

Contribution by Philip Davis on the 2010- 2011 budget and Draft Estimates of Revenue and Expenditure

9th June 2010

Mr. Speaker,

On behalf of the hard-working and industrious people of Cat Island, Rum Cay and San Salvador I rise to offer remarks on this, the Free National Movement's third Draft Estimates of Revenue and Expenditure bill. As always, I remain indebted to my constituents and do all that I can to represent their views and advance their interests – I am their servant and apart from God Almighty I am no one else's!

Mr. Speaker, this proposed Budget has shown that this government has failed!

This fact is undeniable and unequivocal! The FNM government has failed to either foresee the mess that we are in OR their measures to avoid the mess have failed – they need only now to pick their poison!

So let's be real Mr. Speaker! Let's stop playing games with the Bahamian public! The Prime Minister can't tell the people, "WE GAT THE MONEY!" in November and then in June tell them things tough!

Does this 2010- 2011 budget process address the real challenges facing The Bahamas? Simply put the answer is NO, emphatically NO!!

This production by the government offers no hope for the future. It is all about what is **NOT** going to happen. There is no vision for the future that People can believe in.

For the past 2 years the Government has been in denial. The economy is in bad shape. National finances are a sorry state of affairs.

People, particularly the poor and middle class are suffering and struggling to live a life of dignity. Despite these realities, there is no roadmap to recovery identified by the government.

In one swoop this Government has:

- 1 Substantially increased taxes,
- 2 Introduced new taxes,
- 3 Removed concessions for Bahamian industry,

- 4 Foreshadowed massive public sector layoffs,
- 5 Slashed funding to social programs, corporations and essential services,
- 6 Announced retirements and frozen salaries.

This is by far one of the most draconian and repressive budgets in Bahamian history. The question though is to what end?

Where is the Government taking us? Why the need for such austere measures?

Is there a plan for The Bahamas following this present period? When is the 'hoped for' recovery?

Are we shooting in the dark with no real destination in sight? How can we truly analyze the Government's budgetary road map if we have no idea of where we are headed?

Such ad hoc exercises which can best be described as shooting from the hip are counterproductive.

We must know where we are and where we are going in order to map out how to get there! Research and planning, and open access to vital information are key to move our country forward. We await with bated breath the Freedom of Information Act.

At best, this budget paints a sinking national ship with a desperate captain at random trying all and sundry to save the ship but he has no clue as to why his ship is sinking or how to solve the problem.

This budget is clearly an ill-conceived, poorly thought out attempt to make the books look good to international agencies.

Yes, the same international agencies who this Government has ignored for the past 2.5 years! It did not have to come to this. The desire is to craft a fiscal image suggesting necessary discipline but in fact it is a sham.

The Government's revenue projections are based on a poor understanding and appreciation of the Bahamian economy and flawed reasoning and will only lead to great disappointment to anyone who places credibility in them.

The 2010-2011 budget panders to international rating agencies at the expense of the Bahamian people. It is an all out assault on the middle-class and the poor.

What happened to the commitment to reduce the level of unemployment and poverty? This heartless budget ignores the reality of 2010 Bahamas and will add to the number of poor and marginalised in our society.

Economists like Paul Krugman (a Nobel Laureate) argue that tax increases – much like those proposed by this government – actually slow-down economic recovery! I invite the government to read his work!

In light of the major challenges facing The Bahamas the short term objectives of the Government ought to be two-fold:

1. Sustainable jobs for our people; and
2. Effectively combating crime.

There is a negative relationship between crime and the economy in our country. We cannot disassociate one from the other.

A bad economy is an incubator for criminal activity.

As recent as three months ago during the last mid-term budget exercise, the Prime Minister and the Minister of State for Finance were telling the nation that the economy was in good health and brighter days were here.

All along the average Bahamian was catching hell and still is. They told us to carry on as usual. The Government was delusional, in denial or out rightly misleading our people as only three months later they have chosen to penalise hard working Bahamians.

This is not a time to penalize but rather through its policies and tax structure the Government should incentivise our people and businesses to be productive and move our country back on the right track. At the end the Bahamian nation – all of us – will pay for the harsh and undeserved penalties being meted by this Government.

This budget penalises our future leaders, student and education system.

The Government has even cut funding to the College of The Bahamas. What sort of priority and faith does this Government place in our young people and our nation's future?

How will we compete in the global marketplace with an uneducated workforce? How?

This budget penalises our tourism sector and hotels and the tourists who chose to visit our destination above so many other vacation options worldwide.

This budget penalises Bahamian industry and young business owners.

This budget penalises Government workers and is no friend to the growing number of unemployed in our country.

The 2010-2011 budget penalises Bahamians who want to secure their future through an

investment in real estate. In turn it also penalises realtors, contractors and construction workers.

This budget penalises every Bahamian on a budget as it represents a cut in funding to essential Government services such as health care.

What have the Bahamian people done to deserve such penalties and punishment? Are we and the future generations of our country now to pay for the Government's negligence and mismanagement of the Bahamian economy?

They borrowed hundreds of millions of dollars to support a failed and poorly designed economic stimulus package.

For the most part the monies were spent with foreign contractors to do roadworks and other works that Bahamians can do. They brought in their workers and every week they have been sending millions of dollars home to stimulate their home economies.

This did not make sense.

This budget is an admission that the Government failed and failed miserably and now the Bahamian people must suffer for their grave errors.

I asked the online Bahamian community via my Facebook account to share their views and sentiments with regards to the 2010-2011 budget.

Some comments were unkind to all of us in this place. Some offered some negative commentary specifically to what was described as 'this uncaring government'. The general consensus was one of disbelief that a democratically elected Government in The Bahamas could act in such a unilateral, arrogant, callous and intolerable manner.

If I may, I will share a few of the comments:

- 1 W. Huyler said: "I think 'Da man gone Crazy.'. That budget was not planned or thought through. He has no regard or empathy for the struggling Bahamians. The man needs some godly wisdom".
- 2 E. Bowe said: "Hubert is using divide and conquer to separate various groups of Bahamians. This is an old slave trick. He meets with some groups and does not meet with others. He sends out his minions to make little statements which suggest if you behave he will negotiate with you. He keeps forgetting that he works for us. The existing political framework is destroying our country. Special interests have our political leaders bought - lock, stock, and barrel. We need some people who have the people's interests at heart. The current situation will not do."

- 3 D.Virgil said: "I just want to know how is the government going to make money when they are deterring tourists from visiting by raising hotel taxes, deterring citizens from purchasing vehicles, travelling, building homes, starting and maintaining businesses, etc etc., etc. how are we to survive when bills will be on the rise and salaries declining, employment on a freeze, unemployment rising etc etc etc. Where is the hope and vision in this budget for us young Bahamians to see where our elected officials plan to take this country positively in the future? They utter rhetoric about this will help the country...." "What we have here is a government without a clue which was elected on a TRUST agenda by "intelligent" voters. May I remind the Bahamian people it was just several months ago that this govt was braggin' to their supporters "WE GOT THE MONEY" at their last convention. It was this government spendin' money like dirt in Elizabeth for a by-election like the country was overflowin' with \$\$\$\$\$\$. Less than 6 months later we are presented with a Budget to break the backs of the Bahamian people. It's a sad state of affairs but really I don't feel too bad because as the saying goes "the people get what they vote for".
- 4 M. Taylor said: "My concern is for young people. What incentives are there to make them come back home after college. With unemployment on the rise, freeze on hiring within the public service, among other things, many feel it makes no sense to come back. Quite frankly, it appears as though our people are being 'trained for export'."

This is but one way of using modern technology to gauge the pulse and views of our people. After all, the Bahamian people ought to have a say in this budget exercise.

This is their country and we are debating their budget. The Government needs to recognise that The Bahamas is not owned by the members of Cabinet. It is owned by the Bahamian People and they have a right to be heard.

By in large, the budget is flawed. The economic thinking and logic just does not make sense. And, is there NOT supposed to be some rationale behind projections in the budget?

Consider that some 35% of government revenue comes from duty and taxes on oil and oil products.

If the government succeeds in the effort to reduce the engine size of imported personal vehicles with better fuel efficiency thereby reducing the required consumption of fuel oil is it not reasonable to suggest that there will be a falloff in the tax revenue from fuel oil since the unit tax was not raised?

Is it not reasonable to suggest that by increasing the duty on vehicles that there may be some falloff in the number of vehicles brought in and therefore the amount collected in duty?

We need to grow and stimulate the local economy and spur productivity in a meaningful way. Significant tax hikes is not the answer.

Basic economics tells us that there are four basic factors of production: 1. Land 2. Capital 3. Labour and 4. Entrepreneurship

This budget has proven an all out attack on these key elements of our economy:

Land- This budget serves to make land more expensive and less attainable for the average man through increases in stamp tax payable on conveyances.

Capital – The budget also makes capital more expensive through increases in stamp tax payable on mortgages and borrowings.

Labour – This budget is an assault on labour. The Government intends to cut funding to key educational institutions charged with training and educating our labour force.

Entrepreneurship – The Government has also attacked entrepreneurship through cuts to benefits and concessions enjoyed primarily by Bahamians under the Industry Encouragement Act.

It would appear as though the Government is setting us up to fail with a direct assault on all the factors of production in this hardship budget.

Nonetheless under the present circumstances how does one go about growing the economy? One example I submit for consideration is the monitoring of our own airspace. Our airspace is presently monitored by the Federal Aviation Authority (FAA) of the United States with no economic benefit to us.

In 2009 I suggested that the government establish The Bahamas Flight Information Region (FIR). You attacked me. You did not listen then and based on the Government's track record I doubt they will listen now.

I propose that The Bahamas:

- 1 Repatriates control of its airspace;
- 2 Establishes a Flight Information Region; and,
- 3 Provides air traffic services to all aircraft in its airspace

The primary reasons for Establishing The Bahamas' FIR would be:

1. To provide better air traffic services to aircraft operating in the airspace of The Bahamas' FIR;
2. To develop the national aviation infrastructure;

3. To allow for future increases in air traffic;
4. To create jobs and generate economic activity; and,
5. To generate considerable revenues.

We will be required to approach this in a number of phases. During the construction stage we could continue to use the services of the FAA to monitor our airspace and share the benefits of the revenue with the FAA. When we are fully responsible the revenue potential to The Bahamas will range between \$50 and \$70million with operating costs only representing a fraction of the revenue.

Importantly by employing the services of a skilled service provider the entire project could be 100% self-financed.

This produces many benefits to The Bahamas, including:

- 1 Modernization and expansion of Bahamian aviation infrastructure;
- 2 Safer, more efficient aviation environment;
- 3 Revenue from air navigation charges;
- 4 Economic activity, employment, sustainable development;
- 5 Positive impact on the government's budgetary situation;
- 6 Training and technology transfer;
- 7 Project is self-financing; and,
- 8 Assertion of Bahamian sovereignty.

We owe it to our people's future to invest the time and creativity to establish the Bahamas' **flight information region (FIR)**.

This would provide high level and good paying jobs for more than 200 Bahamians.

The money saved and revenue earned by the Treasury could be used to support social, people oriented programmes. This money could help feed the hungry and educate the young. Now more than ever we need new revenue sources.

This is our asset and at least until properly set up we should negotiate to share in the revenue now being collected by the FAA.

Last year the Prime Minister announced he would employ 2,500 people to clean the sides of the roads in New Providence!

At the time, there were those who suggested that the money involved would have been better spent in providing the same financial assistance to the same people while they were being trained to do jobs which would be required by the government and the private sector in a recovering and recovered economy.

The government did not listen. Today as we are faced with this hardship budget, the Bahamian tax payer wants to know where are the long term benefits?

A few days ago the Prime Minister told the nation that the Government advised Colina that they would only pay them now \$4million of the \$12million owed them. Yet, just two days ago the Prime Minister announced that he was making a \$10 million dollar payment to the port group made up of some of the wealthiest Bahamians after the government has spent millions of dollars building roads and extending Kelly Island just to accommodate this private venture.

If this is supposed to be such a profitable venture why in such difficult times is the Government continuing to subsidise those who can afford it most?

The Bahamian people have provided the land, dredged the harbour extended Kelly Island and paid for road works to the tune of many millions of dollars?

We have practically given them an exclusive interest on commercial shipping into New Providence a monopoly for the next twenty years!

At a time such as this the shipping companies must put their money where their mouth is. The Bahamian people have subsidised enough! The port companies ought to be carrying the bill to construct the new port.

Or as in the case with Colina why can't the Government delay making the \$10 million payment to them?

And I note the intention in this budget to contribute another \$16 million dollars during the upcoming fiscal period! That is a whopping \$26 Million – approximately 25% of the projected budgetary shortfall!

Again we must ask, what are this Government's priorities? Were they elected to serve the interest of the majority of Bahamians or a group of 19 companies – many of them inter-related and several with no record in shipping- at the expense of everyone else?

Perhaps they should disclose the beneficial owners of these companies.

Why not invest these millions of dollars in continuing the employment of the 2,500 people you

hired six months ago and will unceremoniously fire and this time train them to do productive jobs in the construction field so they could be hired by BahaMar or other construction sites?

The government is instead leading the way in adding to the already large numbers of the unemployed.

Teaching people marketable skills would have been so much better.

If the government was seriously involved in the real negotiations between BahaMar and the potential Chinese investors they would have known of the shortage of skills locally to build the resort. We should have made provisions to train and prepare our people.

Now we are faced with a developer who wants to bring in Chinese labourers due to our failure to prepare to take advantage of obvious opportunities. This is but another example of the Prime Minister talking tough but doing nothing!

Why not invest some of this money earmarked for the private development at the port into education, in particular the grants to private schools, the College of The Bahamas and BTVI? Why not provide further assistance to the poor and hungry so that they can live a life of dignity? Why not provide financial support and assistance to Bahamian small businesses and entrepreneurs to truly diversify, revitalise and turn our economy around.

Conventional wisdom is that people consult before making decisions. Our Prime Minister on the other hand unilaterally makes major far-reaching decisions and then tries to clean up the mess caused afterwards.

This approach results in the Ministry of Tourism having to write a letter signed by the Director General of Tourism to hotels on 7th June to confirm that the Ministry will absorb the additional room tax on all bookings made and paid in full prior to June 14, 2010 for travel effective July 01, 2010. There is a prime example, where consultations in advance would have paid dividends. Now the Bahamian tax payer must absorb the additional room taxes. This is not fair.

Tax payers should not be made to pay for the Government's failure to consult stakeholders and carry out its job effectively.

The Prime Minister has announced decisions with regard to reducing parliamentary salaries and denying public service increments which in fact amount to a breach of contract.

In early 2009 I suggested that we should consider a reduction in parliamentary salaries demonstrating the need for the Government and all Bahamians to manage their finances more tightly.

You might recall the derisive remarks levelled at me at the time. Specifically, the Member for Pinewood might want to recall his callous negative remarks or might he now be embarrassed to

recognise that what he thought this time last year was nonsense now makes a lot of sense. What a difference a year makes!

It is not always what you do but how you do it that matters. The Prime Minister failed to consult me or any of my colleagues when deciding to cut our salaries. I wonder if anyone on the other side was consulted. I wonder if the Member for Pinewood was consulted. The reality is that the salary cuts for parliamentarians are nothing more than a public relations exercise to mask the major deficiencies and hardship contained in this budget.

The slightest effort to treat members of parliament with a degree of respect would have found a receptive audience on this side. The Public Service Act requires a process which this House and the Public Service Commission would control but the Prime Minister publicly usurped this responsibility unto himself- again a breach.

The Prime Minister's talk now is 'I am tough and tough times call for tough leadership.' But who is being hurt by this 'tough leadership'? Not the Prime Minister! Even he says that his income, after his announced reduction, will still be more than a generous amount.

When you take away the \$1,875 a month he says he is giving up you realise that he will still be paid a very comfortable salary supported by allowances and facilities and support staff ensuring that he will not have to make any lifestyle changes.

He will have to make do with more than \$120,000 per year or over \$10,000 per month. No one in this place begrudges this salary but the suggestion of sacrifice does not compare with the pain of the unemployed.

Therefore, I suggest that all this talk about reducing his salary and allowances and that of other parliamentarians is but grandstanding- much noise but little substance. If the Prime Minister is serious about cutting unnecessary cost he should reduce the size of his Cabinet.

The salary cuts for 41 parliamentarians for an entire year amount to less than the salary of just one (1) Cabinet Minister. Let go the extra seven ministers you have. We can save some real money which can be used to help feed the hungry.

We have Minister after Minister with responsibility for small Government departments at best. Each unnecessary ministry has to carry the burden of a Minister, allowances, Permanent Secretary, administrative staff, office space etc.

Don't stop with your relatively minor cost saving measures:

Place the department of housing in the Ministry of Labour and Social Development and abolish the Ministry of Housing.

Place the departments of Youth, Sports and Culture in the Ministry of Education and

abolish the Ministry of Youth, Sports and Culture.

Place the department of the environment in the Ministry of Health and abolish the Ministry of the Environment.

Terminate the services of the remaining four supernumerary ministers of State. They have failed to add value.

The Government will then be made up of the Prime Minister and nine other Ministers which number is the constitutional requirement and more than enough to provide the necessary guidance to a competent Public Service.

There are some essential differences between us. You talk the talk of caring about what happens to the needy but you walk the walk of the interests of the privileged.

Those who say there is no difference between the Free National Movement and the Progressive Liberal Party need only review the 2010-2011 budget.

Thousands of unemployed, underemployed and cash strapped middle class now more than ever need their government. Instead you have burdened them with arguably the largest tax increases in the history of the modern Bahamas.

The needs of the dispossessed have been largely ignored.

It must be appreciated that the building of a road can be delayed for a year or two but when you don't feed the hungry they die!

When you don't educate the young they grow up to join the underclass and contribute to the criminal element.

These things can't wait a year or two, there is no going back to fix the negative effects. There is no turning back!

While you reduce desperately required social spending to the needy you plan to spend on capital projects:

1. \$2.5million (item #521400) for a Consultancy Agreement;
2. \$3.5million (item #524600) for the New Providence Road Corridor Program Consultant Fees;
3. \$19million (item 722710) to purchase property;
4. \$16million (item 952020) for the Arawak Cay Port;

5. \$12million (item 731210) for the construction and reconfiguration of Supreme Court Buildings;
6. \$19million (item 741100) for Road construction and airport road Dualling;
7. \$15million (item 741400) for the Q. E. Sports Centre Redevelopment Project;
8. \$1million (item 741703) for bridges;
9. \$1/2million (item 741800) for a Traffic Study; and,
10. \$4.5million (item 781100) for dredging Nassau Harbour and installing Bollards.

You are projecting a capital expenditure of almost \$100million for these items out of a total projected capital expenditure of \$265million.

Did it not dawn on you to consider delaying some of these so you could continue to assist schools as they reasonably expected? Could you not resist the temptation to reduce aid to the poor and needy for food and delay instead the purchase of property?

In short, the Prime Minister has been uncaring. He has sold out the Bahamian people to appease international agencies and a wealthy minority. He has crafted language in his two speeches on this matter to offer comfort. We are not blind. The Bahamian people are not blind. The bitter sting is in the numbers! What sort of humanity places a disproportionate burden on the poor?

This budget is not about people - not average people - instead it only helps those who need no help from the government. The poor, the young, the sick, the unemployed, the underemployed, the ambitious citizen have all been served a dish of rotten food.

The American author John Rohn once wrote:

"The challenge of leadership is to be strong, but not rude;
be kind, but not weak;
be bold, but not bully;
be thoughtful, but not lazy;
be humble, but not timid;
be proud, but not arrogant;
have humor, but without folly."

Right now our nation is crying out for leadership!

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