

Speech Given by  
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Good Morning!

I stand before you as President of the Bahamas Chamber of Commerce, a position I assumed some six months ago.

The Chamber of Commerce considers itself the representative of the private sector and lobbies, as best as it can, to improve the conditions...the environment....under which businesses must operate in this country.

We endeavour to encourage all and sundry, but most importantly the government, to allow business persons to get on, unhindered, with what they know best.....establishing and expanding their businesses.....and we endeavour to diminish any bureaucrat or bureaucratic process that prevents us from achieving this goal.

Now that's the theory....let me now touch on what I know....for I am also an owner of a medium size business that has operated for 40 years in The Bahamas, and currently employs about 80 people. Since I joined my family's company some 15 years ago, Superwash has enjoyed substantial growth and expansion and is undoubtedly the largest chain of self service Laundromats in the country.

But sales in 2007, while up, were only up slightly and it is causing me to fear that we may be on the brink of a downturn. I heard the Minister of Tourism say in the media recently that tourist arrivals are down. I also heard him say that when America sneezes, The Bahamas catches a flu. Obviously, he was referring to the complete melt down of the U.S. housing market and, coupled with the effects of U.S. citizens now

requiring passports to travel, we simply do not expect tourist arrivals, and, more importantly, the stop over component of tourist arrivals to grow....period!

So, with the engine of our economy expecting to slow down, how do we cushion our fall.

### **FOREIGN DIRECT INVESTMENT**

Well, I am sure all of you have heard me speak in the media about the need to get some of these big projects up and running. It's a no brainer really...but, despite the obvious need for action, we have not seen any. Lot's of talk, lots of negotiations.....but no action!

Top of that list is the Bahamar project. This is a huge \$2 billion plus investment in Cable Beach. Not being a part of the negotiations, I cannot for the life of me understand why this project is taking so long to obtain the necessary Government approvals.

The project attempts to revitalize Cable Beach, employ thousands of Bahamians, pump hundreds of millions of dollars into a Bahamian economy on the brink of a downturn, and yet the Government, in its infinite wisdom, continues to negotiate. I fear, that in its attempt, to secure the absolute best best best best best deal.....the fundamentals, the underlying assumptions will change and a frustrated investor will throw up his hands in despair and simply walk away.

If that happens, the effects will be devastating. Cable Beach, which was beginning to look like Bay Street, will not receive the upgrade that it so desperately needs, The Bahamas will miss out on a significant investment at a time when it needs one of this size to cushion any impending downturn, and the message it will send to any potential outside investor (other than those buying a second home) is that The Bahamas is a nice place to live but a utter nightmare when it comes to working yourself through the bureaucratic process necessary to make a significant investment.

I have asked a number of Cabinet Ministers why this project is not proceeding and have been told that there is a fear that Bahamar does NOT have the money to do what it is they intend to do. That is a legitimate concern! You don't want the project to get underway, demolishing buildings, moving roads and causing a major disruption and then grind to a halt due to a lack of funding. But I am sure that there are mechanisms, documents, letters of credit that Governments can obtain to alleviate their concern about this matter.

In addition, the Izmirlians, the family that owns Bahamar, strike me as investors that The Bahamas should attempt to court. They live here, they have their families here, they manage their significant empire from here. They have already invested \$400 million in Cable Beach buying the real estate, upgrading the hotels, funding the initial operating losses. It is also important to note that they used mostly Bahamian companies thus far to carry out much of their upgrades. They are not like Mr. Ruffin, the previous owner of Cable Beach, who drained every dollar he could out of his hotels, ducked and dived from paying utility bills and taxes until the last possible moment, and then sailed out of Nassau leaving behind a run down hotel product and not a care nor concern for the Bahamas in which he had made so much money.

According to the President of the Bahamas Contractors Association, Stephen Wrinkle, 70% of the general contractors on the island are without any major work. In fact Minister Laing was quoted on the news night before last explaining that the increase in the unemployment on New Providence was probably related to the slowdown in construction. According to Paul McWeeney, Managing Director of Bank of the Bahamas, the tight liquidity being experienced by the banking system right now will have to be solved by significant foreign direct investment since tourist expenditures are expected to be flat at best and probably continue on their downward trend.

Once again, I appeal to the Government. Please hurry up and approve this project! It's good for The Bahamas so be bold.....and just do it!

Thankfully, they have approved Albany. Yet, they continue to dilly, dally over the acquisition of the real estate to re-direct the road. I heard Mr. David Davis, Director of Investments in the Office of the Prime Minister on the radio recently explaining the difficulties in acquiring the road. He stated that the Government had taken the land, using its powers of imminent domain, back in April of 2007 and were simply waiting for the necessary paperwork and signatures to vest this land in the name of the Crown, thereby completing the process.

Naturally, the owners of the land want significantly more than is being offered to them and will probably initiate legal action to get what they think they deserve. But that will not stop the government from taking the land and vesting it in the Crown. So, why the continued delay in bringing this process to an end.

My personal belief is that the process of making substantial investments in The Bahamas is becoming more and more difficult and cumbersome. As we enter into what Raymond Winder, Managing Partner of Deloitte and Touche, has described as a probable downward cycle.....when these type of large projects will most definitely become more scarce,..... our government and the bureaucrats that run it are showing us all, what a problem they are!

The approvals process is just too lengthy and administered by persons who don't understand that "time is money." They are clearly overwhelmed by the size and complexity of these new transactions. My suggestion: if you want to remain competitive in competing for the ever scarcer investment dollar, bring Bahamian professionals from the private sector into the approvals process so that they can inject their expertise and sense of urgency into the getting the deal done.

Now, let me switch to the banking sector.

## **BANKING AND EXCHANGE CONTROL**

To improve the competitiveness of our economy, significant pressure must be applied to our banking sector to improve their technological capabilities so that Bahamian businesses can begin to compete with their foreign rivals.

Banks in this country make enormous, some would say, obscene profits. The three Canadian banks (Scotiabank, Royal Bank and First Caribbean/CIBC), for example, make over \$300 million in annual profits in The Bahamas.....not sales... PROFITS! which equates to what the Bahamas Government spends annually on education and the police force combined.

Therefore, these banks should share some of those large profits with Bahamians. Make us owners, not only employees and customers. Do what you have done in rest of the Caribbean where you have sold over 25% of your shares in the local market.

BISX has not had a new offering of shares since 2001. All of these banks have the depth in management that would make them excellent candidates for a stock offering. Commonwealth Bank did it and did so successfully. Their share price doubled in 2007 transferring a considerable amount of wealth to many average Bahamians.

If the government is worried about the drain on foreign exchange as these banks take out the proceeds from their public offerings, then come to some agreement on a timetable on how the money can be repatriated. But give Bahamians, whether they be your staff, your customers or the public at large, an opportunity to share in the profits that you make in this country. Do what you have done in Jamaica and Trinidad and give some additional life, some additional volume to our Bahamian Stock Exchange.

Despite these significant profits, however, I am told that these same Canadian banks have been the reason for the delay in implementing the much talked about Automatic Clearing House (ACH) where banks will be able to settle their payments electronically. This is 2008 and checks

in the Bahamas still take up to 5 days to clear since the check settling process is still done manually.

Also, the implementation of the system that will allow customers of Commonwealth Bank, for example, to pay a business that banks at, say, First Caribbean with the swipe of an ATM card and the entering of a PIN, will now **not** happen until 2009.

Clearing banks.....businesses need these services and need them urgently. Our system of banking still involves too much cash because that still remains the only reliable form of payment. But cash is dangerous to handle and transport and frequently is the main reason for a violent robbery or is the root cause of the rampant stealing by employees.

Also, we need an online banking platform that allows Bahamians to purchase and pay for goods and services from Bahamian businesses online. Would it not be great if I could access Solomon's or Kelly's Online, identify the goods that I wanted to purchase and pay for them with the click of a mouse. No bank in this country would be able to offer Solomon's or Kelly's that service. Therefore, Bahamian businesses are unable to compete with U.S. retailers who allow you to shop online, ship to MailBoxes Etc. in South Florida who then fly it into Nassau for you to pick up from their store nearest you.

Finally, exchange control. You ever wonder why Bahamian businesses, whether they be banks or insurance companies or hotels or restaurants or any type of business for that matter only operate in The Bahamas. The answer is exchange control. The Trinadians, the Barbadians, the Bermudians, the Jamaicans all own a share of our economy, our Bahamian companies..... but we generally own none of theirs.

The government needs to follow through on their pledge to abolish exchange control and allow Bahamian businesses to expand out of the confines of this 24 by 7 island and compete in the global economy without some bureaucrat at the Central Bank, who neither understands their business nor possesses their sense of urgency, deciding whether you can or cannot do it.

Let me switch to the Administration of Justice.

### **CRIME AND THE ADMINISTRATION OF JUSTICE**

Day before yesterday, a young man was shot and killed in the middle of the afternoon on a busy shopping day on the busiest shopping street in The Bahamas.

This a truly shocking. To think that someone would have the nerve to commit such a crime in such a place at such a time is scandalous and appalling.

There was pandemonium on Bay Street and tourists who usually congregate outside The Perfume Shop and Beauty Spot was seen fleeing back to their cruise ships.

While this entire event was a tragedy for that young man's family, The Bahamas was so lucky a tourist was not struck and killed. Could you imagine the negative publicity that would have resulted from such an event. Aruba still has not recovered from the economic fallout that resulted when that young American girl went missing there some years ago.

While there are many causes of crime, I want to touch on the administration of justice and how it is hampering our ability to compete.

According to the Chief Justice, Sir Burton Hall, there are 10 Supreme Court Justices in Nassau spread over 5 different buildings. They employ 200 persons whom he can neither hire nor fire them since they

are considered civil servants. Only three of the courts can accommodate jury trials but there are only two jury deliberation rooms so only two jury trials can go on at any one time. Finally, there are no public bathrooms in two of the three buildings that accommodate jury trials.

In 2006, there were 300 new criminal matters filed, 1,388 new common law, equity and commercial matters, 758 new family matters filed and 741 new applications for probate making a total of 3,187 cases filed before the courts in just one year.

The justice system, therefore, is by all accounts, from the Prime Minister on down, in complete disarray and completely overwhelmed. There are not enough courts. There are not enough judges and magistrates. There are not enough prosecutors. And so on, and so on and so on.

It definitely hampers our ability to remain competitive with other jurisdictions and to say that the Government needs to make this one its top three priorities for 2008 is an understatement.

Why can't our leaders act decisively to rectify this problem. Come up with a plan to make our justice system work. Build the 20 or 30 courts that you need. Hire the judges and magistrates that you need. Hire the stenographers and hire competent well trained prosecutors. Bring in foreigners if you have to. Modernize the system to allow prosecutors to dispense with cases in a more timely manner (i.e. plea bargaining). Think BIG! Do something meaningful and concrete. Do NOT maintain the status quo.

Manifesto 2007 says that the Government intends to “construct a new Supreme Court Complex to provide modern facilities for all persons involved in the judicial process and facilitate the appointment of commercial law judges so as to address the requirements of the financial services sector.”

My only comment on that.....the time is now. Deliver!



Let me switch to Education and Immigration

### **EDUCATION AND IMMIGRATION**

I am glad to see that the Minister of Education is speaking after lunch since I am anxious to hear what he has to say.

It is often reported that the state of public education in this country is abysmal and the national average is a D plus. In fact, the situation is even worse than we first thought. The private sector recently completed a study where they analyzed the BGCSE results of those students that attended the public schools only. (The D plus average is an average of all students attending both public and private schools). What was shocking to all and sundry was the fact that 82%, I repeat, 82% of the students in the public schools taking the BGCSE Mathematics exam had failed and 55% of the students taking the BGCSE English exam had also failed.

Clearly our public education system is in desperate need of a complete overhaul to address this failure rate. We will not be able to compete globally when the educational quality of our workforce continues to worsen with each passing year. The thousands of students that enter the job market annually are clearly ill-equipped to compete in a world that is now demanding workers who can read, write and do simple mathematical calculations and who understand the importance of productivity and ever improving service.

I challenge the Minister of Education to not maintain the status quo. Slash through the idea crushing machinery in place at the Ministry of Education. Implement some of the many tried and proven suggestions on how to fix our very broken public education system. The public, at large, and the private sector in particular want to help solve this crisis. Engage us! Implement (don't just talk about) the magnet schools that offer specialized courses and curriculum. Also, look at privatizing some of the public schools. Clearly, private schools yield better results..... so allow educators from the private schools in conjunction

with the churches to take over one or two of the public schools and start us down the road to making a difference!

Immigration is a difficult balancing act. On the one hand you have the xenophobic Bahamian public who feel that the country is awash in foreigners who are slowly taking over and The Bahamas is losing its unique personality. And then you have the Bahamian businesses complaining that they can't find competent workers especially those at the supervisory/middle manager level, so essential to the growth and expansion of their businesses.

While I must commend Minister Elma Campbell for her proactive approach in tackling this vexing problem, she still has been unable to commit to a specific time frame of how long it will take from when the Department of Immigration receives a completed application to when you as businessperson will receive a yea or nay. It would be great if, when your completed application was received, the Department of Immigration would give you a specific date, say 20 business days hence, of when you could hear back.

To remain competitive, this type of specific response period by the Department of Immigration is crucial. Right now, a businessperson goes out and recruits, finds someone, makes him or her offer, and then must tell that individual to wait under their Work Permit is approved. When asked how long they must wait, the businessperson can only shrug their shoulders and say, I don't know. Given the uncertainty, many individuals simply accept offers from other employers leaving the Bahamian business person to start the process all over again and naturally leaving him or her at a distinct competitive disadvantage.

My final topic is Energy.

## **ENERGY**

During 2007, the cost of a barrel of oil in the world markets increased from \$60 at the beginning of the year to \$100 at the end of the year – an increase of 67%.

During 2007, the cost of a gallon of propane (or cooking gas) on the spot markets increased from 92 cents at the beginning of 2007 to \$1.62 at the end of 2007 – an increase of 76%.

To reiterate, Oil went up 67% and propane went up 76%.....all in one year!

The government responds by saying we need to develop a National Energy Policy. Then I read that they are presently recruiting individuals to sit on the committee to begin the process of developing a National Energy Policy. You know that when the private sector hears stories like this, there is much rolling of the eyes and thoughts of “here we go again.”

Read Manifesto 2007! That in my opinion, should be the Government’s abbreviated National Energy Policy. Featured prominently on that list is the desire to provide incentives for the use of solar power. The Bahamas is awash in sunlight, experiencing 7 hours of sunlight, on average, per day.

I encourage every Bahamian businessperson to start the process NOW of exploring the technology necessary to convert solar power into electricity and installing the necessary equipment that would allow any surplus solar power that your company may generate to be sold back to BEC through reverse metering.....for a credit on your electricity bill, of course.

BEC should be directed NOW to start the process of allowing individuals to install these reverse meters and then provide them with a credit for any electricity they sell back to the grid.

Barbados' government had the foresight to implement a National Energy Policy many years ago and now every home and many businesses, including hotels, are equipped with solar powered hot water heaters and many construction projects now incorporate solar panels into the walls of the buildings.

Superwash is an energy HOG so trust me when I say that more and more of our company's profits will be eaten up in higher energy bills and more and more of this country's foreign reserves will be expended importing oil.

Don't wait for government! Get going now! Or you will soon discover that the only way to remain profitable is to increase prices, therefore, eliminating any competitive advantage you may have had versus a competitor either here in The Bahamas or in another competing jurisdiction.

## **CONCLUSION**

To conclude, I would like to present my wish list for 2008.

First, the Government approve Bahamar and other large people intensive projects to cushion any downturn that may come about as result of a faltering US economy.

Two, one of the Canadian bank sells up to 10% of their shares to the Bahamian public.

Three, the Clearing Banks Association finally implement the ACH system as promised.

Four, exchange control is further dismantled.

Five, the government begins the construction of a Supreme Court Complex and sets up a specific court to deal with commercial matters.

Six, the Ministry of Education does something, anything to arrest the declining quality of the thousands of students that graduate each year.

Seven, the Department of Immigration tell us that it will take no more than 20 business days to approve or decline a completed Work Permit application.

Eight, BEC will allow reverse metering to encourage businesses and individuals to generate their own electricity using solar power and sell any surplus back to the grid.

There you have it ! My eight achievable goals for 2008 that will go, in my opinion, a long way to allowing the Bahamian economy to remain vibrant and competitive over the next 12 months.

Happy New Year and Good Morning!