

**2019/2020 BUDGET COMMUNICATION**

**BY**

**THE HON. PHILIP BRAVE DAVIS QC, MP**

**MEMBER FOR CAT ISLAND, RUM CAY AND SAN SALVADOR**

**LEADER OF THE OPPOSITION**

**HOUSE OF ASSEMBLY**

**NASSAU, BAHAMAS**

**MONDAY, 17<sup>TH</sup> JUNE 2019**

**PLEASE CHECK AGAINST DELIVERY**

Thank you for recognizing me, Mr. Speaker.

As you know, I stand in this Honourable House on behalf of the great and resilient people of Cat Island, Rum Cay and San Salvador.

I also stand here today on behalf of all who care about building a better country and a better future, including the many Bahamians who feel left out and left behind by this government.

Mr. Speaker, it can be difficult to find agreement in this place. But I think we can

all agree a government's budget is a reflection of a government's priorities.

So when a government CUTS millions from the budget for our young people and athletes – as this government has done – and at the same time INCREASES the budget for the Office of the Prime Minister -- it tells us something important about who this government is and whom they really care about.

I've been listening carefully to this budget debate, and one thing seems clear: a lot of my colleagues across the aisle have seriously lost touch. Maybe some of them never were in touch in the first place.

But what I see generally is stunning indifference to the pain their policies have caused and continue to cause.

This government is good at name-calling, good at misinformation and good at disinformation...but not good at governing. Not good at remembering the people they're supposed to represent. And not good at moving this country forward.

Can you imagine the audacity of coming to this place and BRAGGING and BOASTING and PREENING, when your policies have caused genuine suffering?

Coming here full of self-congratulations, while the Bahamian middle class is barely holding on?

Coming here full of swagger, while your tax increases mean that working Bahamians are wondering how they will keep their heads above water one more day, one more week?

Like some young Bahamians told me the other day, when they see these members on television and social media laughing and carrying on and banging on tables, it makes them feel sick.

It underscores for them that this government doesn't see them, doesn't understand them, doesn't care, and is not here to help.

Mr. Speaker, we have emphasized that this government cares about balance sheets at the expense of people. They care about the fiscal deficit rather than the social deficit. But even by their own metrics, they have failed, and failed badly.

It is an impressive feat of disrespect and disinformation to miss your own deficit target by \$400 million and then try to sell yourself to the Bahamian people as a paragon of fiscal prudence and responsibility.

Mr. Speaker, I don't think the people of The Bahamas are buying what this government is selling anymore.

This does not bring me any pleasure. I am praying that this government realizes its mistakes, recognizes the human costs of its policies, and reverses course. But first they will have to start paying attention to the people. Maybe even stop eating caviar at the Office of the Prime Minister – that must be on the menu, or how else can we understand the massive increase in that office’s food budget? I’m not sure how they can defend reaching into the people’s pockets for more VAT money when they spend it this way – perhaps they’ll enlighten us.

Mr. Speaker, as we move through the various parts of this budget, we will see that this is not “a people’s budget”, unless the “people” we’re talking about are the

well-connected, the special interests, the people who can get into those caviar parties.

And that's a shame, it really is.

## **1. CAT ISLAND, RUM CAY, SAN SALVADOR**

Mr. Speaker, I'm going to begin where I myself began – in Cat Island, Rum Cay and San Salvador.

I thank the great people of my constituency for their trust, love and support. I don't take any of it for granted. Every day when I wake up, I know it's my job to earn it all over again.

Mr. Speaker, I am pleased to note the continuation of the construction of the docking facility in Rum Cay that was started during my tenure as Public Works Minister.

But I note that the people of Cat Island are waiting, like so many others, for this government to finish the construction of modern health facilities.

I wish to share with House members photos of the current state of the clinics started under the previous government.

You know, Mr. Speaker, when it is convenient, this government likes to extol the virtues of continuous government, but

here we have a situation where progress has ground to a halt.

It's not the buildings that are so important, it's the *people* that need to receive treatment in those buildings.

Stop, Review and Cancel is a moral abomination – the idea that the government would waste funds already expended, and stop projects that help people, all because they are thinking about the politics first. Here, as elsewhere, Stop, Review and Cancel is selfish and short-sighted.

Everyone in The Bahamas deserves access to modern, functional medical facilities, and

I call on the government to get a move on – in Cat Island and across the country.

Take credit for it, if that's what's needed to get things moving. Just MOVE.

We know it's possible. I saw recently this government proudly sharing images of the newly refurbished dialysis unit as part of the Public Hospital Authority upgrades. Those upgrades were started by the PLP government. That's how it should be. We on this side celebrate and support this upgrade initiative.

I hope this time next year we are celebrating together because the construction of modern health care

amenities is complete in the communities of Cat Island, Rum Cay and San Salvador.

## **2. THE GOVERNMENT IS FAILING TO MANAGE THE PEOPLE'S FINANCES EFFECTIVELY**

Mr. Speaker,

I am sorry to report that, like many Bahamians, I do not have confidence in this government's ability to manage our public finances. The government has missed critical fiscal targets for the last two budgetary cycles because it failed to present realistic budget estimates.

We know that just in the past year this government had to borrow four times to pay salaries.

We know that they had to extend the bank's overdraft facility three times to meet the government's payroll.

We know that these borrowings were despite claims by the Finance Minister that revenues of \$2.6 billion are up by \$215 million over the last fiscal year.

We know that this government will again miss its revenue and deficit targets and miss them badly.

Does this sound like a government who has our public finances under control?

And worse, this government is so invested in its own propaganda that it is not leveling with the Bahamian people about the true state of affairs. We have a Minister that collects just 55% of its projected VAT revenue after 9 months and says that things are going according to plan.

### **3. THE BLAME GAME**

Mr. Speaker,

We have established that this government is not good at fiscal management. They stumble from one crisis to the next,

borrowing to cover for their errors and missed targets.

But they are good at propaganda. You have to give them that. Different kinds of leaders might come forward, apologize for errors, and try to correct mistakes. But that's a lot of work, and – crucially -- it requires humility.

So what we see instead is a concerted strategy to invent, to concoct, to fabricate, one excuse after another. It's the signature move of this government – blame those who came before for your own missteps.

Remember the huge borrowings ahead of the 2017/2018 budget debate? At that time

the Minister of Finance said the borrowing was to pay off old PLP bills.

Then the government failed to manage the nation's finances correctly, but couldn't just say so, so back they went to their first trick, blaming "old PLP bills".

This year, once again, you guessed it, old bills once again – new, old bills, I guess? How convenient. The only thing transparent about this government is that their rhetoric is motivated by self-interest, not the facts.

Mr. Speaker, just how many 'old PLP bills' does the Finance Minister intend to discover?!

He has said there were mature or old liabilities that had to be paid off and the government gave itself a three-year window to do this. If this is so, then why keep referring to liabilities as old PLP bills, when the FNM governed for seventeen of the last twenty-seven years?

I refer also to the accusation made by the Finance Minister that the PLP government spent funds earmarked for Hurricane Repair on politics. Even though East Grand Bahama later corrected himself, this was an untruth that he never apologized for. False accusations of this sort are reckless and hurt our country.

This same Finance Minister blamed the PLP for what he called a “floundering” Revenue

Enhancement Unit within his Ministry. This is a unit that was collecting \$25 million per month. The Finance Minister proceeded to gut and dismantle it. Was this merely a ruse to forgive certain debts to certain special interests or political cronies before its re-establishment? The Minister must say unequivocally if this was the case. No excuses or propaganda, please.

## **4. THE FUNDAMENTALS OF THE ECONOMY WERE SOUND IN MAY 2017**

Mr. Speaker,

Consider what we met in place in May 2012.

We had to find money to pay off almost \$1 billion of debt that the FNM left; \$200 million overdraft at the bank.

\$120 million in unpaid vouchers and checks at the Treasury Department.

\$50 million owed to civil servants.

\$545.2 million budget deficit.

\$15 million plus to compensate business owners negatively impacted by direction changes to Blue Hill Road and Market Street.

\$ 100 million in cost overruns on the New Providence Road Improvement Project.

\$84 million owed to Baha Mar in a questionable PPP to construct less than 2 miles of roadway. The FNM said to pay the bill without questioning it. All \$42 million per mile.

Unemployment had doubled to 14.7%. Some 30,000 Bahamians were unemployed.

NO consequential investment in the pipeline.

More than one dozen outstanding labour agreements unresolved.

The teachers were owed more than \$4 million in back pay for years.

Tourism stopover arrivals were down.

If we had been like our colleagues across the aisle, we would have spent all our time talking about these inherited problems, instead of tackling them.

It's an important difference, Mr. Speaker. Moving instead of moaning.

We brainstormed rather than blamestormed.

Mr. Speaker, by 2017, the economy was beginning to turn the corner.

Tourist arrival numbers were UP.

Inflation, or the cost of living, was  
DOWN.

The amount we owed during the year  
was DOWN.

In trading with other countries, we  
earned MORE.

We imported LESS.

Our foreign currency savings went UP.

And more people were able to keep up  
with their debts.

Tens of thousands of jobs had been added to the economy in five years – the most ever in any 5-year term

Baha Mar, the Pointe, Albany and the Bakers Bay developments – all were contributing.

This was a strong foundation for the FNM to inherit.

We said to the incoming government, that with...

- the 7.5% VAT in place;
- the regularized gaming sector and new tax regime in place for that sector;

-- the effectiveness of the Revenue Enhancement Unit;  
-- projects like Baha Mar, the Pointe, Albany, Bakers Bay and others in the pipeline;  
and the airspace management agreement with the Federal Aviation Administration (FAA);

...there was no need for additional tax increases.

But then the government squandered the strong foundation they'd inherited. And given their handling of the economy shortly after coming to office, and their short-sighted Stop/Review/Cancel policies, I predicted tax increases in 2018.

I was very sorry to have been right, because those tax increases, which we did not support, have slowed our economy and hurt our people.

## **5. THE ACCELERATION OF ECONOMIC INEQUALITY**

Mr. Speaker,  
Poverty and inequality in our country are becoming entrenched. A recent Central Bank survey revealed that 50% of working Bahamians surveyed were having difficulties making ends meet.

Everywhere I go, this is what I hear from Bahamians: "I can't make it on what I'm making". Even Bahamians who are working

more than one job, losing time with children or sick parents who need them, are struggling to pay bills. The cost of living keeps going up, and people feel like they're drowning.

Economic anxiety is not limited to certain areas or segments – it's widespread. People who felt comfortably middle class are worried about losing what they've worked so hard to gain. People who did OK for themselves are worried their children can't make it. People who thought they were secure are being battered by rising costs of everything.

And yet we have a government that seems indifferent to the stresses Bahamians face,

and ignorant about the role their policies have played in bringing them about.

The government increased VAT by 60%, failed to raise the minimum wage, and caused mass firings and separations in the public service.

For an encore, the government has now slashed \$25 million from the public service salary budget. Many Bahamians are worried this is the first step towards another round of firings and separations.

And now we have a new tax – and yet another broken promise, because the government had promised no new additional tax increases. This time it's a tax

on US dollar transactions. That's going to hurt many Bahamians and businesses. It is wrong to keep going into the pockets of Bahamians who can't afford more pain.

Mr. Speaker,

The government's decision to delay payments to many contractors and vendors has caused hardship on them and in fact functions as an invisible tax on these persons. I am reliably advised that the promised increases in the contract amounts to current contract holders to compensate for the 60% increase in VAT and NIB fees have not been done. Contractors are forced to lay off minimum wage workers which add to unemployment and misery.

I was surprised to learn from a government contractor that the banks no longer accept government contracts as security for bridge financing – let's say to pay salaries until the Treasury Department issues the next check.

I thought the government said that it was putting policies and procedures in place to improve the ease of doing business in the Bahamas, but many contractors feel that it is becoming more difficult and cumbersome to do business with the government. Things are getting harder, not easier.

Frequently, Mr. Speaker, it feels like the government does the boasting instead of the work. There's that emphasis on propaganda again, their specialty.

Mr. Speaker,

The Bahamian people urgently need relief from oppressive cost of living increases.

But this budget is not going to help them.

This is not a people's budget, just like it's not the people's time.

Now, of course, there are exceptions. If you're well-connected at the top, well, then, there's plenty for you.

The Prime Minister has announced a series of policy initiatives that in effect transfer state wealth to FNM elites and political cronies. This is the reason they wanted

power in the first place; this is what they're all about. Here's what they have promised to do the following in the next fiscal year:

- a. Transfer public buildings to a fund created by Holowesko Partners to minimize the ability of other Bahamian individuals and entities such as the National Insurance Board, churches and ordinary Bahamians from renting to the Government. At an estimated \$400 million price tag, one can only imagine the windfall the Holowesko Partners stand to gain from compounded interest payments alone.
  
- b. Eliminate business license fees for all banks including RBC, Scotia, CIBC, Citibank and Commonwealth Bank.

- c. Ensure that business license and VAT is calculated on the same tax base to reduce the business license fees of large food stores, pharmacies, Morton Salt and others with large zero-rated or exempt supplies.
  
- d. Join the World Trade Organization and reduce the Common External Tariffs (CEF) to an average of 15% in less than 3 years, benefiting large importers and in the process, foregoing more that \$100 million in revenue without any articulated replacement plan.

Mr. Speaker, do these policies seem designed to lift all boats, or maybe just a very few yachts?

This government has also announced its intention to reduce the deficit to 1% of GDP in the absence of a pro-growth strategy (that is, reduce and starve much-needed recurrent and capital expenditures by approximately \$100 million).

In the best of economic times, these policies of the Prime Minister and the Minister of Finance are bad ideas, ones which could send the economy reeling into recession.

With 1.6% economic growth, with no money on the ground nor short-term strategic growth prospects on the horizon, this is clearly not the best of times.

On the issue of a pro-growth strategy, I note the following:

The \$65 million paid for the Grand Lucayan, has resulted in the loss of jobs and continued government subsidy with no economic benefit to that island.

It was reported that the government must now find another \$4.3 million to settle with the severed employees there.

The total expenditure to date is in excess of \$100 million.

The news in Grand Bahama is getting no better.

Of the \$8 billion in projects that Peter Turnquest announced were approved by the FNM government since coming to

office, he suspiciously named only a handful - 3 to be exact, totaling \$181.5 million.

Does the government lack confidence in the other projects?

It's a fair question. Because that's what happens when a government is engaged in constant spin— we never know what's real and what's propaganda.

This is a government that held a fake signing ceremony for an oil refinery! What a spectacle Obama was. Part comedy, with all the shifty characters and shifting explanations, but mostly tragedy, because of what's at stake for the environment and our country.

## **6. MEASURING PROGRESS**

Mr. Speaker,

I have said on numerous occasions that this government is a 'balance sheet' government that fails to consider the impact of their policies on the everyday lives of ordinary Bahamians.

I remember Senator Mitchell repeatedly telling this government to put money on the ground in Grand Bahama and the Minister of Finance mocked him. When the government purchased the Grand Lucayan for \$65 million, he characterized that as 'putting money on the ground.'

When the last employment figures were released, this government made a big PR

spectacle out of the numbers coming out of Grand Bahama.

They knew that Grand Bahamians were leaving in droves to Canada, Nassau and Bimini and Abaco in search of better economic opportunities.

They knew that Bahamians were sleeping in their cars and on the beach because they were homeless.

They knew they (the government) were deferring payments to vendors and contractors and withholding certain benefits duly owed to civil servants.

They knew that the capital budget was being starved intentionally with about half spent by the last quarter of this fiscal year.

They knew they had slashed social service assistance to the most vulnerable and separated thousands of minimum wage employees from the public service.

So surely they had to know that their policies were hurting Bahamians and increasing joblessness, yet they behaved as if none of the suffering and misery were taking place.

Mr. Speaker, all these hurt-causing policies were done in service of prettying up the books -- and yet, despite all the pain they've caused, the government has missed

their revenue and deficit targets for two consecutive years.

In this budget they seem to be doubling down and heading in the same direction.

They don't get it. The economy isn't numbers on a piece of paper, it's people.

Mr. Speaker,

When we consider policies and budgets, we should ask:

- Do these policies increase the health, happiness and well-being of the Bahamian people?
- Are we preparing our citizens, young and old, to thrive in the 21<sup>st</sup> century?
- Do these policies assume the dignity of all of our people?

- Are we helping each of our citizens to reach their full potential?
- Are we preparing to leave our children a better, stronger country?

Economic targets ought not to be end goals in themselves, but a means to an end, that end being the dignity and happiness and wellbeing of the Bahamian people.

We believe government should be in the business of lifting people up.

That in my view is a fundamental philosophical difference between the PLP and the FNM.

We govern for the people, while they govern for the balance sheet, the special interests, the donor class.

Mr. Speaker, we think there's a better way forward:

- A new understanding with labour unions for a livable wage and other worker protections and rights.
- Jobs are at the heart of economic security for our citizens, yet too many of our citizens face significant obstacles to employment. Aggressively attacking those obstacles makes good economic and good moral sense. We need to close the skills gap, we need to make sure training is available for all, not just the

young, and we need to address challenges like child care and transportation.

- Slashing the budget at the Ministry of Youth, Sports and Culture by \$5 million at a time when we should be lifting up the next leaders of our country is short-sighted, the ultimate in short-term thinking.

Mr. Speaker, we must shift this paradigm.

I am committed to the principle of economic patriotism. I note the side opposite rolled their eyes, scoffed and

smirked when the member for Exuma and Ragged Island talked about investing \$250 million in SME's for Bahamians.

If we can offer billions to foreigners in the way of tax concessions, certainly we can invest in our people to expand ownership of the national economy.

## **7. OBSERVATIONS ON THE ECONOMY**

Mr. Speaker,

The Bahamian economy, notwithstanding the one-time uplift in tourism arrivals and expenditure because of the opening and operations of Baha Mar, coupled with a strong US economy, is not doing well.

Customs revenue, the best barometer for consumption in the economy, is down compared to last year at the end of the 3<sup>rd</sup> quarter.

Overall, the Government's revenue is also down against projections at the end of the 3<sup>rd</sup> quarter, primarily because of the ill-considered 60% increase in the VAT rate and meddling with the tax structure of the web shop gaming industry.

The dismantling of the Revenue Enhancement Unit within the Ministry of Finance was another poor and politically motivated policy decision. Investigation and study had revealed more than \$400 million in uncollected taxes, hundreds of high-end properties unregistered with no taxes being paid on these properties.

Mr. Speaker, the Ministry of Finance has never offered a satisfying explanation for why this Revenue Enhancement Unit was closed down, and so the Bahamian people were left to come up with their own ideas about why this government would give the wealthiest landowners a break at the same time going after everyone else.

This increase in VAT, and the uncertainty created by the Government's inability to immediately explain its treatment of existing contracts where VAT was assessed at 7.5%, shook consumer and investor confidence, and damaged both investment and consumption during this fiscal year.

As a result, the modest economic recovery has stalled and unemployment remains stubbornly high.

We note that despite more government boasting, Bahamians remain deeply concerned about crime.

Our public institutions which provide care to Bahamians are desperate for additional resources, having had to absorb the full

VAT increase with no additional funding: these include the Department of Social Services, the Public Hospitals Authority and the Department of Public Health. They are being forced to do more with less, and the inevitable result is that people are harmed.

Non-Governmental Organizations have likewise seen no adjustment in their government subvention to account for the 60% increase in VAT imposed last year.

For many working Bahamians, the outlook is bleak. The Government has refused to increase the minimum wage, notwithstanding their imposition of a 60% increase VAT last year. The combination of the VAT increase and inflation means many

people who are working cannot make ends meet.

When the PLP introduced VAT, we did so after broad consultation; we increased the minimum wage by 40% to reduce the impact, and we increased resources to the Ministry and Department of Social Services. The RISE program, for example, brought important relief to the elderly and children especially. This program has been cancelled by the FNM.

When they said it would be “the people’s time”, they were not thinking about the elderly and the children who depended on RISE. It’s not their time, clearly.

As for the shrinking Bahamian middle class, things are no better.

The Government is making it easier for foreign labour to replace Bahamians in the workforce, forcing those who can migrate to migrate, and those who can't to accept work not reflective of their skills and competence. This is creating a sizable under-employment problem.

I hear this all the time – Bahamians tell me: employers prefer to hire foreigners. Many Bahamians did everything they were supposed to do -- they worked and studied hard, they got their degree, they want to be here to contribute and raise a family -- but they can't get a good job.

That is not something this government can afford to ignore. It's a result not just of a weak job market but of rules and norms stacked against Bahamians in their own country. I see this budget has a lot in it for friends of the government but I don't see any policies to address this critical issue.

On the public health front, the government first tried to abandon the National Health Insurance (NHI) programme, then relented in the face of public pressure. They are now promising to continue with virtually the same programme launched by the PLP, but there are real concerns about their commitment, given that they have not been straightforward about how they intend to fund it.

We are deeply concerned that this very important public service is at risk of being shut down.

The government is in a quandary of their own creation but they need to be straightforward with the people and explain what's next. We know that revenue is under performing, the government will miss its revenue target by at least \$400 million and its deficit target by at least \$100 million.

Mr. Speaker, this government dragged its feet on the airspace management agreement. Negotiations could have been concluded within 48 months and the country could have been gained tens of

millions annually. But neglect and incompetence stood in the way.

The Department of Statistics recently confirmed an economic growth rate of 1.6%, well below the more than 2% projected by the government.

Not one additional hotel room has been constructed in two years.

The government's prized accomplishment in two years appears to be a reduction in the budget deficit.

In our first year in office, the budget deficit stood at \$545.2 million and we reduced that figure to \$488 million. We then we went on to cause for significant shrinkages in the budget deficits in following years. This was

the case until the 2015/2016 budget, when the country suffered two consecutive Category 4 hurricanes.

This business of reducing deficits -- the PLP considered it standard operating procedure. We did it without all the requests for praise and applause you see today. What a needy bunch. Here we have the political directorate of the FNM building entire public relations campaign around doing what has to be done. We find this kind of pathetic.

Mr. Speaker, there is a pattern here, in which public relations and propaganda are central to their efforts, but they leave the people out of the equation.

The tax hike, the hike in fuel and in electricity have together contributed to the increase in household expenditure, not the growth in

the economy or an increase consumer confidence.

What was the rationale behind offering tax concessions to businesses with an annual turnover of at least \$50 million? No one in the government felt the need to explain that to the people.

Peter Turnquest claims 4,000 businesses have been established; how many jobs have been created? In what industries are these businesses operating, and what is the total capitalization? What percentage of the \$20 million earmarked for the SME incubation program have been spent as yet?

Grand Bahama is another place where the government's propaganda is in good shape, but the people are not.

How will repealing the Investment Incentive Act help the economy of Grand Bahama?

The government has not felt compelled to provide a persuasive rationale.

The Grand Lucayan – another case where you simply have to marvel that a government that promised transparency cannot explain itself. I listened closely during the budget debate, but heard nothing about the status of the Letter of Linten (LOI) or how matters are progressing..

They used the tax dollars they took out of the people's pockets to acquire a hotel for more than it's worth. How much more of the people's money do they intend to pour in? The total expenditure to date is in

excess of \$100 million. No wonder they don't want to talk much about it.

What is the quantitative impact of the Commercial Enterprise Bill for Grand Bahama and New Providence?

The Government's inability to meet its revenue targets has resulted in the Government failing to meet many of its expense obligations on a timely basis. This is imposing a secret and invisible tax on those affected businesses and individuals.

Mr. Speaker, despite inheriting a strong foundation and a newly opened Baha Mar, despite the strong US economy, this

government has worked our nation into a terrible spot.

I am deeply concerned about what comes next. Bahamians cannot be asked to shoulder new taxes or fees. Further drastic cuts would push us into a recession. The only sane and humane course is to turn away from the failed policies of the Prime Minister and Minister of Finance.

## **8.LABOUR RELATIONS**

Mr. Speaker,

Labour relations in this country have deteriorated terribly over the past two years.

The Hotel Union voted YES almost unanimously in a strike vote.

It is reported that workers have secured nine strike certificates: 6 for Atlantis, 1 for Melia, 1 for Harbourside and 1 for another hotel on the Cable Beach strip.

Mr. Speaker, this is bad news for everyone. How can this government continue to stand by, as if the problem is someone else's to solve?

Unfortunately, the crisis is not even limited to that industry.

Doctors.

Nurses.

The cafeteria staff at Princess Margaret Hospital.

Workers at Water and Sewage.

The staff at National Insurance.

All angry, all unhappy.

The owner and staff at Morton Salt are at a labour impasse and gridlock. This is critical, Mr. Speaker, as Inagua is a company town. A shutdown of operations would be catastrophic for that island and a terrible hardship for its residents.

Bahamian workers across the country are appalled by a government that said what they needed to say to get their vote and have abandoned them since.

We see government ministers talking down to and insulting workers. We see a Prime Minister and Minister of Labour silent as workers fight for fair wages and crucial protections.

Mr. Speaker,  
There is a better way.

Many of the rights enjoyed by workers today are the direct result of a strong bond between labour and the Progressive Liberal

Party. Our party's struggle for worker rights and social justice is foundational to Bahamian independence and history.

There can be no backing away from the responsibility of government inherent in the social contract with the Bahamian people, Mr. Speaker.

That is not to say labour disputes are easily resolved. But this Honorable House is reminded that in May 2012, the PLP met a significant number of outstanding collective bargaining agreements with public sector unions. We did not waste our time pointing fingers at the outgoing government. Instead we worked until we executed, signed and registered 13 of the 14 outstanding agreements.

Big things are possible, for those who care to do the work.

## **10. A REVIEW OF THE AMENDED STAMP DUTY AND VAT BILLS**

Mr. Speaker,

As House colleagues are well aware, various bills were tabled in the House of Assembly two weeks ago by the Government in connection with the annual Budget, including the Stamp (Amendment)

## Bill 2018 and the Value Added Tax (Amendment) Bill 2018

There appears to be some unintended consequences in the proposed Stamp Duty/VAT Regime as it relates to real estate and the sales of business. Stamp duty on real estate transactions will be eliminated on July 1<sup>st</sup> and replaced with VAT at a rate of 10% where the value of the property exceeds \$100,000 and 2.5% where the value is \$100,000 or less. The rates for mortgages remain unchanged (at 1%) in the transition from stamp duty to VAT.

AirBnB rentals for the first time will be taxable at a rate yet to be determined. Operators of AirBnB rentals will be required to be VAT registrants as well as Business Licence holders. This is extended to the

owners of the AirBnB platform itself outside The Bahamas (see definition of “marketplace” in the VAT (Amendment) Bill).

Additionally Mr. Speaker, it extends to all providers of telecommunication services or online electronic commerce locally and internationally. Indeed, as drafted, this would extend to global outfits such as Amazon, Ebay, Uber, as well as retailers such as Macy’s, Nordstrom, Wayfair, etc (to cite just a few from among a virtually infinite range of examples), that provide online shopping facilities to Bahamians.

Mr. Speaker,

I cannot conceive that it is really intended to make such companies VAT registrants and Business Licence Holders in The Bahamas.

Is this the intention of the PEOPLE'S TIME government Mr. Speaker?

Upon the sale of a business, VAT will only be payable on the underlying real estate. This is an important change because under the Stamp Act, a tax of 6% was also payable on the non-real estate assets. That part of it will now be eliminated in the transition to VAT.

In our view, there is a huge error in the proposed amendments which the Government would do well to correct before the bills are passed: under the proposed amendments, the sale of shares in a company that owns real estate would not be taxable at all (unless it was upon a sale of a business). This clearly is not what is intended.

The exemptions under the Stamp Act have mostly been preserved under the proposed VAT amendments. However, conspicuously missing is the exemption that groups of companies had under the Stamp Act (see Second Schedule, Item 29) where the relevant transaction involved a transfer between companies within a corporate group under common ownership with no change in ultimate beneficial ownership.

This was an exemption of major importance to conglomerates, large and small, both domestic and foreign, in The Bahamas but this exemption has been transplanted from the Stamp Act to the VAT regime. It is

unclear whether this is just a drafting oversight or an intentional omission.

## **12. A REVIEW OF THE GOVERNMENT'S CAPITAL BUDGET**

In his 2019-20 Budget Communication, the Finance Minister stated that the Government Of The Bahamas has made capital spending in infrastructure a key priority and that it is essential that PPPs are utilized for future infrastructure projects. He referred to the Government's PPP policy and stated that these investments are likely to include airports, particularly in the Family Islands, schools, Government buildings, among other projects.

He further stated that the only way to effectively address the infrastructure deficit in the country is to mobilize private sector resources and expertise in the provision of public infrastructure.

Mr. Speaker,

Having said that, it is our considered view that very few projects qualify for a true PPP where the private investor(s) can recoup their investment and make a profit from project generated revenue for the following reasons:

Family Island airports do not have the traffic volume to recover investment and operational costs.

School and road PPP projects would have to be a build/ lease to own arrangement to become economically viable for the private investor.

Investments in government buildings can only be economically viable if the building incorporates private commercial space to generate project revenue.

Considering this Mr. Speaker, it appears that most PPP projects would in essence be loans to the Government and as such, should they not be approved by Parliament? Also, will the terms of these arrangements be better than the Government borrowing the necessary funds from lending institutions for the proposed projects.

It does not appear that the MPW's 2019-20 Capital Budget is sufficiently funded to accommodate the proposed new roadworks. The budget for road repair & maintenance (3111321) at \$18.2

million (rounded) is some \$13 million less than the 2018-19 allocation.

I have to assume that Bahama Mix is funded from this line item at some \$11million.

The budget for NP roadworks (3111321) is \$9 million.

I am surprised that no mention was made of proposed works for the North Eleuthera Airport. Considerable work was done for this airport: construction of a new terminal and runway, with existing runway to be a taxi way. This was a component of the IDB airport loan program.

The IDB's Airport Infrastructure Program (BH-L1041) has a total cost US\$53.8 million (US\$35 million IDB and US\$18.8 million from the Bahamas Government counterpart funding). The disbursement period is 5-years from effective date of the loan contract.

Discussions and preparation for the above loan was undertaken during our term in office at MW&UD. At the time, the Family Airports being considered under this Airport Infrastructure Program were North Eleuthera, Moss Town, Exuma, Marsh Harbour and Treasure Cay, Abaco. I am not certain that this is still the case.

Some \$3.5 million is in the Ministry of Public Works (MPW) budget for IDB projects. I assume that this is to cover the airport loan program and the IDB

US\$35 million loan for Climate Resilient Coastal Management and Infrastructure Program.

Specifically Mr. Speaker, this program will finance science-based shoreline stabilization and coastal flooding control measures in East Grand Bahama (EGB), Central Long Island and Nassau/Junkanoo Beach in New Providence, natural infrastructure for hazard resilience through restoration of coastal natural habitats (mangroves, reefs) in Andros and institutional strengthening for coastal risk management.

The IDB allocation in the MPW 2019-20 estimates appears to be low, unless the government is proposing to delay these projects until 2020. Perhaps the Minister

of Public Works can shed some light on this.

## **Capital Budget**

Mr. Speaker,  
Sixteen Ministries/Departments have Capital Budgets. It is not clear whether or not the award of contracts for their building maintenance/ infrastructure works rest with the individual Ministries/Departments or are to be supervised by MPW. Having multiple Ministries/ Departments awarding maintenance/ infrastructure contracts at the discretion of the respective Ministers/ HOAs increases the risk for corruption and political influence.

It is interesting to note that with the exception of the MT&LG, MOT&A and the Customs Department, the accounting officer is the respective PS or HOD. In these exceptions, the accounting officer is the FS. Why is this, considering the fact that they have accounting responsibility for their Recurrent Budget?

### **13. NOT A PEOPLE'S BUDGET: OBSERVATIONS ON EXPENSES**

Mr. Speaker, the Government increased the budget for food for the Office Of the Prime Minister from \$10,000.00 in last year's budget to \$115,000.00 in the 2019/2020 budget.

Why the increase? Where's it really going?

Domestic travel cost for your PM to travel throughout the Bahamas from \$74,000.00 (in the last budget) to \$256,000.00 in this year's budget. This is an increase of about 350%. Is there an explanation for this increase? Is the Prime Minister asking Bahamians to fund his political campaigning?

Supplies for the OPM increased from \$73,000.00 in the last budget to \$1.3 million in this year's budget. Why the \$1.227 million increase over last year's budgeted amount? Where's it really going?

Everyone in The Bahamas is being asked to tighten their belts, but not the Prime Minister. In fact, he better loosen his, given the more than \$100,000 increase in his food budget.

We ask about the generous budget increases to the Prime Minister's Office, increases neither called for nor desired by the Bahamian people, at the same time we note that the food assistance budgets at the Ministry of Social Services are nowhere near enough to meet the hunger and poverty in our country.

## **14. It's Not The People's Time**

Mr. Speaker, this is not a people's budget, and it is not the people's time.

The only time this government thinks of the Bahamian people is when they are inventing political slogans.

In the meantime, special interests get special privileges, special access, and special favors.

Bahamians are clear about this, no matter how much of their own money is being used on propaganda to convince them otherwise.

It's not just that after Oban we don't trust your signing ceremonies, or that after the Grand Lucayan, we think you don't know what you're doing, or that after years of missing your deficit targets, no one believes you anymore.

It's worse – we don't trust your intentions. We think you're governing for the few instead of the many.

And there's nothing in this budget that proves otherwise.

Mr. Speaker, the biggest tragedy of this budget is that it does not meet the great challenges we face as a nation.

There is a lack of vision, a poverty of ambition, no innovation, no big new ideas.

Sunday was Father's Day. What kind of Bahamas are we going to leave our children?

I pray to God that all of us in this body make that question our own North Star. It's never too late to do the right thing.