our entire community is united in thanks and praise to Jehovah God for his loving care and for another year free from hurricane and other natural disasters. We must also pray that we might find the strength to do even more in the coming year to bring comfort and peace to our brothers and sisters around the world who still suffer from poverty, war and disease. Madam Speaker, taken together, the political and economic realities of this past year have created new challenges and opportunities for our people.

## **ECONOMIC OUTLOOK**

1. The budget that we present today acknowledges these realities and it seeks to "trim the sails" of our Territory to ensure that no matter how the winds may blow, the BVI will continue to move steadily forward.

2. Madam Speaker, maintaining stability and growth in these troubled and turbulent times begins first and foremost with responsible and careful management of the people's money. When this Government took office, the financial cupboard was in disarray. The previous Government did not pay attention to the territory's financial cupboard. This Government came to power having made a promise to restore responsibility and accountability in how the people's money was spent. Madam Speaker, it is with enormous satisfaction and pride that we can today report to this House and the people of the BVI that this promise was kept.

3. Madam Speaker, to quote from the Foreign and Commonwealth Office and the Oxford Policy Management Annual Economic Update Report 2006 on the British Virgin Islands dated September 2006 "The British Virgin economy is performing well and the Government finances are

strong. BVIG expects a recurrent surplus of nearly \$30m in 2006, most of which (will) be contributed to capital expenditure. BVIG is currently in control of its debt situation, well within the guidelines agreed with HMG.”

4. Madam Speaker, for the second year in a row this Government has ended the year with a surplus above recurrent expenditures in excess of thirty million dollars. Let me say again, for the second year in a row, the Government of the British Virgin Islands can report a surplus above recurrent expenditures in excess of thirty million dollars.

5. Madam Speaker, it is hard to overstate the significance of this accomplishment. With this surplus, we are going to be able to make a contribution of two million, five hundred thousand (\$2,500,000.00) to the Territory’s Pension Fund. In addition, one million, seven hundred and eighty eighty thousand, two hundred dollars (\$1,788,200.00) will be contributed to the Reserve Fund. One million, five hundred thousand dollars (\$1,500,000.00) will be contributed to the Emergency/ Disaster Fund and Contingencies Fund. Finally, five hundred thousand dollars will be contributed to the repairs and renewal fund (\$500,000.00). Madam Speaker, we are able to do all this and still leave over twenty five million, three hundred and forty two thousand, five hundred dollars (\$25,342,500) for major development projects.

6. Every responsible mother and father in the BVI knows that putting money aside for a rainy day is the height of wisdom. One never knows when an emergency will happen. One never knows when a moment of need will arise. Unfortunately, this simple and obvious wisdom was dangerously ignored for years prior to this Government assuming office. Rather than put money aside to prepare for the inevitable rainy day, previous Governments just let the money flow. We put a stop to that and today, we have at our disposal a Reserve Fund, Emergency Fund and Contingency Fund which will allow us to respond if, heaven forbid, Tourism hits a down patch or the financial services industry slows its growth or we suffer a natural disaster. Then we will be prepared to do what is necessary to protect our people and get our community back on its feet.

7. Madam Speaker, that money which we have put aside is an investment, it is an investment in peace of mind. And I can think of few investments more worthy or more sensible. As we have been recording these successive surpluses, we are also steadily reducing our Territory’s debt. We here in the BVI will stand on our own two feet and our children will yet have cause to be thankful

that in this time and place we put our financial house in order and restored credibility to our public expenditures.

8. Madam Speaker, our ability to achieve this surplus for the second consecutive year has been due to our commitment to being responsible stewards of the people's money. But it is also the result of the fact that our people are driving economic growth and thus ensuring that more money is coming into the public treasury. In 2005, the BVI recorded growth of 5.75%.

9. Madam Speaker, I am pleased to announce today, that our current projections show that the BVI will beat this already impressive feat with a 2006 growth rate of approximately 7.2%. I would like to take a moment to talk about what this rate of growth means for the people of the BVI. I understand that oftentimes, economic statistics like Gross Domestic Product (GDP) and rates of growth can seem cold and far removed from the lives of the average citizen. But Madam Speaker the fact is that our economic growth has a direct, immediate and powerful impact on every single member of our community and it is important that our people understand this connection.

10. First, a growing economy means the creation of new jobs and new opportunities for our people. Second, a growing economy means a steadily rising standard of living for our people. And third, and perhaps most importantly, a growing economy means that Government has the resources to better meet the needs of our people.

11. Madam Speaker, this year our projections anticipate a collection of two hundred and fifty four million, seventeen thousand dollars (\$254,017,000) from taxes and fees. That's right Madam Speaker, in excess of quarter of a billion dollars without raising taxes on our people. That will make this year's government revenues the strongest in BVI history. Those real dollars which can be put to work to accomplish real goals: buying books for our schools, buying medicines for our clinics, paving roads, constructing new buildings, paying salaries to our public servants. Without a strong and growing economy, none of these things would be possible.

12. As I go through the rest of this budget address and outline the many ambitious programmes we envision for the coming year, I would ask that all listening keep in their minds that our ability to deliver these programmes is a direct result of our economic growth.

## **INSIDE THE BUDGET**

1. Madam Speaker, it is this government's intention to allocate this year's budget of two hundred and fifty four million, seventeen thousand dollars (\$254,017,000) as follows:
2. The Governor's Group will receive thirty four million, nine hundred and forty six thousand, and nine hundred dollars (\$34,946,900.00)
3. The Chief Minister's Office will receive forty two million, nine hundred and fifty six thousand and six hundred dollars. (\$42,956,600.00)
4. The Ministry of Finance will receive seventeen million, two hundred and three thousand and two hundred dollars (\$17,203,200.00).
5. The Ministry of Natural Resources and Labour will receive fourteen million, three hundred and eighty thousand and three hundred dollars. (\$14,380,300.00)
6. The Ministry of Education Youth Affairs and Sports will receive thirty nine million, one hundred and fifty four thousand and eight hundred dollars. (\$39,154,800.00)
7. The Ministry of Health and Social Development will receive thirty seven million, one hundred and fifty seven thousand seven hundred dollars (\$37,157,700.00).
8. The Ministry of Communications and Works will receive forty one million, five hundred and thirty eight thousand and seven hundred dollars. (\$41,538,400.00)
9. Pension and Gratuities, Public Debt and Miscellaneous will receive twenty million, three hundred and ninety thousand and four hundred dollars. (\$20,390,400.00); and
10. Contributions to the Pension, Reserve, Emergency/Disaster, Contingences and repairs and Renewal Funds will be six million, two hundred eighty eight thousand and two hundred dollars (\$6,288,200.00).

11. Permit me Madam Speaker, to take a cursory look at the budget details which will reveal a cross section of the many projects and programmes this government intends to undertake in fiscal 2007. Madam Speaker these will include but are not limited to the allocation of:

- \$1.0 million to continue to upgrade the Territory's beach infrastructure and management and maintenance of historical sites.
- \$8.0 million which is made up of loan funds and capital contributions will be allocated to fix the East End/ Long Look and Road Town sewerage problem.
- \$400,000.00 to continue work on the East End/Long Look Harbour development.
- \$500,000.00 to complete the purchase of the Virgin Gorda Airport.
- \$1.0 million to complete the purchase of prospect Reef Hotel.
- \$525,000.00 to commence work on the detention centre to house illegal immigrants.
- \$300,000.00 to construct a visitor centre on Anegada.
- \$500,000.00 to complete work on the Customs Department Information Technology Programme.
- \$500,000.00 to build a new Community Centre in Carrot Bay.
- \$500,000.00 to build a Community Centre in North Sound, Virgin Gorda.
- \$50,000.00 for the design of a Community Centre in Purcell Estate.
- \$800,000.00 to build an auditorium at the Bregado Flax Educational Centre on Virgin Gorda.
- \$300,000.00 to replace the bridge on Jost Van Dyke adjacent to the Methodist Church.
- \$400,000.00 to build sidewalks from the Towers to the Ferry terminal West End.
- \$300,000.00 for side walks from Palastina to Pockwood Pond.
- \$200,000.00 for sidewalks in Huntums Ghut.
- \$400,000.00 to replace the bridge in Carrot Bay.
- \$200,000.00 to address the drainage problem from One Stop Mall to the late Mr. Ogard Smith residence in Road Town.
- \$3.4 million to complete acquisition of Long Bay Beef Island, George Dog and for compensation for Anegada lands.
- \$950,000.00 for schools rehabilitation.
- \$586,000.00 for the continuation of the computerization of schools.
- \$490,000.00 for recreational facilities.
- \$500,000.00 preparatory work on the new High School.

- \$3 million towards building the new Hospital
- \$500,000.00 towards the completion of the Cane Garden Bay Community Centre.
- \$2.5 million to complete the purchase of the new incinerator.
- \$475,000.00 to build a helipad on Jost Van Dyke.
- \$100,000.00 to upgrade the air-conditioning system at the Anegada Community Centre.
- \$750,000 to pave roads in Brandywine Bay, Nottingham Estate and Stevens Lands.
- \$250,000 to complete phase 1 of a Town Center in Long Look.
- \$150,000 to complete sidewalk from Baughers Bay to CSY.
- \$200,000 to build an alternate road out of Baughers Bay.
- \$450,000 to pave roads in Pickering Estate and Rogue Bay.

12. Madam Speaker, while we take great satisfaction in the economic successes of the past year, we are also well aware that we cannot afford to rest on our laurels.

## **OUR LEGISLATIVE AGENDA**

1. The world's economic landscape is getting more complex and more competitive everyday, and so we must make wise investments to keep the BVI moving forward. Madam Speaker, our Territory's physical infrastructure must be able to meet the needs of our modern economy, particularly in the areas of transportation, telecommunications, electricity, water and sewage, ports and postal service.

2. Madam Speaker, in the area of transportation, Government continues with its ongoing road repair and construction project and it is this Government's intention to borrow an additional \$10 million to continue to bring the Territory's roads and bridges up to international standards. Over the past year, we have pushed forward with the work of repairing and improving some of our roads, retaining walls and bridges to a standard that should be able to withstand severe weather conditions. Madam Speaker, during the coming year additional work is planned and will be executed. We have made major investments in building and maintaining docks and other port facilities throughout the Territory. We have ensured the continued smooth operation of the Virgin Gorda airport; and we have improved customer service at the customs desk at the TB Lettsome International Airport. Additionally Madam Speaker, later this fall sea plane service will commence into North Sound Virgin

Gorda thus expanding the number of available airline seats into Virgin Gorda.

3. Madam Speaker, this past year has also witnessed the first major steps toward fulfillment of the telecom liberalization programme. In the last month, we appointed the Regulator who is now on the job and moving forward energetically to implement the needed changes in our telecom system. In the coming year, the Regulator will work through the process of issuing new licenses to allow for fair and equitable competition to take hold in the BVI. What this means for our Territory is that for the first time in our Territory's history, the people of the BVI will have a choice when it comes to telecommunications. And this new competitive market should lead to lower prices, better service and newer technologies for the customers.

4. Regarding the Territory's electrical supply Madam Speaker, in the coming months the second set of two new generators will come on line. While we expect that there may be some challenges during the transition period from our existing electrical generators to the new generators, by the middle of 2007 we will have all new engines operational and as a result, the frequent power outages that have been far too common will soon be a thing of the past. Madam Speaker, in this budget this Government has made provision to contribute four million dollars (\$4Million) as an equity injection to assist the BVI Electricity Corporation with the purchase of these generators.

5. Madam Speaker, this government sees the upgrade of the Territory's ports as being critical to the Territory's continued development. Accordingly, the BVI Ports Authority has been given a mandate to begin the implementation of its redevelopment programme with the initial focus on the separation of passengers and cargo on Virgin Gorda. This project is projected to go to tender before the end of this year. Additionally Madam Speaker, the government has made a policy decision that upgrade priority must be given to Port Purcell and the ferry terminal facility at West End

6. Madam Speaker, improving the water supply and sewerage system in the Territory continues to be a major national priority. Last month as you witnessed Madam Speaker, the Anegada 40,000 gallons per day desalination plant was commissioned ensuring that for the first time this community would have access to a clean and fresh supply of public water. Madam Speaker, in 2007 the water distribution system will be extended to connect most if not all of the residents of Anegada. Similarly, in Paraquita Bay, we have signed a contract for the construction of a sewage treatment plant. And this budget allocates resources to continue the hard but necessary work of

completing the piping and sewerage system for the East End/Long Look community. Madam Speaker, the sewerage system in Road Town will also receive attention as the design work is completed to upgrade that system which will include a treatment plant. Loan funds will be sought to implement and complete this project.

7. Madam Speaker, I would be remiss in this budget address if I failed to mention one of the major milestones in the development of our Territory's infrastructure: the recently launched postal code which will give impetus to the long over due National Addressing System. With this new programme in place, each property in the British Virgin Islands will be given a unique physical and numeric address. This addressing system along with our new international postal code will mean faster and more reliable postal service for our people, opening up new ways to connect with the world.

8. Madam Speaker: taken together, our physical infrastructure policy is putting the BVI in position to seize the opportunities of the coming years. With this in mind Madam Speaker, we are particularly anxious to move forward with our continuing efforts to empower the people of the BVI to reap more of the benefits of the economic growth these policies are making possible.

9. This past year, Government announced the establishment of the Small Business Guarantee Fund. Under this new programme, all qualified citizens will have the opportunity to receive Government backing to secure a loan to start a new business. Over the coming year, we look forward to supporting numerous such loans. In addition, our new Small Business Bureau will provide advice and strategic backing and support for new businesses as they work through their challenging first three years. It is our goal that by this time next year, several new businesses owned by BVI Islanders from Anegada to Jost Van Dyke will be up and running. Madam Speaker, these new enterprises will be an engine for job creation and growth and they will also serve as a shining example of all that can be accomplished when we encourage entrepreneurship in the BVI. In addition to our focus on supporting local small businesses, we remain committed to fostering economic diversity through support for agriculture and fishing.

10. Over this past year, we have made investments in the form of grants to farmers for the construction of pig and sheep pens and the purchase of quality grade livestock. We were also very encouraged recently with the opening of a fully automated privately owned poultry processing plant

at Paraquita Bay. This Government is committed to supporting such private sector initiatives in agriculture.

11. In addition this Government has made significant capital investments with the recent completion of the veterinary laboratory and paved roads at the Paraquita Bay farmlands. Further, this Government plans to construct a new abattoir at Paraquita which on completion will meet US Department of Agriculture standards. We expect this project to be completed by the fourth quarter of 2007. We also intend to relocate the BVI Fishing complex to new facilities at a location that would enable it to function more effectively while at the same time enhancing its ability to meet market demands. The relocation of the Fishing Complex will facilitate the future expansion of Port Purcell.

12. In addition to these efforts to promote a broader economic base, we have engaged the services of an advisor from Commonwealth Fund for Technical Cooperation who has been assigned to the BVI for two (2) years. Over the course of this project, this advisor will formulate plans and policies on capacity building and economic diversification. This assistance, which comes at no cost to the BVI Government, will also help to improve our technical capabilities in trade and investment promotions. Madam Speaker, taken together, these efforts represent the most sustained and expansive attempt in BVI history to expand our economic foundation beyond the Twin Pillars.

13. As we make these investments Madam Speaker, we remain deeply aware that Tourism and Financial Services remain the bread and butter of this community. And this Government is going to continue to do all in its power to ensure that these pillars remain strong well into the future. Madam Speaker, this starts first and foremost with this Government's commitment to strengthening the reputation of the BVI around the world and to establish deep partnerships around the world to protect and promote our interests in the global community.

14. Madam Speaker, when this Government took office, the name of the BVI was viewed with suspicion and little regard. Too little had been done to connect with leaders around the world; too little had been done to showcase the best side of the BVI; too many events had taken place to call into question this Territory's commitment to transparency and good governance. Madam Speaker we set out to correct this harmful situation.

15. We have provided substantial new levels of support to the International Finance Centre and to the Tourist Board so that they could more effectively market the BVI abroad. We have bolstered direct Government support for international promotions, including involvement of Ministers and Department Heads in dozens of international and regional fora.

## **BVI INTERNATIONAL AFFAIRS**

1. Madam Speaker, we have worked with our various consultants and advisors to make sure that at all times and in all venues, those who represent the BVI are putting forward an image of professionalism, integrity and a forward-thinking vision. This past year, we have taken another historic step in this direction with the establishment of the new International Affairs Unit.

2. Under this new initiative Madam Speaker, the various branches of the BVI's international outreach are now fully coordinated and delivering critical intelligence and monitoring of the global scene. In the past, the BVI has at times been caught by surprise by developments such as the EU Savings Directive, which had the potential to harm our community's core interests. With the International Affairs Secretariat in place we are determined that this shall never happen again. The modus operandi Madam Speaker, of the International Affairs Unit is to be watchful and be vigilant. As a result and in collaboration with the Financial Services Commission, the Secretariat earlier this year held a conference on International Initiatives and Developments Impacting the Industry.

3. The conference, attended by senior management from the financial services industry, covered a number of topics including tax initiatives, international cooperation, misuse of corporate vehicles and insurance. The Secretariat plans to conduct similar fora on a quarterly basis. Madam Speaker, the Secretariat is also monitoring and responding to international pressure to negotiate bilateral tax information exchange agreements with OECD members and other countries.

4. First round negotiations led by the Secretariat have been conducted with several countries including the United Kingdom and Australia. Madam Speaker, the Secretariat is looking at the advantages and disadvantages, political realities and international expectations with regard to concluding these agreements. As late as last month Madam Speaker, the Secretariat hosted a very successful conference dubbed "Getting the Most out of International Relations." The conference, at-

tended by permanent secretaries, department heads and senior officers, outlined strategies to help BVI public officers effectively prepare and coordinate the Territory's participation in international affairs.

5. The Permanent Secretaries and senior officials have committed to working with the Secretariat and with each other in creating the highest possible standards for the BVI's international representation. In these efforts Madam Speaker, this Government is looking not only to anticipate and prepare for the major changes that may take place around the world, we are also seeking to do what we can to direct those changes and make them work for the benefit of the BVI.

6. Madam Speaker, the BVI's London Office continues its aggressive outreach programme in the United Kingdom and the European Community. The recent appointment of Ms. Dawn Smith who is a lawyer and a BVI Islander as Director of the London Office is already proving to be strategic in further raising the profile of the BVI in London and in Europe.

7. The new Director brings a wealth of experience in the field of international business, which contributes to the International Finance Centre's ongoing strategy of promoting and marketing the Territory's financial sector to the outside world. Madam Speaker since assuming office the Director has already had speaking engagements in Germany and Luxembourg at Conferences related to International Business

8. In addition, Madam Speaker the International Finance Centre continues to market, promote and enhance the BVI's reputation as a premier centre for financial services. This past year has been another period of year-on-year growth in all of major sectors of the BVI's financial services industry, company formations, mutual funds registrations, captive insurance licensing and trust settlement. Today, the BVI is in the top five of all the world's "offshore" jurisdictions in several of these sectors, based on results and data obtained from independent surveys and reports. But far from sitting back in self-satisfaction at this achievement, this Government is committed to expanding this growth.

9. Madam Speaker, we are living in a time of extreme competition. Yesterday's success is no guarantee for what will happen tomorrow. And so we are continuing to seek new and more effective ways to market the sector abroad. Later this month, the International Finance Center will

launch Team BVI, the official spokes group on international business for the BVI. The group, Madam Speaker, will comprise of representatives from the private sector, the Financial Services Commission and the International Finance Centre and will provide media representation, profiles and articles for publications.

## **FINANCIAL SERVICES**

1. Turning to the regulatory side of the financial services sector Madam Speaker, The Financial Services Commission (FSC) is just weeks away from completing its 5<sup>th</sup> year of operations as an independent autonomous regulatory body. Positive and consistent growth continues to be the hallmark of this important sector of the Territory's economy. During the year 2005, Madam Speaker, the financial services industry generated in excess of one hundred and forty five million dollars (\$145 million) and projections for 2006 indicate an even stronger performance. And Madam Speaker we also anticipate another stellar performance from the sector in 2007 with estimates of approximately one hundred and sixty million dollars (\$160 million) in Government revenue.

2. The Financial Services Commission continues to build on its work by combining effective, robust and appropriate levels of regulation to the financial services activities that are conducted in and from within the Territory to ensure that the BVI remains well regarded as a jurisdiction of choice in the area of international finance. Madam Speaker, the introduction in 2006 of the new flagship legislation, the BVI Business Companies Act, has placed the BVI as the clear leader in the registration of corporate structures world-wide. This modern and flexible corporate statute has expanded on the success of the IBC legislation and on the first business day of this year the FSC's Registry of Corporate Affairs incorporated over 2,000 new companies. Madam Speaker this new companies legislation changes business not only for international companies but also for owners, members and shareholders of BVI local companies, generally referred to as "*Cap-co's*", who conduct business here. Madam Speaker, in recognition of their importance to the economy, the FSC has organized special workshops to ensure that the owners, managers and users of local companies understand the changes to their company structures and their revised responsibilities as owners and shareholders under the new companies act. These workshops along with a series of user guides will be published shortly by the FSC and will equip local companies with the knowledge necessary to manage the transition. Madam Speaker the guides will provide information in easy to understand,

non-technical language. These important initiatives are part of making sure that local businesses receive the support that they require during this transition period, which has been extended to 2008.

3. As the FSC continues to service the needs of owners and shareholders of companies incorporated in the Territory, Madam Speaker, its Registry of Corporate Affairs continues to improve the delivery of service to its customers. Madam Speaker, FSC this year embarked on an important initiative by procuring a new state-of-the-art comprehensive computer information system that will provide a quantum leap in service delivery. Phase one of the three-phase project will be implemented by the end of this year. The legislative calendar for 2007, Madam Speaker, will contain a number of financial services matters including legislations covering insurance, intellectual properties, securities and investment business and private trust companies. Madam Speaker local practitioners are in agreement that the new features will increase the attractiveness of the BVI as a premier international finance centre.

4. The BVI welcomes every opportunity to confirm its commitment to effective legislation and International regulation and during 2007 the FSC will again welcome the International Monetary Fund for its second round assessment of the financial services sector. Madam Speaker, the Government, the FSC and the industry continue to work together to maintain the viability of this important sector and its valuable revenue contribution to the Territory.

## **INFRASTRUCTURE DEVELOPMENT**

1. Madam Speaker, the same energy and creativity that is pushing our financial services sector to ever greater heights is also being applied to taking our tourism industry to the next level. Over this past year, this government has made substantial progress in our negotiations to bring a number of major developments to the BVI, including projects at Smuggler's Cove, Scrub Island, Beef Island and the redevelopment of Lambert Beach Resort. Madam Speaker, the redevelopment of Lambert Beach Resort when completed, will be a five star resort with a top quality international flag as its brand. This project is of particular interest because it is being developed by local developers who have received the same benefits and concessions afforded to foreign investors. Together, these projects have the potential to deliver substantial benefits to our entire community.

2. First, these will be large construction projects, which will mean jobs and contracts for local companies. Second, once the resorts are up and running, it will mean new work opportunities at all levels of the tourism industry. Third, these new hotels will require a wide range of services including maintenance, IT support, food and beverages and other services which can be supplied by local companies. Perhaps most importantly, these new resorts will allow the BVI to remain competitive in our rapidly changing region and tourism market. Madam Speaker, it is important for the people of the BVI to know that over the past several years, almost every major destination in the Caribbean has built new resort facilities – Antigua, Anguilla, the Bahamas, Bermuda, Nevis, St. Lucia, Turks and Caicos – all have new high-end resorts. If we here in the BVI Madam Speaker, choose not to allow new developments on our shores, then not only will we lose out on the benefits I listed a moment ago, but we may also soon find that more and more of the tourism market in our region will wind up on our competitors' shores. Inevitably, that loss of competitiveness will mean real harm to our people, less revenue for Government services, fewer business and job opportunities, and a lower standard of living. That is why this Government has made the policy decision to promote development. However, we do so fully aware of the fact that for development to be a blessing and not a curse for our community, it must be done responsibly. That means getting input from the community. That is why we have held numerous public meetings on these projects and plan to hold more.

3. Madam Speaker, the people of the BVI should know, as the Chief Minister has said publicly on many occasions, that no decision will be taken about these projects until the people are consulted. Responsible development also means ensuring that the benefits are shared throughout the community. Therefore Madam Speaker, we are negotiating hard to ensure that business and job opportunities are guaranteed for local people at all levels and that contracts are awarded to local companies first. Madam Speaker, responsible development means taking care to ensure that environmental impacts are kept to an absolute minimum. In this budget, we have allocated resources to ensure our ability to execute the highest quality Environmental Impact Studies and reviews before any development is undertaken.

4. Madam Speaker, it is our intention to propose and pass new environmental legislation this coming year that will enshrine in law our commitment to protect the environment. By taking these steps, Madam Speaker, we are confident that we can make development work for our Territory and in doing so, ensure opportunity and growth for the long-term. Madam Speaker, taken together,

these pro-growth policies, our commitment to financial responsibility, our plans for strengthening the physical infrastructure, our programmes to promote economic diversification and our vision for strengthening the twin pillars, all of these will lead to an economy that can continue to expand annually. Yet, this Government does not see economic growth as a goal unto itself.

## **GDP**

1. Yes, the Territory's GDP is rising and by the end of 2006 the GDP will be US\$1.008 billion and that is a good thing; and our debt is falling and that too is a good thing; and we have a surplus and that is a very good thing. However, none of these statistics or numbers has any true value unless the people of the BVI are feeling that their own well-being is improving. On this point, there is surely more work that can and must be done. It is no secret that over the past several years, the cost of living in the BVI has gone up substantially. There are a number of reasons for this, only some of which can be controlled by this Government. Among these reasons is the rising cost of fuel, inflation in the United States, as well as the influx of new money into our Territory from the growing tourism and financial services industries. Collectively, Madam Speaker this rising cost of living represents a real challenge for our people, and so in this budget, we are taking strong measures to provide meaningful relief for the people of the BVI.

2. First, I am announcing today the expansion of our tax-relief efforts. Starting in fiscal 2007, we will increase the tax-exemption level from \$7,500 to \$10,000. This means that taxation will only begin after the individual has earned his or her first \$10,000 income. Madam Speaker, this move will have a direct, immediate and sizable impact for our families, it will mean more dollars staying in our people's pockets, money that they can use to cover their necessities – food, fuel, housing, education. That is a critical priority for this Government.

3. Second, I am announcing today two steps aimed at lowering prices on goods sold at businesses. The first step will be to institute in the coming year a two-tier duty system that will allow businesses to bring in goods from abroad at a discounted rate, thus allowing them to pass the savings on to consumers. The second step will be a special duty reduction on construction materials including cement, aggregate and steel. Again, this will allow savings to be passed on to consumers in the form of lower prices.

4. Madam Speaker, these steps should provide fast and effective relief to our people who are crying out for help with rising prices. But we have no intention of resting on this issue. We will monitor the situation closely. I am announcing today the establishment of a special Cost of Living Committee under the Ministry of Finance which will be specifically tasked with keeping a careful eye on this issue and constantly seeking tools to keep costs in check and to make sure that our citizens are not being harmed by rising prices. Madam Speaker, our businesses have no greater supporter than this Government. But as supportive as we are of business, we will not tolerate for even one moment price gouging or any other anti-consumer practice.

5. Business owners have a responsibility to the community to provide quality products and services and to do so at a fair price, which allows them to make a profit but does not lead to excessive profit. Madam Speaker, while there is no magic formula for determining when profits become excessive, simple common sense and common decency can serve as a powerful rule of thumb.

## **HEALTHCARE**

1. Madam Speaker, this Government believes in the free market. And we do not wish to intervene in private enterprise. However, we will not stand by silent and allow consumers to be taken advantage of. In all these ways, Madam Speaker, we are going to fight to ensure that the rising cost of living is kept in check and that the quality of life for the people of the BVI is maintained. But beyond these measures, the most important thing this Government can do to raise the quality of life in the BVI is to maintain our focus on the second element of our three-tiered vision: Strengthening the Social Infrastructure.

2. Madam Speaker, let me begin with the critical area of healthcare. Over the past three years, this Government has steadily increased spending on our healthcare system throughout the Territory to ensure that primary care, the assistance you get when you visit your nearest clinic, is of the highest quality. This budget is no exception. We will increase spending on these basic services because we know that by ensuring quality care when people first go to see their doctor, we can improve health outcomes and reduce the need for more expensive emergency care. At the same time, we are

also looking to the future to ensure that the full range of our people's healthcare needs can be met here in the Territory.

3. Madam Speaker, the hospital annex is now operational, with an impressive new emergency room facility that is providing critical care for our people. Along with the new emergency helicopter system, we will be able to ensure that no matter where you live, all the people of the BVI can enjoy the peace of mind that comes with knowing that should it be required, emergency medical care will be accessible. We are also in the process of finalizing plans for the construction of the new 128-bed hospital. This budget includes the necessary capital allocations to get this work underway in the early months of 2007, with the firm intention of having the new hospital up and running by the end of 2009.

4. And perhaps most importantly, over this past year work commenced to develop the new National Health Insurance scheme. This ambitious project, which will provide quality healthcare coverage to every person in the Territory, will represent a great leap forward for our Territory. Madam Speaker, this project is close to the heart of this Government, in particular our leader the Chief Minister. 2007 will be a year of significant progress on this work and it is our firm intention of rolling the plan for this programme out by the third quarter of 2007. In addition to these efforts to ensure that our people have access to the best possible care when they get sick, we are also working to ensure that we are doing what is possible to keep people healthy and to prevent illness from taking hold.

5. Later this year, this Honourable House will take the historic step of passing comprehensive anti-tobacco legislation that has the potential of reducing the terrible health costs associated with smoking and with second-hand smoke. In addition, Madam Speaker, we are continuing our efforts to fight the battle of HIV/AIDS. In this vein, I am pleased to announce that from tomorrow through Friday of this week (8-10 November), the Sixth Annual Pan Caribbean Partnership against HIV/AIDS (PANCAP) meeting will be held right here in the British Virgin Islands. Madam Speaker, we are also working to ensure that citizens of all ages have access to facilities that encourage a healthy lifestyle. This includes our plans to open the expanded Queen Elizabeth II Park, which will serve as a much needed green and open area where members of our community can gather and get much needed exercise. For our seniors, we plan to commence construction of a Home for the Elderly in the middle of the coming year. The home will be built at Spooner's Estate and will be designed to

promote active and healthy lifestyles.

6. Madam Speaker, our fight to protect children in this community from the occurrences and effects of child abuse continues, and we are determined to win. Statistics show that there are children still living in abusive homes and are violated both physically and mentally included sexual abuse. This cannot continue. That is why this Government is supporting initiatives put forward through the Social Development Department for enhancing parenting skills, marital relationships and similar programmes under its community education outreach. These educational sessions provide the methods for addressing and resolving conflict within the home. The Social Development Department has also opened the way for training of mentors: members of our community who voluntarily agree to connect with young people who are disenfranchised. These children will have a chance to connect in secure relationships with a big brother or a big sister.

7. Madam Speaker, we continue to bring attention to the violence against women in the home through our Office of Gender Affairs. This is not a work relegated only to the Gender Affairs Office. Madam Speaker our community must decide whether these acts of violence will be permitted and take a stand. Statistics show that women continue to outweigh male as victims of domestic violence. This Government will continue to provide the necessary support to the various agencies and through legislation to reduce the instances of abuse in our community.

8. Madam Speaker, we are also taking steps to ensure that we maintain a hygienic and healthful environment. As part of this work, I am pleased to announce that I will witness the final stage of the construction of the much anticipated solid waste incinerator plant in early December. The incinerator will be delivered to the BVI early in 2007 with operations to begin soon thereafter.

## **EDUCATION**

1. Madam Speaker, as we work to improve the health and physical well-being of our people, we are also maintaining our focus on the other great social challenge we face: providing a world-class education for our people. Madam Speaker, when the history of this Government is one day written, I believe that a number of accomplishments will stand out. But none will be remembered as favorably as the work we have done in the field of education.

2. Just look at the record of the past several years. We have created the Department of Youth Affairs and Sports, which is having a huge positive impact on young people from every part of the community. We have put new computers in almost every classroom in the BVI and in this Budget we have allocated another \$586,000 for this project. We have repaired existing school facilities and begun design works on much needed new facilities, including the new High School, which will have its ground breaking in the coming month. We have started the extraordinarily successful technical/vocational programme at the College. We have increased scholarship funding by 50% for students studying abroad, and we have taken the historic step of making studies at HLSCC tuition free for all qualified BVI Islanders.

3. Madam Speaker, this is a wonderful record of accomplishment and one that we are very proud of. But there is still more we plan to do. Over the coming year, the National Curriculum Project will move into a full implementation phase, impacting the course of study at all educational levels. We will expand the technical/vocational programme at the College so that more interested persons will be able to participate and we will provide more resources to make sure that our teachers have the tools they need to help our young people achieve. Madam Speaker, building a truly world-class educational system is a labour of love for this Government and this budget reflects that commitment by once again increasing spending in this area, the fourth year in a row that we are doing so.

4. Madam Speaker, it is through these strategic investments we are building a stronger social infrastructure in the BVI. We are building a community where every young person has the opportunity to learn and realize their God-given potential; a community in which every person regardless of income has access to quality healthcare and services; a community in which no person is left behind and in which anyone who happens to stumble and fall will be given a hand up.

## **BVI PRIDE**

1. That brings me, Madam Speaker, to the third part of this Government's vision and that is building BVI Pride. Madam Speaker, our leader, the Chief Minister, has spoken on this point many times in the past. He has spoken of our shared belief that here in the BVI, we can accomplish any-

thing we set our minds to. This budget reflects that belief.

2. Madam Speaker, we are investing an additional \$575,000.00 to complete the Athletic Track so that it can receive Class I certification from the International Association of Athletics Federation, which would enable the BVI to host invitational athletic meets because we believe that our BVI athletes can excel on the global level. We are investing \$1.2 million to acquire Category 1 shipping status because we believe that here in the BVI our maritime industry can be a world-leader, and Madam Speaker, we are making an additional investment of \$500,000.00 in the city of Road Town because we believe that the BVI deserves a Capital that is worthy of our people.

3. Madam Speaker, while we are surely investing resources to create structures that can promote BVI Pride, the truth is that pride is not something that can be purchased with money. Pride is not a line item in a budget. There is no Department of Pride in the BVI. BVI Pride is something that must come from within us all. It is the feeling of pleasure we get when we see one of our fellow BVIlander succeeding on the local or international stage. It is the feeling of responsibility we feel to care for one another and to keep our community strong. It is the encouragement we provide our young people when we tell them to dream big dreams and to have the courage to pursue their highest aspirations.

4. Madam Speaker, this is an exciting moment in the life of the Territory and our people. Today, our economy is stronger than it has ever been before. Our Government's finances are in better shape than they have ever been before. Our surplus is larger than it has ever been before. Our debt is lower than it has ever been before, and our people have opportunities that are larger and more promising than any we have seen before. Yet even in realizing the full potential of this moment it will require a shared effort. We must come together as a Territory and we must support one another, Madam Speaker we must stand by one another, and we must never stop believing in our ability to accomplish great things. That has been the vision of this Government since the day we took office. That is the vision that has inspired us and given us strength even in the most difficult and critical days. That is the vision that has informed the development of this and past budgets. And that is the vision that shall carry us forward for as long as the people of this Territory honour us with their trust.

5. Madam Speaker, this Government has made a pledge to do everything in its power to defeat

criminal behavior in the BVI and we will do so. This Government Madam Speaker will continue to do all in its power to support and give the police department the resources they need to help eradicate the criminal element that is attempting to establish a foothold in our Territory. We will continue to look favourably and carefully at reasonable budget requests by the RVIPF. We have seen the benefits of this government's previous financial support of the RVIPF. Let the people and police of the BVI have no doubt: that this Government will spare no effort, no expense and no resource to fight and win the war on crime that is attempting to overtake our beloved BVI. Despite these things Madam Speaker, all the efforts of the Government and the RVIPF will be for naught if the public at large does not do its part. We have to repose confidence in our police force and be willing to help in the defense of our war on crime.

## **ACKNOWLEDGEMENTS**

1. Let me close Madam Speaker, with a word of thanks to those who have made this budget possible. First and foremost, let me express my sincere gratitude to our dedicated members of the public service, beginning with His Excellency, The Governor; The Deputy Governor; officers of all ranks, both junior and senior; the Attorney General and his staff, the Public Works Department in its capacity as executing agent for works; the various statutory boards and their staffs; and of course, the Financial Secretary and his staff at the Ministry of Finance.

2. Madam Speaker, on behalf of this government and the people of the BVI, I would like to also extend our thanks to the UK government and its agencies, notably, the Foreign & Commonwealth Office, and the Department For International Development; the Caribbean Development Bank, the European Investment Bank, the United Nations Development Program; the European Union; the Commonwealth Fund for Technical Co-operation; the United States Agency for International Development; the Canadian Agency for International Development; the Organization of Eastern Caribbean States, and the Caribbean Community (CARICOM), for their various forms of support. My gratitude is also expressed to our local institutions: the Social Security Board, Banco Popular de Puerto Rico, Scotiabank (BVI) Ltd, First Caribbean Bank, The Development Bank of the Virgin Islands, Ltd; and First Bank, for their sustained commitment to the welfare of our community.

3. Madam Speaker: I would like to thank my colleagues in Government who have worked so hard and in particular to our leader the Chief Minister whose vision has guided us to this day. In addition Madam Speaker, I would like to thank my colleagues on the other side of the isle for keeping us on our toes and assisting us in accomplishing so much for the people of this Territory. Madam Speaker I must also thank you and your staff for a job well done with dignity and respect at all times.

4. Finally, Madam Speaker, and most importantly, I would like to thank the people of the BVI. Every citizen and resident who abides by the law, works hard, contributes to our community, loves their children, prays to God and seeks to do right by his fellow man, every one of them no matter their position, rank or title, are the true leaders of this Territory and it is in their name, Madam Speaker, that I now humbly present this Government's 2007 Budget, and commit before this Honourable House, the Bill for its second reading.

5. I look forward to the coming weeks where Honourable Members will debate its provisions in committee.

**I THANK YOU.**

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