

..... 2018 - 2019

BUDGET STATEMENT

IN SUPPORT OF THE ESTIMATES OF REVENUE AND EXPENDITURE

PRESENTED BY
THE HON. E. DAVID BURT, JP, MP, PREMIER AND MINISTER OF FINANCE



EDUCATION



SENIORS



DIVERSIFICATION



TECHNOLOGY



TRAINING



INVESTMENT



HEALTHCARE



RENEWABLE ENERGY



BLOCKCHAIN



GOVERNMENT OF BERMUDA

Ministry of Finance



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INTRODUCTION

Mr. Speaker, in this, my first Budget Statement, I am mindful of the fact that among those listening are a single parent worried about next month's nursery fees; a husband and wife whose joint incomes still leave them short at the end of every month; a university student who has doubts about Bermuda welcoming her once she has her degree; and a senior citizen whose diminishing savings may soon result in problems with paying health insurance.

Mr. Speaker, national budgets are not just for businesses, accountants and property owners. This budget – as should be every budget – is about the people. The results of July 2017's General Election are concrete proof of the rejection of trickle-down economics. This Government accepts the economic realities of Bermuda today, but we are determined to forge a future that defies and shifts those realities and empowers this country's citizens.

Mr. Speaker, this Government will not be transactional, simply managing a system of governance that, at its core, was designed to ensure the success of the few and the struggle of the many. This Government will be transformational, opening the gates of economic growth to more and more Bermudians through economic diversification and greater opportunity. Traditional businesses will be respected but must compete for their market share and come to terms with the voices of others at the table who will, in turn, drive this economy.

To be clear, Mr. Speaker, this Government will continue to cultivate and grow the business side of Bermuda's economy. International business is the single largest contributor to economic activity in Bermuda. It is a partnership that has fuelled growth and expansion in this country. As a jurisdiction and a people, we have consistently welcomed international business, and successive governments have implemented policies that have created the conditions for continued profits and success in this sector. This Government will continue to collaborate actively with our international business partners to ensure that this sector thrives and expands to the benefit of all of Bermuda.

However, this partnership and this keen attention to the growth of international business can and must coexist with a new emphasis on the diversification of Bermuda's economy. In the September 2017 *Speech from the Throne*, we declared:

“Bermuda's economy is in desperate need of economic diversification as a means to provide additional jobs and careers for Bermudians. The Government will ensure that Bermuda is poised to meet new demands and will be aggressive in reaching out to new global areas of growth.”

Mr. Speaker, the importance of economic diversification cannot be understated. A diversified economy opens the field of economic opportunity to a wider cross-section of Bermudians. A diversified economy will signal to Bermudians abroad whose skills

and interests were not complementary to either international business or tourism that Bermuda wants and needs them to return. A diversified economy will help us, as a society, break away from the systemic inequality that has marred the Bermuda economic miracle.

Mr. Speaker, Bermuda is a diverse society. Different classes and races, millionaires and the working class all mix in everyday activities. In Bermuda, where poverty and struggle are not always outwardly displayed, it is easy to think that need is minimal and that we are essentially a society of those who “make it”.

This is an illusion, Mr. Speaker. Inequality of earning potential, inequality of opportunity and inequality of income are all real. These inequalities are not a recent phenomenon or simply by-products of the global recession of 2008 and beyond. Inequality in Bermuda is systemic. It is the regrettable result of a system designed to preserve the economic power of the few.

Mr. Speaker, a year ago, as I delivered the reply to the last budget, I stated:

“We are not competing with the One Bermuda Alliance to see who can be the best managers of the status quo. Why? Because that status quo has failed the majority of the people in this country!”

Mr. Speaker, this budget will lay the economic foundation needed to change the economic status quo that has failed so many. It will see us invest in Bermudians, bring fairness to our tax system, scrap outdated policies from the last century which are a barrier to true empowerment, and place Bermuda on a path toward economic growth, economic diversification, and economic security for all Bermudians.

ECONOMIC OUTLOOK

Mr. Speaker, the preparation of the 2018/19 budget takes into consideration global and domestic economic conditions. Bermuda is a small, open, services-based economy, making it largely dependent on the free movement and flow of people and capital. Our economy is directly influenced by global economic trends, particularly those occurring in the United States and Europe. As the Government has limited economic tools available to influence economic activity, we have a responsibility to act prudently and support sustainable economic growth.

Risks to Bermuda's Economy

Mr. Speaker, Bermuda faces a number of challenges globally, which must be considered when planning our budgets and charting our economic course for the future. Many of the challenges are international, but there are also domestic challenges that can pose significant risk to our economy, if not managed.

US Tax Reform

Mr. Speaker, the most pressing threat that we face at this time is the recent tax reform in the United States, which saw a reduction of corporate tax rates combined with protectionist tax measures targeting global companies. Although the tax changes were not directly targeted at Bermuda, many of Bermuda's international companies have had to make quick adjustments to their operations to avoid an additional tax burden.

During and after the debate in the US Congress, the Bermuda Government has maintained its collaborative relationship with the Association of Bermuda Insurers and Reinsurers (ABIR) to protect Bermuda's interests. Although we feared the worst, the resulting tax changes will not be fatal to our insurance industry, and may present some opportunities for growth due to the superior regulatory advantages for companies operating from Bermuda.

Recently, the Minister responsible for immigration met with the leadership of ABIR and made it clear that the Government will facilitate any transfer of jobs to Bermuda that may result from any restructuring caused by the US tax reform. Any transfer of jobs to Bermuda will create additional opportunities for Bermudians, and this Government is committed to preparing Bermudians to take advantage of those opportunities.

The EU's List of Non-Cooperative Tax Jurisdictions

Mr. Speaker, in December, the European Union published a list of Non-Cooperative Tax Jurisdictions. Although Bermuda was not on the list, the EU Code of Conduct group has expressed some concerns regarding Bermuda's system of taxation. Since December, the Government has been meeting with various local stakeholders and is

in the process of formulating a response to address the European Council's concerns. It is the Government's view that the mischief that the European Union is trying to cure – tax leakage from companies operating in their jurisdictions – has largely been mitigated by advances in international tax transparency and regimes such as Country by Country reporting, which ensures that multinational companies report and pay tax on their profits where their profits are earned.

We will continue to engage the European Union in constructive dialogue and are confident that the EU will continue to recognise Bermuda's leadership in the area of global tax transparency and compliance.

CFATF Assessment

Mr. Speaker, Bermuda has been preparing for this year's Caribbean Financial Action Task Force assessment of Bermuda's Anti-Money Laundering and Counter-Terrorism Financing regime. This assessment is critically important, and it is vital that Bermuda earns a positive report. Although the work required to prepare the country for this assessment is not politically exciting, an unsatisfactory result could cause serious damage to our economy. Other countries that have not done well have seen correspondent banking relationships disappear; if this were to happen in Bermuda, it would pose a critical threat to our financial services industry. The full resources of the Government have been marshalled to ensure that Bermuda is prepared for the assessment and we will continue to work with the Bermuda Monetary Authority and our industry partners.

Bermuda's Ageing Population

Mr. Speaker, Bermuda's continued economic weakness since the great recession has exacerbated the challenges of our ageing population. The lack of economic opportunity and high cost of living have seen many Bermudians emigrate as economic refugees. This drain has placed additional pressure on our fragile public finances and represents a real risk to a sustainable future. It will not be possible for the Government to meet our obligations to our retirees and pensioners without significant structural reforms to our economy. We must have more Bermudians working in Bermuda and have more jobs located in Bermuda to ensure we collect the revenue necessary to fund our pensions and care for our seniors.

The Domestic Economy

Mr. Speaker, I will now turn my attention to the domestic economy. Many of the major economic indicators – such as employment, employment income, air visitors, imports and retail sales – increased in 2017, indicating some improvement in the Bermudian economy. However, the results must be viewed in the context of Bermuda hosting the 35th America's Cup in 2017.

Employment

Mr. Speaker, employment in Bermuda experienced marginal growth in 2017. The Department of Statistics' provisional estimates, which cover employment changes between 2016 and 2017, show that on aggregate the Bermuda job market reported its second increase in nine years. The total number of filled positions was reported to have increased by 0.1%, or 40 jobs, to 33,521.

This marginal level of job growth is disappointing given the hopes that the America's Cup would stimulate the economy and employment. Much of the growth in jobs was fuelled by an increase in jobs filled in the restaurants, cafés and bars sector, which added 113 jobs (5.6%), while higher-paying positions within the international business sector only increased by 6 jobs (0.2%). The report also showed that there were employment increases in the financial intermediation, construction, and wholesale trade and motor vehicles sectors. These increases were offset by declines in public administration, which shed 54 jobs (1.4%); education, health and social work, which shed 67 jobs (1.8%); "other community social and personal services", which shed 158 positions (7.7%); transport and communications, which shed 47 positions (2.3%); and manufacturing, which saw 11 jobs (1.9%) disappear.

Mr. Speaker, one of the major headwinds in our growth prospects is the level of employment. Although employment numbers are marginally positive, the pace of job growth must increase if we are to have a sustained economic recovery.

In the first three quarters of 2017, employment income grew by \$77.2 million to \$2.58 billion, an increase of 3.1%, and the official unemployment rate remained at 7.0%.

Tourism

Mr. Speaker, the Bermuda tourism industry recorded another year of growth. Air arrivals in 2017 grew by 10.3%, while the number of cruise passengers increased by 5.1%. Total visitor arrivals increased by 7.2% over the previous year. Total visitor spending in 2017 rose by \$72.6 million or 20.3%, settling at \$431 million.

Other Economic Indicators

Mr. Speaker, total retail sales for 2017 increased by 2.9% or \$32.7 million to register at \$1.175 billion, while jobs in the sector rose by 0.7%.

Imports increased by 17.6% in the first three quarters of the year to register at \$849 million. This growth was primarily attributed to the imports of finished equipment, which grew by \$65.1 million or 28.2% when compared with the first nine months of 2016. These imports were related to Bermuda's hosting of the 35th America's Cup. Other categories that contributed significantly to the positive results were food, beverages and tobacco, and machinery.

The total value of new construction projects started in the first nine months of 2017 increased from \$87.0 million in 2016 to \$537.5 million in 2017, an increase of 517.8%. This was mainly attributed to the airport redevelopment and St. Regis projects, which combined are worth over \$500 million. However, the estimated value of construction work put in place fell from \$77.3 million in 2016 to \$71.9 million over the first three quarters, a decline of 7.0%. The majority of the decrease can be attributed to a reduction in the levels of work performed on residential properties, industrial plant and other building projects.

Mr. Speaker, headline inflation continues to remain stable in Bermuda, as reflected in the December 2017 Consumer Price Index, which indicates an average inflation rate of 1.9%.

Bermuda's Balance of Payments remains strong and over the first three quarters of 2017 recorded a surplus on the current account of \$672 million, which was \$288 million more than the corresponding surplus in 2016. The increase in the current account surplus was mainly due to changes in the primary income account, where there was significant growth in the net investment income account, which was the result of lower reinvested earnings and a decline in dividends paid.

Some 793 new international companies and partnerships were registered in Bermuda during 2017, representing a 1.1% decrease compared with 802 registrations in 2016.

Forward GDP Projections

Mr. Speaker, considering all economic indicators, the Ministry of Finance is lowering its 2017 GDP growth estimate by 0.75% from 1.5%–2.0% to 0.75%–1.25%. The reduction follows a marginal GDP contraction of 0.1% in 2016.

Mr. Speaker, 2016 was the seventh year of economic contraction in the last eight years. This shows the urgency of the need to stimulate our economy and invest in long-term policies that will diversify the Bermuda economy and create sustained economic growth, which will increase jobs and opportunity at all levels of Bermudian society.

AUSTERITY VS GROWTH

Mr. Speaker, it is clear that our economy is stagnant and therefore unable to provide for those in our country, and so we must ask the question: “*How are we going to fix the problem?*” Finance ministers around the world have been faced with the same question: “*Do we cut spending, or do we invest to grow the economy?*”

In answering the question, some will compare the situation with how you might manage your household budget; if you have *greater outlays than income*, you have three choices.

Firstly, you can cut. You cut off the Internet service and cut the cable bill; you buy only the absolute necessities from the grocery store on a Wednesday; you do not spend a cent in order to fix your financial situation. While you may not be spending, it is questionable if you are living.

A second approach, is to ignore the situation. You continue to spend as you always have, without worrying about cutting back. You simply borrow more money to maintain your unaffordable lifestyle, while doing nothing to improve your situation. While you may be living, you are living on borrowed time.

The final approach is to invest in yourself in the hopes of increasing your income so that it meets your expenses. This can come from taking out a loan to increase your skills to get a better job, or from using that money to invest in a business that can cause your income to exceed your outlays.

In economic terms, that is the difference between *austerity* and *stimulus*. When governments follow a programme of austerity, they cut the number of staff; they do not invest in maintenance programmes for buses; seniors and the poor pay more for services; and new trash trucks are not purchased.

When the previous Government tried to cut its way out of a recession without investing for the future, we ended up with mouldy schools, unreliable public services, crumbling infrastructure, a stagnant economy and increasing economic inequality.

Mr. Speaker, there is nothing more dangerous to a society than inequality. This Government is seeking to ensure that the gap between the advantaged and disadvantaged is reduced, by expanding the economic pie and investing in those who have been on the sidelines watching others prosper. To have a harmonious society, the policies of government must benefit the many and not the few.

In July 2017, the people of Bermuda voted for a new way – a new approach. They voted for an end to austerity and for a government that committed to putting Bermudians first. Our objective is simple: to build an economy that puts Bermudians first by providing more opportunities for Bermudians to work and more opportunities for Bermudians to become owners and not just employees.

OUR PATH FORWARD

Mr. Speaker, to meet our objective of providing more opportunities for Bermudians, we must remember that the world in 2018 is not the same as in 1978. We cannot build walls around Bermuda to keep money here; similarly, we cannot reject international investment and expect an island with few natural resources to grow and prosper. The Bermuda Monetary reported that over the last 10 years, \$3 billion earned in Bermuda has left the island to be invested elsewhere. In a global economy enabled by technology, money observes no artificial barriers; it moves where it is wanted and where it can earn a decent return.

Many Bermudians are resistant to the idea of foreign capital, as it has never benefited them. This is understandable, as most black Bermudians have only been spectators of the benefits of foreign investment, not beneficiaries.

Mr. Speaker, foreign investment is not the enemy; it is required to sustain our economy and our way of life! The true enemy of Bermudians who feel marginalised is an unbalanced and unfair economy that allows the haves to get richer while the have-nots fall further behind, not foreign investment.

This Government was elected to level the playing field, expand opportunity and create a fairer and more just Bermuda. To do that, we will ensure that the have-nots can access capital to build businesses, and have the freedom to compete with the haves. However, to ensure that the have-nots can access capital, we must change the laws of Bermuda, which for more than a century have protected the haves from competition.

Stimulating Investment

Mr. Speaker, Bermuda's economy has for many years existed with laws that have stunted our economic growth. Bermuda's tourism miracle and the subsequent insurance boom have masked the underlying sickness of our economy. It is uncompetitive, expensive and inefficient. While many countries actively seek investment to provide opportunities for their citizens, in Bermuda we seem to be comfortable sending potential investment elsewhere. In Bermuda, we allow persons such as PRCs to earn money and stay here indefinitely, but then tell them to invest their money overseas, which creates jobs and opportunities elsewhere.

As a country with a stagnant economy and an ageing population, we cannot afford to stand still while other countries modernise to compete in the new global economy. We must adapt to the realities of the global, technology-driven economy, or as a country we will continue to fall further and further behind, finding ourselves unable to afford to take care of our seniors, educate our students, fund public services, or pay our pensioners. We must grow, and the only path to growth is via increased investment in the Bermuda economy.

Welcoming Global Firms to Bermuda

Mr. Speaker, the Government has already begun the process of making Bermuda's economy more competitive and of stimulating additional investment in Bermuda. The Registrar of Companies has commenced consultation with the legal sector on allowing global law firms to have a presence in Bermuda. As in Singapore, the Government will not open the floodgates; we will set definitive rules requiring participation, opportunities, and progression for Bermudians.

Mr. Speaker, many of us know family and friends who were once employed in Bermuda's banking sector but who now, due to consolidation and globalisation, find themselves out of work. To provide additional employment opportunities in the banking sector, the Ministry of Finance will soon commence consultations on expanding the types of banks that can operate in Bermuda.

Again, Mr. Speaker, our objective in these changes is simple: to build an economy that puts Bermudians first by providing more opportunities for Bermudians to work and more opportunities for Bermudians to become owners and not just employees.

Revision of the 60/40 Rule

Mr. Speaker, the origins of the 60/40 rule bear witness to the history of Bermuda and the systemic inequalities to which I referred earlier. The rule is the ultimate in protectionism, which runs counter to the claim of Bermudian entrepreneurship. If wealth is concentrated in a few hands, and those hands will never invest in anything that competes with their vested interests, a true entrepreneur is confronted with a policy that essentially tells him or her: *"We've got ours; good luck getting yours."*

In 2018, this vestige of our oligarchic past must be ended. We need more economic activity in Bermuda, and that means we must welcome investment from non-traditional quarters and not shy away from the competition it may create. In the truly competitive marketplace, the consumer will always be the winner, and all Bermudians want and seek lower prices for goods and services.

As I indicated to the Bermuda branch of the Alternative Investment Management Association, Mr. Speaker, *"You can own 100% of a \$50,000 business or 40% of a million-dollar business – clearly, most people would prefer the latter."* For too long, Mr. Speaker, the majority of Bermudians have been spectators of the creation of wealth in this country. This Government is determined to create the conditions and opportunities that usher the "left-behind" from the stands and sidelines to the playing field. Bermudian entrepreneurs should not have to rely on their inheritance or banks that often refuse to lend to fund their ambitions. We will increase access to capital for Bermudians by reforming the 60/40 rule to one that only requires 40% Bermudian ownership in order to operate in the domestic economy.

Mr. Speaker, I recognise that this proposal will face opposition from both sides of the political spectrum. There will be those who want to protect their existing interests, and there will be those who feel that allowing entrepreneurs access to foreign capital enabling them to compete is not consistent with putting Bermudians first. However, I want to assure the people of Bermuda that the Government will consult and strike the right balance to ensure that the revision of this rule has the intended consequence of providing more opportunities for Bermudians to become wealth-generating owners and not just employees.

Revising Height Restrictions in the Hamilton Economic Empowerment Zone

Mr. Speaker, space in Bermuda is limited. However, given our demographic challenges, it is essential that we have more people living and working in Bermuda. As we plan for this growth, it is prudent to incentivise additional development within the City of Hamilton, which will reduce future traffic congestion and strain on our road infrastructure.

For as long as we can remember, the Bermuda Cathedral has restricted the height of buildings in the city; however, as we look to the future, it is time to consign old restrictions to the history books. To increase the options for development inside the City of Hamilton and to provide economic activity to North Hamilton, the Government will revise height restrictions in the Hamilton Economic Empowerment Zone for residential and mixed-use development.

Revising height restrictions alone will not stimulate demand for property, which is needed to jumpstart the construction industry. Therefore, in addition to revising height restrictions, the Government will relax condominium ownership restrictions for approved developments in the Hamilton Economic Empowerment Zone, thus stimulating demand, generating wealth, and putting Bermudian construction workers back to work.

The Government will launch a consultation on these changes through the Ministry of Home Affairs, to ensure that these changes meet the Government's objectives of providing opportunities for economic empowerment for Bermudians who have, to date, been spectators of Bermuda's economic miracle.

Embracing Future Technologies

Mr. Speaker, almost every facet of modern life is affected by the rapid advances in technology. To ensure that Bermuda and Bermudians can benefit from these advances, we must ensure that Bermuda is just as agile in accommodating the new technology innovators as we were in accommodating the pioneers of our then fledgling offshore business many years ago. The Government has already moved aggressively in this area, and we will have our first technology incubator space operational by July 2018.

FinTech

Mr. Speaker, in the 2015 reply to the *Speech from the Throne*, the Progressive Labour Party made it clear that when we were elected we would make FinTech a priority. The Government has commenced discussions on the development of the world's first Global Risk Management Digital Market in Bermuda. This initiative will support the Government's FinTech ambitions and the establishment of a smart island innovation lab. This will attract and support entrepreneurs, innovation, new business ventures, growth opportunities and job creation.

Blockchain and Digital Currencies

Mr. Speaker, the growth of digital currencies is among the fastest-growing areas of global economic activity. Blockchain-based technologies have the potential to transform the way in which business in the world is conducted. While digital currencies are the first breakout area, there will be many more advances, and the Government wants to ensure that Bermuda is positioned to benefit. In keeping with Bermuda's international reputation for sound regulation, the Government has assembled leaders in this area of emerging technology to develop a legal framework and regulatory regime that is strict but does not stifle innovation.

Bermuda will be well served by the economic growth and jobs that this emerging industry can bring to our economy. The Government is moving at a pace reflective of the urgency of the need, while prudently ensuring that this new sector is internationally respected for its sound regulation and adherence to the highest standards of compliance, for which Bermuda is known.

The Government, in conjunction with the Bermuda Monetary Authority, is currently developing legislation to govern Bermuda-based initial coin offerings and will, consistent with our vision, build a world-class regulatory framework for the oversight of digital asset exchanges and digital currency businesses in Bermuda.

Cybersecurity

Mr. Speaker, the importance of cybersecurity to Bermuda has been played out on the world stage. Staying ahead of those who would do us harm by cyber means starts with protecting government systems.

Mr. Speaker, the Cabinet has considered a proposal to establish a cybersecurity and data centre in Bermuda. This is an immense value proposition for Bermuda. Cybersecurity protection capability, in partnership with a premier market leader, will provide us with the ability to protect government facilities and operations from cyber-threats. This capacity would also extend to local business and afford much-needed cyber-protection to entities whose activities affect our reputation as a jurisdiction.

This centre will require a physical presence, thus providing employment opportunities for Bermudians. These new opportunities will be facilitated through definitive training links to leading institutions in the United States and the Bermuda College.

Mr. Speaker, as these technology initiatives progress, the policies of this Government in education, training, immigration and economic empowerment will be shaped to create equality of opportunity for Bermudians.

Enlarging the Economic Pie

Mr. Speaker, while we can change policies to make Bermuda a more attractive place for investment, the Government can also take direct action to ensure that we enlarge the economic pie for Bermudians. As one example, there are many small and medium-sized businesses that, despite many attempts, have never won a Government contract.

This Government will use its purchasing power to reverse the legacy of economic inequality that is an enduring characteristic of Bermuda's economy. Accordingly, the Government announced a new Code of Practice for Project Management and Procurement, which states that the Government will *"use its purchasing power to promote equality of opportunity with regard to disability, gender and race."*

In this current fiscal year, the Government will reserve 20% of capital spending for companies that meet the empowerment criteria under the new procurement policy. This Government will ensure that contracts are given to firms who have traditionally been unable to compete with the scale of larger companies. The Office of Project Management and Procurement will work with the Bermuda Economic Development Corporation to ensure that this target is met, and the Government will measure and report progress on this initiative annually.

2017/18 FISCAL PERFORMANCE

Mr. Speaker, this Government took office in July 2017, three months into the budget year. We came in focused on prudently managing the country's finances on behalf of the people of Bermuda. We recognised that our civil servants had not received a salary increase for over six years. After the awarding of a well-deserved increase of 2.5%, backdated to 1 April 2017, and increasing the headcount within certain departments that had remained understaffed by the former administration, this Government has skilfully managed Bermuda's finances and **exceeded all** of the current year's budget targets.

Mr. Speaker, the Government is forecast to earn \$1.044 billion in revenue in 2017/18. This is \$1.9 million (0.2%) **more** than the \$1.042 million in the original estimates and is due mainly to higher than expected customs duty, payroll tax and civil aviation receipts. These amounts were offset by lower collections in international company fees and financial service tax receipts.

The projected 2017/18 operating expenses of the Government are \$921.5 million, or \$2.0 million (0.2%) **lower** than the \$923.5 million originally budgeted in 2017/18. That is right, Mr. Speaker: despite the millions of unbudgeted expenditures that we inherited, it is expected that we will not exceed the original expenditure budget approved by the former Government.

Mr. Speaker, revised capital expenditures for the year are predicted to come in at \$60.4 million, or \$7 million (10.0%) **below** the budget of \$67.5 million. Debt service costs for 2017/18 will be \$4.5 million (2.4%) **below** budget.

Mr. Speaker, given the factors above, the revised estimate of the overall deficit is \$119.2 million, \$15.2 million less than projected. This figure is \$62.8 million less than the actual 2016/17 deficit, a **decrease** of 35%.

Mr. Speaker, it is projected that during the current fiscal year the Government will draw \$85 million on its loan facility, representing new borrowing. Therefore, on 31 March 2018, gross public debt will stand at \$2.57 billion and net debt will stand at \$2.42 billion. This amount is \$50 million **lower** than the former Government's forecasted net debt of \$2.47 billion.

The Sinking Fund balance is projected to be approximately \$148.8 million at the end of 2017/18.

It is expected that the net debt/revenue ratio will be 232% (2017 – 243%), and the debt service cost/revenue ratio will be 17% (2017 – 18%). Although these ratios are trending downwards, we must continue the work to bring our fiscal position in line with our targets of 80% and 10% respectively.

2018/19 BUDGET ESTIMATES

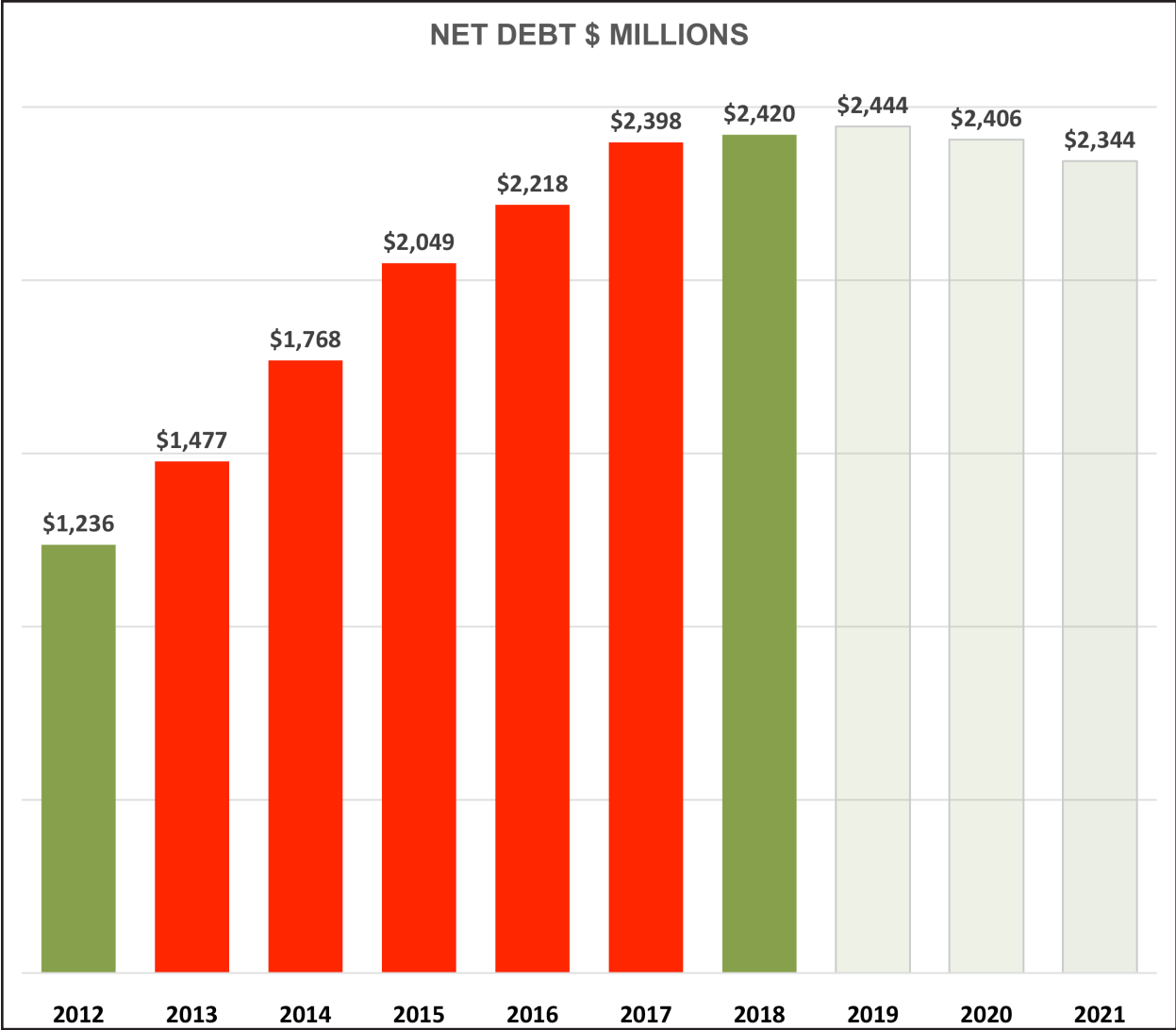
Mr. Speaker, I will now turn my attention to the budget for this upcoming fiscal year. The highlights of the 2018/19 budget feature a modest 0.2% increase in total expenditure of \$2.5 million from last year's budgeted figure. Revenues are forecast to rise by 4.6% or \$47.5 million and the current account balance, before debt service charges, is budgeted to be a surplus of \$160.7 million.

However, the current account balance, after debt service, including the Sinking Fund contribution, is budgeted to come in at a deficit of \$27.5 million. This represents a reduction in the current account deficit of \$39.7 million, or 59.1%. The overall deficit is budgeted to be \$89.7 million, a drop of \$44.9 million or 33.4% when compared with the 2017/18 original estimates.

	ESTIMATE 2017/18 \$000	ESTIMATE 2018/19 \$000
Revenue and Expenditure Estimates		
Revenue	1,042,349	1,089,861
Current Account Expenditure (excl. debt & s/fund)	-923,491	-929,134
Current Account Balance (excl. debt & s/fund)	118,858	160,727
Interest on Debt	-124,000	-124,000
	(5,142)	36,727
Sinking Fund Contribution	-62,085	-64,223
Surplus (Deficit) Available for Capital Expenditure	(67,227)	(27,496)
Capital Expenditure	-67,451	-62,209
Budget Surplus (Deficit)	(134,678)	(89,705)

The projected current account balance (excluding debt service) indicates whether revenues can support the day-to-day running of government, excluding finance costs and capital expenditure. This year's budget, with a current account surplus of \$160.7 million, represents an improvement over the 2017/18 surplus, with sufficient revenue to cover not only the day-to-day running of government, but also interest costs and over 50% of the Sinking Fund contribution. The next fiscal milestone will be achieved once we cover current expenditure, including all debt service costs plus a portion of the capital expenditure. It is expected that milestone will be met next year.

The Government will have to incur new borrowing of \$89.7 million to finance the 2018/19 deficit and, at 31 March 2019, it is estimated that gross public debt will stand at \$2.66 billion, and debt, net of the Sinking Fund, will be \$2.444 billion. It is important to note that net debt will only increase by **\$24 million** in 2018/19, as \$64.2 million of the new borrowing will be placed into the Sinking Fund.



OBA GOVERNMENT

PLP GOVERNMENT

PROJECTED NET DEBT

Mr. Speaker, we acknowledge that there are sceptics, but let me be clear: this year will be the last year in which our debt will increase. Next year we will start reducing our debt! We will continue to reduce expenses where we can, but we will continue to invest to ensure that we can grow our economy and create jobs. The stronger our economic growth, the quicker we can repay our outstanding debt.

Mr. Speaker, as this is the last year in which we are expecting our net debt to increase, the Government will **not** be raising the country’s debt ceiling. Our debt ceiling is currently set at \$2.5 billion and the Ministry of Finance will exercise prudent management of funds in this year, our final year of net borrowing, to ensure that we remain below the debt ceiling.

Revenues

Mr. Speaker, the estimates for 2018/19 project Government revenues of \$1.09 billion, which is \$47.5 million or 4.6% higher than the original estimate for the previous year.

In 2017/18, the former Government reformed payroll tax by adding a progressive element to the tax rates paid by employees, while raising rates for employers. Customs duty was also increased, and a new financial services tax on banks, insurance companies and money service businesses was introduced. Honourable members are aware that the Government has established a Tax Reform Commission to review our tax system; however, the need for additional revenue is immediate. Therefore, as highlighted in the Pre-Budget Report, as an interim measure, it was proposed to increase revenue in 2018/19 by \$50 million via:

- Implementing a biennial review of government fees.
- Introducing a “professional services tax” on accounting and law firms.
- Increasing fees on cell phones as well as implementing the Government authorisation fee of 2.5% imposed on the electronic communications industry.
- Taxing commercial rents.
- Cracking down on notional abuse in the payroll tax.

Mr. Speaker, I would like to thank all stakeholders who provided submissions during the consultative pre-budget process. It is an example of the approach this Government will take to ensure that we conduct our business in an open and transparent manner. Following consultation, the Ministry will take the following actions to meet the Government’s revenue target in 2018/19.

Payroll Tax

Mr. Speaker, the yield from payroll tax is estimated at \$454 million in 2018/19, 41.7% of total Government revenues. There are a number of reforms and new concessions that will be made to the payroll tax structure.

Relief for Workers

Mr. Speaker, for as long as I have been speaking in this House, I have been clear that I regard payroll taxes to be the enemy of job creation. Since 2013, the Progressive Labour Party has been consistent in its desire to broaden the tax base away from taxes on labour income only. Given this Government’s clear desire to increase the number of jobs in Bermuda, the Government will not implement the second phase of the payroll tax increase put forward by the former Government. Accordingly, all employer rates will remain unchanged and will not increase as planned.

Mr. Speaker, workers in this country are still under pressure and have suffered through wage stagnation and increases in the cost of living. To provide relief to those workers, the Government will adjust the payroll tax employee rate bands to provide tax reductions to those earning less than \$96,000. The lowest employee band will be reduced from 4.75% to 4% resulting in a working couple earning \$48,000 each, or a combined total of \$96,000 annually, receiving an increase in their take-home pay of \$720. Anyone making less than \$96,000 will see a reduction in taxes; anyone earning more than \$96,000 will not see any change in their payroll taxes. This reduction in taxes will reduce the Government’s payroll tax yield by approximately \$5.1 million. An illustration of the tax savings under the new rates for select salaries is set out below and in more detail in Table XI:

Salary	Reduction in taxes in FY18/19
\$ 36,000	(\$270)
\$ 48,000	(\$360)
\$ 60,000	(\$270)
\$ 72,000	(\$180)
\$ 84,000	(\$90)

Mr. Speaker, this Government wants local and international companies to create and move jobs back to Bermuda. The Ministry has been working with key business stakeholders to create incentives for companies to locate additional staff in Bermuda by providing payroll tax relief for new positions created in Bermuda. The final details of the “**tax incentives to grow jobs**” programme is currently being finalised and it is anticipated that the programme will be in place this year. Our objective is simple: to have more jobs based in Bermuda, providing more opportunities for Bermudians who are looking for work or who may want to progress in their careers.

Payroll Tax Reform for Notional Salaries

Mr. Speaker, an often-abused part of the payroll tax system is the application of notional salaries (notionals) for payroll tax purposes in owner-managed businesses. These notionals are applied to “Deemed Employees” who earn income partly or wholly through sharing the profits of the business instead of only through salaried remuneration. As an example, partners in local law and accounting firms may declare a notional salary of \$200,000 while they may actually earn \$1,000,000 from their business. In this instance, the partner only pays payroll tax on the \$200,000 while not paying tax on their remaining earnings.

The Office of the Tax Commissioner (OTC) has already taken steps to tackle systemic abuses of the declaration and payment of tax based on notional income levels. To

further address this problem, the Government will amend the Payroll Tax Act 1995 to provide that for all Deemed Employees, the notional salaries will be replaced with a requirement to declare all income received, on a cash basis.

This measure would cover all Deemed Employees to ensure that no one group is singled out. This change will improve transparency, assist enforcement, and largely eliminate the risk of under-declaration and under-payment. It is estimated that this change will increase payroll tax revenues by at least \$10 million.

Payroll Tax Concessions

Mr. Speaker, every year the Ministry of Finance is approached by representatives of various industries seeking concessions from the crushing burden of the payroll tax. In response to those representations, the Government will introduce the following tax concessions this year.

Persons with Disability

Mr. Speaker, this Government recognises the challenges that persons with disability in Bermuda face, and as a society we have a long way to go in ensuring that they can enjoy a decent quality of life. To assist persons with disability in gaining access to employment and to reward those employers who have already hired disabled Bermudians, we will eliminate the employer portion of payroll tax for any disabled employee.

Entrepreneurs – Small Business

Mr. Speaker, in the Progressive Labour Party's 2017 election platform, we pledged to

“provide new tax relief for first-time entrepreneurs to assist them in creating Bermudian jobs.”

Accordingly, new entrepreneurs who register and meet the criteria established by the Bermuda Economic Development Corporation in the creation of a new business will be exempt from the employer portion of payroll tax for themselves and any employees for the first year of business.

Taxi Operators

Mr. Speaker, currently full-time taxi operators are required to pay \$2,233 in payroll taxes each year, while part-time operators are required to pay \$1,118. Although there are in excess of 550 licensed taxis, there are only 411 active taxi drivers registered with the Office of the Tax Commissioner, and even fewer drivers actually file returns. This tax has been difficult to collect and last year yielded only about \$350,000, when, if fully collected, the yield should have been at least \$1.2 million.

This Government recognises the challenges faced by taxi operators; however, it is important that taxes are collected. Therefore, to increase the yield from this tax and

make it easier to collect, we will amend the payroll tax provisions for taxi operators by implementing an annual charge of \$1,000, to be paid at the time of registration. This fee will be borne by the taxi owner, and owners will be allowed to recoup it from taxi operators. This fee represents a reduction in payroll taxes to taxi operators of at least 50%.

Retailers

Mr. Speaker, the retail sector is a consistent provider of Bermudian jobs and this Government will work with this sector to promote its growth. The Tax Reform Commission will lead a consultative process with the Retail Sector to determine how tax policy can be adjusted to assist in encouraging investment in facilities, diversification of product offerings and most importantly growing the sector to produce Bermudian jobs.

Customs Duty

Mr. Speaker, the yield from customs duty is estimated at \$235 million, 21.6% of total Government revenues.

Mr. Speaker, in line with the Ministry of Health's consultation paper, it is proposed to introduce the sugar tax as an increase in the rate of duty on a defined group of items. The sugar tax will be finalised after the consultation period ends on 1 March 2018. To offset the expected increase in customs duty from the sugar tax, the Government will reduce or eliminate duty on healthy food items. Accordingly, duty will be reduced from 5% to 0% for eggs, potatoes, cauliflower, broccoli, carrots, turnips, oranges and apples. A portion of the revenues from the Sugar Tax will be earmarked for educational programmes to improve health outcomes.

To reduce the cost of living, the Government will lower the duty rate on textiles, which include linen and blankets and shoes. Duty relief will be provided to sporting clubs that have youth programmes. This relief will include full duty relief on uniforms and equipment purchased and used by these clubs.

Mr. Speaker, the Ministry of Finance, in consultation with the Ministry of Health, will further increase the duty on tobacco to reduce the inconsistency between duty rates on cigarettes and tobacco. Finally, the duty on wines will be raised by 30 cents per litre in April 2018 to achieve additional customs revenue.

Commercial Rents

Mr. Speaker, the Pre-Budget Report announced that the Government was considering taxing commercial rents. Following consultation, the Government will not introduce a new tax on commercial rents, but rather – as a temporary measure – it will increase land tax rates on commercial properties by 5% to yield an additional \$15 million in land taxes. This temporary increase will generate additional revenue while the Tax Reform Commission looks at commercial rents and the income earned from

commercial properties whose income is not currently subject to taxation. Properties in the Economic Empowerment Zones will be exempt from this temporary increase.

Professional Services Tax

Mr. Speaker, the Government signalled in the Pre-Budget Report that it was considering implementing a professional services tax. Following consultation between the Government and stakeholders, the Government has decided not to implement this tax and has instead adjusted the basis for notional remuneration for payroll tax. Consequently, the existing corporate service tax will remain in place.

Other Taxes and Fees

Mr. Speaker, as an additional revenue measure, the Government will increase fees on cell phones and the Government authorisation fee of 2.5% imposed on the telecommunications industry. This is projected to yield \$3.7 million in additional revenue.

Fees for most services provided to residents and businesses will be increased by 5%. This biennial fee increase is projected to yield \$5–\$6 million in additional revenue.

Expenditures

Mr. Speaker, the Government has set the overall budget expenditure, including current account and capital account outlays, debt service and the Sinking Fund contribution, at \$1.18 billion. The forecast modest increase in current and capital account spending in the 2018/19 budget is only \$2.5 million higher than the amount approved in 2017/18. This was achieved despite the Government's pay awards to public officers, which cost the Government approximately \$9 million.

Mr. Speaker, this level of spending is necessary in order for the Government to implement its growth strategy while ensuring we have the facilities and equipment necessary to deliver public services.

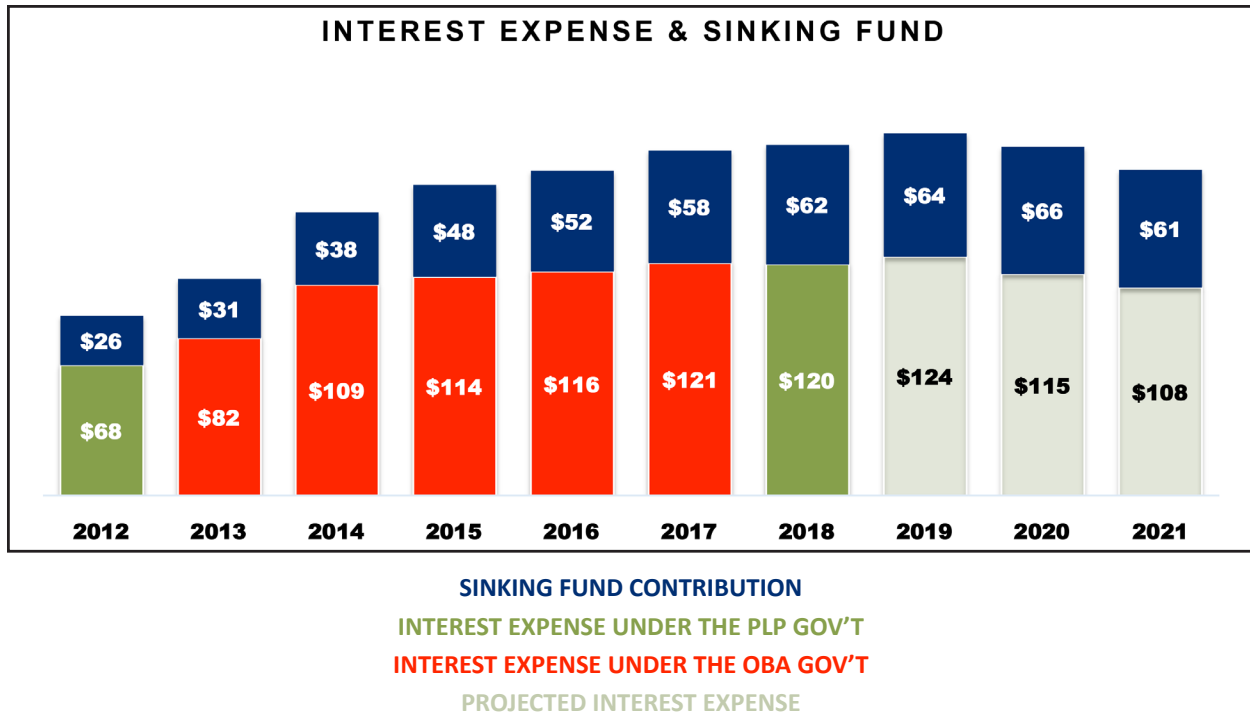
While the Government recognises the need to control the growth in public spending until we begin to reduce our debt, we have committed increased funding to Government priorities. More resources will be given to the Ministry of Education and Workforce Development to cover expenditure for additional workforce training and development and for enhancements to the public education system. We have provided additional funding for the Ministry of Health, to reinstate the BHB subsidy budget and to provide long-term care and public health services; for the Bermuda Tourism Authority and the Bermuda Business Development Agency, to promote our tourism and international business sectors; and for the Bermuda Economic Development Corporation, to enhance its products and services facilitating opportunities for Bermuda's entrepreneurs.

Mr. Speaker, the above increases were partially offset by savings in other ministries and I will detail the highlights of each ministry shortly.

Debt Service

Mr. Speaker, debt service costs for the 2018/19 budget are projected at \$188.2 million, 1.0% higher than the 2017/18 allocation of \$186.1 million. This represents \$124 million in interest payments and a \$64.2 million contribution to the Sinking Fund.

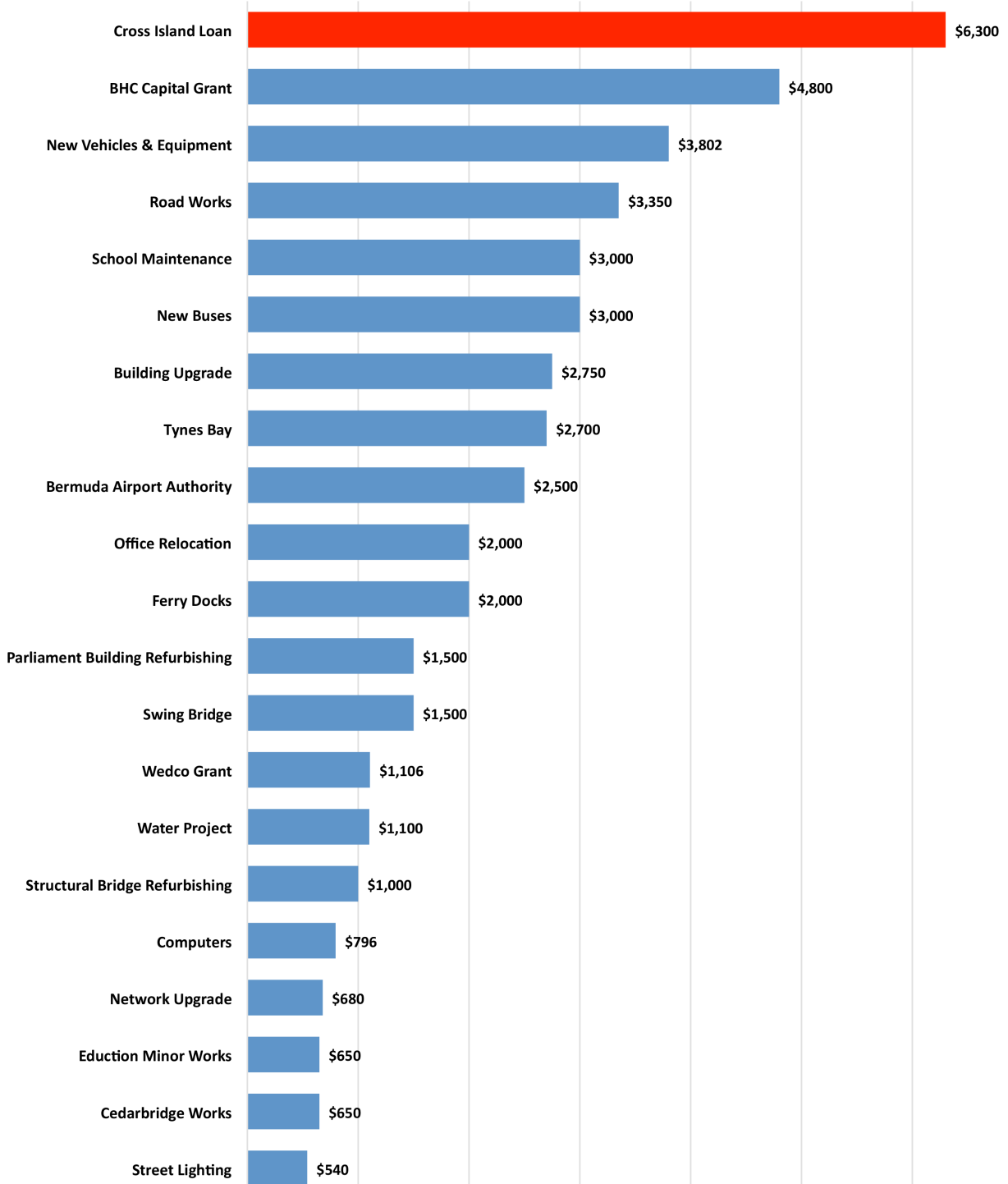
Mr Speaker, it is expected that this will be the last year in which our debt service costs will increase; debt servicing is predicted to drop to \$181 million in fiscal year 2019/20 and to reduce further to \$169 million in the following fiscal year.



Capital Expenditures

Mr. Speaker, high-quality infrastructure is an important element of a modern economy. It helps to strengthen economic growth through enhancing efficiency, and thus the Government is committed to making sound capital investments. The capital expenditure component of the 2018/19 budget is set at \$62.2 million, \$5.2 million lower than the 2017/18 original estimate. The most significant items of capital development expenditure in the 2018/19 budget relate to schools' maintenance (\$3 million) and road works (\$3.5 million). While most of the planned investment is related to construction projects, there is capital acquisition provision of \$17.5 million for IT developments across government, and new public buses and other vehicles to support public service delivery. The largest single item in the capital budget is the \$6.3 million that the Government will have to pay on the existing loan to build Cross Island to host the 2017 America's Cup. Current figures indicate that the Government will spend at least \$48.8 million to repay this loan.

**Capital Development over \$500,000
(000's)**



MINISTRY HIGHLIGHTS

Mr. Speaker, I will now review highlights from the eleven ministries that form the Government.

Ministry of Education and Workforce Development

Mr. Speaker, the first topic covered in the PLP's 2017 platform was education. We laid out a comprehensive plan to transform our public education system and ensure that Bermudians of all ages can learn and upgrade their skills. Our commitment to education and training is demonstrated in the first budget of this new PLP administration.

This year's investment in education represents a renewed belief in our young people and the men and women responsible for teaching them. We are investing in the delivery of an education that will equip our citizens with character, critical thinking and a rounded sense of who they are and of their value to this society. The transformation of Bermuda's economy begins in the classroom. As Dr. Martin Luther King, Jr. so profoundly said: *"The function of education is to teach one to think intensively and to think critically. Intelligence plus character – that is the goal of true education."*

Mr. Speaker, the Ministry of Education and Workforce Development will receive \$140.5 million, an increase of \$5.8 million to cover expenditures for additional workforce training, and the development and enhancement of key educational programmes that will be delivered primarily by the Department of Education, Bermuda College and the Department of Workforce Development.

Department of Education

Mr. Speaker, *Plan 2022 – Bermuda's Strategic Plan for Public School Education* will be the blueprint for steering public school education forward during the next five years. The additional funding in this budget will support strategies outlined in *Plan 2022* to modernise information technology use, better manage facilities, and increase teacher training.

Increased funding of \$1.9 million is being provided to support the school budgets for both senior schools. Under the former administration, our senior school budgets were cut by 13%, starving our students of vital resources necessary for success. This Government wants to ensure that our future leaders have the tools they need to succeed, and this increase is a tangible demonstration of that desire.

Bermuda College

Mr. Speaker, as our sole tertiary institution, the Bermuda College is a key stakeholder in the economic development of our island. One of our first actions on coming into office

was to provide need-based funding, which assisted 189 students to attend Bermuda College to further their educational ambitions. Owing to the success of the initiative, \$300,000 will be provided to the College this budget year to ensure that no student is prohibited from attending Bermuda College as a result of limited financial resources. Further additional funds will be provided to the College to provide gaming industry training, landscaping training and overseas practicums for nursing students.

Department of Workforce Development

The Department of Workforce Development will receive an additional \$225,000, which will be used for new initiatives to increase training and apprenticeship programmes.

Ministry of Economic Development and Tourism

Mr. Speaker, this PLP Government has chosen to invest to stimulate the economy and create economic growth. The Ministry of Economic Development and Tourism is the engine to drive that growth and will receive \$38 million, an increase of \$3 million, to support increased investment in the Bermuda Economic Development Corporation (BEDC), the Bermuda Business Development Agency (BDA), and the Bermuda Tourism Authority (BTA).

Mr. Speaker, the BEDC's grant from the Government will be increased by \$1 million (64%), to enable it to deliver on the Government's key objective to foster increased economic empowerment among Bermuda's entrepreneurs.

The increased funding will enable BEDC to increase its capitalisation, allowing it to both expand its direct lending capability and increase its guarantee percentage amount for bank loans. The increase in direct loans capacity will be used to support six (6) businesses selected to participate in BEDC's pilot physical incubator/accelerator programme called "Enterprise Bermuda". Additionally, the increase will support another platform promise to provide loan guarantees to assist sports clubs in growing their services and developing their facilities.

Along with this increased grant, the BEDC will have an expanded economic development remit, through promoting the establishment and growth of economic empowerment tools like cooperative economics. The BEDC will reorganise its structure to establish a new Economic and Cooperative Development Unit. This new unit will be tasked with researching and creating legislation to support the development of social enterprises to spur social entrepreneurship, as promised in the PLP's election platform.

The Bermuda Business Development Agency is a public-private partnership that was conceived under the previous PLP Government. Although this is a partnership, last year the Government grant accounted for 88% of the BDA's funding. This cannot be a true partnership if Government is footing the bill and industry is not playing its part. If we are to be successful, industry must match the Government's commitment

to the BDA. Collectively we must do more to market and sell Bermuda overseas, and therefore the Government has earmarked an additional \$1 million, which will be used to match private-sector contributions to the BDA.

The Bermuda Tourism Authority will receive an increase in funding of \$1 million. The PLP has always held that we must increase the investment in our tourism marketing, and this Government will hold true to that promise. It is the Government's view that the BTA can streamline its management to redirect more resources to the promotion of Bermuda overseas and the development of our local product. Through conditions attached to this year's grant, the Government will ensure that a greater percentage of the \$26 million given to the BTA is spent on marketing and product development, not salaries and bonuses.

Ministry of Health

Mr. Speaker, the Ministry of Health will receive \$190 million, an increase of \$27.3 million. This increase reflects the Government's appreciation for the fragility of some of our health services and the importance health plays in Bermuda's society.

We have restored the \$25 million subsidy for hospital care for children, indigents and seniors, which was cut by the former Government to fund the America's Cup. By reinstating this funding, we aim to progress the sustainability of the hospital while larger reforms in our health system financing are implemented.

Mr. Speaker, the \$700 million that the country is spending annually on health care is a continued source of concern, and this Government is committed to implementing the reforms necessary, begun under the National Health Plan – now the Bermuda Health Strategy – to reform health financing. There is enough funding in our health system to give all our residents the health care they need, but we must be much wiser about how we utilise these funds.

In addition, the Ministry of Health will receive an additional \$1.8 million to fund several previously unfunded programmes, in particular for long-term care and public health services. This funding will enable the reopening of the fourth floor of the Sylvia Richardson Care Facility, which has been closed since September 2016. Additionally, funds will be made available for community health nurses, vector control, and the child health programme.

The Cabinet Office

The Cabinet Office will receive \$35.2 million, an increase of \$535,000. The Policy and Strategy Section will be reformed into a special projects implementation team to increase the pace of new policy implementation across government.

Efforts to protect and strengthen the economy will require increased resources to be allocated to external affairs. With increased pressures from Europe owing to the EU

review of “Non-Cooperative Tax Jurisdictions” together with Brexit, it is necessary for Bermuda to increase its engagement with the European Union and member state governments. To this end, Bermuda will establish a representative office in Brussels, which will reduce the Government expenditure on consultants in Europe.

The Information and Digital Technologies (IDT) Department will focus on increasing e-government services, and funding has been allocated for the development of e-payments and e-forms throughout government, as well as a Government of Bermuda mobile application to keep residents informed.

Mr. Speaker, the Official Gazette will be converted to an electronic platform, which will save an estimated \$150,000. However, recognising that not all persons use computers, some official notices will continue to be published in print media, and all notices will be available for printing at any post office.

Ministry of Legal Affairs

The Ministry of Legal Affairs will receive \$27.7 million, an increase of \$600,000. Highlights for the Ministry include the reform of the legal aid programme, which will see the hiring of additional in-house legal counsel to save \$1 million annually.

The Ministry operates a pupillage programme to train new lawyers for being called to the Bermuda Bar. A number of successful participants have moved on, returned to, or remained with the Ministry. The list includes the current Deputy Solicitor General, the Registrar of the Supreme Court, and the Deputy Director of Public Prosecutions. Unfortunately, under the former Government, this programme was minimised with only two pupils being funded by the Ministry of Legal Affairs in the last five years.

Mr. Speaker, this Government is serious when it comes to developing Bermudian talent and therefore this budget funds places for three pupil barristers to assist in the development of the next generation of Bermudian lawyers.

Ministry of Finance

Mr. Speaker, the Ministry of Finance, excluding debt service, is provided with a budget of \$103.4 million – a decrease of \$232,000.

The Ministry will continue with the development of an open budget structure, which was reintroduced after a six-year absence. The 2018/19 Pre-Budget Report has been a tremendous success and has fully met its objective of providing greater transparency and public participation in the budget process.

Mr. Speaker, in order to develop a fairer tax system that reduces payroll tax and creates jobs in Bermuda, the Ministry of Finance will provide support to the work of the Tax Reform Commission. To assist in the collection of revenue, all posts have been unfrozen in the Office of the Tax Commissioner and aggressive measures will be taken to reduce accounts receivable. To assist small and medium-sized business with

the payment of payroll tax, the Ministry will fund the development of a module for QuickBooks, which will be offered to local taxpayers to reduce the complexity of tax filing while increasing compliance.

To achieve the Government's future expenditure targets, the Ministry will establish an Efficiency Team in the upcoming fiscal year. The Efficiency Team will be supported by the private sector at minimal expense, and will scrutinise spending across all individual departments and formulate action plans to increase efficiencies, thus reducing future costs.

Due to an increase in our "exchange of tax information" network following the introduction of the Common Reporting Standard and Country by Country automatic reporting regimes and membership in the OECD Inclusive Framework on Base Erosion and Profit Shifting; additional funding of \$290,000 has been provided to the Treaty Unit within the Ministry.

Mr. Speaker, the Ministry of Finance will establish a programme of limited Government guarantees to support economic development in critical areas. This programme will be capped at \$10 million and will focus on supporting the development of senior residential facilities that will reduce Bermuda's overall expenditure on health care.

Finally, Mr. Speaker, the Ministry of Finance will keep the Progressive Labour Party platform promise by increasing pensions for our seniors by the rate of inflation this year, and every year as long as we are in office.

Ministry of Social Development and Sports

Mr. Speaker, the Ministry of Social Development and Sports is charged with the responsibility of strengthening the social fabric of our community by delivering programmes and initiatives that directly benefit young people, families and the community as a whole. The Ministry has been allocated a budget of \$86.3 million this fiscal year, which represents a reduction of \$1 million after the move of the community education programme to the Ministry of Education is taken into account.

Although the budget for this important Ministry shows an overall reduction, it is important to note that most departments will see an increase in funding. As called for in the September 2017 *Speech from the Throne*, the Ministry has commenced an initiative to reform the Financial Assistance Programme to reduce abuse, discourage dependency, and ensure that work pays. It is projected that this reform will lead to cost savings in the region of \$1.5 million.

The Ministry of Social Development and Sports, in conjunction with the Bermuda Economic Development Corporation, has launched an initiative to establish a loan guarantee scheme that will enable community and sporting clubs to upgrade their facilities, develop programmes to serve our youth, spur entrepreneurship and ensure greater community outreach in the surrounding parishes and neighbourhoods.

Funding will support a public consultation and Green Paper on policy options to reduce drug abuse in Bermuda. To support substance abuse rehabilitation, additional funds have been allocated to addiction counselling and drug treatment services.

Ministry of National Security

Mr. Speaker, the Ministry of National Security will receive an allocation of \$131.1 million, a reduction of \$2.1 million. This reduction has been achieved mostly by reducing the overtime budgets of the uniformed services. Concurrent with this reduction is the lifting of a hiring freeze that contributed to significant staff shortages, burn-out of remaining staff and frustrated succession planning.

By permitting recruitment to fill vacant but funded posts, the Bermuda Police Service, the Department of Corrections and the Bermuda Fire and Rescue Service are in various stages of swelling their ranks to levels that end undue austerity and allow for best-practice service to the people of Bermuda. Additionally, Mr. Speaker, this will improve staff morale, which has been at historic lows under the pressures of unsustainable budget cuts and increased operational demands.

Mr. Speaker, successive administrations have committed to addressing the anti-social behaviour which culminates in violence and community unrest. These issues too are systemic in their origins. The sustained economic marginalisation of black people in this country has produced a generation of young men and women who are angry at a society that promises them perpetual struggle and too often demeans their desires to do things differently. Honourable members and the public will have seen the energy and empathy brought to this problem which has started with meeting the target population where they are, de-escalating the potential for conflict, engaging the wider community in tangible assistance and providing opportunities for a meaningful exit from a lifestyle proven to end only in tragedy.

Mr. Speaker, these are socio-economic issues and so there are natural limits to what can be achieved by law enforcement and other uniformed services. Therefore, the Government has redirected resources to education, training, and entrepreneurship to better tackle the root causes of violence.

Ministry of Home Affairs

Mr. Speaker, the Ministry of Home Affairs will receive \$22.7 million, a reduction of \$896,000. The Ministry will focus on providing more services electronically to customers, including the introduction of online applications and online status updates of planning and immigration applications. The Department of Immigration will be fully funded to ensure that Bermuda's immigration laws and policies are enforced; while the Bipartisan Immigration Committee, will recommend reforms to the Bermuda Immigration and Protection Act and other immigration policies.

The Consumer Affairs Section will begin overseeing the conduct of financial service providers such as banks to ensure consumers are treated fairly by holding these companies accountable for their actions. The Department of Planning will work on reviewing the North East Hamilton plan in light of the change in Government policy announced today to revise building height restrictions in the EEZ.

Ministry of Public Works

Mr. Speaker, the Ministry of Public Works will receive an allocation of \$74 million, a reduction of \$1 million from last year's allocation. Most of the savings will be achieved by moving government departments from private facilities, thus reducing the government's rental expenditure. The Ministry provides its services through its six departments and has budgeted to spend \$37 million on capital development and \$4.6 million on capital acquisitions. The Ministry is committed to aggressively recruiting, training and retaining Bermudians in key and varied ministry positions, in accordance with this Government's mandate of developing Bermudian talent.

The Department of Works and Engineering aims to improve service delivery and extend the useful life of key assets by repairing and replacing bridges, Tynes Bay maintenance, refurbishing ferry docks, upgrading water infrastructure and extensively resurfacing main roads. The Department will also upgrade its fleet of sanitation trucks to ensure the reliability of trash collection.

The Department of Public Lands and Buildings will concentrate on the refurbishment of the Parliament Building, schools maintenance and major buildings upgrades, office relocations and alterations to Global House. It is envisioned that early intervention, especially in the case of schools' maintenance, will alleviate problems beforehand, thus preventing unnecessary and costly emergency measures. The Department will also be responsible for the installation of a replacement communication tower used for key security and emergency communications.

The Land Title and Registration Department is responsible for the creation and maintenance of an electronic register of legal rights and interests in land, thus providing legal security for owners and third parties. The Department is working to ensure that Bermuda's brand-new Land Title Registry will be an example to the world by putting the registry on a blockchain-based system.

Ministry of Transport and Regulatory Affairs

Mr. Speaker, the Ministry of Transport and Regulatory Affairs will receive \$62.4 million. This funding will ensure that Bermuda can have a reliable public transportation system on land and sea. Rebuilding the bus fleet is a priority for this Government as we support public transport, and the Ministry has been allocated \$3 million for the purchase of eight new buses.

Mr. Speaker, the Ministry will assist in the technology aims of the Government by upgrading the identification systems at TCD to enable the Government to issue driving licences and identification cards with embedded smart chips. The Ministry will also commence the move to electronic fare collection for Bermuda's public transportation system.

Additionally, the Department of Energy has allocated \$500,000 to restart the solar rebate programme. This new rebate programme will be targeted at seniors on low or fixed incomes in order to reduce their electricity bills with solar-thermal water heating.

Finally, \$2.5 million in capital spending has been allocated for replacement of the ageing Doppler weather radar system, which in recent times has experienced a number of outages that have resulted in costly repairs.

CONCLUSION

Mr. Speaker, I started this speech by talking about the people of this country whom we are elected to serve. I spoke about the single mother, the struggling family, the university student, and the senior citizen.

Mr. Speaker, this budget will ease the burdens for the single mother and the struggling family with a tax cut that will increase their take-home pay. It will provide hope to the university student that the Government is working to create opportunities for them to return and succeed in the land of their birth. And it will provide security for the senior citizen through pension increases and reduced electricity bills.

Mr. Speaker, stepping beyond the transactional governance of our past into the transformational governance of our future is a journey. It will take all of us out of a comfort zone padded by centuries of frustratingly benign conditions of inequality. Frustrating because they are conditions that provide a carefully crafted veneer of affluence but which mask a society of unrealised potential. Mr. Speaker, I believe it is the responsibility of government to do more than just diagnose the condition of the people and the society in which we live. I believe it is the responsibility of government to lift up people and to execute on the sacred trust achieved through an electoral mandate. We are determined to implement policies that are guided by this moral compass, which represents a pact with the people of this country that puts them and their best interests first.

Mr. Speaker, we must be bold in our pursuit of a more secure future for this country. I am a husband and a father, and I know that, like me, parents and guardians all over this country devote their lives to making decisions, planning and investing in a future for their children. The change signalled in this budget statement is founded on this Government's promise and our unwavering commitment to that future.

Mr. Speaker, In the name of those who have always had to shout to be heard; on behalf of those who have fought for basic rights like health care, free education, maternity leave and vacation pay; in honour of those who have made their contribution, whose marching days are now behind them but whose hearts remain on fire for social and economic justice; and in the spirit of those to whom the future truly belongs and who even now are studying and working to educate themselves for a place in forging the future of their country: I am honoured and humbled, on behalf of this Bermuda Progressive Labour Party Government, to present for the consideration of this Honourable House the Estimates of Revenue and Expenditure for the Fiscal Year 2018/19.

Thank you, Mr. Speaker.

Table I

**GOVERNMENT
OF
BERMUDA**
**SUMMARY OF
CONSOLIDATED FUND
ESTIMATES FOR 2017/18 TO 2020/21**

ACTUAL 2016/17 \$000		ORIGINAL ESTIMATE 2017/18 \$000	REVISED ESTIMATE 2017/18 \$000	ESTIMATE 2018/19 \$000	ESTIMATE 2019/20 \$000	ESTIMATE 2020/21 \$000
Revenue and Expenditure Estimates						
987,994	1 Revenue	1,042,349	1,044,280	1,089,861	1,139,967	1,189,457
914,349	2 Current Account Expenditure(excl.debt & s/fund)	923,491	921,533	929,134	929,134	929,134
73,645	3 Current Account Balance(excl.debt & s/fund)	118,858	122,747	160,727	210,833	260,323
120,620	4 Interest on Debt	124,000	119,500	124,000	115,000	107,500
(46,975)		(5,142)	3,247	36,727	95,833	152,823
58,375	5 Sinking Fund Contribution	62,085	62,085	64,223	66,466	61,857
(105,350)	6 Surplus Available for Capital Expenditure	(67,227)	(58,838)	(27,496)	29,367	90,966
76,702	7 Capital Expenditure (See line 20 below)	67,451	60,394	62,209	60,000	60,000
(182,052)	8 Budget Surplus (Deficit)	(134,678)	(119,232)	(89,705)	(30,633)	30,966
Sources of Financing						
33,117	9 Consolidated Fund	0	34,232	0	0	0
148,935	10 Borrowing	134,678	85,000	89,705	30,633	(30,966)
182,052	11 Total Financing	134,678	119,232	89,705	30,633	(30,966)
Capital Appropriations						
87,260	12 Appropriations in Original Estimates	67,451	60,394	62,209	60,000	60,000
3,352	13 Supplementary Appropriations	0	0	0	0	0
90,612	14 Appropriated During the Year	67,451	60,394	62,209	60,000	60,000
0	15 Appropriations Frozen	0	0	0	0	0
(2,690)	16 Appropriations Lapsed	0	0	0	0	0
87,922	17 Net Appropriations	67,451	60,394	62,209	60,000	60,000
5,752	18 Unspent Appropriations from Prior Year	0	16,972	0	0	0
93,674	19 Appropriations to Meet Spending	67,451	77,366	62,209	60,000	60,000
76,702	20 Capital Spending	67,451	60,394	62,209	60,000	60,000
16,972	21 Unspent Appropriations Carried Forward	0	16,972	0	0	0
Consolidated Fund Balance (March 31)						
1,000	22 Contingency Fund	1,000	1,000	1,000	1,000	1,000
16,972	23 Unspent Capital Appropriations	0	16,972	0	0	0
(2,762,198)	24 Undesignated Surplus (Deficit)	(2,879,904)	(2,881,430)	(2,954,163)	(2,984,796)	(2,953,830)
(2,744,226)	25 Consolidated Fund Surplus (Deficit)	(2,878,904)	(2,863,458)	(2,953,163)	(2,983,796)	(2,952,830)

TYPE	DESCRIPTIONS	2017/18	2018/19	2019/20	2020/21
Revenue	Growth, Tax Reform and Rate Increases	5.7%	4.6%	4.6%	4.3%
Expenditure	Spending Reductions	+0.8%	+0.6%	0%	0%
Debt Repayment	Senior Notes Due			\$215M	\$100M
NET DEBT	Position as at end of year	2,420,099	2,444,081	2,406,748	2,344,397

Table II

ANALYSIS OF CURRENT ACCOUNT REVENUE

HEAD (1)	REVENUE DESCRIPTION (2)	2016/17	2017/18	2017/18	2018/19 ESTIMATE (\$000) (6)	DIFFERENCE 2017/18 vs 2018/19	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)		(\$000) (7)	% (8)
TAXES & DUTIES							
12	CUSTOMS DUTY	211,087	223,716	231,011	235,000	3,989	2
27	SALE OF LAND TO NON-BERMUDIANS	5,045	6,000	5,045	7,000	1,955	39
29	TIMESHARING TAX	61	20	110	20	(90)	(82)
38	PASSENGER TAXES	41,025	22,345	23,000	25,000	2,000	9
38	STAMP DUTIES	23,125	20,986	23,408	23,000	(408)	(2)
38	BETTING TAX	936	1,700	259	800	541	209
38	LAND TAX	62,422	63,186	63,186	78,330	15,144	24
38	FOREIGN CURRENCY PURCHASE TAX	20,310	22,000	20,964	22,000	1,036	5
38	PAYROLL TAX	401,755	439,000	444,000	454,000	10,000	2
38	HOTEL OCCUPANCY	7,951	11,500	10,480	11,000	520	5
38	CORPORATE SERVICE TAX	5,222	5,900	5,395	5,500	105	2
38	FINANCIAL SERVICES TAX	0	11,390	8,400	8,900	500	0
FEES, PERMITS & LICENCES							
03	LIQUOR LICENCES	513	320	320	320	0	0
12	OTHER CUSTOMS FEES & CHARGES	1,914	2,321	2,011	2,100	89	4
12	WHARFAGE	795	800	840	840	0	0
13	POST OFFICE	4,036	4,343	4,034	4,652	618	15
27	IMMIGRATION RECEIPTS	16,652	15,000	15,462	16,500	1,038	7
29	TRADE & SERVICE MARK	1,877	1,401	1,798	1,801	3	0
30	FERRY SERVICES	1,182	2,038	1,638	1,636	(2)	(0)
30	SERVICES TO SEABORNE SHIPPING	3,043	3,000	2,976	3,088	112	4
31	AIR TERMINAL AND AVIATION	8,860	0	0	0	0	0
32	PLANNING FEES AND SEARCHES	1,379	1,052	1,607	1,200	(407)	(25)
34	VEHICLE LICENCES AND REGISTRATION	29,364	29,029	29,044	30,449	1,405	5
35	BUS REVENUES	7,282	9,044	7,000	8,142	1,142	16
36	SOLID WASTE	4,996	5,050	5,426	5,473	47	1
36	WATER	2,538	3,901	3,628	3,692	64	2
36	RENTALS	1,958	2,709	2,681	2,025	(656)	(24)
39	COMPANIES - INTERNATIONAL	62,607	69,965	66,065	68,461	2,396	4
39	COMPANIES LOCAL	2,715	2,800	2,800	2,940	140	5
39	COMPANIES LICENCES	865	700	775	820	45	6
46	TELECOMMUNICATIONS RECEIPTS	14,301	14,750	14,750	17,950	3,200	22
48	CIVIL AVIATION RECEIPTS	0	18,000	22,000	19,850	(2,150)	(10)
57	AIRCRAFT REGISTRATION	14,574	0	0	0	0	0
72	PLANT PRODUCTION & MARKETING CTRE	183	200	177	190	13	7
73	REGISTRATION OF SHIPPING	3,065	1	0	0	0	0
95	VACATION RENTAL FEE	0	0	0	750	750	0
OTHER RECEIPTS							
03	FINES AND FORFEITURES	2,622	2,982	2,982	3,500	518	17
11	INTEREST ON DEPOSITS	3,537	406	406	406	0	0
81	ASSET SALES	0	3,000	700	1,000	300	0
	OTHER REVENUE	18,197	21,794	19,902	21,526	1,624	8
		987,994	1,042,349	1,044,280	1,089,861	45,581	4

Table III

SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD (1)	DESCRIPTION (2)	2016/17	2017/18	2017/18	2018/19 ESTIMATE (\$000) (6)	DIFFERENCE 2017/18 vs 2018/19	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)		(\$000) (7)	% (8)
NON-MINISTRY DEPARTMENTS							
01	GOVERNOR & STAFF	1,247	1,395	1,395	1,395	0	0
02	LEGISLATURE	5,051	5,166	5,166	5,530	364	7
05	OFFICE OF THE AUDITOR	3,549	4,083	4,083	4,082	(1)	(0)
56	HUMAN RIGHTS COMMISSION	1,245	1,269	1,269	1,269	0	0
63	PARLIAMENTARY REGISTRAR	1,389	2,502	2,502	1,571	(931)	(37)
85	OMBUDSMAN'S OFFICE	779	910	910	924	14	2
92	INTERNAL AUDIT	1,167	1,574	1,479	1,426	(53)	(4)
98	INFORMATION COMMISSIONER'S OFFICE	665	957	957	957	0	0
101	PRIVACY COMMISSIONER'S OFFICE	0	867	0	567	567	0
		15,092	18,723	17,761	17,721	(40)	(0)
CABINET OFFICE DEPARTMENTS							
09	CABINET OFFICE	7,010	6,912	6,814	7,562	748	11
13	POST OFFICE	9,659	10,677	10,677	10,677	0	0
14	DEPT. OF STATISTICS	2,663	2,493	2,493	2,493	0	0
26	DEPT. OF HUMAN RESOURCES	2,851	3,846	3,846	3,813	(33)	(1)
43	DEPT. OF INFORMATION & DIGITAL TECH.	5,838	6,976	6,976	6,690	(286)	(4)
51	DEPT. OF COMMUNICATIONS	2,054	2,945	2,903	3,150	247	9
80	PROJECT MANAGEMENT & PROCUREMENT	652	773	914	772	(142)	(16)
84	E-GOVERNMENT	668	0	0	0	0	0
		31,395	34,622	34,623	35,157	534	2
MINISTRY OF LEGAL AFFAIRS							
87	MIN. OF LEGAL AFFAIRS HQ	5,939	6,203	6,203	5,718	(485)	(8)
03	JUDICIAL DEPARTMENT	7,349	8,361	8,361	8,473	112	1
04	ATTORNEY GENERAL'S CHAMBERS	4,229	4,808	4,808	5,309	501	10
74	DEPT. OF COURT SERVICES	3,989	4,318	4,318	4,675	357	8
75	DEPT. OF PUBLIC PROSECUTIONS	2,785	3,389	3,389	3,503	114	3
		24,291	27,079	27,079	27,678	599	2
MINISTRY OF FINANCE							
10	MIN. OF FINANCE HQ	4,070	4,297	4,297	5,050	753	18
11	ACCOUNTANT GENERAL	83,089	86,637	84,681	86,461	1,780	2
28	SOCIAL INSURANCE	6,365	6,009	5,420	5,250	(170)	(3)
38	OFFICE OF THE TAX COMMISSIONER	3,403	3,451	3,451	3,451	0	0
39	REGISTRAR OF COMPANIES	2,194	2,587	2,714	3,187	473	17
58	INTEREST ON DEBT	120,620	124,000	119,500	124,000	4,500	4
59	SINKING FUND CONTRIBUTION	58,375	62,085	62,085	64,223	2,138	3
		278,116	289,066	282,148	291,622	9,474	3
MINISTRY OF EDUCATION & WORKFORCE DEVELOPMENT							
16	MIN. OF EDUCATION & WORKFORCE DEV. HQ	2,208	2,414	2,451	3,340	889	36
17	DEPT. OF EDUCATION	108,526	109,096	109,059	114,243	5,184	5
18	LIBRARIES & ARCHIVES	1,744	1,926	1,926	3,222	1,296	67
19	ARCHIVES	1,082	1,296	1,296	0	(1,296)	(100)
41	BERMUDA COLLEGE	15,528	15,481	15,481	15,906	425	3
60	WORKFORCE DEVELOPMENT	4,124	4,478	4,478	3,849	(629)	(14)
		133,212	134,691	134,691	140,560	5,869	4

Table III

SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

- continued

HEAD (1)	DESCRIPTION (2)	2016/17	2017/18	2017/18	2018/19 ESTIMATE (\$000) (6)	DIFFERENCE 2017/18 vs 2018/19	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)		(\$000) (7)	% (8)
MINISTRY OF HEALTH							
21	MIN. OF HEALTH HQ	9,415	11,186	11,754	11,488	(266)	(2)
22	DEPT. OF HEALTH	23,767	27,339	25,832	28,912	3,080	12
24	HOSPITALS	145,001	120,200	122,063	145,674	23,611	19
91	HEALTH INSURANCE	7,470	3,995	3,995	3,995	0	0
		185,653	162,720	163,644	190,069	26,425	16
MINISTRY OF TRANSPORT & REGULATORY AFFAIRS							
48	MIN. OF TRANSPORT & REGULATORY AFFAIRS HQ	28,033	39,467	44,756	14,395	(30,361)	(68)
30	MARINE & PORTS	20,422	20,097	21,774	20,250	(1,524)	(7)
31	AIRPORT OPERATIONS	19,213	0	0	0	0	0
34	TRANSPORT CONTROL DEPARTMENT	5,284	5,350	5,350	5,375	25	0
35	PUBLIC TRANSPORTATION	20,110	21,615	21,615	21,615	0	0
57	CIVIL AVIATION	4,325	0	0	0	0	0
73	MARITIME ADMINISTRATION	2,467	0	0	0	0	0
89	ENERGY	769	899	899	783	(116)	(13)
		100,623	87,428	94,394	62,418	(31,976)	(34)
MINISTRY OF PUBLIC WORKS							
36	MIN. OF PUBLIC WORKS HQ	12,096	5,186	4,742	5,931	1,189	25
49	LAND VALUATION	662	791	678	787	109	16
53	BERMUDA HOUSING CORP	6,050	6,050	6,050	6,050	0	0
68	PARKS	8,529	10,002	7,766	9,808	2,042	26
81	PUBLIC LANDS & BUILDINGS	19,415	19,641	18,739	19,507	768	4
82	WORKS & ENGINEERING	31,988	32,279	29,863	30,588	725	2
97	LAND TITLE & REGISTRATION	880	1,069	982	1,297	315	32
		79,620	75,018	68,820	73,968	5,148	7
MINISTRY OF SOCIAL DEVELOPMENT & SPORTS							
71	MIN. OF SOCIAL DEVELOPMENT & SPORTS HQ	2,203	2,457	2,417	2,519	102	4
20	YOUTH, SPORT & RECREATION	8,689	9,388	9,428	9,654	226	2
23	CHILD & FAMILY SERVICES	13,808	15,634	15,634	15,715	81	1
52	COMMUNITY & CULTURAL AFFAIRS	2,658	3,011	3,011	2,242	(769)	(26)
55	FINANCIAL ASSISTANCE	53,480	53,555	53,555	51,684	(1,871)	(3)
88	NATIONAL DRUG CONTROL	3,838	4,179	4,179	4,511	332	8
		84,676	88,224	88,224	86,325	(1,899)	(2)
MINISTRY OF NATIONAL SECURITY							
83	MIN. OF NATIONAL SECURITY HQ	1,289	1,497	1,497	1,466	(31)	(2)
06	DEFENCE	7,202	7,272	7,110	7,209	99	1
07	POLICE	64,884	67,241	67,261	65,802	(1,459)	(2)
12	CUSTOMS	16,085	17,112	17,112	16,939	(173)	(1)
25	DEPT. OF CORRECTIONS	24,890	25,337	25,337	25,082	(255)	(1)
45	FIRE SERVICES	12,369	13,261	13,261	13,127	(134)	(1)
67	DEPT. OF INFORMATION & COMM. TECH.	1,099	1,631	1,631	1,475	(156)	(10)
		127,818	133,351	133,209	131,100	(2,109)	(2)

Table III continued

SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE
- continued

HEAD (1)	DESCRIPTION (2)	2016/17	2017/18	2017/18	2018/19	DIFFERENCE	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)	ESTIMATE (\$000) (6)	2017/18 vs 2018/19 (\$000) (7)	% (8)
MINISTRY OF HOME AFFAIRS							
93	MIN. OF HOME AFFAIRS HQ	3,213	4,132	4,132	4,467	335	8
27	IMMIGRATION	4,556	4,754	4,754	4,754	0	0
29	REGISTRY GENERAL	1,409	1,870	1,870	1,953	83	4
32	DEPT. OF PLANNING	2,473	3,304	3,304	3,304	0	0
50	MIN. OF THE ENVIRONMENT HQ	0	1,314	1,314	0	(1,314)	(100)
79	ENVIRONMENT AND NATURAL RESOURCES	7,671	8,221	8,221	8,221	0	0
		19,322	23,595	23,595	22,699	(896)	(4)
MINISTRY OF ECONOMIC DEVELOPMENT & TOURISM							
95	MIN. OF ECONOMIC DEV. & TOURISM HQ	13,138	35,059	34,929	38,035	3,106	9
46	TELECOMMUNICATIONS	388	0	0	0	0	0
		13,526	35,059	34,929	38,035	3,106	9
		1,093,344	1,109,576	1,103,117	1,117,352	14,235	1

Table IV

ANALYSIS OF CURRENT ACCOUNT EXPENDITURE BY OBJECT ACCOUNT

EXPENDITURE						DIFFERENCE	
OBJECT CODE DESCRIPTION	2016/17 ACTUAL (\$000)	2017/18 ORIGINAL (\$000)	2017/18 REVISED (\$000)	2018/19 ESTIMATE (\$000)	2017/18 vs 2018/19 (\$000)	% (8)	
(1)	(3)	(4)	(5)	(6)	(7)	(8)	
SALARIES	287,833	321,230	316,673	326,048	9,375	3	
WAGES	78,709	69,141	66,178	68,165	1,987	3	
EMPLOYER OVERHEAD	76,866	78,588	76,637	78,920	2,283	3	
OTHER PERSONNEL COSTS	5,356	6,368	5,911	5,784	(127)	(2)	
TRAINING	1,665	3,304	3,015	3,462	447	15	
TRANSPORT	5,209	5,153	4,178	4,397	219	5	
TRAVEL	2,325	3,010	2,975	3,045	70	2	
COMMUNICATIONS	6,581	7,097	7,001	7,145	144	2	
ADVERTISING & PROMOTION	2,076	2,389	2,281	2,490	209	9	
PROFESSIONAL SERVICES	57,067	49,985	50,091	49,554	(537)	(1)	
RENTALS	13,424	12,755	13,085	12,091	(994)	(8)	
REPAIR & MAINTENANCE	16,396	19,411	18,716	19,467	751	4	
INSURANCE	10,948	9,121	8,748	9,008	260	3	
ENERGY	16,676	16,608	15,798	16,512	714	5	
CLOTHING & UNIFORMS	1,266	1,146	1,100	1,124	24	2	
MATERIALS & SUPPLIES	21,767	23,928	23,201	23,165	(36)	(0)	
EQUIPMENT	1,961	563	637	552	(85)	(13)	
OTHER EXPENSES	7,305	3,488	3,616	2,924	(692)	(19)	
RECEIPTS CREDITED TO PROG	0	(21,272)	(17,413)	(21,339)	(3,926)	23	
TRANSFER TO OTHER FUNDS	58,375	62,085	62,085	64,223	2,138	3	
GRANTS & CONTRIBUTIONS	300,899	311,428	319,054	316,565	(2,489)	(1)	
PUBLIC DEBT CHARGES	120,640	124,050	119,550	124,050	4,500	4	
	1,093,344	1,109,576	1,103,117	1,117,352	14,235	1	

Table V

**GOVERNMENT DEBT TRANSACTIONS & AMOUNTS
OUTSTANDING 2007/08 TO 2020/21**

YEAR	GROSS BORROWING	REPAYMENTS	NET BORROWING (REPAYMENTS)	GROSS DEBT OUTSTANDING	MEMORANDA INTEREST ON DEBT
(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
(1)	(2)	(3)	(4)	(5)	(6)
2007/08	180,000	90,000	90,000	345,000	16,800
2008/09	217,250	0	217,250	562,250	18,186
2009/10	415,000	93,410	315,000	823,410	38,980
2010/11	264,080	0	0	1,087,490	56,300
2011/12	263,230	0	0	1,350,720	70,000
2012/13	223,280	0	0	1,574,000	(i) 81,576
2013/14	800,000	69,000	731,000	2,305,000	109,245
2014/15	0	120,000	(120,000)	2,185,000	113,223
2015/16	150,000	0	150,000	2,335,000	116,217
2016/17	212,169	63,234	148,935	2,483,935	121,500
2017/18 (Rev)	85,000	0	85,000	2,568,935	119,500
2018/19 (Est)	89,705	0	89,705	2,658,640	124,000
2019/20 (Est)	30,633	215,000	(184,367)	2,474,273	115,000
2020/21 (Est)	(30,966)	100,000	(130,966)	2,343,307	107,500

(i) In 2013/14 - \$51M of Interest on Debt was funded from the Sinking Fund

Table VI
**BERMUDA GOVERNMENT
DEBT AND LOAN GUARANTEES**

UTILISATION OF STATUTORY BORROWING POWERS

ACTUAL 2016/17 (\$000)	DETAILS	REVISED ESTIMATE 2017/18 (\$000)	ESTIMATE 2018/19 (\$000)
	DEBT & LOAN GUARANTEES OUTSTANDING AS OF MARCH 31		
2,483,935	BORROWINGS UNDER LOAN FACILITIES (GOVT)	2,568,935	2,658,640
2,483,935	TOTAL DEBT OUTSTANDING (GOVT)	2,568,935	2,658,640
86,626	Less: SINKING FUND CONTRIBUTIONS (i)	148,836	214,559
2,397,309	NET CUMULATIVE GOVERNMENT DEBT & GUARANTEES OUTSTANDING (ii)	2,420,099	2,444,081

(i) Government introduced a Sinking Fund with effect 31st 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.

In 2013 the Government Loans Act 1978 was amended to allow excess funds borrowed to be deposited and extracted from the Sinking Fund to fund future year deficits.

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 (\$5K); Bermuda Housing Corporation (\$33M); West End Development Corporation (\$61.6M); Bermuda Economic Development Corporation (\$1.2M); Bermuda Hospitals Board (\$280.6M) and Morgan's Point (\$165M).

With effect 1st 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 Gov't Loans Act 1978. The total amount of utilized Loan Facilities are restricted by the Government Loans Act 1978, as amended.

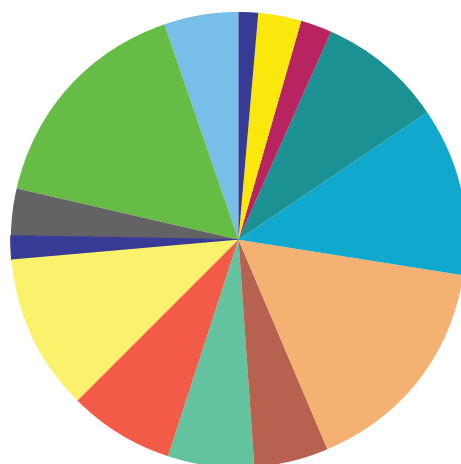
Table VII

PROFESSIONAL SERVICES

ACCOUNT DESCRIPTION		ACTUAL 2016/17 (\$000) (3)	ORIGINAL ESTIMATE 2017/18 (\$000) (4)	REVISED ESTIMATE 2017/18 (\$000) (5)	ESTIMATE 2018/19 (\$000) (6)
(1)	(2)				
	5260 Local Consultants	7,741	10,472	11,014	9,998
	5265 Overseas Consultants	9,159	7,345	7,086	6,974
	5270 Contractors	19,068	14,665	14,640	16,710
	5275 Medical	5,591	5,147	5,026	4,892
	5280 Optical Services	16	14	29	21
	5285 Educational Services	56	120	96	131
	5290 Chiropodist Services	3	5	4	4
	5295 Psychological Services	10	40	40	20
	5300 Dental Services	64	46	46	66
	5305 War Pension Award	1,777	1,795	1,649	1,680
	5310 Counselling Services	224	274	314	296
	5315 Child Care Services	95	150	160	140
	5320 Recreational Services	208	198	204	245
	5325 Legal Services	5,216	5,235	5,419	4,002
	5330 Liquidation Fees	116	187	187	75
	5340 Membership Fees - Govt.	446	367	392	408
	5345 Forensic/Lab Services	381	688	727	688
	5350 Forensic/lab accounting	41	157	157	157
	5355 Security Services	5,307	1,370	1,281	1,322
	5360 Conservation Services	49	28	37	50
	5365 Animal Control Services	29	29	29	29
	5370 Board & Comm. Fees	994	903	867	960
	5375 ID Parade - Police	10	30	30	30
	5380 Jury & Witness Fees	39	115	88	115
	5385 Court Costs	18	18	18	4
	5390 Audit Fees	30	137	107	87
	5395 Examination Fees	379	450	444	450
		57,067	49,985	50,091	49,554

Estimated Expenditure 2018/19 in BD\$ Millions

■ Non-Ministry.....	17.7
■ Cabinet Office Departments.....	35.2
■ Legal Affairs.....	27.7
■ Finance.....	103.4
■ Education & Workforce Development.....	140.6
■ Health	190.1
■ Transport & Regulatory Affairs	62.4
■ Public Works	74.0
■ Social Development & Sports	86.3
■ National Security.....	131.1
■ Home Affairs	22.7
■ Economic Development & Tourism	38.0
■ Interest & Sinking Fund.....	188.2
■ Capital Estimate.....	62.2



Categories of expenditure expressed as a percentage of total estimated expenditure for 2018/19 of \$1,179.6 million

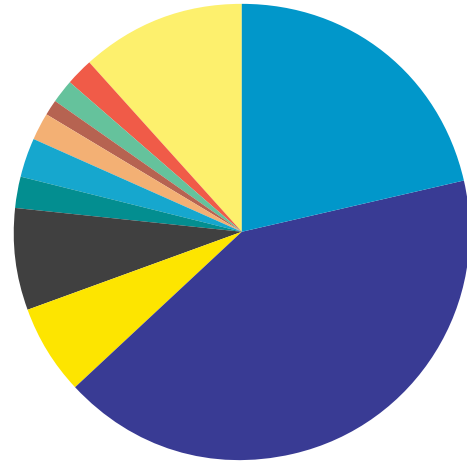


— Non-Ministry.....	1.5
— Cabinet Office Departments.....	3.0
— Legal Affairs.....	2.3
— Finance.....	8.8
— Education & Workforce Development.....	11.9
— Health	16.1
— Transport & Regulatory Affairs	5.3
— Public Works	6.3
— Social Development & Sports	7.3
— National Security.....	11.1
— Home Affairs	1.9
— Economic Development & Tourism	3.2
— Interest & Sinking Fund.....	16.0
— Capital Estimate.....	5.3

Estimated Revenue 2018/19 in BD\$ Millions

Total Revenue \$1,089.9 million

■ Customs.....	235.0
■ Payroll Tax.....	454.0
■ Companies Fees.....	68.5
■ Land Tax.....	78.3
■ Passenger Tax.....	25.0
■ Vehicle Licences.....	30.4
■ Stamp Duties.....	23.0
■ Hotel Occupancy.....	11.0
■ Immigration.....	16.5
■ Foreign Currency.....	22.0
■ All Other.....	126.1



Categories of revenue expressed as a percentage of total estimated revenue for 2017/18 of \$1,089.9 million



—	Customs.....	21.6
—	Payroll Tax.....	41.7
—	Companies Fees.....	6.3
—	Land Tax.....	7.2
—	Passenger Tax.....	2.3
—	Vehicle Licences.....	2.8
—	Stamp Duties.....	2.1
—	Hotel Occupancy.....	1.0
—	Immigration.....	1.5
—	Foreign Currency.....	2.0
—	All Other.....	11.6

Table X

Filled Jobs by Major Division of Economic Activity, 2017 and 2016

Major Division of Economic Activity	2016 (F)	2017 (P)	Increase/Decrease(-)	
			Number	Percent
	Totals		2016-2017	
Total	33,481	33,521	40	0.1
Agriculture, forestry and fishing	592	597	5	0.8
Manufacturing	575	564	-11	-1.9
Electricity, gas and water supply	322	324	2	0.6
Construction & Quarrying	1,954	2,008	54	2.8
Wholesale trade & motor vehicles	1,386	1,438	52	3.8
Retail trade & repair services	2,757	2,776	19	0.7
Hotels	2,104	2,132	28	1.3
Restaurants, cafes & bars	2,023	2,136	113	5.6
Transport & communications	2,009	1,962	-47	-2.3
Financial Intermediation	2,332	2,387	55	2.4
Real estate & rent.	448	472	24	5.4
Business services	3,602	3,621	19	0.5
Public administration	3,767	3,713	-54	-1.4
Education, health & social work	3,722	3,655	-67	-1.8
Other community, social & personal	2,056	1,898	-158	-7.7
International business activity	3,832	3,838	6	0.2

P - Preliminary data

F- Final data

Source: Department of Statistics - Employment Survey

Employee tax rate		
Income band	FY 17/18	FY 18/19 estimate
Less than or equal to \$48,000	4.75%	4.00%
\$48,001 to \$96,000	5.75%	6.50%
\$96,001 to \$235,000	7.75%	7.75%
\$235,001 and above	8.75%	8.75%

Table XI

Illustrative incremental savings in Payroll Tax for select remuneration levels			
Taxable remuneration	FY 17/18 Tax payable	FY 18/19 Tax payable	Reduction in taxes in FY18/19 relative to FY17/18
\$35,000	\$1,663	\$1,400	(\$263)
\$36,000	\$1,710	\$1,440	(\$270)
\$37,000	\$1,758	\$1,480	(\$278)
\$38,000	\$1,805	\$1,520	(\$285)
\$39,000	\$1,853	\$1,560	(\$293)
\$40,000	\$1,900	\$1,600	(\$300)
\$41,000	\$1,948	\$1,640	(\$308)
\$42,000	\$1,995	\$1,680	(\$315)
\$43,000	\$2,043	\$1,720	(\$323)
\$44,000	\$2,090	\$1,760	(\$330)
\$45,000	\$2,138	\$1,800	(\$338)
\$46,000	\$2,185	\$1,840	(\$345)
\$47,000	\$2,233	\$1,880	(\$353)
\$48,000	\$2,280	\$1,920	(\$360)
\$49,000	\$2,338	\$1,985	(\$353)
\$50,000	\$2,395	\$2,050	(\$345)
\$51,000	\$2,453	\$2,115	(\$338)
\$52,000	\$2,510	\$2,180	(\$330)
\$53,000	\$2,568	\$2,245	(\$323)
\$54,000	\$2,625	\$2,310	(\$315)
\$55,000	\$2,683	\$2,375	(\$308)
\$56,000	\$2,740	\$2,440	(\$300)
\$57,000	\$2,798	\$2,505	(\$293)
\$58,000	\$2,855	\$2,570	(\$285)
\$59,000	\$2,913	\$2,635	(\$278)
\$60,000	\$2,970	\$2,700	(\$270)
\$61,000	\$3,028	\$2,765	(\$263)
\$62,000	\$3,085	\$2,830	(\$255)
\$63,000	\$3,143	\$2,895	(\$248)
\$64,000	\$3,200	\$2,960	(\$240)
\$65,000	\$3,258	\$3,025	(\$233)
\$66,000	\$3,315	\$3,090	(\$225)
\$67,000	\$3,373	\$3,155	(\$218)
\$68,000	\$3,430	\$3,220	(\$210)
\$69,000	\$3,488	\$3,285	(\$203)
\$70,000	\$3,545	\$3,350	(\$195)
\$71,000	\$3,603	\$3,415	(\$188)
\$72,000	\$3,660	\$3,480	(\$180)
\$73,000	\$3,718	\$3,545	(\$173)
\$74,000	\$3,775	\$3,610	(\$165)
\$75,000	\$3,833	\$3,675	(\$158)
\$76,000	\$3,890	\$3,740	(\$150)
\$77,000	\$3,948	\$3,805	(\$143)
\$78,000	\$4,005	\$3,870	(\$135)
\$79,000	\$4,063	\$3,935	(\$128)
\$80,000	\$4,120	\$4,000	(\$120)
\$81,000	\$4,178	\$4,065	(\$113)
\$82,000	\$4,235	\$4,130	(\$105)

Illustrative incremental savings in Payroll Tax for select remuneration levels			
Taxable remuneration	FY 17/18 Tax payable	FY 18/19 Tax payable	Reduction in taxes in FY18/19 relative to FY17/18
\$83,000	\$4,293	\$4,195	(\$98)
\$84,000	\$4,350	\$4,260	(\$90)
\$85,000	\$4,408	\$4,325	(\$83)
\$86,000	\$4,465	\$4,390	(\$75)
\$87,000	\$4,523	\$4,455	(\$68)
\$88,000	\$4,580	\$4,520	(\$60)
\$89,000	\$4,638	\$4,585	(\$53)
\$90,000	\$4,695	\$4,650	(\$45)
\$91,000	\$4,753	\$4,715	(\$38)
\$92,000	\$4,810	\$4,780	(\$30)
\$93,000	\$4,868	\$4,845	(\$23)
\$94,000	\$4,925	\$4,910	(\$15)
\$95,000	\$4,983	\$4,975	(\$8)
\$96,000	\$5,040	\$5,040	\$0
\$97,000	\$5,118	\$5,118	\$0
\$98,000	\$5,195	\$5,195	\$0
\$99,000	\$5,273	\$5,273	\$0
\$100,000	\$5,350	\$5,350	\$0



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