

Budget Contribution
Rt. Hon. Perry G. Christie MP
Farm Rd. & Centreville
Leader of the Official Opposition

Thursday 10th June, 2010

Mr. Speaker,

I rise to make my contribution to this year 2010 - 2011 Budget debate and in so doing complete the contributions of the Progressive Liberal Party Members of the Official Opposition.

I would once again thank the good people of the Farm Road and Centreville Constituency for their support.

Mr. Speaker,

From the outset, I would wish to state that whilst we come from different political organisations and in some instances, share different philosophies, all of us in this Parliament ought to be uncompromisingly committed to ensuring that our democracy remains dynamic and sustaining; operating on the basis of mutual respect.

Mr. Speaker,

The Progressive Liberal Party believes that public policy must encompass and accurately reflect the collective will, desires, hopes, dreams, and sensibilities of the Bahamian people.

It is also of paramount concern to the people of this country that we are all engaged in protecting and promoting their best interests. That is why we have characterized the central tenet of our philosophy by insisting that people must be valued above things and balance sheets.

CRIME

Mr. Speaker,

There are many misjudgments, omissions and missteps in this Budget; and I will deal with many, if not each, in their turn. But right now, as we sit in this Parliament we are, all of us and everywhere, under attack from this adversary called crime. And that is where I begin.

Thomas Jefferson, the fourth President of the United States, said, "***The care of human life and happiness and not their destruction is the first and only legitimate object of good government***".

Mr. Speaker,

My Government, faced with the very same challenges confronting the FNM Government today, implemented a plan for a major effort against crime and the fear of crime.

The plan consisted of providing the Royal Bahamas Police Force with the necessary resources; Prison Reform, Urban Renewal, School Policing and National Youth Service. We continue to feel that for the fight against crime to be successful, the areas covered in our plan must be addressed.

On Saturday evening, a young man was gunned down in Deveaux Street, just down the street from Our Lady's Catholic Church and a few feet from the front door of his home. This is in the constituency of Farm Road.

On the next day, Sunday, at a funeral service that I attended just prior to my visiting the family of the young man, I repeated a verse from the Book of Psalms: "As for a man, his days are as grass; as a flower in the field he flourisheth. For the wind passes over and it is gone; and the place thereof shall know it no more."

The young man in Deveaux Street, like the many young men from Milton Street, Peter Street, Brougham Street, Strachan's Corner, McCollough Corner and other corners and streets in the Farm Road and Centreville constituency - all of them; too many of them from all over New Providence and Grand Bahama are no more; for "the wind passes over and it is gone; and the place thereof shall know it no more."

As on other occasions of wanton loss of life, I visited the scene; met with the family and spoke with people in neighbourhoods whose souls are being drained by the constant presence of extreme violence leading to death. They continue to ask, "When will it all stop? When will it be over?" As their Member of Parliament, I can refer to the fact that the Police have indicated that they will add more patrols; they promise to 'keep the area hot'.

But the people won't pay much attention to that because they know that even though patrols have been added in other streets; the killings go on.

Mr. Speaker,

Too many young people are losing their lives in their communities. There is a chilling and compelling urgency for special community initiatives to be put in place just to save as many lives as we can. It is simply not good enough to hide behind the self-serving conventional saying politicians and political parties are not responsible for crime.

In fact and in reality, political leaders and more particularly the Government of The Bahamas ought to be working around the clock to design and effect means

of curtailing and minimizing the mayhem that is taking place in these communities. Clearly, there must be another dimension of policing brought to bear, more than just business as usual.

The Police are doing the best that they can under their existing directives. But to whom can the public turn? Who can solve the problem of crime, if not the Government?

What should we think when the Government is seemingly helpless and bereft of effective strategies to mitigate or minimise this march of uncontrolled violence in our communities?

At the funeral service of a student who was gunned down, I indicated to the Minister of Education and his officials who were present, that there was a great need for the agencies of the Government to educate themselves on the culture of the streets. Because, through knowledge of what is going on, new and relevant initiatives can be taken.

Undeniably, there is a growing culture of violence that is relentlessly sapping will of communities to resist.

Mr. Speaker,

I am of the view that unless a new and dynamic strategy of community policing similar in nature to the community policing programme that the PLP Government left in place is employed, we will not have the results that we want and that the society needs. It was a vital component in the fight against crime and the fear of crime.

Despite all this Government's negative talk against the PLP's Urban Renewal programme, my Government believed that the Urban Renewal Programme played a crucial role in enabling the identification of young people at risk. We acted upon the advice of experts that unless at-risk young people were identified and impacted by such a programme, whether sponsored by Government or otherwise - there was the danger of their losing hope and becoming entrapped in anti-social behaviour and even crime.

Thus, the objective of the programme was to move young people away from a life that would bring them ultimately into conflict with the Royal Bahamas Police Force. That is why the programme that we implemented was a police led programme. I will continue to commend for the attention of this House that the then Archbishop examined and described the programme as "very possibly the most important social programme undertaken by any Government since Independence". This programme was acclaimed throughout the region and by police associations around the world.

It was specifically designed to be a police-led programme, supported by the other agencies of Government and intended to transform our communities by persuading the people of the communities to become directly involved in the promotion and protection of their own security and well-being. It is my view that if honest verification had been sought as to the impact and value to the community of Urban Renewal, it would have been continued and perhaps even improved by the Government that succeeded us.

Mr. Speaker,

There is simply too much pain; too much anxiety; too much confusion as a result of not having such a programme in our communities. How many young people must die before the Government understands the great potential for success of a programme by whatever name it is called? A programme that has the leadership capable of persuading a community to commit itself to a process leading to a complete understanding that it could minimise crime and the fear of crime through collaboration and co-operation with community policing.

The Government should know that police officers who were assigned to the programme were very familiar with the areas in which they operated, knew the people in their communities and were otherwise specially qualified to lead the programme.

Mr. Speaker,

I sincerely hope that those who were critical of the programme because of their failure to understand its import and the impact that it had in assisting people to reconstruct their lives and neighbourhoods will review the programme and reconsider.

I commend a relevant quotation from Dr. Martin Luther King Jr. for your consideration: *"When an individual is no longer a true participant, when he no longer feels a sense of responsibility to his society, the content of democracy is emptied. When the social system does not build security, but induces peril, inexorably, the individual is compelled to pull away from a soulless society. This produces alienation, perhaps the most pervasive and insidious development in contemporary society."*

Mr. Speaker,

It is that alienation to which Dr. King's quote refers that concerns me most. That is why I continue to urge the Government to employ this new dimension in their strategy against crime. In any event, it is for me to advise that we are proceeding in the belief that we will be given another opportunity to serve the people of this country. In such an event, the people will have the complete assurance that a Progressive Liberal Party Government will reinstate an improved version of this internationally acclaimed Urban Renewal Programme as a part of our overall strategy in the fight against crime.

Budget of Misjudgments, Omissions & Missteps

Mr. Speaker,

Turning now to the strategic implications, of this Budget of Misjudgments, Omissions & Missteps; the FNM is placing the full and complete blame for the economic woes that the Bahamas is experiencing today on the global economic slowdown and particularly on the US economic slowdown sparked by the sub-prime mortgage crisis.

While The Bahamas, with an open economy will be affected by global economic events; it can be demonstrated that the FNM through its actions in some instances and inaction in other instances, contributed to worsening the situation and removing any possible buffer that would cushion the impact of global events on the Bahamian economy.

We have been criticized in the PLP for being critical of the governing FNM and challenged to articulate a better alternative and to somehow prove that we could do a better job in managing our economy in these challenging times.

Mr. Speaker,

I will rise to that challenge.

My Progressive Liberal Party administration put in place a carefully and methodically crafted economic programme that was designed to grow the Bahamian economy in such a way that the benefits of this economic growth would be shared by all Bahamians.

Critical to the plan was the ability to attract Foreign Direct Investment that would expand and upgrade the tourism infrastructure, create quality, well paying jobs in the construction phases and in the operation of the properties when completed and open up opportunities for Bahamian entrepreneurs. In this way, Bahamians would truly have the opportunity to become owners of the economy.

The PLP recognized that the infrastructure needed constant attention and that the economy needed to be kept primed until the FDI projects came fully on

stream. That is why the PLP administration entered into capital works contracts for the building of a new straw market, schools, roads and seawalls throughout the Bahamas.

These things were necessary to stimulate the economy and to improve the quality of life of Bahamians. All of these projects were properly and legally entered into by the Government of The Bahamas under the PLP.

To effectively attract FDI, the PLP established the Ministry of Financial Services and Investment. Its mission was to seek out investors and negotiate the best possible deals for the Bahamas. That ministry also had responsibility to ensure that our financial services industry remained on the cutting edge and did not fall further behind the competition.

We had seen The Bahamas lose much business as a result of the financial services legislation pushed through parliament in the year 2000. The ministry also served as a training ground for Bahamian professionals in the areas of negotiation, structuring of transactions, environmental assessment etc.

The ministry was very successful; attracting \$20 billion in FDI during the period 2002-2007. These projects were in various stages of implementation when the PLP demitted office in 2007. Over \$420 million in contracts was awarded to Bahamian contractors during the period 2002-2007.

The construction industry thrived because of FDI and the PLP's policy of encouraging residential construction by building affordable homes. Between the years 2002-2007, over 1300 affordable homes for Bahamian families were built. The PLP further caused robust growth in the construction industry by promoting construction of homes by the private sector. Within its first six months in office, the PLP passed the stamp tax exemption for first time home buyers for homes valued at 250,000 or less. The aim of the programme was to make home ownership more affordable by eliminating the stamp tax that in some cases was as high as \$10,000.

This programme was very successful with well over 1500 persons receiving approvals for the stamp tax exemption during the time the programme was in effect. The PLP put this programme in effect for five years in the first instance with the intention of reviewing its effectiveness in promoting home ownership. This is not unusual. There are many examples of tax exemptions being put in place for specified periods so that the government may assess its effectiveness and make any necessary changes before renewal.

The stamp tax exemption was very successful and the PLP intended, in its second term, to raise the ceiling of home values to \$400,000 in order that more families could benefit. When the programme expired on December 31, 2007, the

FNM failed to renew it. This dealt a severe blow to the residential construction industry. When the FNM, under severe pressure from the real estate and construction industry, renewed the programme in July 2008, the damage had been done.

In order to promote Bahamian entrepreneurship and thereby spread around the benefits of a growing economy, the PLP made available funds under the Venture Capital Fund. This Fund was designed to be flexible in providing funds to either start up businesses or for business expansion. By resolution passed by the House of Assembly on 29 June 2005, the Bahamas Development Bank was authorized to raise an additional \$25 million to lend to Bahamian businesses. The Domestic Investment Board was established to remove bureaucratic red tape and make it easier for Bahamians to go into business.

This is some of what the PLP did for the economy of The Bahamas. These actions are still applicable today and I commend them to this Government.

Of late, there has been a lot of discussion of the cause of the economic crisis facing the Bahamas and what if anything the government could have done to avert this crisis or to cushion its impact on the Bahamas economy and by extension, its citizens. The FNM says that the crisis facing the Bahamas was totally unavoidable. I will attempt to demonstrate why this is not the case.

There were things that could have been done to cushion the Bahamas from some of the impact of the global financial crisis.

The Central Bank of the Bahamas compiles data on the economy of the Bahamas. It issues regular reports on the economy of the Bahamas. These reports are used by government and the private sector to obtain historical economic data and to forecast economic performance. It is required reading for policy makers and leaders in commerce.

The reports provide signals about where the economy of the Bahamas is headed.

Going back to late 2006 and moving forward, the Central Bank of The Bahamas in its quarterly economic reviews repeatedly stressed three themes:

'Tourism was softening';

'Construction, including residential construction was healthy';

'FDI inflows were boosting the economy and making up for the tourism slowdown'.

For example, here are some excerpts from some of these Central bank reports :

"Indications are that the strengthening in the Bahamian economy observed in

the first half of the year was maintained during the third quarter, reinforced by strong consumer demand. Construction output also expanded as bank lending supported increased housing investments; however, weakness in both air and sea arrivals suggested a softening in tourism output"

Central Bank Quarterly Economic Review September 2006 page 1

"Preliminary evidence suggests that economic activity remained positive during the fourth quarter, buoyed by steady growth in construction output and domestic demand, which offset weakness in the tourism sector."

Central Bank Quarterly Economic Review September 2006 page 1

"Preliminary data suggest that the economy's growth momentum moderated somewhat during the first quarter, as evidenced by a slowing in tourism output and consumer demand. However, key drivers of growth continued to be foreign financed projects in the tourism sector and steady residential construction investments."

Central Bank Quarterly Economic Review March 2007 page 1

"Preliminary data for the second quarter of 2007 indicate that the Bahamian economy expanded at a more moderate pace, compared to the same period a year earlier, based largely on weakened tourism output and reduced growth in consumer demand and tempered foreign investment inflows"

Central Bank Quarterly Economic Review June 2007 page 1

"Preliminary information suggests some moderation in the rate of expansion in the Bahamian economy during the third quarter of 2007 as construction investments slackened,..."

Central Bank Quarterly Economic Review September 2007 page 1

For policy makers in the new FNM administration, in order to keep the economy growing, the path as evidenced by the Central Bank reports quoted above was clear:

1. Pay attention to tourism
2. Keep construction strong
3. Keep the FDI inflows coming

[While Foreign Direct Investment is a major engine of growth in our economy, we recognize the crucial importance of encouraging investment by Bahamian entrepreneurs, not only as a significant growth factor, but also as a means of Bahamians exercising control over their own economic destiny.]

What did they do instead?

Ignoring advice, they delayed additional funds for tourism promotion during a

time when tourism was softening. They refused our advice to ratchet up their marketing efforts. When additional funds were allocated in February 2008, the damage had been done. There are also questions about the effectiveness of the marketing programme purchase with the additional \$12 million allocated in February 2008 and whether the money was well spent.

The FNM failed to renew, effectively canceling, without explanation, the stamp tax exemption for first time home buyers for homes value \$250k or less. This was clearly a disincentive to residential construction and to the real estate industry. Many people complained bitterly. According to the Central Bank reports cited above, construction was keeping the economy growing while tourism was weakening. When the stamp tax exemption was reinstated by the FNM in July 2008, the damage had been done.

The FNM cancelled or delayed tens of millions of dollars in duly awarded capital works projects. By so doing, the FNM undermined confidence that a deal with the government is a deal. Removing and delaying these capital works also dealt a blow to the economy. Recently the Prime Minister announced that he was fast tracking some of these same capital works projects to stimulate the economy. This is a belated admission that the PLP had it right!

They delayed and undermined investors and created the impression that some were not wanted.

Speaking about prospects for the Bahamian economy Hubert Ingraham in his mid-year budget statement said this:

"I should also mention in this context the Standard & Poor's report on the Bahamian economy. That report noted the downturn in tourism arrivals in the first 9 months of 2007, bearing in mind that tourism contributes 60% of GDP, suggested a shrinking in the construction sector which accounts for 10% of GDP, and also suggested that the financial services sector, which accounts for 20% of GDP, could be adversely affected by the global crisis in the financial markets.

"While, we note with concern the views of Standard & Poor's, framed as they are in the general context of a US and global downturn which is not yet certain, we are not yet persuaded to downgrade the growth rate, in view of the fact that it was not a particularly dynamic rate in the first instance. As regards the individual sectors, we believe that tourism performance is below expectation, and we are going to address this issue decisively by allocating additional funds for tourism promotion. However, we also believe that the construction sector will perform more strongly than the report suggests.

"My Government has chosen to take a balanced view of the likely growth prospects of the Bahamian economy in 2008. The current outlook for strong capital inflows into productive projects already underway may not be seriously affected by global or U.S. developments in 2008 and 2009.

"This could give rise to what we consider would be a certain element of 'decoupling' between the performance of the US and Bahamian economies in 2008. By this I mean that while normally the health of our tourism sector, and therefore our economy, is heavily connected to prevailing conditions in North America, in 2008 matters might be a little different. This is because even if there is a more severe recession in the US in 2008, the capital inflows and the momentum of some of the major investment projects in The Bahamas will partially compensate."

He admits that world recession does not automatically translate to recession for the Bahamas. He must tell us what happened to each investment project and why they were delayed.

In conclusion, the global economy does play a significant role in our economic fortunes due to the open nature of our economy. However it is evident that through their inaction in some cases and reckless action in others, the FNM undermined the economy of the Bahamas and contributed greatly to the misery being experienced by many thousands of Bahamians today.

They cannot completely escape blame.

SUGGESTED SOLUTIONS

Mr. Speaker,

I will now present some of the suggested solutions, which I promised earlier in answer to those who challenge the Opposition to articulate a better alternative.

In seeking to get The Bahamas out of this economic recession, the Government is relying entirely on purely fiscal policy; that is controlling spending and raising taxes.

The provisions of this Budget are painful, particularly so for the small man in our society:

Among other taxes raised, we have:

- An increase in taxes on automobiles; which will only result in fewer cars being

- sold, and quite possibly a reduction in the amount of revenue realised;
- An increase in motor vehicle fees;
 - An increase in the stamp tax on real estate transactions, which will make it more expensive for young Bahamians to afford real property;
 - An increase in the departure tax and;
 - An increase in hotel room tax; which will increase the operational cost of tourism and make us an even more expensive destination when compared with our competitors - this will be a decided disincentive for tourists to choose us...

Spending reductions in this painful Budget include:

- The freezing of all increments and promotions for public servants;
- A reduction in contributions and grants to charitable organization, which are already experiencing increased pressure on their resources in these troubled times.
- A reduction in subsidies to church-run schools, which will see even more students migrating to the public school system; I will show later in my remarks how this is a self-defeating posture that makes no economic sense; and
- A Reduction in mail boat subsidies, which will only serve to drive up the cost of living for those of our brethren resident in the Family Islands...

We note that there is a provision in this Budget of \$16 million for the Government's cash contribution to the Arawak Cay Container Port.

We wonder whether this contribution could have consisted of the land use, the permissions and licenses and perhaps the sea-bed lease, thus freeing up this same \$16 million dollars for easing the blows in this budget to contributions to charitable organizations, mail boat subsidies and grants-in-aid to church-run schools.

These increased taxes and reductions in spending have already caused serious alarm and promise to cause untold pain.

Mr. Speaker,

I characterize the use of only fiscal intervention as one of the major misjudgments of this Budget of Misjudgments, Omissions and Missteps. It is only one tool. What about the intervention of monetary policy? The Government should begin a dialogue with the monetary authorities with a view to determine from them whether a reduction in interest rates might be beneficial as an economic catalyst in these circumstances. Specifically, a reduction in the prime interest rate from 5% to 4.5% will accrue some \$20 million in cost savings to the government. This represents a better alternative to the proposed tax hikes and budget cuts by the government.

Lower interest rates would lower the cost of borrowing money to businesses; it would lower the cost of Government debt; and most importantly for the public, it would lower the cost of money that the everyday person spends to service their mortgage. Any concerns about runaway credit can be allayed with the imposition of prudent credit restrictions in striking the correct balance.

The Government should conduct a proper analysis of the composition of the total Government debt, with a view to undertaking measures to realize cost savings.

Mr. Speaker,

We were asked for ideas and we have shared them; shared them freely in the interest of all. We have said what we believe and described what we did while in Government. Our economic policies when we were last in office have been largely successful.

Let me summarize some of the economic achievements of my administration.

- Foreign Direct Investment inflows, actual and pending, on levels not achieved in any previous sustained period in the economic history of The Bahamas since Independence; and far in excess in relative terms of anything experienced or likely to be experienced by any other Caribbean country.
- Steady reductions in the GFS deficit.
- The containment of the growth in Government debt.
- An increase in the ratio of recurrent revenue to GDP to over 20% of GDP on the basis of economic buoyancy and improvements in revenue administration AND without any increase in the tax burden (by either increasing existing taxes or implementing new taxes); indeed major concessions were made on real property tax in the Government's first year in office.

- Substantial pay increases for everyone in the public service, including the uniformed services.
- Fully adequate expenditure provisions for all essential Government services in each year's Budget during our term in office.
- A steady decline in the rate of unemployment.
- Steady economic growth throughout our term in Government.

JOBS

Mr. Speaker,

The pressing issue now facing the Bahamas is the creation of some 40,000 to 50,000 jobs over the next four to five years. This is critical because without the ability of a man or woman to meet his or her basic needs and those of their family, they can quickly lose their dignity, they can quickly lose hope, and this eventually leads to social instability, which adversely impacts all aspects of national life.

What is the Government's plan for the provision of jobs? Thousands of Bahamians have lost their jobs throughout the economy. By July of this year, some twenty thousand students would have graduated from high school, then there are those who are graduating from colleges and universities. What plan do we have for them? Yet again, the Government's Budget has said nothing to the returning college graduate; to the students who are graduating from the College of The Bahamas or the thousands who are graduating every year from high school.

I am to acknowledge that we have heard that the Kerzner organisation will create four hundred jobs and that BahaMar and some other significant touristic investment may come about. Surely, the Government must regard the issue of job security for these thousands who are unemployed and continuing to join the list of unemployed Bahamians and should have some service in place that would enable them to efficiently manage this critical issue. The Government must not ignore this issue. It impacts our future security. And every effort ought to be made to protect the integrity of our young people through providing relevant training and workable job options for them.

When I spoke during the 2009 - 2010 Budget Debate, I reminded the Prime Minister that in his Budget Communication of 1993 -1994, he had established a working party to report to the Ministry of Tourism "on methods of generating more employment in the tourism industry by strengthening economic linkages

between other sectors of the economy and tourism". I take this opportunity to endorse the detailed and specific recommendations put forward by the Member for Bain & Grants Town, for the creation of up to ten thousand jobs in the Agriculture & Fisheries sectors. There must be a continuous national conversation on the strategies available for job creation, so that the entire country can come to understand the very real and growing challenges standing between us and a safe and secure society.

I had hoped that the Minister of Education would have focused more on the preparation and commitment of the College of The Bahamas, the Bahamas Technical and Vocational Institute to conform their curriculum to the future needs of the economy of our country, similar to his advice that the College is preparing to offer new programs in maritime studies. Where are the specifics?

Given our natural resources, it would follow as detailed by the Member for Bain & Grants Town, that additional training must be directed to the Agriculture and Marine sectors.

Mr. Speaker,

The traditional areas of employment for the economy of The Bahamas are tourism, financial services and construction. We know that the tourism industry is trying to do more with fewer people. We also know of the uncertainty surrounding the financial services industry. The Bahamas must, as a matter of necessity, therefore, develop a resolute commitment to the diversification of our economy, primarily through the establishment of linkages to the tourism industry. This is all the more important because The Bahamas, when last I checked, leads the region in terms of leakage rates; 85 cents of every tourism dollar is lost or spent on importing goods and services, vital to sustain the industry. We have been grappling with these leakage statistics for years, but now, absolute necessity dictates that we aggressively address this issue.

That is why we must pay particular attention to the compelling case made by Member for Bain & Grants Town for the creation of thousands of sustainable jobs through agriculture and agribusiness.

New Employment Opportunities

Mr. Speaker,

The Bahamas is connected to the USA and the rest of the world by four fibre optic submarine cables (Bahamas II, ARCOS I and two BICS cables}. There are fibre optic cables running the length of each major Bahamian Island. Fourteen of the major Islands {New Providence, Andros, Bimini, Grand Bahama, Abaco, Eleuthera, Exuma, Crooked Island, Cat Island, Rum Cay, Mayaguana, San Salvador, Ragged Island and Inagua) are connected by fibre optic submarine cables. The Bahamas also has the only fibre optic submarine cable to the

Republic of Haiti with a population of 8.4 Million.

From 2002 - 2007 I am advised that BTC spent approximately \$350 million on capital development.

This platform allows for the implementation of a

- (1) A National e-Education program,
- (2) National e-Medicine Program
- (3) e-Government program
- (4) e-Commerce program.

Even more than that, this communications infrastructure allows The Bahamas with the requisite training of individuals the ability to create new jobs through the establishment of Call Centres, similar to those in others areas of the world.

Financial Services

Mr. Speaker, with your indulgence I would like to make a few comments on the Financial Services Industry, the challenges it faces, and what we ought to be doing to mitigate these ongoing challenges.

- 21 TIEAs signed to date.
- Jurisdictions include the United States, the United Kingdom, People's Republic of China, Spain, Australia, New Zealand, Argentina, France and the Nordic Countries
- Only the TIEA with the United States currently in force.
- Now that the Bahamas is off the Blacklist, what do we have to do next?
- The OECD "white list" is the category of substantial implementation only.
- The TIEA's signed by The Bahamas in 2009 must be brought into force and effectively implemented in order to meet the OECD standard.
- 12 TIEAs represents the current minimum standard established by the OECD and G20 and is subject to change.
- There is on going peer reviews of implementation.
- Is The Bahamas still considered a "tax haven" by the OECD?

How do we mitigate ongoing challenges faced by the industry? Our advice is that these are some of the things we should be doing.

- o Establishment of a commercial court dedicated to hearing private wealth and commercial matters.
- o Restructuring of requisite regulatory agencies and the augmentation of their human and technological resources.
- o Accelerate the establishment of a single regulator/ministry to address

financial services matters with a clearly defined mandate, policies and procedures.

- o Reorganization of the personnel, policies and technological infrastructure of the Companies Registry.
- o Focus on increasing the size of the pool of multi lingual Bahamians with international experience.
- o Renewal of international marketing efforts.
- o Bahamas remains a premier offshore financial services industry but faces increasing challenges from jurisdictions such as Barbados, Cayman and the British Virgin Islands.
- o Elevation to the OECD "white list" is no panacea and continued pressure from the OECD and G20 should be anticipated.
- o Short term goal must be:
 - Aggressively market our financial products and services overseas.
 - Ensuring that public institutions are retooled, reorganized and adequately resourced to enable the consistent delivery of first class products by the private sector.

EDUCATION

Whilst I am on the subject of the College of The Bahamas, the Minister of Education obviously thought it important to make the point that the FNM Government is now giving more money to the College of The Bahamas than the last PLP Government did in its term in office. Surprisingly, he actually accused Members opposite (that's us) of "simply talk" while we rely on them to make things happen. The Minister of Education could have and should have said that when the PLP appointed the new Board for the College of The Bahamas, the Board commissioned a special audit of the College's bank accounts and discovered that the College of The Bahamas had fourteen million dollars in bank accounts that the administration seemed not to know about. That fourteen million dollars was used by the Board of the College of The Bahamas to purchase and renovate the Michael Eldon Building, amongst other worthwhile uses and purposes. So, in effect, the good works of the Board whom we appointed enabled the College to virtually exist on its own funding.

On behalf of my colleagues, I would wish thank College of The Bahamas President Janeen Hodder for accepting the appointment and making an outstanding contribution towards the College attaining university status. She has done an excellent job. Any history of the College will remember her well in the years to come.

SCHOOL DISCIPLINE / SECURITY

Mr. Speaker,

School violence has continued to be a vexing problem and it has now risen to intolerable levels. When my Government examined this issue, we also recognized that the behaviour of our children is influenced by the behavioural patterns of adults to whom they are exposed. We were presented with a wide array of weaponry taken from school children. To ensure that the environment in the schools was safe, we introduced the concept of school policing.

We knew that it was only a matter of time before serious and life-threatening incidents occurred within the school environment. We invited the Commissioner of Police to assist in the training of a special cadre of officers, who would meet a special set of requirements to effectively conform with the culture of secondary schools in helping to make the environment safe for students. Reliance was placed on the training capacity of the Force to adequately prepare these officers for their work.

I am in complete disagreement with the Minister when he said, "school policing in The Bahamas... is a myth that should be permitted to die a quick death".

Mr. Speaker,

I have personally had the benefit of reading the reports of incidents in the various schools after the establishment of school policing. At all times, I felt that it was the right decision, because it was intended to prevent incidents similar to what have since taken place in the schools. Stabbings! Riots! Murder! All these things have taken place in our schools since my Government's school policing programme was exposed to the FNM's destructive policy of stop, review and cancel.

It is for me to say that it is imperative that whatever the Government has replaced school policing with, it must work. The potential for violence in our schools is real.

The Minister has said, "where students engage in violent conduct and they do not fall within the scope of the profile for alternatives schools, they will be expelled". What I would like the Minister to advise the Bahamian public about is, what happens to the 13 or 14 year-old who is expelled in those circumstances? Where does he or she go?

What this government is in fact doing, is transferring a problem for society that could have been handled in a controlled environment out onto the streets.

Let me say again that the Urban Renewal Programme that we introduced was to ensure that in such circumstances we could track the problem child through the school back to the community and address in a proper and comprehensive fashion the challenges faced by that child. It was for this reason that we created a National Youth Service Programme, based in Andros, to deal precisely with issues of this kind. Again, the FNM's destructive policy of Stop, Review and Cancel has stopped that too.

In a sentence - Mr. Speaker - we must dedicate resources to embrace a stronger philosophy of preparing our youth for the future.

My colleagues, in responding to the Budget Communication, have all been critical of the reduction in the subventions to be paid to independent schools. The details of this folly have already been laid in this House during the contribution of the Member for Bain & Grants Town, who demonstrated how this decision would hurt education.

But, Mr. Speaker, the plain case is this. No matter how you cut it, whether across the board as a total reduction, the specifics of which are left to the Ministry or any other way; someone is going to be left short. As a simple mathematical calculation; if you divide the budget of the Ministry of Education budget by the number of public school students, the Government would expend more than five thousand dollars per student, per year for each student in the public schools.

Compare this with the calculated figure of a contribution of just over seven hundred dollars per student per year that has been cut from the subventions to the church-run schools. Let us assume that a possible bottom line to these cuts is that a parent may well have to withdraw a student from his church-run school and send him back to the public school. This would be a net loss to the Government of more than four thousand dollars, per student per year for each student that has to leave the private school and be educated in the public schools.

We reject the logic of these cuts and urge the Government not only reverse them, but also to amend the regulations that limit the amount that the Government can legally donate to grant-in-aid schools to \$5 million and increase it to a more realistic and appropriate sum.

Bahamas Telecommunications Company (BTC)

Mr. Speaker,

The FNM met a negotiated position for the sale of 49% of BTC for \$260 million

on the table when they came into office. Instead of completing the transaction, the elected to cancel and to seek other buyers in a new privatization effort, which has so far been unsuccessful. Clearly, such a sale would have been to the advantage of BTC and The Bahamas.

PROPOSED CUTS IN PARLIAMENTARY SALARIES

Mr. Speaker,

In his communication, the Minister of Finance indicated that he had decided to take a cut in his salary as Prime Minister, in his Parliamentary salary and in his duty allowance. These cuts would amount to 16% of his salary. He also indicated that he would cut the salaries of his Ministers by what amounts to 7.3% and that of Members of the House and Senate by 5%.

His suggestion was that we should all "sacrifice" as he was also imposing a salary freeze upon members of the Public Service, which would include a freeze on increments and on promotions.

Mr. Speaker,

I took umbrage at the fact that the Prime Minister would arrogate unto himself the authority to make and impose such a measure without even the courtesy of discussing it beforehand with Parliamentarians, or at least with me as Leader of the Opposition.

Further, Sir, I think it is disrespectful that the same would be imposed on Members of the Senate without notice, especially having regard to the fact that the Senators will not have the opportunity to debate the matter and vote on it, whether they support it or not.

Mr. Speaker,

It is worthy of note that the salary which Members of Parliament are receiving at present in 2010 is the same salary as they have been receiving at least since 1987, except for a period of years in the 1990s, when the Prime Minister reduced it before.

In my opinion, the reduction was a public relations exercise then and it is a public relations exercise now, because the sums of money saved as a result of this act will be \$1400 per member, totaling \$57,400 over the course of the year. (It should be noted that this only refers to the Parliamentary salaries, not Minister salaries and any others)

Notwithstanding all this, however, Mr. Speaker, we who are in Opposition to this Government, intend to move an amendment to the resolution that our

Parliamentary salaries be cut by 10%, rather than 5%.

In other words, if we can get the support of Government Members, the cuts which we are suggesting will be doubled that suggested by the Prime Minister. This would be a more meaningful sacrifice, totaling \$114,800, and it would be our suggestion that this sum be dedicated to restoring some of the cuts in Government grants to charitable organizations or the cuts in Government grants to the Grant-In-Aid schools. It is also our view that the Government should agree for the resolution to be sent to the Senate for its approval.

Conclusion

Mr. Speaker,

The Government proposes to reduce the GFS deficit of \$425 million in 2009/2010 to a lower deficit of \$227 million in 2010/2011. It is a target that is both ambitious and aggressive and can only be achieved in my view, if and only if, there are no other external disturbances that could produce a double dip recession; there are no natural disasters this year, such as major hurricanes; that the expenditure freeze and budgetary cutbacks do not produce any labour unrest and lastly that the projected revenue growth from increased taxation is indeed realized as opposed to being subjected to an unintended effect of higher taxes yielding less revenue. Economists refer to this as the 'elasticity effect'.

Mr. Speaker,

The total revenue forecasted to be collected over the next fiscal period is in the amount of \$1.492 billion or approximately \$200 million more than was collected in the 2009/2010 period. It should be useful to note at this point that about \$70 million of revenue last year represented a type of 'windfall' or essentially, revenue of a non-recurrent nature. The first was the imposition of a reportedly arbitrary stamp tax of about \$40 million on the sale of the oil storage facility in east Grand Bahama and secondly, the declaration and payment of an extraordinary dividend by BTC to the Government in the amount of about \$30 million. If those figures were deducted, at the very least the Government would be looking at about an extra \$270 million in revenue to meet its planned expenditure over the next fiscal period. We wonder if this is realistic, given the fact that the economy is expected to shrink this year by 0.5% after having shrunk and estimated 4.5% last year.

Mr. Speaker,

Finally, the structure of the Bahamian economy: small, open, narrowly-based and import-dependent, requires positive year over year economic growth to increase the demand for imports and as a consequence, contribute to the growth in Government revenue, particularly from Customs duties and Stamp Taxes. About four items in the transportation sector account for more than 35% of total

Customs Duties / Excise Taxes. Those are new and used automobiles, automotive parts, and gasoline and motor oils.

The increased duty on the transportation sector is likely to reduce the quantity of imports to that sector so much so that the increase in the import duty rate would not be able to compensate for the amount of revenue lost due to the decline in imports. That is the elasticity effect I referred to earlier. Secondly, by increasing the economic cost in our two major economic sectors, tourism and banking, at a time when both are under stress with historically low occupancy rates and loan arrears in excess of one billion dollars or 18% of the total portfolio, respectively, is likely to produce further contraction of the economy leading to less Government revenue, bigger deficits and the need for more Government borrowing and ultimately unsustainable debt ratios and further downgrades by the very international agencies that these austere budget measures were intended to impress.

Mr. Speaker,

The vision of the Progressive Liberal Party is to have in place a social platform on which every Bahamian can stand with security, and where none fall below the level of social comfort provided by that platform. That is our vision of Government.

I conclude as I began by reminding the Government that public policy must encompass and accurately reflect the collective will, desires, hopes, dreams, and sensibilities of the Bahamian people.

It is of paramount concern to the people of this country that we are all engaged in protecting and promoting their best interests.

That is why we of the Progressive Liberal Party insist that people must be valued above things; above mere numbers on a balance sheet.

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