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Member of Parliament

Elizabeth Constituency

2010 Budget Presentation

June 2, 2010

*Prelude: How We Got Into This Mess*

Mr. Speaker ...

Notwithstanding the pride and honor I feel to stand here on behalf of the wonderful constituents of Elizabeth, who not very long ago reposed their confidence in me, and mandated me to represent their needs and concerns in this honorable place, it is in reflection of my election here that it became painfully clear to me the priority of the present leadership of our Country. Along with pride and honor then is a discomfort, knowing just how much resources were expended by those directly responsible for the over-sight of our collective affairs through a bye-election in the Elizabeth Constituency.

I am grateful to be here but this budget forces all of us to count the cost. This budget against that backdrop causes us to ponder what kind of Government is leading us in these extraordinary times of hardship and uncertainty.

And how did we get in this position Mr. Speaker? Was it just a global recession alone? Or is it as Standard and Poor's suggests, partially attributable to the bad policies of this visionless and regressive Government? In preparing for this presentation, I took a close look at the attitude of this Government to fiscal matters since assuming office in 2007 to try to get a feel for what they might have been trying to achieve over the last few years. The new Government was extremely happy to revel in the success of an economy which had grown by over 4 percent the year before and was poised to do the same or maybe even exceed that performance in the incoming fiscal year. Things were undisputedly good.

By 2008, this new administration's first real budget, despite the onset of global economic warnings, the Government was still "cautiously optimistic" about fiscal matters and our immediate to mid-term economic future. In fact, the Member for Marco City, in a presentation to The Bahamas Outlook Forum in early 2008, stated **"I reiterate this administration's belief that the Bahamian economy will perform admirably in 2008 and that its prospects for the medium**

**and long term are promising.”** Even after Standard & Poors downgraded the Bahamian economy late in 2008, this administration still would not face the reality of where the country was headed. The Member for St. Annes stated when questioned on the downgrade **“Our current indicators are that our foreign reserves are still fairly high, unemployment – though it has increased recently – is also within limits that we feel can be managed, and we will adjust fiscal policy accordingly.”**

Having created an atmosphere of distrust toward the policies of the Christie administration, and deliberately stalling the capital works and other projects left “ready to go” by their predecessors, the Ingraham administration in 2008 thought it politically expedient again to sell a message of “the sound fiscal status of our economy” which they credited to their years of governance from 1992, even-though the straw market fire and post 9/11 saga had discredited their performance just before the 2002 General Election.

Hear them through their own words in the 2008 budget communication:

**“And so we have carefully determined the size and components of the fiscal programme which will touch every family with significant financial relief, but which at the same time will not under any circumstances compromise the sound fiscal status of our economy which we have worked so hard to maintain through several terms in Government.”**

**“We must all be reminded that it is because we maintained a prudent economic policy in the years 1992 to 2002 that we now have the fiscal headroom to meet the present unsettled situation without compromising the medium-term fiscal policy stance.”**

**“It is primarily through the medium of its annual budgets that Government creates and renews initiatives to positively impact the lives of its citizens and provide good governance. And so this Budget is designed to provide an opportunity to invite our young people to look into the future and to become part of a future which we and they want for themselves and our country.**

**We seek in this Budget to enable us to bolster and support the positive; to remove any sense of alienation that exists in segments of our population, and to redirect the energies and imagination of all our young to positive goals that contribute to the betterment of Bahamian society. We envisage this process resulting in reduced social tensions which have provided the seed-bed for crime and in moving our society towards our National Anthem’s ‘rising sun’.”**

But no sun was on the horizon. Well into 2008, they had no clue that this future of which they spoke and promised to the youth of our Country was in jeopardy, and had measures been gradually implemented from then by a Government intuitive enough to perceive the signs of the time, we may not have found ourselves so grossly impacted by the global recession and the economic and social ramifications which intensified throughout our communities by the 2009-10

period where the bottom fell out from us financially, unemployment increased astronomically, and we went on to record our highest murder and violent crime rates of all time.

By careful analysis of the 2009-10 Budget Communication, it should have become clear to those of us paying attention, the regressive approach of our matter of trust Government. Since the 2010-11 Budget is hinged on and justified by the stabilization of the debt to GDP ratio which is increasing at a dangerous rate, let us quickly take a look at the first reason why their strategies employed to achieve this simply cannot be trusted. In 2008-09 their position was: **“The reduction in the GFS Deficit from 2006/07 to 2007/08 shows that this Government is firmly committed to fiscal prudence in the interests of the welfare of the people of The Bahamas. As Honourable Members are aware, maintaining a prudent fiscal policy is the bedrock on which the soundness of our economy is constructed. Without a prudent fiscal stance, The Bahamas would not be as able to attract productive inward investment and employment and living standards would be endangered.”** One short year later, like the shifting of the wind, their position was as follows:

**“Here at home we are currently experiencing a severe downturn in our economy in a most extreme form - reduced tourism, reduced foreign direct investments, reduced government revenues, reduced employment and contracting living standards. Our prudent economic policy of containing the fiscal debt within the range of 30% to 35% of Gross Domestic Product (GDP) provides the fiscal ‘headroom’ that enables the Government to borrow funds on reasonable terms when external economic events turn against us, as they have done. However, the magnitude of the current global crisis is such that we must now seriously contemplate a significant – but temporary – increase in the ratio of Government Debt to GDP. If we had no headroom on Government debt, the most severe and painful adjustment measures would have to be envisaged.”**

Needless to say, intermingled with poorly thought and executed stimulus spending, and the wasteful abuse of the public purse, the Government embarked on a borrowing initiative, the likes of which our children might not be able to repay. Capital works projects are proving a thorn in the sides of ordinary Bahamians, the profits of which have not trickled down to those in real need in our Country nor have they put a dent in our unemployment figures. The temporary jobs, the BEC relief hand out, the attempt at training handout, the social services handouts and the unemployment benefit handout, have not amounted to any serious hand-up interventions, further hampering our ability to position our people to take advantage of any possibility of a rebound.

Now as if embarrassed about failed stimulus spending and a failed social agenda, this government has through the 2010-11 budget hardened their hearts and will punish our people, the neediest of our people, to try to escape blame for their schizophrenic economic mishandling over the past three years.

***Intro of General Theme: Increased Taxes at the Expense of Economic Expansion***

A Budget should be an instrument that a Country can rely upon to accurately set forth the financial course on which it will embark. As such there is an obligation on the Government to present a Budget to the Bahamian people that not only inspires and directs policy but one that is fundamentally accurate. This Government has had a trend of inaccurate budget projections – underestimating expenditures and over estimating revenue. The most recent example is last year's Budget where expenditure was 24 million dollars more than forecasted and revenues were an alarming 94 million dollars less than projected. But one only needs to look at the tables annexed to the Budget to observe what will also be inaccuracies in this Budget.

For the past decade there has not been one year in which recurrent expenditures has remained the same or decreased. This Government however would like us to believe that expenditures will remain at the same level from one year to the next. What however is more alarming and unreliable are the revenue forecasts in this budget. This Government would like us to believe that in the middle of a recession where they are potentially damaging significant portions of the Bahamian economy through their taxes that they will increase revenues by an astonishing 197,000,000 dollars. This is despite the Bahamas over the last decade even in the best of times never achieving this growth in revenues. These forecasts, like their inventors are unreliable, unbelievable and irresponsible.

This budget in particular reveals that this Government is unwilling or unable to produce a clear economic policy direction for our Country. In these times, a budget should be more than numbers, but should be a predicate to new and progressive economic policy. Over the past week, there has been a growing disappointment throughout our Country, in all segments of Bahamian society over the lack of fortuitous planning on the part of this Government. More and more Bahamians are expressing a feeling of being taken for a ride by a Government, controlled by special interests who have no real interest in the so called, improvement of the quality of life for all Bahamians. It is a ride even those who were once anxious to get on are now simply willing to jump off.

Having been brought to our knees by a global recession, and subsequently coming to grips with the inefficiencies of our existing economic pillars, Bahamians have been crying out for an economic policy of inclusion, expansion, and empowerment. Our over reliance on the United States in particular which has made us vulnerable to such a detrimental degree has ignited a need for self reliance among our people, many of whom were laid off when the fall-out from global, namely, U.S. markets affected our number one industry, tourism.

What we are requiring from our Government in the midst of this crisis then, first and foremost is a Government who will identify the problems of business as usual in this Country and seek in partnership with the Bahamian people to direct us as a Nation toward steady and achievable short term and long term goals which will ensure that we do not remain as vulnerable as our past as condemned us to be. The first failure of this budget is that it lacks hope, it lacks direction, it lacks a national plan of the redirection of the collective will of all of us.

We on this side know that desperate measures are necessary because this Government has put at grave risk the continued value of the Bahamian dollar on par with that of the U.S. but the Rt. Hon. Member for North Abaco has yet again demonstrated a lack of faith in our people and done a great disservice by making the language and intent of this budget solely about the stabilization of the debt ratio. This is a necessary component, but Bahamians deserve more vision, more ideas. There is no explanation when we can move past this hurdle and begin a reduction of debt. This a hurdle will continue to be set before us, long after he is gone, into a national discussion on where we are as a people, our need for tax reform and economic expansion as a shared responsibility between Government and our people, so as to begin the necessary modification to the economic structure of the Commonwealth of The Bahamas.

I put it to you that expense reduction alone cannot overcome this hurdle and put us on the path to achieving these lofty yet dire goals. Coupled with our efforts must be clear and innovative policies, programs and procedures for revenue generation. This is the absence of vision of which I speak with respect to this Government of management or mismanagement as is the case. It is wrong, irreprehensible and irresponsible for a government to levy upon a people this degree of taxation and pain without 1) adequate warning and explanation 2) clear policy direction, and 3) the hope of revenue generation through economic expansion.

Well the old adage says, “Those who fail to plan, plan to fail.” And, in the absence of a real plan, in my opinion, this budget is yet another strict adherence to international advice which in another breath now says that you have spent too much on poorly managed schemes and hence in order to mitigate further damage to your credit rating and foreign reserves, and to be able to continue to borrow you must now increase revenue through taxation, as well as dramatically decrease expenditure, specifically forcing you now to end most of the relief to our people during what is likely to be the most vicious period of our national economic crisis, again with no plan to create jobs or opportunities i.e. revenue generation through economic expansion.

We on this side fully appreciate that the Government of The Bahamas who must accept some level of blame, now finds itself in a jam which immediately requires greater efficiency in government spending and revenue collection. However, we reiterate that effective collection is not the only answer to revenue generation. We further reiterate that there are at least two ways to increase Government revenues in the face of rising debt and that is increased taxation yes but coupled with bold and innovative economic expansion. Instead, this Budget is designed to promote **increased taxation at the expense of economic expansion.**

### **Direct Response To Budget**

Her Majesty’s loyal opposition has fittingly described this budget as a tax and pain Budget. This is a tax scheme which contrary to reports from the Government will tax ordinary Bahamians. This was the same thing we had to endure after the 2008 Budget. In a well worded attempt aimed at simplifying customs tariffs and amalgamating customs duties, Bahamians quickly learned that

what on the surface seemed to be tax relief turned out to be increased taxes on some of our most basic and necessary items. At least this time, taxes are less hidden.

For example we note that the Rt. Hon. Member for North Abaco has announced measures for the sake of simplifying car licensing fees or as he put it, **“The current system for determining motor vehicle fees is inordinately complex and cumbersome, as it contains 19 separate vehicle and rate categories. In order to simplify this system and facilitate administration, a new fee structure is being introduced that contains only three separate vehicle classes, based on the weight of the vehicle. The annual fees are also being increased to better reflect the impact of vehicles on the Nation’s roadways and to cover the cost of street lighting, for which the Government will in future make payments to BEC.”**

When this is examined more closely it becomes apparent that this is not an exercise to merely simplify or regulate but it amounts to increased taxes on unsuspecting Bahamians. Once implemented we are sure to individually experience the real impact of this so called simplification process. What alerts us to the fact that this will result in increased taxation is the fact that the Government expects increased revenue to the tune of over 8.5 million dollars. Surely if this were just simplification measures, revenue from this particular source would be equal to or less than that of the last fiscal period.

It must not have been two days after the Rt. Hon. Member for North Abaco read his communication that the Ford Dealer announced that they had to cancel 200 orders because of another vehicular related measure introduced by this budget. Often time the cry of the common Bahamian goes unheard but I most certainly knew that this Government is set to receive unprecedented backlash when it was announced that car dealers would be severely hit in their pockets as well.

Two short years ago the Government of The Bahamas under the leadership of this very same Prime Minister held such high promises for the youth of our Nation as I repeat some of his words in his 2008-09 communication, **“And so, while ensuring that we provide opportunities for our focused youth to realize their full potential we must also redouble our efforts to reach out to those who are disengaged. We must assist them in understanding how very fortunate we are to have progressed so far in The Bahamas and encourage them to see how they might lead meaningful and productive lives.**

**It is primarily through the medium of its annual budgets that Government creates and renews initiatives to positively impact the lives of its citizens and provide good governance. And so this Budget is designed to provide an opportunity to invite our young people to look into the future and to become part of a future which we and they want for themselves and our country.”**

Today so many of the dreams of our youth are potentially being slashed and burned as such

drastic measures are being forced upon us because of this Government's inability to prepare us for what has been such difficult times.

Similar uncertainty now also looms over many of our Family Island mail boat operators, which without Government subsidy will find it almost impossible to continue certain routes which to date they have serviced without any meaningful profit even with Government assistance. For many years the stories of many of these mail boat operators have gone unheard as they provide in a still largely developing Bahamian environment, goods and services for some our most remote locations. As an example, when I visited Rum Cay I spoke with the mail boat operator. He told me that without Government subsidies he ran the risk of not being able to service Rum Cay.

The likely implications for the handful of residents of some of these locations who would suffer if certain vessels were simply unable to service these routes any longer may seem trivial to many city dwellers but we must remember that we are all equal in this Bahamian experiment and all deserving of certain basic rights and services. Certainly I implore the Government under its relevant agencies to perhaps consider subsidy cuts to mail boat operators on a case by case basis so as not to jeopardize certain existing routes.

The repayment of Government debt will receive the lion's share of our budgetary allocation this year as symbolic of the shift in Government economic priority given these extreme times. The Ministry of Social Services which has borne the burden over the past year or two of the psycho-social ramifications of the economic fall-out, will find its duties increasingly frustrated as it will have to turn away many Bahamians who today are still losing their homes, having to balance between buying food and affording what will be a rate hike in electricity. Resources and Government support is being slashed during a time when although the Government has to decrease spending but there is still no economic rebound in sight. I do not wish to politicize this particular point as every social ill is likely to intensify in the face of the potential for increased levels of poverty with little or no Government intervention. I call on my colleagues on both sides to see the value in cross partisan partnership over the next fiscal year in our Country and to be open to heightened relationships with our churches and non-governmental organizations and charities in helping to meet the needs of our respective constituencies and to build strong interconnected neighborhoods and communities.

This fallout from the Global crisis and the consequences of this kind of budget does not have to be all taxes and pain. It is a wake up call for a new economic model, inclusive of the development of local investment and small businesses. Because its implications are so far reaching and threatens the sustainability and profitability of the whole, it forces us all to admit that change and new direction in economic policy must find its way to the forefront of individual and governmental practices or else, we are likely to leave to the next generation, a Bahamian economy trapped in the downward spiral which has catapulted many of our regional neighbors and many a developing Country into a deteriorated state. I am sure that no one here, irrespective of our differences wants that for our beautiful Country.

I can go on further with the cries which have already reached my ear with respect to the pain which will accompany this budget but as my background is one of finance, tax and economics I wish to say a word on the way forward in the Financial Services Industry, the need for Economic Expansion and some comments on tax reform. I believe that we cannot successfully climb out of our present dilemma and resist another onslaught of global economic consequences unless we reform our current tax structure and very quickly come up with an aggressive and visionary economic development model.

### **Financial Services**

#### **Importance of the Financial Services Industry**

Financial Services is a fundamental component of our economy, in fact, some studies indicate that more than 27% of Bahamian GDP is directly or indirectly attributable to the financial services industry. The job opportunities in the financial services sector are among the best paid jobs available, some studies indicating an average of more than B\$48,000 in the banking sector and more than B\$42,000 in the insurance sector. As an industry with such high average salaries, we should recognize that the industry has a multiplier effect, in other words, the loss of employment in the Financial Services industry can have more significant of an adverse impact on the economy at large.

As such, Financial Services play a crucial role in supporting the Bahamian economy, both directly by providing well paid employment opportunities for Bahamians, and indirectly by contributing and promoting to other key sectors of the economy, such as tourism, real estate, construction and to individuals in related employment opportunities. Additionally, Financial services companies and particularly their employees, whether expatriate or Bahamian, source goods and services from companies outside their industry, thereby generating activity in the rest of the Bahamian economy. This is known as the indirect impact or effect from the Financial Services industry.

#### **Introduction to state of the Industry**

This budget reflects penalties and constraints on an already challenged financial services industry. We witnessed last year the Bahamas slow to react to the OECD demands of Tax Information Agreements. We witnessed last year an offshore bank, BNP Paribas, pulling out of the jurisdiction, sacrificing jobs directly, and an unknown amount of work flow to professionals such as lawyers, accountants, staff related to homes for bank executives, etc. I am also advised that there are other financial institutions that are considering downsizing or otherwise leaving the jurisdiction.

At least with respect to BNP Paribas, their abandoning of the jurisdiction was directly related to the slow reaction of the Government to the OECD demands with respect to Tax Information Exchange Agreements. As we sit here today, of the 21 Tax Information Exchange Agreements signed, only 1 has been brought in force – the one signed with the United States early in the decade. It is of note that the TIEA's signed by The Bahamas in 2009 and 2010 must be brought



into force and effectively implemented in order to meet the OECD standard. There is an open question in the industry as to when these agreements will be brought into force, what are the mechanics involved, is the infrastructure in place to properly enforce demands? Also, what are the additional obligations that will likely materialize from the OECD in this regard?

The Government has decided to cut the budget by more than one third for the establishment of the Financial Intelligence Unit. I question whether this is the prudent thing to do in such an important industry, especially when it is anticipated that additional compliance pressure will come from the OECD countries.

The Government decided to increase fees for International Business Companies, making the jurisdiction less competitive on price in a highly competitive and mobile component of the financial services and offshore investment marketplace. This Budget clearly indicates, however, that these tax increases don't offset a loss of revenue by a struggling industry. Even with the increase in IBC fees, revenue decreases by more than \$4.5 million in this upcoming budget year. What logic does increasing fees play then? This is an indicator that demonstrates the pressure on the financial services industry and the movement of IBC's, which are used as investment vehicles, out of the jurisdiction and to competing jurisdictions. This Budget does not lay the framework and establish policies to grow the financial services industry and promote expansion from within.

#### Summary of the Industry

We claim that "With more than 6000+ professionals covering every aspect of financial services, The Bahamas is one of the most developed financial centres in the world. Products and services comprise banking, private banking and trust services, investment fund administration, capital markets, investment advisory services, accounting and legal services, e-commerce, insurance, and corporate and shipping registries." I am not sure that this is really what our industry is, in my opinion, our Financial Services Industry as it is presently comprised occupies a very narrow niche of Financial Services.

The current industry is generally focused on wealth preservation and management. We have not been committed to growing aspects such as the insurance industry, the fund industry, setting the stage for supporting trading desks in currencies, commodities and derivatives, or expanding into international commercial banking. We need modern and aggressive legislative, as well as distinct policy initiatives to encourage expansion of the Financial Services Industry into other areas and be a compliment to further economic growth.

#### Industry Reform and Expansion

There are a few areas in which the Financial Services industry can be expanded, which will not only provide more well paying jobs for Bahamians, will empower Bahamians, and will also broaden the base from which the Government can generate its revenues. We must re-commit ourselves as a jurisdiction for investment and mutual fund activity. As investments around the world become depressed, they become affordable. There will be another growth spurt in

investment funds. We should prepare now for that. We have already witnessed a growth in volume in the Cayman Islands, we should be preparing now to be a significant participant in this industry.

This requires reform in legislation to make it easy to form and administer an investment fund. As a protective measure, our legislation requires a local administrator. This has resulted in the Bahamas being less competitive; let's reform our legislation to what the industry is looking for. Let's compete with Cayman in this area.

Likewise, we should promote policies to attract incubator funds to this jurisdiction. An incubator fund is a smaller fund looking to establish a track record before it can solicit large scale investment. If we streamline and make it easy to administer such smaller funds, we can get the windfall when these grow. This provides opportunities on a sustainable basis for Bahamians to be involved in subsequent financings and offerings. This would promote not a one off transaction, but continuous work and income related to a single fund.

In a highly competitive market such as Financial Services, and industry that is always experiencing legislative reform on a global scale, we have to be diligent in identifying opportunities on a day-by-day basis. As we sit here, legislation is being passed in the United States Congress that will force significant reform to their financial markets. To remain competitive globally in Financial Services, to encourage expansion of the industry from within, we should consistently monitor these reforms and identify opportunities, such as opportunities in insurance and in derivatives as a result of the United States legislative reform. This is how we stay the best in the world in Financial Services, not sitting on our laurels.

There is also a concern in the industry regarding the governance of the industry. The PLP, when it was in office, established the Ministry of Financial Services, which would have been the designated institution to address these issues in financial services. The FNM government disbanded this Ministry when it came to power, presumably merely because it was a PLP innovation.

This has turned into a colossal mistake, and I challenge the Government to reinstate this Ministry to address the Financial Services issues that the Ministry of Finance has been slow to address. Proof that the PLP Government were visionaries in this regard, the Cayman Islands, just last year, announced that it was forming a Ministry of Financial Services to promote and develop policy for their Financial Services industry, mimicking the policy and vision of the PLP Government.

In addition, we should explore a legislative department that will work with the ministry of Financial Services to implement the policy developed by the Ministry in a practical and efficient

manner. There has also been a cry, and I think a good idea, for the establishment of a commercial court dedicated to hearing private wealth and commercial matters. This would encourage more business to be done in the Bahamas as international companies and persons would be comfortable that any disputes would be efficiently addressed.

While addressing commercial activities, to expand the banking component of the financial services industry, we should establish policy to attract commercial banking institutions. Commercial banking could lend to more Bahamian participation in the Financial Services Industry, – bring home Bahamians currently doing commercial international banking in New York, London and other jurisdictions. The promotion of commercial banking, a requirement to support commercial expansion in this jurisdiction, however, requires a fundamental reform and national strategy for our economic development and expansion.

There has been a lot of criticisms of this budget, but this is where I feel it fails the Bahamian people the most, there is no communication of a required policy shift to expand our economy, expand our current industries, and reform our taxing system to promote better collection and generation of government revenues.

### **Economic Expansion**

#### **Trade Agenda**

A key component to economic expansion that will work hand in hand with the expansion of the financial services industry in commercial banking and finance is the promotion and establishment of policy in international trade. The Bahamas is perfectly positioned, geographically and with its infrastructure to be a dominant force in international trade.

Instead of a minimal \$1 million to promote foreign investment, we should allocate a substantive marketing and policy budget to promote a trade industry. This would be an additional pillar of our economy creating economic empowerment for Bahamians, job opportunities for Bahamians, and training in new fields. Important to the Government, it will also provide more necessary sources of revenue.

We have signed on to the Economic Partnership Agreement which allows companies here to have preferential trading with Europe. We anticipate joining the World Trade Organization. Yet, we present no clear national policy on trade, on expanding into new areas of our economy.

The benefits from expansion through international trade are clear. Despite this need to develop additional pillars of our economy for which employment, additional ownership, economic empowerment and additional government revenues can be generated, this Government through this budget and recent actions appears to be anti-trade. As an example, the development of the container port on Arawak Cay, the monopoly that is granted in the MOU is an anti-trade proposition. Consider this - with the shift in population to southern New Providence and the

development of southwestern New Providence if it were one day economically prudent to establish another port facility in the south, this MOU makes it impossible. Additionally a line item in the Budget reduces funding for international trade by almost 30% when we should be increasing the allocation.

I challenge this Government to **delay the implementation of the Arawak Cay port development**. Not only because of its anti trade implications but because the **16 million dollars of tax payers money the Government has allocated for the Port can be reallocated to off-set budgetary cuts in the Department of Education, the Department of Social Services, the Public Hospital's Authority, and the Judiciary with change left over**.

Economic expansion is not only expansion of new industries, but also, as discussed prior in the Financial Services industry, expansion of current industries. An effective budget would set national policies in this regard.

### Tourism

The Bahamas has been experiencing significant pressures on its traditional tourism product. Even given its diversified archipelagic make-up and proximity to the United States of America, we have been struggling to attract the numbers of visitors we ought to be, all while our cultural attractiveness has been slowly dying.

One of the saddest examples of an inability to find the right formula for our tourism product is the tourism performance of Grand Bahama. I recently had occasion to visit Freeport, where I stayed in perhaps one of the most beautiful properties in our Country, if not the region. Our Lucaya has struggled over the last few years to climb above occupancy levels in the 20 and 30 percentage rates. Grand Bahama at its most westerly point sits at just about fifty nautical miles from West Palm Beach Florida, yet we have been unable to attract sustainable tourism to an Island which has more planning and less crime than New Providence.

I call on this Government, given the challenges our number one industry is facing not to hamper it by an increase in taxes just as it may be experiencing a rebound but that we must assemble the minds across the divide to recreate a product that would attract stop over visitors in the numbers which made us the leaders of this industry that we were in the past. To come up with creative ideas to once again be attractive to visitors.

I have colleagues on this side and the other side who have ideas that go to the deepening of our culture and our tourism product – a form of economic expansion. I was amazed after my example of how to easily implement measures to enhance cultural tourism which I shared during the bye-election campaign how many other members spoke of other ideas to expand our tourism product - medical tourism, corporate tourism, edu-tourism, eco-tourism just to name a few. The problem which continues to stifle us I believe is that we have done tourism for so long that we allowed ourselves to fall off the cutting edge. We need to be flexible, creative and quick to respond to

changing demands of our clientele.

Economic expansion does not have to be an impossibility for this Country. If we start in improving the quality of the industries which have sustained us for years, not only does it give us opportunity to seriously discussing the food needs or other markets grossly limited by a population of 300,000 Bahamians but then we can launch into light manufacturing, and agriculture and fisheries with millions of visitors sure to visit our shores and I dare say, own homes as well, in our Country. In order, however, to ensure the long term growth and success of commercial economic expansion, and the attraction of multi-national companies to our shores, we also have to promote and commit to fundamental tax reform.

### **Tax Reform**

The current form of taxation is regressive, a penalty to small businesses, but what might be one of the more important consequences, does not generate enough revenue to support the expenditures of the Government. We witnessed the exodus of the headquarter operations of many of our international banking operations to Barbados, partly because Barbados had an aggressive policy of tax reform. Tax reform can actually attract multi national companies to our shores, participants in a trade agenda, participants that would encourage an expansion of our financial services industry.

There is a lot of debate on what a reformed tax system should be, and frankly, bi-partisan and comprehensive dialogue needs to happen in this regard. I am not going to stand here and argue for one form of tax reform versus another, but only to say as we enter into membership in the World Trade Organization, as I hope we make a commitment to developing a trade agenda and expansion of industries such as Financial Services, that we as a country explore the true implications of tax reform.

### **Need for a National Plan in Partnership with All Bahamians**

I have presented a number of ideas on a policy agenda that I would have liked to be contained in the budget. Many are distinct in nature, such as Financial Services reform, promotion of a trade agenda and tax reform. However, what is connected is the need for a national economic plan to exploit each to its fullest extent. As I have described, these proposed reforms are all connected in a certain degree, where one helps promote the other and the success of one could be dictated by the implementation of another.

We as a country, in these tough times, in times where the Government cannot collect enough revenue to meets its obligations, in an era where government debt is close to spiraling out of control, a national economic plan is required. The PLP believes this is a matter of urgency, and should be a fundamental component of a budget.

### **Small Business Development**

Before closing, I want to speak to small business development, and the implications for its growth. The Prime Minister in his Budget Communication almost won me with this figure of ten million dollars for the development of small and medium sized business until careful review revealed that while small business development is likely to receive greater focus because of the harmonization of certain Government agencies, the actual monetary increase in its support has only increased by One Million dollars. But to your credit it is a start.

I submit what it is also is a confession that small business development is vital to the over-all economic recovery and success of our economy and that greater and immediate attention must be given to the legislation and training necessary to foster the growth of this sector. I wish to state again that I have introduced a training initiative in my constituency that will offer ten-week small business courses with a comprehensive curriculum to interested persons as of this summer. As mature leaders we should not always have to wait on Government to take the lead and the responsibility.

Yet to this end it is imperative that Government understands until it leads in the attitude of the achievability of small business development, economic expansion, and self reliance, the dreams and aspirations of our people will not match the potential opportunity for growth. We need government to believe then before our citizenry can believe. For this reason as well a budget which seeks to tax at the expense of economic expansion is dangerous to the very psyche of our people.

### **Conclusion**

It is frequently discussed that the psycho-social development of developing countries cause their people over time to be socialized to believe that it is dangerous to aspire to climb toward once forbidden goals. I go as far as to say that the seriousness of this era is that of reversing the tendency of Bahamians to believe that there is any reason to aspire to higher heights and greater achievements. The fight for the next Government of The Bahamas is the fight for those of us called to leadership who believe in the potential of our people and who are committed first and foremost to inspiring our people to dream a new Bahamas where they are truly full and equal partners in a Country where their Government is prepared to employ new and creative measures to harness their creative genius and partner in the creation of opportunities to generate new wealth.

Can we create 30,000 new jobs. I believe we can. I believe we have the brain capital right now to not only create the environment for the explosion of small business development in our various communities, even if we have to do so in partnership with foreign direct investment. But I also see the possibility of job creation in agriculture and fisheries, souvenir and light manufacturing and green jobs as a symbol of our dedication to playing a role in the mitigation of climate change for our sakes.

Our efforts can be further strengthened through massive training and employment schemes built around agriculture and manufacturing which also entails a national youth component. The rescuing of our economy and society is intertwined with our ability to arrest this new culture of violence and other forms of juvenile delinquency prevalent in our communities and to redirect the energies of our youth toward more loftier goals. I do not believe that it is too late but I do believe that the time is now. I do not believe that we can be serious about these efforts and the other serious social impediments before us with a budget that seeks to **implement taxes at the expense of social and economic expansion.**

For the reasons outlined in my presentation, I cannot support the methodology of the 2010-11 Budget, although I know that it will pass. My decision is one in solidarity with the many citizens of this Country who will be directly and indirectly affected by the callous level of taxation hidden in this budget, which I believe in the long run will bring our economy to a screeching halt as opposed to bringing the desired decrease in debt to ratio projection.

My decision is one made given the serious need for tax reform, economic expansion, and national planning desperately needed to secure a future that will not be overly burdensome on my children. I do not support how this budget was constructed because to do so contradicts our need to change the way we do business and generate revenue in our Country.